EXECUTIVE BUDGET
APPENDIX II

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PART I

FINANCIAL PLAN OVERVIEW

FINANCIAL PLAN OVERVIEW

The Financial Plan Overview summarizes the Governor's Executive Budget for 2003-04. The State Constitution and State Finance Law prescribe the content and format of budgetary information to be supplied by the Governor at the time of submission of the Executive Budget. This section of the Budget fulfills the requirements of section 22 of the State Finance Law, providing summary financial plans and explanations of projected receipts and disbursements for the State's major governmental funds.

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SUMMARY

Prior to September 11, 2001, New York's finances were in their best condition in decades. Spending restraint coupled with sensible tax cuts and meaningful debt reform produced six consecutive cash surpluses, record levels of reserves, the elimination of the accumulated GAAP deficit, and the State's highest credit rating in 24 years.

Over the past 18 months, New York's finances have sustained a series of extraordinary blows: the horrific devastation of the September 11 attacks, a sustained national recession, and a sharp downturn in equity markets fueled in part by corporate accounting scandals and the associated weakness in the financial services sector.

Unfortunately, the economic recovery projected by most economists has not materialized and the State now faces a serious fiscal crisis. As a result, the Executive Budget must reflect the reality of slower economic growth and meet the challenges ahead while maintaining the State's progress in improving its fiscal integrity.

The actions already begun by the Governor this year, coupled with the recommendations in this Executive Budget, are designed to close a potential $2.2 billion shortfall in 2002-03 and a $9.3 billion shortfall in 2003-04. The Governor's multi-year Financial Plan is predicated on spending restraint, and seeks to quickly return the State to structural budget balance without depleting the State's rainy day fund, without raising broad-based taxes that would slow economic growth, and without wholesale layoffs or fiscal gimmicks. While the reductions contained in the Executive Budget are difficult, they are necessary. In keeping with the policies and practices that have been so successful in fostering economic growth for the past eight years, and by using tobacco proceeds to provide a bridge between recurring savings and gradual revenue recovery, the Governor's plan maintains critical programs and services without sacrificing the State's competitiveness. The value of the recurring actions proposed with this budget, combined with future savings from the Governor's multi-year effort to produce a leaner, more efficient government, will help return State finances to structural balance.

Restoring the State's finances to structural balance while reinvigorating our State's economy requires multi-year planning. By restraining spending, the State will have the financial wherewithal to foster economic growth and provide for the health and safety of New Yorkers.

MAINTAINING 2002-03 BUDGET BALANCE

Before the Governor's actions and recommendations, the State was facing a potential $2.2 billion shortfall in 2002-03. The Governor's plan will close the entire shortfall. The causes of the potential shortfall and the recommended solutions to maintain budget balance are summarized in the tables below. A more detailed description of both the causes and recommended solutions to maintain 2002-03 budget balance is provided in the "2002-03 Financial Plan Update" section later in this document.

Causes of 2002-03 Shortfall (billions of dollars)	
Receipts Below Plan	$2.1
Spending Above Plan	0.1
Total Shortfall	**$2.2**
Recommended Solutions (billions of dollars)	
Administrative Savings Actions	$0.7
Tobacco Securitization	1.5
Total Savings	**$2.2**

The $2.1 billion in lower-than-projected receipts includes $1.9 billion in personal income taxes and $320 million in business taxes, offset by higher-than-projected receipts of $83 million in all other categories. In addition, before savings actions commenced by the Governor, the projected increase in spending would have been roughly $100 million more than expected, primarily in higher costs for Medicaid ($100 million), the World Trade Center ($51 million), the Tuition Assistance Program ($33 million), and the Early Intervention Program ($30 million), partially offset by lower than expected spending in fringe benefit costs ($71 million) and in a variety of other programs ($20 million).

Nearly $700 million in savings are projected from efforts begun earlier this year to reduce costs. This reflects stringent controls on operations including a 5 percent reduction in State agency spending, aggressive use of the targeted retirement incentive plan, and Federal maximization efforts ($328 million). In addition, prudent debt management actions, including efforts to take advantage of record-low interest rates and refinance high-cost State debt, will lower debt service costs ($364 million).

To avoid disruptive mid-year reductions to school aid and other programs, the Governor is seeking authorization to securitize the State's share of receipts from the tobacco manufacturer Master Settlement Agreement. Roughly $1.5 billion of the first $1.9 billion installment will be used to help balance the State Financial Plan in 2002-03 in a manner that will permit an orderly transition to recurring structural budget balance. The remainder will be reserved for use in 2003-04.

MAINTAINING 2003-04 BUDGET BALANCE

The State is facing a potential $9.3 billion shortfall in 2003-04. The Governor's Executive Budget recommendations will close the entire shortfall. The causes of the potential budget gap and the recommended solutions to maintain budget balance are summarized in the tables below. A more detailed description of both the causes and recommended solutions to maintain 2003-04 budget balance is provided in the "2003-04 General Fund Financial Plan" section later in this document.

Causes of 2003-04 Imbalance (billions of dollars)	
Projected Spending Increases	$4.6
Receipts Below Plan	3.1
Use of Reserves in 2002-03	1.6
Total Projected Shortfall	**$9.3**
Recommended Solutions (billions of dollars)	
Spending Restraint	$5.6
Tobacco Securitization	2.3
Revenue Increases	1.4
Total Savings	**$9.3**

Most of the $3.1 billion revenue shortfall is due to lower than expected income tax receipts, while the $4.6 billion in projected spending growth is primarily for Medicaid, welfare, debt service, pensions, school aid and health insurance. The use of reserves in 2002-03 helped offset the losses created in the wake of the World Trade Center disaster, but these reserves are now unavailable in 2003-04.

Recommendations in 2003-04 include $5.6 billion in savings from controlling the growth in State spending through program restructuring and the utilization of Federal and other revenue sources to offset spending growth. Significant proposals include savings in school aid ($1.27 billion), Medicaid cost containment initiatives ($1.02 billion), State Operations savings ($1 billion), use of Federal funds and other efforts to support welfare spending ($587 million), spending restraint and Federal aid maximization efforts in other local assistance programs ($977 million), debt management actions to reduce debt service costs ($516 million), and nearly $300 million in spending restraint in all other program areas.

Revenue proposals of $1.4 billion in 2003-04 include eliminating the permanent exemption on clothing and footwear priced under $110 and replacing it with an exemption on clothing and footwear priced under $500 effective during four separate weeks during the year ($363 million), reimposition of a hospital and home care assessment to support health care programs ($207 million), insurance tax changes ($158 million), a one-year cap on School Tax Relief (STAR) benefit increases ($93 million), and a variety of fee increases and other actions ($527 million).

Tobacco securitization proceeds contribute $2.3 billion in 2003-04 and another $400 million is reserved for 2004-05. These proceeds will be used as a transitional financing tool to avoid more draconian actions and help bring the State budget into structural balance through recurring spending restraint over a multi-year period.

The Executive Budget recommendations preserve the Tax Stabilization Reserve Fund (the State's rainy day fund), maintain tax cuts enacted in previous budgets, and do not rely on uncertain Federal actions for budget balance. The rainy day fund totals $710 million, its highest level ever.

2003-04 RECOMMENDATIONS REDUCE THE OUTYEAR GAP

Prior to the 2003-04 Executive Budget recommendations, the State also faced outyear budget gaps of $10.2 billion in 2004-05 and $11.1 billion in 2005-06. As summarized below, the recommendations proposed by the Governor balance the 2003-04 budget and dramatically reduce the outyear gaps to $2.9 billion in 2004-05 and $4.2 billion in 2005-06. Clearly, these recommendations represent an important step in returning State finances to structural budget balance. These outyear projections are explained in more detail in the "General Fund Financial Plan Outyear Projections" section later in this document.

OUTYEAR SAVINGS FROM 2003-04 EXECUTIVE BUDGET RECOMMENDATIONS (millions of dollars)

	2003-04	2004-05	2005-06
Projected Base Level Gaps	**(9,264)**	**(10,171)**	**(11,080)**
Spending Restraint	5,638	5,660	5,696
Revenue Proposals	1,348	1,212	1,148
Tobacco Securitization	2,278	400	0
Remaining Gaps	**0**	**(2,899)**	**(4,236)**

2003-04 RECOMMENDATIONS RESTRAIN SPENDING

The chart below summarizes General Fund, State Funds, and All Governmental Funds spending projections reflecting the 2002-03 and 2003-04 Executive Budget recommendations described above.

2003-04 SPENDING PROJECTIONS (millions of dollars)				
	2002-03	2003-04	Dollar Change from 2002-03	% Change from 2002-03
General Fund	39,787	38,644	(1,143)	(2.9)
State Funds	58,963	58,890	(73)	(0.1)
All Governmental Funds	90,948	90,822	(126)	(0.1)

As a result of these recommendations, annual General Fund spending declines by $1.14 billion. State Funds and All Funds spending remains essentially flat, with the proposed budget actions offsetting the planned growth in program costs. These changes are explained in more detail later in this document.

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 2002-03, and describes the recommended Financial Plan for 2003-04. It then provides an explanation of the State's estimates for 2004-05 and 2005-06.

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.

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, comprises four major fund types, and provides the most comprehensive view of the financial operations of the State. It includes:

- The General Fund, which receives most of the State's tax revenue and accounts for spending on programs that are not supported directly by dedicated fees and revenues;
- 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 2002-03 through 2005-06 fiscal years.

2002-03 ACCOUNTING RECLASSIFICATION

In 2002-03, the State Comptroller chose to restate the classification of debt service payments to the Revenue Bond Tax Fund (where debt service is paid on personal income tax revenue bonds). This restatement has the effect of shifting over $4 billion in personal income tax receipts out of the General Fund and, after a deduction for debt service, transferring these funds back to the General Fund. Both reported personal income taxes and reported debt service spending in the General Fund are thereby distorted. Please see the tables at the back of this section for a crosswalk of this restatement.

THE 2002-03 FINANCIAL PLAN UPDATE

The updated 2002-03 Financial Plan reflects revisions based on a review of actual operating results through mid-January 2003, an updated analysis of underlying economic, revenue, and spending trends and the accounting reclassification by the State Comptroller described above. The recommendations in 2002-03 maintain budget balance by proposing a series of actions totaling $2.2 billion.

The $2.2 billion potential imbalance reflects projected lower receipts of $2.1 billion and higher spending of just over $100 million. The decline in revenues from the last plan includes $1.9 billion in personal income taxes and $320 million in business taxes, offset by $83 million in higher revenues in all other categories. The spending increase of roughly $100 million before savings actions results from higher costs for Medicaid ($100 million), the World Trade Center ($51 million), the Tuition Assistance Program ($33 million), and the Early Intervention Program ($30 million), partially offset by lower than expected spending in fringe benefit costs ($71 million) and in a variety of other programs ($20 million).

The budget is kept in balance by $692 million of savings initiatives, including debt management actions to take advantage of lower interest rates ($364 million), and the Governor's imposition of stringent controls on operations including a 5 percent reduction in State agency spending, aggressive use of the targeted retirement incentive plan, and Federal maximization efforts ($328 million).

To avoid disruptive mid-year reductions to school aid and other local assistance programs, the Governor is proposing the sale of tobacco settlement payments of $1.9 billion in 2002-03 — $1.5 billion to help maintain 2002-03 budget balance and the remainder to act as a reserve for use in 2003-04.

In early December of last year, the Governor put forward a tobacco securitization plan. This proposal would authorize the sale of future tobacco receipts by a newly established entity and transfer from taxpayers the risk that tobacco companies might not be able to sustain these agreed-upon payments. The financing plan is structured to generate these resources at the lowest possible cost to taxpayers.

While legislative inaction to date precludes receipt of these funds by early March, immediate action following submission of this budget should allow tobacco securitization receipts to be available by the close of the current fiscal year. If such approval is not forthcoming, the State may be forced to temporarily delay payments until the first quarter of 2003-04, when the transaction must be completed in order to finance these payments.

UPDATE TO 2002-03 RECEIPTS ESTIMATES

Total General Fund receipts, including transfers from other funds and tobacco securitization proceeds, are now estimated at $39.94 billion, a decrease from 2001-02 of $1.21 billion. General Fund receipts are projected to be $40 million above the projections contained in the Mid-Year Update. Due largely to the accounting change by the State Comptroller regarding the treatment of the Revenue Bond Tax Fund, tax receipts are expected to decline by $8.85 billion from 2001-02 and are $6.56 billion below Mid-Year estimates.

Correcting for revenue movements in and out of the General Fund from Refund Reserve transactions, STAR Fund deposits, and Revenue Bond Tax Fund deposits, General Fund tax receipts are estimated to be $2.85 billion below 2001-02 results and $2.22 billion lower than Mid-Year estimates. The significant year-over-year decline and the large revision in the estimates is the result of continued weakness in the economy, the multi-year impact of the September 11 attack on the financial services sector, and the associated decline in equity markets. The estimated impact of the World Trade Center disaster on 2002-03 receipts remains significant, and within the range estimated in the immediate aftermath of the September 11 attacks. The revisions in the estimates also reflect more up-to-date information on the economy and tax collections. To date, tax collection results are much worse than predicted at the time of the Mid-Year Update and have led to significant downward revisions to the receipts estimates, especially for personal income and business taxes. The "Recent Trends in All Funds Receipts" section in Part II of this Appendix provides a detailed description of recent tax receipt trends which corrects for accounting transactions and allows for easy year-to-year comparisons.

GENERAL FUND RECEIPTS — CHANGE FROM MID-YEAR UPDATE (millions of dollars)					
	October	Restatement	2002-03 Restated October	Change	January
Personal Income Tax	**23,342**	**(4,770)**	**18,572**	**(1,390)**	**17,182**
Gross Collections	28,841		28,841	(1,641)	27,200
Refunds	(4,119)		(4,119)	(176)	(4,295)
Subtotal	24,722	0	24,722	(1,817)	22,905
Refund Reserve	1,250		1,250		1,250
STAR Fund Deposit	(2,630)		(2,630)	(37)	(2,667)
STAR Fund Reserve Deposit	0		0		0
DRRF Deposit/RBTF	0	(4,770)	(4,770)	464	(4,306)
User Taxes and Fees	**7,105**		**7,105**	**(53)**	**7,052**
Business Taxes	**3,842**		**3,842**	**(320)**	**3,522**
Other Taxes	**787**		**787**	**(26)**	**761**
Total Taxes	**35,076**	**(4,770)**	**30,306**	**(1,789)**	**28,517**
Adjusted Total Taxes*	**36,456**	**0**	**36,456**	**(2,216)**	**34,240**
Miscellaneous Receipts	**2,148**		**2,148**	**1,937**	**4,085**
Tobacco Securitization	0		0	1,900	1,900
Misc. receipts without tobacco	2,148		2,148	37	2,185
Subtotal (excluding transfers)	**37,224**	**(4,770)**	**32,454**	**148**	**32,602**
Adjusted Subtotal**	**38,604**	**0**	**38,604**	**(2,179)**	**36,425**
Transfers	**2,674**	**4,609**	**7,283**	**53**	**7,336**
PIT RBTF	0	4,609	4,609	(331)	4,278
LGAC	1,808		1,808	42	1,850
RETT	0	170	170	96	266
Other	866	(170)	696	246	942
General Fund Total	**39,898**	**(161)**	**39,737**	**201**	**39,938**
Adjusted Total**	**41,278**	**0**	**41,278**	**(1,795)**	**39,483**

* Adjusted for STAR, Refund Reserve and RBTF transactions.

** Adjusted for STAR, Refund Reserve, RBTF and Tobacco transactions.

GENERAL FUND RECEIPTS — YEAR OVER YEAR COMPARISON (millions of dollars)	2001-02 Actual	2002-03 January	Change from 2001-02	Percent Change
Personal Income Tax	**25,854**	**17,182**	**(8,672)**	**(33.5)**
Gross Collections	29,090	27,200	(1,890)	(6.5)
Refunds	(3,516)	(4,295)	(779)	22.2
Subtotal	25,574	22,905	(2,669)	(10.4)
Refund Reserve	1,840	1,250	(590)	
STAR Fund Deposit	(2,510)	(2,667)	(157)	
STAR Fund Reserve Deposit	1,200	0	(1,200)	
DRRF Deposit/RBTF	(250)	(4,306)	(4,056)	
User Taxes and Fees	**7,098**	**7,052**	**(46)**	**(0.6)**
Business Taxes	**3,616**	**3,522**	**(94)**	**(2.6)**
Other Taxes	**803**	**761**	**(42)**	**(5.2)**
Total Taxes	**37,371**	**28,517**	**(8,854)**	**(23.7)**
Adjusted Total Taxes*	**37,091**	**34,240**	**(2,851)**	**(7.7)**
Miscellaneous Receipts	**1,625**	**4,085**	**2,460**	**151.3**
Tobacco Securitization	0	1,900	1,900	
Misc. receipts without tobacco	1,625	2,185	560	**34.4**
Subtotal (excluding transfers)	**38,996**	**32,602**	**(6,394)**	**(16.4)**
Adjusted Subtotal**	**38,716**	**36,425**	**(2,291)**	**(5.9)**
Transfers	**2,148**	**7,336**	**5,188**	**241.6**
PIT RBTF	0	4,278	4,278	
LGAC	1,750	1,850	100	**5.7**
RETT	193	266	73	**37.8**
Other	205	942	737	**360.9**
General Fund Total	**41,144**	**39,938**	**(1,206)**	**(2.9)**
Adjusted Total**	**40,864**	**39,483**	**(1,381)**	**(3.4)**

* Adjusted for STAR, Refund Reserve and RBTF transactions.

** Adjusted for STAR, Refund Reserve, RBTF and Tobacco transactions.

After RBTF deposits, personal income tax receipts for 2002-03 are estimated to reach $17.18 billion, a decrease of $8.67 billion (33.5 percent) from 2001-02. This is due primarily to a $4.31 billion deposit into the RBTF, a large decrease in the net contribution from the Refund Reserve fund, and decreases in withholding, estimated tax, and 2001 tax year settlement payments. Without the RBTF/DRRF deposit, receipts would have decreased by $4.62 billion (16.9 percent). The net Refund Reserve transaction for 2002-03 is $1.25 billion. It reflects a $1.67 billion draw-down in April 2002, offset by an expected deposit of $427 million on March 31, 2003. Underlying income tax collections, measured by gross payments minus refunds, are expected to decline by $2.67 billion (10.4 percent) from 2001-02 and $1.82 billion from the Mid-Year Update. The large downward revision in the estimate reflects the significant decline in December payments and continued weakness in the financial services sector.

User tax and fee receipts in 2002-03 are projected at $7.05 billion, $46 million or 0.7 percent below 2001-02 collections and $53 million below the Mid-Year Update. The decline from 2001-02 is mostly due to the increased dedication of motor vehicle fees, auto rental tax, and cigarette tax receipts to other funds, as well as declines in cigarette consumption ($227 million). These declines are partially offset by an increase in sales tax and alcohol-related receipts of $181 million.

Total business taxes are now projected at $3.52 billion in 2002-03, $94 million below 2001-02 receipts. Corporation and utility tax receipts in 2002-03 are expected to total $868 million, a decrease of $104 million from 2001-02. Corporate franchise tax receipts for 2002-03 are estimated to increase by $20 million, based on accelerated payments from the increase in the first installment and tax amnesty, offset by previously enacted tax cuts. Receipts from the bank tax in 2002-03 are projected to decline by $47 million from 2001-02, due largely to increased refunds and overall economic weakness. Net collections from insurance taxes are expected to reach $670 million in 2002-03, an increase of $37 million from the prior year. Business tax receipts are estimated at $320 million below the Mid-Year Update, largely due to a more prolonged weakness in corporate earnings than anticipated and December collection results.

The yield from other taxes in 2002-03 is estimated at $761 million, $42 million below 2001-02 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 decreased by $26 million.

Miscellaneous receipts for 2002-03 are estimated at $4.09 billion, a $2.46 billion increase from 2001-02. The main increases, other than the $1.90 billion in tobacco proceeds, are in abandoned property ($300 million from sales of securities); payments from authorities ($287 million); bond issuance charges ($158 million); three large fines ($87 million); and the wireless surcharge ($38 million). The largest decrease is in investment income ($285 million). Miscellaneous receipts, excluding tobacco proceeds, are now estimated at $37 million above the Mid-Year Update. The change reflects the lower earnings from investment income compensated by higher-than-expected collections from bond issuance charges and unanticipated fines.

Transfers from other funds in 2002-03 are estimated at $7.34 billion, an increase of $5.19 billion from 2001-02, reflecting changes in amounts available for transfer to the General Fund, especially from the Revenue Bond Tax Fund and LGAC. Transfers from other funds are now estimated at $4.66 billion 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, and the Comptroller's classification of the Revenue Bond Tax Fund.

UPDATE TO 2002-03 DISBURSEMENTS ESTIMATES

The State projects total General Fund disbursements, including transfers to other funds, of $39.79 billion in 2002-03, a net decrease of $266 million from the restated Mid-Year Update. The Mid-Year spending estimate was restated to reflect the Comptroller's accounting treatment of debt service spending for personal income tax revenue bonds. After this restatement, which lowered General Fund spending by $161 million, disbursements decline by $266 million. This reflects the lower spending associated with the aggressive savings efforts begun earlier this year and reestimates in General State Charges and other programs ($91 million), partially offset by higher costs primarily related to Medicaid ($100 million), the World Trade Center ($51 million), the Tuition Assistance Program ($33 million), and the Early Intervention Program ($30 million). In addition, lower spending is reflected for the Community Projects Fund ($75 million), which is now projected to occur in 2003-04 rather than 2002-03.

RESERVES/CLOSING BALANCE IN THE GENERAL FUND

Reserves and closing balances had been at healthy levels as a result of seven consecutive maximum deposits to the Tax Stabilization Reserve Fund (the State's rainy day fund) and significant additional deposits made to other State reserve funds in recent years. These reserves included the Contingency Reserve Fund (a litigation reserve), reserves set aside for revenue losses resulting from the World Trade Center attacks, a reserve for economic uncertainties, and a reserve to fund the multi-year STAR property tax cut. Most of these reserves have now been used to help maintain budget balance in the General Fund since September 11, 2001. The rainy day fund remains available to protect against unanticipated mid-year shortfalls.

The closing balance in the General Fund is projected to total $1.18 billion, including $710 million in the rainy day fund, $378 million in tobacco securitization reserves, $20 million in the Contingency Reserve Fund, and $75 million in the Community Projects Fund.

The closing balance of $1.18 billion at the end of the 2002-03 fiscal year is an increase of $467 million from the Mid-Year Update. This increase includes $378 million from the securitization of tobacco (reserved for use in 2003-04), $75 million from slower spending in the Community Projects Fund (which pays for legislative and gubernatorial initiatives), and $14 million in additional moneys deposited into the Contingency Reserve Fund.

UPDATE TO 2002-03 STATE FUNDS

Total State Funds receipts are now projected to be $58.04 billion, a decrease of $139 million from the Mid-Year Update. The increase in General Fund receipts of $147 million, after the accounting restatement described above, is augmented by increases in tax receipts to the Clean Water/Clean Air Fund ($90 million) and to the STAR fund ($37 million). In addition, miscellaneous receipts are projected to increase in health care programs ($30 million). These increases are offset by a decline in personal income tax receipts dedicated to the RBTF ($464 million).

State Funds spending in 2002-03 is projected at $58.96 billion, a decrease of $395 million from the Mid-Year Update. The downward revision reflects debt service savings from the refunding of high-cost fixed-rate bonds with less costly variable-rate or synthetic fixed-rate bonds, lower operational spending from the aggressive savings action begun earlier this year, and slower spending for legislative member items.

UPDATE TO 2002-03 ALL GOVERNMENTAL FUNDS

All Governmental Funds spending in 2002-03 is projected at $90.95 billion, an increase of $1.39 billion from the Mid-Year Update. The main reason for the upward revision is that, consistent with the Comptroller's accounting treatment, the Financial Plan has been increased to include Federal pass-through spending related to the World Trade Center ($1.70 billion). Federal pass-through spending represents Federal aid that flows through the State to New York City and other localities, but is counted by the State Comptroller as State spending. The impact of including pass-through spending on All Governmental Funds spending for 2002-03 is partially offset by the $395 million in program reestimates described in the State Funds update above.

Federal receipts are generally assumed to be received in the State fiscal year in which spending is incurred; therefore, the revisions to Federal receipts correspond to the adjustments to the federally-reimbursed spending revisions described above. Accordingly, All Governmental Funds receipts are now projected at $90.62 billion, up $1.94 billion from the Mid-Year Update, reflecting the inclusion of Federal pass-through aid and other minor revisions to Federal aid estimates.

For further detailed discussions of State Funds and All Governmental Funds receipts, please refer to the "Explanation of Receipts Estimates" in Part II of this Appendix.

THE 2003-04 GENERAL FUND FINANCIAL PLAN

ECONOMIC AND RECEIPTS OUTLOOK

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

The Division of the Budget also adjusts for the impact of changes in the State's tax laws on the receipts projections. The 2003-04 Executive Budget reflects the continued phase-in of tax actions for a variety of taxes, including additional tax cuts, that total $13.5 billion for 2003-04. 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

Although the national economic recovery weakened substantially toward the end of 2002, the Division of the Budget expects the national economy to continue to expand throughout 2003, with some acceleration of growth in the second half of the year. Real U.S. GDP is expected to grow at an annual rate of 2.4 percent in 2003, the same rate as in 2002. In an effort to provide additional stimulus to the economy, the Federal Reserve reduced interest rates by 50 basis points in November 2002, for a total reduction since the pre-recession peak of 525 basis points. 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 provide additional stimulus. These monetary and fiscal actions are expected to provide insurance against a double dip recession. By the second half of 2003, an expected revival of investment spending will increase the GDP growth rate. An improving economy, along with higher oil prices, will likely result in higher inflation. The CPI is expected to rise by 2.4 percent in 2003, after an increase of 1.6 percent in 2002. The unemployment rate is expected to average 5.8 percent in 2003.

State Economy

The New York economy suffered more than the nation as a whole during the recession, due to the September 11 devastation of downtown New York City and the importance of the finance and tourism industries to the State economy. Only now are there signs of an economic turnaround. Total State employment is expected to rise 0.7 percent in 2003, following a decline of 1.6 percent for 2002. Private sector employment is expected to rise 0.9 percent in 2003, following a decline of 2.1 percent for 2002. Bonus payments paid to financial services workers have been reduced significantly due to the recession and the steep decline in the stock market. On a calendar year basis, bonuses are estimated to have fallen 23.0 percent for 2002, followed by a 10.2 percent decline projected for 2003. In the aftermath of the bursting of the stock market bubble, it is expected that for the next two years bonuses in the finance and insurance sector will remain at about one-half of their 2001 peak level. Wages are expected to rise 2.3 percent in 2003, following a decline of 3.2 percent for 2002. Total State personal income is projected to increase 3.1 percent in 2003.

For a detailed discussion of the national and State economies, refer to the section entitled "Economic Backdrop" in Part II of this Appendix.

Receipts Outlook

GENERAL FUND RECEIPTS (millions of dollars)			
	2002-03 Estimate	2003-04 Recommended	Change
Personal Income Tax	**17,182**	**15,250**	**(1,932)**
Gross Collections	27,200	27,450	250
Refunds	(4,295)	(4,355)	(60)
Subtotal	22,905	23,095	190
Refund Reserve	1,250	(41)	(1,291)
STAR Fund Deposit	(2,667)	(2,707)	(40)
STAR Fund Reserve Deposit	0	0	0
DRRF Deposit/RBTF	(4,306)	(5,097)	(791)
User Taxes and Fees	**7,052**	**7,508**	**456**
Business Taxes	**3,522**	**3,682**	**160**
Other Taxes	**761**	**771**	**10**
Total Taxes	**28,517**	**27,211**	**(1,306)**
Adjusted Total Taxes*	**34,240**	**35,056**	**816**
Miscellaneous Receipts	**4,085**	**3,538**	**(547)**
Tobacco Securitization	1,900	1,900	0
Misc. receipts without tobacco	2,185	1,638	(547)
Subtotal (excluding transfers)	**32,602**	**30,749**	**(1,853)**
Adjusted Subtotal**	**36,425**	**36,694**	**269**
Transfers	**7,336**	**7,441**	**105**
PIT RBTF	4,278	4,864	586
LGAC	1,850	1,999	149
Other	1,208	578	(630)
General Fund Total	**39,938**	**38,190**	**(1,748)**
Adjusted Total**	**39,483**	**39,271**	**(212)**

* Adjusted for STAR, Refund Reserve and RBTF transactions.
** Adjusted for STAR, Refund Reserve, RBTF and Tobacco transactions.

Estimated General Fund receipts for 2003-04 are projected at $38.19 billion, or $1.75 billion below 2002-03 estimates. After correcting for the Refund Reserve transaction, STAR and Revenue Bond Tax Fund (RBTF) deposits and the impact of tobacco proceeds, General Fund receipts are expected to decrease by $212 million, or less than 1 percent, from 2002-03 estimates. Adjusted total tax receipts are estimated to increase by $816 million or 2.4 percent including increases due to proposed revenue actions of over $500 million.

PERSONAL INCOME TAX (millions of dollars)			
SFY:	2002-03	2003-04	Annual Change
Personal Income Tax	17,182	15,250	(1,932)

Personal income tax collections for 2003-04 are projected to reach $15.25 billion, a decrease of $1.93 billion (11.2 percent) from 2002-03 due largely to two factors: a $791 million increased RBTF deposit; and a $1.29 billion lower contribution from the Refund Reserve account.

The underlying weakness in income tax liability in 2002 and 2003 is mainly attributable to the significant economic devastation caused by the events of September 11 and their aftermath. Decreases in State employment, wages, Wall Street bonuses, and non-wage income contribute to an estimated adjusted gross income decline for 2002 and a minimal increase for 2003. Gross proceeds minus refunds in the income tax are expected to increase by $190 million in 2003-04 largely reflecting continued weakness in underlying liability.

USER TAXES AND FEES (millions of dollars)			
SFY:	**2002-03**	**2003-04**	**Annual Change**
User Taxes and Fees	7,052	7,508	456

User tax and fee receipts in 2003-04 will rise by $456 million, to $7.51 billion. This reflects the impact of $309 million in revenue gains from proposed legislation. Adjusted for these legislative proposals, the underlying growth rate is 2.1 percent.

The sales and use tax accounts for nearly 90 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. Growth in disposable income, combined with modest employment gains, produce a projected increase in the base of 4.3 percent for 2003-04.

User taxes and fees also include cigarette, tobacco, and alcoholic beverage taxes and motor vehicle fees. Generally, 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:	**2002-03**	**2003-04**	**Annual Change**
Business Taxes	3,522	3,682	160

In 2003-04, business taxes are expected to total $3.68 billion — $160 million above 2002-03 estimates.

Corporation and utility tax receipts in 2003-04 are projected to total $805 million, a decrease of $63 million from 2002-03. This decrease is primarily due to continued stagnation in telecommunications related receipts, and further rate reductions in the utility sector.

Corporate franchise receipts are projected to increase by $56 million to $1.59 billion in 2003-04, resulting from improved corporate profitability, offset by the impact of enacted tax reductions.

Other business taxes include franchise taxes on insurance companies and banks. In 2003-04, bank taxes are projected to be $468 million — $19 million above estimates for 2002-03, reflecting a modest rebound in bank earnings. Net collections from insurance taxes are projected at $818 million, an increase of $148 million from 2002-03, due largely to the proposed law change restructuring the insurance tax.

OTHER TAXES (millions of dollars)			
SFY:	**2002-03**	**2003-04**	**Annual Change**
Other Taxes	761	771	10

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

In 2003-04, other taxes will yield a projected $771 million, $10 million above expected 2002-03 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 increase due to legislation submitted with this budget to expand wagering opportunities.

MISCELLANEOUS RECEIPTS (millions of dollars)			
SFY:	**2002-03**	**2003-04**	**Annual Change**
Miscellaneous Receipts	4,085	3,538	(547)

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 2003-04 are estimated at $3.54 billion, a decrease of $547 million from 2002-03. Tobacco proceeds remain flat at $1.90 billion. The decrease of $547 million in other miscellaneous receipts reflects the one-time nature of transactions that added to receipts in 2002-03.

TRANSFERS FROM OTHER FUNDS (millions of dollars)			
SFY:	**2002-03**	**2003-04**	**Annual Change**
PIT in Excess of Revenue Bond Debt Service	4,278	4,864	586
Sales Tax in Excess of LGAC Debt Service	1,850	1,999	149
Real Estate Taxes in Excess of CW/CA Debt Service	266	202	(64)
All Other Transfers	942	377	(565)
Total Transfers from Other Funds	**7,336**	**7,442**	**106**

Personal income tax transfers in excess of revenue bond debt service requirements are projected to increase by $586 million from 2002-03 to 2003-04 due to the estimated increase in dedicated funds of $791 million, offset by increased by debt service requirements.

The increase in transfers from the sales tax is due to an increase in dedicated sales tax receipts of $156 million, partially offset by increased debt service requirements of $7 million.

The decline in transfers from the real estate transfer tax is due to a projected decline in dedicated tax receipts of $44 million and an increase in Clean Water/Clean Air (CW/CA) debt service requirements of $20 million.

The $565 million decrease in all other transfers in 2003-04 is primarily due to the loss of one-time transfers from the Environmental Protection Fund ($283 million), Federal reimbursement of the World Trade Center-related costs ($240 million), as well as the conclusion of transfers to the Emergency Highway Funds ($115 million). These decreases are partially offset by an increase in receipts from Indian casinos ($41 million).

DISBURSEMENTS OUTLOOK

GENERAL FUND DISBURSEMENTS (millions of dollars)			
SFY:	2002-03	2003-04	Annual Change
Total Disbursements	39,787	38,644	(1,143)

The State projects General Fund disbursements of $38.64 billion in 2003-04, a decrease of $1.14 billion (2.9 percent) from the current year. The following major changes comprise the net annual decline in spending as described in more detail below:

ANNUAL CHANGE IN GENERAL FUND DISBURSEMENTS (millions of dollars)		
	Annual Change	Percent Change
State Operations	(610)	(7.9)
School Aid	(559)	(4.5)
Medicaid	(482)	(8.1)
Fringe Benefits (including pensions & health insurance)	395	14.2
Debt Service	109	7.4
All Other	4	0.0
Total Change	**(1,143)**	**(2.9)**

Total General Fund disbursement estimates reflect $5.6 billion in savings from various efficiencies including program restructuring, workforce reductions and maximization of Federal and other revenue sources. These reductions are offset by planned spending increases for pensions costs, employee health insurance, debt service and other fixed costs, plus projected programmatic increases in school aid, Medicaid, and higher education. The net decrease in spending is $1.14 billion.

GRANTS TO LOCAL GOVERNMENTS (millions of dollars)			
SFY:	2002-03	2003-04	Annual Change
Grants to Local Governments	26,932	25,913	(1,019)

Grants to Local Governments spending includes financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. The most significant areas of spending in local assistance are for aid to public schools (45 percent) and for the State's share of Medicaid payments (21 percent). Other large areas of spending include mental hygiene programs (6 percent), higher education programs (5 percent), children and family services (4 percent), welfare assistance (4 percent), general purpose local aid to counties and municipalities (3 percent), handicapped education programs (3 percent), and public health programs (2 percent).

Local assistance spending declines $1.02 billion from 2002-03 resulting from the combination of cost containment initiatives offset by planned spending growth. This budget recommends $4.06 billion of cost containment initiatives, reforms, and revenue maximization efforts primarily in school aid, Medicaid, the Tuition Assistance Program (TAP), and welfare. These savings initiatives are partially offset by projected spending growth across all local assistance programs, including Medicaid, welfare and school aid.

General Fund spending for school aid is projected at $11.74 billion in 2003-04 (on a State fiscal year basis), a decrease of $559 million (4.5 percent) from 2002-03. On a school year basis, the annual decrease totals $1.24 billion (8.5 percent). This decrease includes reductions in discretionary categorical programs which, when coupled with expense-based declines in building aid and enrollment-based declines in growth aid, generates savings of $607 million — or nearly one-half of the proposed $1.24 billion school aid reduction. Other school aid recommendations include an operating aid reduction that is sensitive to each district's relative wealth and student needs, as well as other targeted savings and reforms.

Medicaid spending is estimated at $5.46 billion in 2003-04, a decrease of $482 million (8.1 percent) from 2002-03. This net decrease results from roughly $1.23 billion in cost reductions related to proposed restructuring of various programs ($1.02 billion) and revenue maximization actions ($207 million), including the restoration of 0.7 percent hospital and 0.6 percent home care assessments, offset primarily by projected underlying spending growth of approximately 7.5 percent. Program restructuring proposals include a range of cost containment initiatives for hospitals, nursing homes and home care ($233 million), proposals to control the rising costs of prescription drugs ($112 million) and various other efficiencies. Proposed actions that will lower General Fund costs also include increased Federal aid governed from an increase in the cap on disproportionate share payments to public hospitals ($324 million). In addition, the recommendations include a realignment of program responsibilities which would result in the State picking up the entire local share of pharmacy costs, while the local share of costs related to fee-for-service hospital and clinics would increase from 25 percent to 37 percent ($227 million).

Spending on welfare in 2003-04 is projected at $984 million, an increase of $488 million (98.4 percent) over 2002-03. The year-to-year increase is due primarily to the use of Federal TANF reserve funds in 2002-03 ($465 million). The projected welfare caseload of 651,400 recipients represents an increase from 2002-03 of approximately 32,900 recipients (5.3 percent).

Higher Education Services Corporation (HESC) spending is projected at $407 million, an increase of $90 million (28.5 percent) from 2002-03. This net change reflects a reduction in available Federal TANF funds ($155 million) and underlying program growth ($176 million), partly offset by a restructuring of the TAP to provide greater incentives for timely degree completion ($241 million).

City University of New York (CUNY) spending is projected at $668 million, a decrease of $192 million (22.4 percent) from 2002-03. The decrease is primarily due to savings measures to be determined by the senior colleges ($91 million), and a reduction in costs due to a one-time retroactive collective bargaining payment made in 2002-03 ($63 million).

All other spending for local assistance programs will total $6.65 billion in 2003-04, a net decrease of $364 million (5.2 percent) from the current year. This decrease is largely attributable to the shift of Empire State Development Corporation capital programs ($95 million) and the Consolidated Highway Improvement Program ($24 million) to other funding sources, nonrecurring adds and program restructuring within the Education Department ($156 million), proposed efficiencies in public protection programs ($33 million), the sunset of county aid ($22 million), and savings initiatives proposed across all agencies and local assistance programs.

STATE OPERATIONS (millions of dollars)			
SFY:	2002-03	2003-04	Annual Change
State Operations	7,762	7,152	(610)

State Operations accounts for the cost of running the Executive, Legislative, and Judicial branches of government. The projected $610 million annual spending decrease comprises lower spending in both personal service ($470 million) and non-personal service ($140 million) across almost all Executive agencies. Spending for the Legislature is flat year-to-year and the Judiciary is up $33 million from 2002-03.

The State Operations estimates reflect $1.04 billion in savings initiatives. Included in these savings are $481 million from continuation of the strict Statewide hiring freeze, aggressive use of a retirement incentive for State employees, and various actions to restrain non-personal service spending in all agencies. A total of $564 million in additional savings is projected to be available in 2003-04 from various revenue maximization efforts to finance State Operations spending. These include additional mental hygiene Federal revenues ($306 million), various shifts of General Fund costs to other funding sources ($134 million) including moving additional Department of Motor Vehicle costs to the Dedicated Highway Fund, and motor vehicle fee increases which offset General Fund spending ($43 million). The savings initiatives and revenue maximization efforts are partially offset by planned base level spending growth of $430 million, primarily attributable to a decline in revenues that support General Fund spending ($146 million) and to normal salary step increases and non-personal service inflationary increases ($133 million).

The State's Executive agency All Funds workforce is projected to be 186,000 by the end of 2003-04, a decrease of approximately 10,000 from November 2001, primarily through attrition. This will be the lowest headcount level in decades.

GENERAL STATE CHARGES (millions of dollars)			
SFY:	2002-03	2003-04	Annual Change
General State Charges	2,770	3,165	395

General State Charges (GSCs) account for the costs of providing fringe benefits to State employees and retirees of the Executive, Legislative and Judicial branches, as well as fixed costs for taxes on public lands and litigation costs. Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, social security, health insurance, workers' compensation and unemployment insurance. Fixed costs include State payments-in-lieu-of-taxes to local governments for certain State-owned lands, and the costs of defending lawsuits against the State and its public officers.

The projected GSC growth of $395 million corresponds to pension fund investment losses and rising health insurance costs. Pension investment losses are expected to result in additional contributions to the New York State and Local Retirement Systems for fiscal year 2003-04. The employer pension contribution rate is projected to increase to 4 percent of payroll in 2003-04, increasing pension costs by $250 million (169 percent). Health insurance premiums are expected to increase by approximately $220 million in 2003-04 to cover the rising expense and utilization of employee health care. The Executive Budget proposes $70 million in savings from benefit changes that would reduce the growth in support for employee health insurance to $150 million (9.3 percent). These changes, many of which are subject to negotiations with State employee unions, would place restrictions on pharmacy benefits;

require a higher co-payment for nonessential prescription drugs; modernize the hospital benefit plan; increase employee co-payments, deductibles and coinsurance levels for doctor visits; and raise the share of health insurance premiums paid by employees and retirees.

TRANSFERS TO OTHER FUNDS (millions of dollars)			
SFY:	**2002-03**	**2003-04**	**Annual Change**
Transfers in Support of Debt Service	1,474	1,583	109
Transfers in Support of Capital Projects	170	206	36
Transfers in Support of State University	26	145	119
All Other Transfers	653	480	(173)
Total Transfers to Other Funds	**2,323**	**2,414**	**91**

The net increase in debt service transfers of $109 million reflects planned growth in debt service costs, partially offset by previous debt reduction efforts, the use of lower-cost revenue bonds, the impact of legislation to allow the State to diversify its debt portfolio and reduce borrowing costs, and the State Comptroller's accounting treatment of debt service costs for the personal income tax revenue bond program.

The $36 million increase in the Capital Projects Fund transfer primarily reflects the receipt of $31 million in bond proceeds in 2002-03 to reimburse spending which occurred in 2001-02.

The increase in transfers of $119 million to the State University is due to the timing of State subsidy payments to the SUNY hospitals ($107 million) and the use of Dormitory Authority funds ($12 million) in 2002-03 to help subsidize the SUNY hospitals; these are not available in 2003-04.

All other transfers declined by $173 million in 2003-04 due to decreases in the Community Service Provider Assistance Program ($100 million), payments to the State Lottery Fund ($14 million), and the State's share of Medicaid payments to SUNY hospitals ($45 million).

NONRECURRING ACTIONS

A total of $3.3 billion in nonrecurring actions is incorporated in the 2003-04 Financial Plan, including resources from the securitization of tobacco settlement payments ($2.3 billion), the use of Federal TANF moneys to offset General Fund welfare and HESC program spending ($408 million), the one-time shift of various pay-as-you-go capital projects to bonding ($176 million), debt management actions to reduce debt service costs ($163 million), one-year cap of STAR benefit increases ($93 million), recoveries of school aid and welfare overpayments ($88 million), and various routine fund sweeps ($101 million).

RESERVES/CLOSING BALANCE IN THE GENERAL FUND

The State projects a closing balance of $730 million at the end of the 2003-04 fiscal year, a decline of $453 million from 2002-03. The closing balance of $730 million represents the moneys on deposit in the Tax Stabilization Reserve Fund ($710 million) and the Contingency Reserve Fund ($20 million). The decline is due to the planned use in 2003-04 of balances in the Community Projects Fund ($75 million) and tobacco securitization reserves ($378 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

STATE FUNDS

STATE FUND DISBURSEMENTS (millions of dollars)			
SFY:	**2002-03**	**2003-04**	**Annual Change**
Total Disbursements	58,963	58,890	(73)

State Funds represent the portion of the State's budget supported exclusively by State taxes, fees, fines, and other revenues imposed and collected by the State. Federal grants are excluded from the State Funds Financial Plan. The following table summarizes the major areas comprising the annual change in State Funds spending.

Annual Change in State Funds Spending (millions of dollars)		
	Annual Change	**Percent Change**
School Aid	(567)	(4.0)
State Operations	(197)	(1.7)
CUNY Local	(192)	(22.1)
Education Local	(156)	(26.2)
Medicaid	(123)	(1.5)
Yonkers Settlement	(110)	(78.6)
Transportation Local	(105)	(5.6)
Children & Family Services Local	92	9.7
Community Projects Fund	130	113.8
Debt Service	271	8.8
General State Charges	443	14.2
Capital Projects	518	14.4
All Other	(77)	(0.8)
Total Change	**(73)**	**(0.1)**

State Funds receipts are projected to total $58.03 billion in 2003-04, virtually unchanged from 2002-03. Tax receipts are projected to total $40.93 billion, a decrease of $310 million from 2002-03 reflecting the impact of the economic downturn described previously. Miscellaneous receipts are projected to total $17.11 billion, an increase of $300 million over 2002-03. The growth in State Funds miscellaneous receipts is concentrated in SUNY ($314 million) and Medicaid ($331 million). This growth is offset by a decrease in miscellaneous receipts in the General Fund ($547 million) as well as projected decreases in lottery receipts for school aid ($47 million) and receipts to HESC ($34 million).

In 2003-04, spending from State Funds is estimated at $58.89 billion, a decrease of $73 million from 2002-03. The decrease is primarily attributable to lower spending for school aid ($567 million), mental health programs ($300 million), local aid for City University programs ($192 million), education programs ($156 million) Medicaid ($123 million), and the Yonkers school desegregation settlement ($110 million). These declines are partially offset by programs and activities experiencing significant year-to-year growth including welfare ($488 million), debt service ($271 million), SUNY ($192 million), the Community Projects Fund ($130 million), capital programs related to economic development ($125 million), HESC ($91 million), and environmental conservation ($103 million).

ALL GOVERNMENTAL FUNDS

ALL GOVERNMENTAL FUNDS DISBURSEMENTS (millions of dollars)			
SFY:	**2002-03**	**2003-04**	**Annual Change**
Total Disbursements	90,948	90,822	(126)

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. The following table summarizes the major areas comprising the annual change in All Funds spending.

Annual Change in All Governmental Funds Spending (millions of dollars)		
	Annual Change	**Percent Change**
World Trade Center Local	(988)	(54.0)
School Aid	(567)	(4.0)
CUNY Local	(192)	(22.4)
State Operations	(176)	(1.2)
Yonkers Settlement	(110)	(78.6)
Education	(105)	(4.6)
Transportation	(104)	(5.5)
Community Projects Fund	130	113.0
Children & Family Services Local	147	5.9
Welfare	192	7.0
Child Health Plus	225	28.2
Debt Service	271	8.8
General State Charges	441	13.4
Medicaid	515	2.1
Capital Projects	581	11.5
All Other	(385)	(3.0)
Total Change	**(126)**	**(0.1)**

Spending supported by Federal aid declines by $53 million from 2002-03. When combined with the State Funds decrease of $73 million described above, spending from All Governmental Funds in 2003-04 is projected to decline by $126 million to $90.82 billion. The change in federally-supported spending consists of the following: World Trade Center pass-through spending ($829 million of the $988 million decline), the share of TAP financed by TANF ($155 million) and social welfare initiatives authorized under TANF ($296 million). Projected Federal increases in spending in Medicaid, including administration ($791 million), health care programs including Child Health Plus ($217 million), and mental hygiene programs ($279 million) offset these decreases.

All Governmental Funds receipts are projected to be $90.22 billion in 2003-04, a decrease of $401 million from 2002-03. Tax receipts are projected to decrease by $310 million to total $40.93 billion, while miscellaneous receipts are projected to increase by $288 million to total $17.23 billion over 2002-03. Federal Grants are projected to total $32.06 billion, a decrease of $379 million from 2002-03. Federal grants represent reimbursement from the Federal government for programs financed by the State in the first instance. The net decrease in All Governmental Funds receipts is primarily due to the changes in State Funds and Federal Funds described above and the one-time receipt of Federal funds certain World Trade Center-related costs in 2002-03.

On an All Governmental Funds basis, the State Financial Plan budgets spending for World Trade Center costs of $2.06 billion in 2002-03 and $946 million in 2003-04 which represents both pass-through aid and disbursements financed by the State. Most of the spending is supported by Federal funds ($2 billion in 2002-03 and $946 million in 2003-04). In addition to disaster cleanup and recovery spending, Federal money will finance, among other things, expanded counseling and trauma services ($99 million). In 2001-02, the State spent $654 million for World Trade Center costs ($532 million of which was pass-through aid). Actual spending has been allocated to the agencies where it occurred.

It should be noted that, consistent with the Comptroller's treatment of actual results, the Financial Plans presented here reflect pass-through aid related to reimbursement for September 11 costs within the amounts shown for total disbursement. For 2002-03, pass-through aid is projected to total $1.7 billion, of which $1 billion relates to expected reimbursement for liability insurance. Aid amounts decline in 2003-04 to $861 million, as reimbursement for initial response efforts — debris removal and crisis counseling — nears completion. 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.

For further discussions of State Funds and All Governmental Funds receipts, please refer to the "Explanation of Receipts Estimates" in Part II of this Appendix.

SPECIAL REVENUE FUNDS

Special Revenue Funds (SRFs) receive dedicated sources of State and Federal revenues and disburse funds for specified purposes. Spending from SRFs is projected to total $45.58 billion in 2003-04, accounting for 50 percent of All Governmental Funds disbursements. Of this amount, $15.18 billion in spending is from funds supported by State revenues, and $30.40 billion from funds supported by Federal grants, primarily for health and welfare programs.

State Special Revenue Funds

Total State SRF receipts are projected to be $14.39 billion, an increase of $600 million from 2002-03 (4.4 percent), comprising of taxes ($4.31 billion) and miscellaneous receipts ($10.08 billion). Miscellaneous receipts are projected to increase $469 million over 2002-03 while taxes are projected to increase $131 million over 2002-03. Changes in State SRF receipts roughly mirror the changes in spending in all major program areas with the exception of transportation, where decreased spending resulting from a one-time use of fund balances in 2002-03 does not have a corresponding change in receipts. Disbursements from State SRFs are projected at $15.18 billion, an increase of $373 million or 2.5 percent from 2002-03. Major components of State SRFs include:

- **Medicaid**: The State's total Medicaid program (excluding costs financed by the counties and New York City) is projected to total $24.77 billion in 2003-04, an increase of $515 million (2.1 percent) for 2002-03 levels. Of this total, the State SRFs will finance $2.51 billion, an increase of $358 million over 2002-03 levels. The Medicaid SRFs access alternative sources of financing to make Medical Assistance payments that would otherwise be paid from the General Fund. Activities of these SRFs are detailed below:
  - **Indigent Care**: The Indigent Care Fund receives revenue through transfers from the Health Care Initiatives Pool, Bad Debt and Charity Care Pools, and the

Tobacco Control and Insurance Initiatives ("Public Goods") Pool. These off-budget pools are financed with various taxes, assessments and surcharges on hospital revenues and third-party payers. The Indigent Care Fund makes Medicaid payments to providers and municipalities for the cost of providing care to the uninsured. Total disbursements from the Indigent Care Fund are estimated at $911 million in 2003-04, a decrease of $109 million from 2002-03, reflecting distribution of available pool balances in 2002-03 ($144 million). The decrease is offset by the proposed use of additional balances in 2003-04 ($35 million).

- **Provider Assessments**: This account, created in 2002-03, is financed by a reimbursable assessment of 6 percent on nursing home revenues. The 2003-04 Executive Budget proposes additional financing via the reestablishment of a nonreimbursable 0.7 percent assessment on hospital revenues and 0.6 percent assessment on home care revenues ($207 million). These assessments are projected to generate a total of $652 million in 2003-04 and will be used to finance Medicaid costs.
- **Health Care Reform Act Transfer**: This fund is supported by transfers from the Tobacco Control and Insurance Initiatives Pool and is used primarily to finance a portion of the State's Medicaid program, including expansion of programs such as the Family Health Plus program. Spending from this fund in 2003-04 is projected to total $1.30 billion, an increase of $347 million over 2002-03. This increase is primarily the result of enrollment growth in the Family Health Plus program and annualized spending for workforce recruitment and retention initiatives.
- **Tobacco Transfer**: The Tobacco Transfer Fund was created in 2000-01 to receive a portion of the initial payments received by the Tobacco Settlement Fund pursuant to the Master Settlement Agreement between the tobacco companies and the states. Spending from this fund reimburses medical care providers for services rendered to Medicaid patients. The final initial payment occurred in 2002-03 ($91 million), and therefore the 2003-04 Executive Budget assumes no revenue or spending in the Tobacco Transfer Fund.

- **STAR**: This fund receives personal income tax receipts dedicated to support the STAR property tax relief program. Spending for STAR is estimated at $2.71 billion in 2003-04, an increase of $40 million from 2002-03. STAR will provide $2.17 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 education services, will receive $540 million in City personal income tax reductions. Increased participation by taxpayers and the new cost-of-living adjustment to the senior income eligibility ceiling account for the higher projected spending in 2003-04. For the 2003-04 school year only, individual homeowner STAR benefits will be capped at the maximum 2002-03 savings levels for their school district and assessing unit.
- **Lottery**: The Lottery Fund supports public elementary and secondary school education through proceeds received from the sale of lottery tickets. The 2003-04 Executive Budget projects roughly $2 billion in lottery proceeds will be available to fund school aid ($1.84 billion) and the remainder to support administrative costs of operating lottery games.
- **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 $2.56 billion in 2003-04, an increase of $259 million from the current year.
- **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 2003-04 are projected at $1.60 billion, $83 million below 2002-03 levels. This decrease reflects a one-time MTOA fund balance release used to support payments in 2002-03.

- **Child Health Plus**: Child Health Plus (CHP) subsidizes health insurance coverage for children of low-income families. The State-share cost for this program is funded with revenues transferred from the Health Care Initiatives Pool as authorized in the Health Care Reform Act. The 2003-04 Executive Budget projects State-share spending for this program to be $417 million, an increase of $20 million over 2002-03. This increase is attributable primarily to the proposed reversal of an initiative that allowed certain children to enroll in Medicaid rather than CHP, as well as enrollment growth and increased immigrant health care costs that are entirely funded by the State.
- **All Other**: Fees, licenses, and assessments collected by State agencies support the costs of providing specific services. Spending for these SRFs is projected to total $3.20 billion for 2003-04 and includes spending for the EPIC prescription drug program ($593 million), various health care programs ($397 million), the Judiciary ($156 million), environmental conservation programs ($148 million), Workers Compensation Board ($137 million), the insurance industry ($133 million) and State Police ($125 million).

Federal Special Revenue Funds

Federal SRFs account for grants and other aid received from the Federal government. The State must follow specific guidelines regarding the use of these grants. In most cases, the State finances programs in the first instance, then receives reimbursement from the Federal government. Reimbursement is assumed to be received in the State fiscal year in which the spending occurs, but timing-related variances can produce temporary budget balances in these funds. In addition, the State is subject to the Federal Cash Management Improvement Act, which imposes interest penalties on the State and Federal governments relating to the cash management of Federal funds.

Total disbursements for programs supported by Federal grants account for approximately three-quarters of all special revenue spending. Federal SRF receipts and disbursements are estimated at $30.40 billion in 2003-04, a decrease of $117 million or 0.4 percent from 2002-03. The projections for both fiscal years include the flow-through of Federal aid to localities for World Trade Center costs described above. The largest components of change in Federal spending are decreased spending for World Trade Center costs ($1.12 billion) offset by increased spending in Medicaid ($791 million) and CHP ($205 million). Major components of Federal SRFs include:

- **Medicaid**: The single largest program funded in part with Federal moneys is the Medicaid program, which represents 54 percent of total Federal Special Revenue Fund spending. Disbursements from this fund correspond to the Federal government's share of direct payments made to health care providers and reimbursement to local governments for the administrative costs of the program. The 2003-04 Executive Budget estimates $16.45 billion in total Federal Medicaid spending, an increase of $638 billion from 2002-03. This growth is attributable to underlying growth in the Medicaid program of approximately 7.5 percent ($958 million) and is partially offset by cost containment initiatives for hospitals, nursing homes, home care, and pharmacies, which lower both Federal and State costs.
- **Welfare**: The State receives Federal welfare funding through the TANF block grant. The difference between the block grant and current spending requirements (the "TANF surplus") allows the State and localities to provide services that help welfare recipients and at-risk families secure and retain employment. In 2003-04, Federal welfare spending financed by TANF will total $1.96 billion, a decrease of $296 million from fiscal year 2002-03. TANF supports a wide range of services, including child welfare services, tax credits for the working poor, and other welfare reform initiatives. The decrease in TANF spending in 2003-04 is due to the loss of one-time credits ($615 million) which were used to support 2002-03 spending. This decrease is

partially offset by program growth ($201 million), increases in the earned income and dependent care tax credit offsets ($57 million) and additional one-time credits taken in 2003-04 ($61 million).

- **Education**: Education spending is projected at $2.18 billion in 2003-04, an increase of $54 million from 2002-03. Increased Federal funding for elementary and secondary education programs supports this growth in spending.
- **Higher Education Services Corporation**: Spending for Higher Education Services Corporation decreased by $155 million from 2002-03 as a result of the reduced financing of TAP by the TANF block grant.
- **Children and Family Services**: Funding for Children and Family Services is projected at $1.71 billion in 2003-04, an increase of $31 million from 2002-03. The increase results from projected higher spending levels in child care and Title IV-E programs such as adoption and foster care.
- **Labor**: Labor spending is estimated at $715 million in 2003-04, an increase of $47 million from 2002-03. This increase is attributable primarily to the transfer to the Department of Vocational Rehabilitation programs presently operated by the Office of Children and Family Services and the State Education Department.
- **Child Health Plus**: Child Health Plus is largely supported with Federal moneys in addition to State funding and facilitates access to comprehensive health care coverage for every eligible child in New York up to the age of 18. The Federal share of spending for this program is estimated to be $608 million in 2003-04, an increase of $205 million from 2002-03. This increase reflects rising expansion and outreach efforts to enroll all eligible children in New York State.
- **All Other**: All other Federal spending is projected at $5.66 billion for 2003-04 and includes support for health care, public protection and general government programs. The increase of $474 million results primarily from an increase in Medicaid payments to State-operated mental health and retardation facilities ($271 million), which total $2.39 billion in 2003-04, and from increased Medicaid administration costs ($153 million).

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. 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. 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.

Capital Projects Funds spending in 2003-04 is projected at $5.64 billion, or $581 million higher than the revised projection for 2002-03. The increase is attributable to spending associated with prior-year commitments in the areas of economic development ($181 million), transportation ($165 million) and the environment ($127 million). In addition, Federal resources devoted to support efforts to reconstruct Route 9-A in the wake of the World Trade Center disaster will increase by $67 million.

Highlights of the 2003-04 capital spending plan include:

- Transportation spending of $3.1 billion, an increase of $165 million or 6 percent over the prior year. Construction levels for DOT's Highway and Bridge Construction Program will be financed through a $1.65 billion contract letting level in 2003-04. While this is a decline from last year's letting level of $1.75 billion, spending continues to increase from the higher level of commitments made in previous years. The Executive Budget continues support for local transportation capital programs including the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program. Transportation programs account for 55 percent of total capital spending.

- Projected spending for the environment of $826 million will increase by $127 million or 18 percent over 2002-03. The major components of this spending increase include $105 million from the new Hazardous Waste Remedial Fund to support the Superfund Program and $12 million from Environmental Protection Fund. Total disbursements for the environment include $172 million in Clean Water/Clean Air Bond Act spending and $127 million in spending from the Environmental Protection Fund. Spending for the environment will account for 15 percent of 2003-04 capital disbursements.
- Spending for housing, economic development and other capital projects of $796 million reflect a 52 percent ($274 million) increase. This increase in spending represents the State's continued commitment to critical economic development and job creation initiatives designed as part of an effort to reverse the protracted national economic downturn. These projects are administered under a variety of programs, including the Regional Development Program and the Strategic Investment Program. These programs will focus on important projects that create or retain technology-related jobs through the construction and development of research facilities, business incubators and business parks. Other spending recommendations for 2003-04 will continue funding for the rehabilitation or construction of various State facilities, including the State Capitol, the Alfred E. Smith State Office Building, and the construction of the new Elk Street parking garage in Albany. Disbursements for housing, economic development, and other initiatives will account for approximately 14 percent of 2003-04 capital spending.
- Public protection spending of $258 million is projected to increase by $14 million or 6 percent from 2002-03. Public protection spending, which finances capital projects to preserve and maintain existing correctional facilities, will account for 5 percent of total 2003-04 capital disbursements.
- Spending for the Department of Mental Hygiene of $203 million reflects an increase of $31 million or 18 percent from the revised 2002-03 estimate. This change reflects the impact of bringing new community beds on-line across 2002-03 and 2003-04. Departmental 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 3 percent of 2003-04 capital disbursements.
- Capital spending for education and higher education of $471 million reflects a modest decrease of $30 million from 2002-03. This reflects the completion of disbursements for the School District Capital Outlay Grant Program in 2002-03. Absent this one-time spending, support for education and higher education programs increases by $70 million, reflecting commitments made in the capital program to the University systems. Disbursements to support education will account for 8 percent of 2003-04 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 the State and public authorities. Debt Service Funds receive moneys either from a dedicated revenue stream, such as sales tax receipts or State personal income 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 $3.10 billion for 2002-03 and $3.37 billion for 2003-04. The $271 million increase is due to a combination of ongoing debt management actions that lower the State's cost of borrowing in

2002-03 to provide recurring savings. This includes: the refunding of State-supported bonds; using variable rate bonds and interest rate exchange agreements authorized by 2002 legislation; modernizing the financing structure of State-supported bonds; and issuing lower-cost personal income tax revenue bonds. Estimated disbursements reflect the refunding of State-supported bonds to generate significant present value savings. Debt service costs for the current year and over the five-year Capital Program and Financing Plan are projected to remain within the caps imposed by the Debt Reform Act.

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 made in the amount necessary to meet required disbursements. In addition, the Revenue Bond Tax Fund, an account within the General Debt Service Fund, will pay the debt service on personal income tax revenue bonds that are supported by the pledge of a portion of State personal income tax receipts.

In 2003-04, the transfer from the General Fund is projected at $1.58 billion, an increase of $109 million from 2002-03. This primarily reflects increases associated with prior-year financings for CUNY, SUNY, correctional facilities and other programs offset by the impact of refundings and other efforts to reduce borrowing costs. Additional transfers consist of $161 million from the Dedicated Highway and Bridge Trust Fund, $91 million from the Clean Water/Clean Air Fund, $26 million from the Income Fund for SUNY Hospitals, $1.5 million from the State Parks Infrastructure Fund, and $1 million from the Centralized Services Fund. Those additional transfers pay the debt service on bonds issued for CHIPS, environmental projects under the Clean Water/Clean Air Bond Act, the hospital's share of SUNY educational facilities debt service, State parks, and equipment financing purposes, respectively. Along with $233 million in revenue bond debt service financed with State personal income tax receipts, 2003-04 total disbursements from the General Debt Service Fund total $2.1 billion. Personal income taxes in excess of debt service requirements are transferred back to the General Fund.

The Local Government Assistance Tax Fund is projected to receive $2.3 billion in 2003-04 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 $256 million in 2003-04. Sales tax receipts in excess of LGAC's debt service requirements, $2.0 billion, will be transferred to the General Fund.

Patient revenues of $2.6 billion deposited to the Mental Health Services Fund will satisfy debt service obligations of $158 million in 2003-04. The remaining balance will be transferred SRFs to support operating 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 back to the Institute. As a result, the State's Financial Plan reflects only the portion of the Corporation's receipts that are needed for debt service. Approximately $128 million in deposits to the Health Income Fund are expected to support debt service obligations of $30 million in 2003-04. The balance of those deposits will be transferred to SRFs 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 $292 million from the real estate transfer tax. Approximately $91 million of these receipts will be transferred to the General Debt Service Fund in 2003-04 to support the debt service on Clean Water/Clean Air general obligation bonds and the $201 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 2001-2002 State fiscal year. They do not reflect any pending proposals of the Governmental Accounting Standards Board, including GASB 34, which will significantly change the presentation of GAAP financial information for state and local governments in 2002-03.

The State is required to report its financial results in accordance with GASB 34 beginning with the 2002-03 fiscal year. As a result, DOB expects to prepare its GAAP basis financial projections for future years to reflect the changes required under GASB 34 in the first publication following the issuance of the 2002-03 Comprehensive Annual Financial Report by the State Comptroller in July 2003. The new financial reporting model will redefine the current financial reporting structure by changing its focus to major funds, rather than fund types, require a new section called management discussion and analysis (the "MD & A"), and contain new government-wide financial statements which will include all revenues and all costs of providing services each year. The new statements will report on both current assets and liabilities and long-term assets and liabilities, such as capital assets, including infrastructure (e.g., roads and bridges). Based on a preliminary analysis, DOB believes the State will be in an overall net positive asset position at the end of 2002-03.

In 2002-03, the General Fund GAAP Financial Plan shows total revenues of $33.00 billion, total expenditures of $41.76 billion, and net other financing sources of $6.21 billion, resulting in an operating imbalance of $2.55 billion. This operating results reflect the use of reserves in response to the World Trade Center disaster while the State restrains overall spending over the next few years, as well as the negative impact of the economy on revenues. As a result, the accumulated surplus declines from $492 million at the end of 2001-02 to an accumulated deficit of $2.06 billion at the end of 2002-03.

In 2003-04, the General Fund GAAP Financial Plan shows total revenues of $33.47 billion, total expenditures of $40.10 billion, and net other financing sources of $6.49 billion, resulting in an operating deficit of $138 million. The accumulated deficit is projected at $2.20 billion at the end of 2003-04.

CASH FLOW

Cash flow reforms enacted in the 1990s prohibit the State from issuing short-term debt to meet its cash flow needs throughout the year unless the Governor, Senate Majority Leader, and Assembly Speaker jointly declare a fiscal emergency.

The 2002-03 cash flow assumes the Governor's proposal to receive tobacco securitization proceeds of $1.9 billion in March 2003, or $378 million more than needed for budget balance in March 2003.

The 2003-04 General Fund cash flow estimates assume the budget is enacted on time, and various management actions in the first quarter to maximize the use of other funding sources to offset General Fund spending. After these actions, the General Fund is projected to have quarterly balances of $780 million in June, $1.10 billion in September, $1.40 billion by the end of December, and $730 million at the end of March. The lowest projected month-end cash flow balances are $375 million at the end of May and $501 million in August.

GENERAL FUND FINANCIAL PLAN OUTYEAR PROJECTIONS

PROJECTED BUDGET GAPS FOR SFYs 2004-05 AND 2005-06 (millions of dollars)	2004-05	2005-06
Current Law Projected Receipts	36,596	38,692
Current Law Projected Disbursements	46,767	49,772
Gap (before 2003-04 Recommendations)	**(10,171)**	**(11,080)**
Value of 2003-04 Recommendations	**7,272**	**6,844**
– Spending Restraint	*5,660*	*5,696*
– Revenue Proposals	*1,212*	*1,148*
– Tobacco Proceeds	*400*	*0*
Remaining Gap (after Recommendations)	**(2,899)**	**(4,236)**
2005-06 Gap if 2004-05 Gap is Closed with Recurring Actions		**(1,337)**

The State faced potential budget gaps of $10.2 billion in 2004-05 and $11.1 billion in 2005-06 before any 2003-04 Executive Budget recommendations. The Governor's budget proposes $6.8 billion in recurring savings in 2004-05 and 2005-06, and preserves $400 million in tobacco securitization receipts in 2004-05 to help reduce these gaps. The remaining gaps are projected at $2.9 billion in 2004-05 and $4.2 billion in 2005-06. These gaps assume the Legislature will enact the 2003-04 Executive Budget and accompanying legislation in its entirety. These budget gaps do not assume any possible collective bargaining salary increases, or additional spending efficiencies.

If the projected budget gap for 2004-05 is closed with recurring actions, the 2005-06 budget gap would be reduced to $1.3 billion. A more detailed explanation of the outyear receipts and disbursement estimates follows.

OUTYEAR RECEIPTS

GENERAL FUND RECEIPTS (millions of dollars)		
SFY:	**2004-05**	**2005-06**
Total Receipts	38,010	39,679

General Fund receipts are estimated at $38.01 billion in 2004-05. After adjusting for atypical transactions, there is an increase of $1.3 billion which reflects a forecast that both the national and New York economies will have recovered from recession and will be growing at close to historical average rates through 2005. The forecast also assumes the incremental impact of enacted tax reductions, the impact of prior Refund Reserve transactions and the continued earmarking of receipts for Dedicated Highway Fund purposes. Receipts are projected to grow modestly to $39.68 billion in 2005-06, 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. The Economic Backdrop section contains a detailed listing of outyear economic projections.

PERSONAL INCOME TAX (millions of dollars)		
SFY:	2004-05	2005-06
Personal Income Tax	16,134	17,392

In general, income tax growth for 2004-05 and 2005-06 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 net income and income derived from partnerships and S Corporations.

It should be noted that the estimated poor growth performance in income tax receipts in 2002-03 and 2003-04 is expected to be heavily influenced by the continuing impact of the World Trade Center disaster. The outyear projections anticipate a gradual recovery in income tax receipts growth from this period and the return to average liability growth rates in 2004 and 2005.

Personal income tax receipts are projected to increase to $16.13 billion in 2004-05. The increase from 2003-04 largely reflects growth in underlying liability. In addition, receipts are reduced by the incremental value of the STAR tax reduction program.

Personal income tax receipts for 2005-06 are projected to increase to $17.39 billion. The modest increase results from a return to increases in liability consistent with underlying adjusted gross income growth of more than 5 percent in both 2004 and 2005.

Wages are estimated to continue to improve in 2004-05 and 2005-06, reflecting stronger employment growth as well as a return to moderate growth in bonuses over the period.

Growth in realized capital gains is projected to rebound from the large decreases estimated for 2002 and 2003. The 2004-05 and 2005-06 receipts projections assume continued recovery in equity markets and growth in associated capital gains.

The 2004-05 and 2005-06 projections also assume increases in the other major components of income, consistent with continued growth in the overall economy. In particular, interest and business incomes are expected to grow at rates consistent with the average growth in these components in the years before the World Trade Center attacks. The Economic Backdrop section contains a more detailed discussion of these estimates.

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 2004-05 and 2005-06 are relatively conservative given the substantial uncertainty in predicting income tax receipts.

USER TAXES AND FEES (millions of dollars)		
SFY:	2004-05	2005-06
User Taxes and Fees	7,788	8,034

Receipts from user taxes and fees are estimated to total $7.79 billion in 2004-05, an increase of $280 million from 2003-04. This increase is due almost exclusively to growth in the sales tax, which is partly offset by increased earmarking of motor vehicle fees to the dedicated transportation funds.

User taxes and fees receipts are expected to grow to $8.03 billion in 2005-06. 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 percent to 5 percent.

BUSINESS TAXES (millions of dollars)		
SFY:	2004-05	2005-06
Business Taxes	3,787	3,922

Business tax receipts are estimated to increase to $3.79 billion in 2004-05. This estimate reflects the effect of proposed tax law changes in the insurance tax. Receipts are projected to increase to $3.92 billion in 2005-06, reflecting modest increases in underlying liability, offset by enacted business tax reductions.

OTHER TAXES (millions of dollars)		
SFY:	2004-05	2005-06
Other Taxes	790	850

The yield from other taxes is expected to increase from 2003-04 to $790 million, which reflects the expected moderate growth in the stock market on the value of taxable estates, and the impact of the acceleration of the unified credit/exemption. In 2005-06, receipts climb to $850 million, reflecting a return to normal growth in stock market values.

MISCELLANEOUS RECEIPTS (millions of dollars)		
SFY:	2004-05	2005-06
Miscellaneous Receipts	2,068	1,624

Miscellaneous receipts for 2004-05 are estimated at $2.07 billion, including $400 million in tobacco proceeds. Receipts in this category are projected to be $1.62 billion in 2005-06. There are no tobacco proceeds in 2005-06.

TRANSFERS FROM OTHER FUNDS (millions of dollars)		
SFY:	2004-05	2005-06
PIT in Excess of Revenue Bond Debt Service	5,009	5,330
Sales Tax in Excess of LGAC Debt Service	2,060	2,151
Real Estate Taxes in Excess of CW/CA Debt Service	198	208
All Other Transfers	176	168
Total Transfers from Other Funds	**7,443**	**7,857**

Transfers from other funds are estimated to remain unchanged at $7.44 billion in 2004-05 growing to $7.86 billion in 2005-06. Both 2004-05 and 2005-06 reflect growth in the dedicated portions of personal income tax, sales tax and the real estate transfer tax, which comprise a significant portion of transfers from other funds each year. The growth in 2004-05 is offset by a decrease in the expected transfer from the Environmental Protection Fund ($53 million), one-time transfers from the Dedicated Highway and Bridge Fund ($118 million) and various SRFs in 2003-04 ($10 million)

OUTYEAR DISBURSEMENTS

GENERAL FUND DISBURSEMENTS (millions of dollars)		
SFY:	**2004-05**	**2005-06**
Total Disbursements	40,909	43,915

DOB currently projects spending to grow by $2.27 billion (5.9 percent) in 2004-05 and $3.01 billion (7.4 percent) in 2005-06. Spending estimates for 2004-05 and 2005-06 are described in more detail below.

GRANTS TO LOCAL GOVERNMENTS (millions of dollars)		
SFY:	**2004-05**	**2005-06**
Grants to Local Governments	26,866	29,064

Local assistance spending is projected to increase by $953 million (3.7 percent) in 2004-05 and another $2.2 billion (8.2 percent) in 2005-06. The cumulative growth in both outyears of $3.2 billion is attributable primarily to school aid growth ($800 million), underlying growth in Medicaid ($1.4 billion), declines in alternative revenue sources including Federal TANF funds ($548 million), and the end of a two-year Medicaid distressed hospital payment increase ($324 million).

Projected growth in school aid on a school year basis is approximately $650 million in both 2004-05 and 2005-06. This reflects projected increases in consolidated operating aid and other major formula-based aids, as well as in certain expense-based aids, such as building aid and transportation aid. On a fiscal year basis, school aid spending is projected to grow by approximately $135 million (1.1 percent) in 2004-05 and $665 million (5.6 percent) in 2005-06. The increases reflect projected growth in program expenses combined with a smaller “tail” in the 2004-05 fiscal year due to the 2003-04 school year reductions.

General Fund spending for Medicaid is expected to grow by $219 million in 2004-05 and another $1.2 billion in 2005-06. This increase is largely attributable to $1.3 billion in spending growth for the program, which represents underlying growth of approximately 7.5 percent in 2004-05 and 10 percent in 2005-06, generally consistent with the projections developed with the Health Care Reform Act and the Congressional Budget Office. The remaining growth is attributable to the loss of other financing sources of $324 million in 2005-06 resulting from the end of the two-year increase of distressed hospital payments.

Welfare spending is projected to increase by $175 million (17.8 percent) in 2004-05, largely due to the loss of one-time Federal TANF funds. Programmatic commitments are expected to decline by 8.4 percent in 2004-05 as a result of the full annual impact of the recommendations contained in this budget, and then remain essentially flat in 2005-06.

Higher Education Services Corporation (HESC) spending is projected to grow by $230 million (56.6 percent) in 2004-05 and by $20 million in 2005-06. The increase in 2004-05 is the result of the loss of one-time Federal TANF funds used to support TAP in 2003-04.

Mental hygiene programs are projected to increase by $179 million (11.5 percent) in 2004-05 and will remain basically flat in 2005-06 with a small increase of $18 million (1.0 percent). Growth in 2004-05 is attributable primarily to projected expansion of programs for the mentally and developmentally disabled.

All other local assistance programs increase by $6 million (0.1 percent) in 2004-05 and by $254 million (4.4 percent) in 2005-06. The two-year growth of $260 million is due to programmatic growth in various local assistance programs which include increases in child welfare programs ($85 million), various public health programs ($65 million), and handicapped education ($63 million).

STATE OPERATIONS (millions of dollars)		
SFY:	2004-05	2005-06
State Operations	7,511	7,740

State Operations spending is expected to increase by $358 million, or 5.0 percent, in 2004-05 and another $229 million or 3.1 percent in 2005-06. The growth in State Operations spending is due to costs associated with normal salary step increases and increases for non-personal service costs, valued at roughly $125 million in 2004-05 and 2005-06. The State Operations growth is also attributable to the value of an additional institutional payroll cycle ($130 million) in 2004-05 and the decline in Federal mental hygiene revenues. No additional general salary increases are assumed in either 2004-05 or 2005-06.

GENERAL STATE CHARGES (millions of dollars)		
SFY:	2004-05	2005-06
General State Charges	3,654	4,304

General State Charges are expected to increase by $490 million (15.5 percent) in 2004-05 and $650 million (17.8 percent) in 2005-06. This growth is attributable to anticipated cost increases in providing pension and health insurance benefits to State employees and retirees. Recent pension fund investment losses are expected to increase the New York State and Local Retirement Systems' employer contribution rate to 7 percent of employee salaries in 2004-05 and 11 percent in 2005-06. These rates will require additional spending of $272 million in 2004-05 and another $352 million in 2005-06. Spending for employee health care costs is expected to increase by $217 million in 2004-05 and another $289 million in 2005-06. This funding level assumes a 15 percent annual premium trend increases offset by over $200 million in annual savings from health benefit changes and workforce reductions proposed in the 2003-04 Executive Budget.

TRANSFERS TO OTHER FUNDS (millions of dollars)		
SFY:	2004-05	2005-06
Debt Service	1,879	1,867
Capital Projects	303	313
State University	115	122
All Other	581	505
Total Transfers to Other Funds	**2,878**	**2,807**

Transfers to the Debt Service Funds increase by $296 million in 2004-05 and decrease $12 million 2005-06. 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, offset by savings generated from efforts to reduce borrowing costs and the continued impact of the accounting treatment by the State Comptroller of the personal income tax revenue bond program, which artificially lowers future General Fund debt service costs.

Capital projects transfers are projected to increase by $97 million in 2004-05 and $10 million in 2005-06. The $97 million increase reflects a return to pay-as-you-go financing for various ongoing environmental and State programs which are bond financed in 2003-04, including environmental projects financed in the Capital Projects Fund ($21 million), the new State Superfund ($64 million), and various State facilities managed by the Office of General Services. The increase in General Fund support from 2004-05 to 2005-06 is due to additional costs in a variety of areas, including State facilities and mental hygiene.

Transfers to the State University reflect the State subsidy for SUNY hospitals and the State's share of the repayment of an outstanding SUNY loan.

All other transfers are projected to increase by approximately $102 million in 2004-05 and decrease $76 million in 2005-06, including a one-time legislatively mandated transfer of funds for medical malpractice in 2004-05 ($45 million).

INDEX OF FINANCIAL PLAN TABLES

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

	October	*(Note)* Change	Restated October	Change	January
Opening fund balance	1,032	0	1,032	0	1,032
Receipts:					
Taxes:					
Personal income tax	23,342	(4,770)	18,572	(1,390)	17,182
User taxes and fees	7,105	0	7,105	(53)	7,052
Business taxes	3,842	0	3,842	(320)	3,522
Other taxes	787	0	787	(26)	761
Miscellaneous receipts	2,148	0	2,148	1,937	4,085
Transfers from other funds:					
PIT in excess of Revenue Bond debt service	0	4,609	4,609	(331)	4,278
Sales tax in excess of LGAC debt service	1,808	0	1,808	42	1,850
Real estate taxes in excess of CW/CA debt service	0	170	170	96	266
All other transfers	866	(170)	696	246	942
Total receipts	39,898	(161)	39,737	201	39,938
Disbursements:					
Grants to local governments	26,848	0	26,848	84	26,932
State operations	7,815	0	7,815	(53)	7,762
General State charges	2,847	0	2,847	(77)	2,770
Transfers to other funds:					
Debt service	1,851	(161)	1,690	(216)	1,474
Capital projects	174	0	174	(4)	170
State university	86	0	86	(60)	26
Other purposes	593	0	593	60	653
Total disbursements	40,214	(161)	40,053	(266)	39,787
Change in fund balance	(316)	0	(316)	467	151
Closing fund balance	716	0	716	467	1,183
Tax Stabilization Reserve Fund	710	0	710	0	710
Contingency Reserve Fund	6	0	6	14	20
Community Projects Fund	0	0	0	75	75
Reserve for 2003-04	0	0	0	378	378

Note: *The presentation of the Financial Plan contained in the October Update was restated to reflect the accounting treatment by the State Comptroller for personal income tax revenue bonds as described earlier in this Overview.*

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

	2002-2003 January	2003-2004 Recommended	Change
Opening fund balance	1,032	1,183	151
Receipts:			
Taxes:			
Personal income tax	17,182	15,250	(1,932)
User taxes and fees	7,052	7,508	456
Business taxes	3,522	3,682	160
Other taxes	761	771	10
Miscellaneous receipts	4,085	3,538	(547)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,278	4,864	586
Sales tax in excess of LGAC debt service	1,850	1,999	149
Real estate taxes in excess of CW/CA debt service	266	202	(64)
All other	942	377	(565)
Total receipts	39,938	38,191	(1,747)
Disbursements:			
Grants to local governments	26,932	25,913	(1,019)
State operations	7,762	7,152	(610)
General State charges	2,770	3,165	395
Transfers to other funds:			
Debt service	1,474	1,583	109
Capital projects	170	206	36
State university	26	145	119
Other purposes	653	480	(173)
Total disbursements	39,787	38,644	(1,143)
Change in fund balance	151	(453)	(604)
Closing fund balance	1,183	730	(453)
Tax Stabilization Reserve Fund	710	710	
Contingency Reserve Fund	20	20	
Community Projects Fund	75	0	
Reserve for 2003-04	378	0	

CASH FINANCIAL PLAN
GENERAL FUND
2003-2004 THROUGH 2005-2006
(millions of dollars)

	2003-2004 Recommended	2004-2005 Projected	2005-2006 Projected
Receipts:			
Taxes:			
Personal income tax	15,250	16,134	17,392
User taxes and fees	7,508	7,788	8,034
Business taxes	3,682	3,787	3,922
Other taxes	771	790	850
Miscellaneous receipts	3,538	2,068	1,624
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	4,864	5,009	5,330
Sales tax in excess of LGAC debt service	1,999	2,060	2,151
Real estate taxes in excess of CW/CA debt service	202	198	208
All other	377	176	168
Total receipts	38,191	38,010	39,679
Disbursements:			
Grants to local governments	25,913	26,866	29,064
State operations	7,152	7,511	7,740
General State charges	3,165	3,654	4,304
Transfers to other funds:			
Debt service	1,583	1,879	1,867
Capital projects	206	303	313
State university	145	115	122
Other purposes	480	581	505
Total disbursements	38,644	40,909	43,915
Deposit to/(use of) Community Projects Fund	(75)	0	0
Deposit to/(use of) Reserve for 2003-04	(378)	0	0
Margin	0	(2,899)	(4,236)

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	1,110	2,199	(89)	422	3,642
Receipts:					
Taxes	37,371	2,779	1,505	2,659	44,314
Miscellaneous receipts	1,625	7,129	1,444	614	10,812
Federal grants	0	26,698	1,423	0	28,121
Total receipts	38,996	36,606	4,372	3,273	83,247
Disbursements:					
Grants to local governments	27,835	31,270	650	0	59,755
State operations	7,839	6,565	0	6	14,410
General State charges	2,650	416	0	0	3,066
Debt service	0	0	0	4,143	4,143
Capital projects	0	6	3,664	0	3,670
Total disbursements	38,324	38,257	4,314	4,149	85,044
Other financing sources (uses):					
Transfers from other funds	2,148	2,530	313	4,742	9,733
Transfers to other funds	(2,898)	(2,031)	(761)	(4,119)	(9,809)
Bond and note proceeds	0	0	211	0	211
Net other financing sources (uses)	(750)	499	(237)	623	135
Change in fund balance	(78)	(1,152)	(179)	(253)	(1,662)
Closing fund balance	1,032	1,047	(268)	169	1,980

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	1,032	1,047	(268)	169	1,980
Receipts:					
Taxes	28,517	4,177	1,686	6,858	41,238
Miscellaneous receipts	4,085	9,747	2,488	626	16,946
Federal grants	0	30,955	1,482	0	32,437
Total receipts	32,602	44,879	5,656	7,484	90,621
Disbursements:					
Grants to local governments	26,932	37,479	1,161	0	65,572
State operations	7,762	7,321	0	7	15,090
General State charges	2,770	519	0	0	3,289
Debt service	0	0	0	3,091	3,091
Capital projects	0	3	3,903	0	3,906
Total disbursements	37,464	45,322	5,064	3,098	90,948
Other financing sources (uses):					
Transfers from other funds	7,336	3,009	195	4,585	15,125
Transfers to other funds	(2,323)	(2,707)	(1,231)	(8,964)	(15,225)
Bond and note proceeds	0	0	222	0	222
Net other financing sources (uses)	5,013	302	(814)	(4,379)	122
Change in fund balance	151	(141)	(222)	7	(205)
Closing fund balance	1,183	906	(490)	176	1,775

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	1,183	906	(490)	176	1,775
Receipts:					
Taxes	27,211	4,308	1,765	7,644	40,928
Miscellaneous receipts	3,538	10,204	2,790	702	17,234
Federal grants	0	30,390	1,668	0	32,058
Total receipts	30,749	44,902	6,223	8,346	90,220
Disbursements:					
Grants to local governments	25,913	37,258	1,262	0	64,433
State operations	7,152	7,752	0	7	14,911
General State charges	3,165	565	0	0	3,730
Debt service	0	0	0	3,362	3,362
Capital projects	0	3	4,383	0	4,386
Total disbursements	36,230	45,578	5,645	3,369	90,822
Other financing sources (uses):					
Transfers from other funds	7,442	3,210	226	4,831	15,709
Transfers to other funds	(2,414)	(2,550)	(1,058)	(9,804)	(15,826)
Bond and note proceeds	0	0	248	0	248
Net other financing sources (uses)	5,028	660	(584)	(4,973)	131
Change in fund balance	(453)	(16)	(6)	4	(471)
Closing fund balance	730	890	(496)	180	1,304

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	890	(496)	180	574
Receipts:					
Taxes	28,499	4,635	1,811	8,061	43,006
Miscellaneous receipts	2,068	10,786	2,280	650	15,784
Federal grants	0	31,891	1,802	0	33,693
Total receipts	30,567	47,312	5,893	8,711	92,483
Disbursements:					
Grants to local governments	26,866	39,436	1,015	0	67,317
State operations	7,511	7,684	0	7	15,202
General State charges	3,654	586	0	0	4,240
Debt service	0	0	0	4,245	4,245
Capital projects	0	4	4,360	0	4,364
Total disbursements	38,031	47,710	5,375	4,252	95,368
Other financing sources (uses):					
Transfers from other funds	7,443	2,982	323	5,279	16,027
Transfers to other funds	(2,878)	(2,447)	(1,086)	(9,740)	(16,151)
Bond and note proceeds	0	0	226	0	226
Net other financing sources (uses)	4,565	535	(537)	(4,461)	102
Change in fund balance	(2,899)	137	(19)	(2)	(2,783)
Closing fund balance	(2,899)	1,027	(515)	178	(2,209)

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2005-2006
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,027	(515)	178	690
Receipts:					
Taxes	30,198	4,838	1,774	8,597	45,407
Miscellaneous receipts	1,624	11,031	2,036	658	15,349
Federal grants	0	31,288	1,853	0	33,141
Total receipts	31,822	47,157	5,663	9,255	93,897
Disbursements:					
Grants to local governments	29,064	39,348	857	0	69,269
State operations	7,740	7,674	0	7	15,421
General State charges	4,304	594	0	0	4,898
Debt service	0	0	0	4,473	4,473
Capital projects	0	1	4,207	0	4,208
Total disbursements	41,108	47,617	5,064	4,480	98,269
Other financing sources (uses):					
Transfers from other funds	7,857	2,897	333	5,358	16,445
Transfers to other funds	(2,807)	(2,418)	(1,163)	(10,146)	(16,534)
Bond and note proceeds	0	0	219	0	219
Net other financing sources (uses)	5,050	479	(611)	(4,788)	130
Change in fund balance	(4,236)	19	(12)	(13)	(4,242)
Closing fund balance	(4,236)	1,046	(527)	165	(3,552)

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	1,110	2,193	69	422	3,794
Receipts:					
Taxes	37,371	2,779	1,505	2,659	44,314
Miscellaneous receipts	1,625	7,003	1,443	614	10,685
Federal grants	0	0	0	0	0
Total receipts	38,996	9,782	2,948	3,273	54,999
Disbursements:					
Grants to local governments	27,835	7,612	306	0	35,753
State operations	7,839	3,689	0	6	11,534
General State charges	2,650	259	0	0	2,909
Debt service	0	0	0	4,143	4,143
Capital projects	0	6	2,633	0	2,639
Total disbursements	38,324	11,566	2,939	4,149	56,978
Other financing sources (uses):					
Transfers from other funds	2,148	818	313	4,742	8,021
Transfers to other funds	(2,898)	(137)	(755)	(4,119)	(7,909)
Bond and note proceeds	0	0	211	0	211
Net other financing sources (uses)	(750)	681	(231)	623	323
Change in fund balance	(78)	(1,103)	(222)	(253)	(1,656)
Closing fund balance	1,032	1,090	(153)	169	2,138

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	1,032	1,090	(153)	169	2,138
Receipts:					
Taxes	28,517	4,177	1,686	6,858	41,238
Miscellaneous receipts	4,085	9,608	2,488	626	16,807
Federal grants	0	0	0	0	0
Total receipts	32,602	13,785	4,174	7,484	58,045
Disbursements:					
Grants to local governments	26,932	10,377	944	0	38,253
State operations	7,762	4,080	0	7	11,849
General State charges	2,770	349	0	0	3,119
Debt service	0	0	0	3,091	3,091
Capital projects	0	3	2,648	0	2,651
Total disbursements	37,464	14,809	3,592	3,098	58,963
Other financing sources (uses):					
Transfers from other funds	7,336	907	195	4,585	13,023
Transfers to other funds	(2,323)	(216)	(1,221)	(8,964)	(12,724)
Bond and note proceeds	0	0	222	0	222
Net other financing sources (uses)	5,013	691	(804)	(4,379)	521
Change in fund balance	151	(333)	(222)	7	(397)
Closing fund balance	1,183	757	(375)	176	1,741

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	1,183	757	(375)	176	1,741
Receipts:					
Taxes	27,211	4,308	1,765	7,644	40,928
Miscellaneous receipts	3,538	10,077	2,790	702	17,107
Federal grants	0	0	0	0	0
Total receipts	30,749	14,385	4,555	8,346	58,035
Disbursements:					
Grants to local governments	25,913	10,290	1,045	0	37,248
State operations	7,152	4,490	0	7	11,649
General State charges	3,165	399	0	0	3,564
Debt service	0	0	0	3,362	3,362
Capital projects	0	3	3,064	0	3,067
Total disbursements	36,230	15,182	4,109	3,369	58,890
Other financing sources (uses):					
Transfers from other funds	7,442	797	226	4,831	13,296
Transfers to other funds	(2,414)	(197)	(926)	(9,804)	(13,341)
Bond and note proceeds	0	0	248	0	248
Net other financing sources (uses)	5,028	600	(452)	(4,973)	203
Change in fund balance	(453)	(197)	(6)	4	(652)
Closing fund balance	730	560	(381)	180	1,089

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	560	(381)	180	359
Receipts:					
Taxes	28,499	4,635	1,811	8,061	43,006
Miscellaneous receipts	2,068	10,658	2,280	650	15,656
Federal grants	0	0	0	0	0
Total receipts	30,567	15,293	4,091	8,711	58,662
Disbursements:					
Grants to local governments	26,866	10,957	797	0	38,620
State operations	7,511	4,634	0	7	12,152
General State charges	3,654	410	0	0	4,064
Debt service	0	0	0	4,245	4,245
Capital projects	0	4	3,001	0	3,005
Total disbursements	38,031	16,005	3,798	4,252	62,086
Other financing sources (uses):					
Transfers from other funds	7,443	869	323	5,279	13,914
Transfers to other funds	(2,878)	(175)	(861)	(9,740)	(13,654)
Bond and note proceeds	0	0	226	0	226
Net other financing sources (uses)	4,565	694	(312)	(4,461)	486
Change in fund balance	(2,899)	(18)	(19)	(2)	(2,938)
Closing fund balance	(2,899)	542	(400)	178	(2,579)

CASH FINANCIAL PLAN
STATE FUNDS
2005-2006
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	542	(400)	178	320
Receipts:					
Taxes	30,198	4,838	1,774	8,597	45,407
Miscellaneous receipts	1,624	10,902	2,036	658	15,220
Federal grants	0	0	0	0	0
Total receipts	31,822	15,740	3,810	9,255	60,627
Disbursements:					
Grants to local governments	29,064	11,378	640	0	41,082
State operations	7,740	4,685	0	7	12,432
General State charges	4,304	418	0	0	4,722
Debt service	0	0	0	4,473	4,473
Capital projects	0	1	2,835	0	2,836
Total disbursements	41,108	16,482	3,475	4,480	65,545
Other financing sources (uses):					
Transfers from other funds	7,857	772	333	5,358	14,320
Transfers to other funds	(2,807)	(167)	(899)	(10,146)	(14,019)
Bond and note proceeds	0	0	219	0	219
Net other financing sources (uses)	5,050	605	(347)	(4,788)	520
Change in fund balance	(4,236)	(137)	(12)	(13)	(4,398)
Closing fund balance	(4,236)	405	(412)	165	(4,078)

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

	State	Federal	Total
Opening fund balance	2,193	6	2,199
Receipts:			
Taxes	2,779	0	2,779
Miscellaneous receipts	7,003	126	7,129
Federal grants	0	26,698	26,698
Total receipts	9,782	26,824	36,606
Disbursements:			
Grants to local governments	7,612	23,658	31,270
State operations	3,689	2,876	6,565
General State charges	259	157	416
Debt service	0	0	0
Capital projects	6	0	6
Total disbursements	11,566	26,691	38,257
Other financing sources (uses):			
Transfers from other funds	818	1,712	2,530
Transfers to other funds	(137)	(1,894)	(2,031)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	681	(182)	499
Change in fund balance	(1,103)	(49)	(1,152)
Closing fund balance	1,090	(43)	1,047

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

	State	Federal	Total
Opening fund balance	1,090	(43)	1,047
Receipts:			
Taxes	4,177	0	4,177
Miscellaneous receipts	9,608	139	9,747
Federal grants	0	30,955	30,955
Total receipts	13,785	31,094	44,879
Disbursements:			
Grants to local governments	10,377	27,102	37,479
State operations	4,080	3,241	7,321
General State charges	349	170	519
Debt service	0	0	0
Capital projects	3	0	3
Total disbursements	14,809	30,513	45,322
Other financing sources (uses):			
Transfers from other funds	907	2,102	3,009
Transfers to other funds	(216)	(2,491)	(2,707)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	691	(389)	302
Change in fund balance	(333)	192	(141)
Closing fund balance	757	149	906

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

	State	Federal	Total
Opening fund balance	757	149	906
Receipts:			
Taxes	4,308	0	4,308
Miscellaneous receipts	10,077	127	10,204
Federal grants	0	30,390	30,390
Total receipts	14,385	30,517	44,902
Disbursements:			
Grants to local governments	10,290	26,968	37,258
State operations	4,490	3,262	7,752
General State charges	399	166	565
Debt service	0	0	0
Capital projects	3	0	3
Total disbursements	15,182	30,396	45,578
Other financing sources (uses):			
Transfers from other funds	797	2,413	3,210
Transfers to other funds	(197)	(2,353)	(2,550)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	600	60	660
Change in fund balance	(197)	181	(16)
Closing fund balance	560	330	890

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

	State	Federal	Total
Opening fund balance	560	330	890
Receipts:			
Taxes	4,635	0	4,635
Miscellaneous receipts	10,658	128	10,786
Federal grants	0	31,891	31,891
Total receipts	15,293	32,019	47,312
Disbursements:			
Grants to local governments	10,957	28,479	39,436
State operations	4,634	3,050	7,684
General State charges	410	176	586
Debt service	0	0	0
Capital projects	4	0	4
Total disbursements	16,005	31,705	47,710
Other financing sources (uses):			
Transfers from other funds	869	2,113	2,982
Transfers to other funds	(175)	(2,272)	(2,447)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	694	(159)	535
Change in fund balance	(18)	155	137
Closing fund balance	542	485	1,027

CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2005-2006
(millions of dollars)

	State	Federal	Total
Opening fund balance	542	485	1,027
Receipts:			
Taxes	4,838	0	4,838
Miscellaneous receipts	10,902	129	11,031
Federal grants	0	31,288	31,288
Total receipts	15,740	31,417	47,157
Disbursements:			
Grants to local governments	11,378	27,970	39,348
State operations	4,685	2,989	7,674
General State charges	418	176	594
Debt service	0	0	0
Capital projects	1	0	1
Total disbursements	16,482	31,135	47,617
Other financing sources (uses):			
Transfers from other funds	772	2,125	2,897
Transfers to other funds	(167)	(2,251)	(2,418)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	605	(126)	479
Change in fund balance	(137)	156	19
Closing fund balance	405	641	1,046

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

	State	Federal	Total
Opening fund balance	69	(158)	(89)
Receipts:			
Taxes	1,505	0	1,505
Miscellaneous receipts	1,443	1	1,444
Federal grants	0	1,423	1,423
Total receipts	2,948	1,424	4,372
Disbursements:			
Grants to local governments	306	344	650
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,633	1,031	3,664
Total disbursements	2,939	1,375	4,314
Other financing sources (uses):			
Transfers from other funds	313	0	313
Transfers to other funds	(755)	(6)	(761)
Bond and note proceeds	211	0	211
Net other financing sources (uses)	(231)	(6)	(237)
Change in fund balance	(222)	43	(179)
Closing fund balance	(153)	(115)	(268)

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

	State	Federal	Total
Opening fund balance	(153)	(115)	(268)
Receipts:			
Taxes	1,686	0	1,686
Miscellaneous receipts	2,488	0	2,488
Federal grants	0	1,482	1,482
Total receipts	4,174	1,482	5,656
Disbursements:			
Grants to local governments	944	217	1,161
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,648	1,255	3,903
Total disbursements	3,592	1,472	5,064
Other financing sources (uses):			
Transfers from other funds	195	0	195
Transfers to other funds	(1,221)	(10)	(1,231)
Bond and note proceeds	222	0	222
Net other financing sources (uses)	(804)	(10)	(814)
Change in fund balance	(222)	0	(222)
Closing fund balance	(375)	(115)	(490)

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

	State	Federal	Total
Opening fund balance	(375)	(115)	(490)
Receipts:			
Taxes	1,765	0	1,765
Miscellaneous receipts	2,790	0	2,790
Federal grants	0	1,668	1,668
Total receipts	4,555	1,668	6,223
Disbursements:			
Grants to local governments	1,045	217	1,262
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	3,064	1,319	4,383
Total disbursements	4,109	1,536	5,645
Other financing sources (uses):			
Transfers from other funds	226	0	226
Transfers to other funds	(926)	(132)	(1,058)
Bond and note proceeds	248	0	248
Net other financing sources (uses)	(452)	(132)	(584)
Change in fund balance	(6)	0	(6)
Closing fund balance	(381)	(115)	(496)

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

	State	Federal	Total
Opening fund balance	(381)	(115)	(496)
Receipts:			
Taxes	1,811	0	1,811
Miscellaneous receipts	2,280	0	2,280
Federal grants	0	1,802	1,802
Total receipts	4,091	1,802	5,893
Disbursements:			
Grants to local governments	797	218	1,015
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	3,001	1,359	4,360
Total disbursements	3,798	1,577	5,375
Other financing sources (uses):			
Transfers from other funds	323	0	323
Transfers to other funds	(861)	(225)	(1,086)
Bond and note proceeds	226	0	226
Net other financing sources (uses)	(312)	(225)	(537)
Change in fund balance	(19)	0	(19)
Closing fund balance	(400)	(115)	(515)

CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2005-2006
(millions of dollars)

	State	Federal	Total
Opening fund balance	(400)	(115)	(515)
Receipts:			
Taxes	1,774	0	1,774
Miscellaneous receipts	2,036	0	2,036
Federal grants	0	1,853	1,853
Total receipts	3,810	1,853	5,663
Disbursements:			
Grants to local governments	640	217	857
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,835	1,372	4,207
Total disbursements	3,475	1,589	5,064
Other financing sources (uses):			
Transfers from other funds	333	0	333
Transfers to other funds	(899)	(264)	(1,163)
Bond and note proceeds	219	0	219
Net other financing sources (uses)	(347)	(264)	(611)
Change in fund balance	(12)	0	(12)
Closing fund balance	(412)	(115)	(527)

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

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(102)	19	74
Receipts:			
Unemployment taxes	0	0	2,925
Miscellaneous receipts	622	84	72
Federal grants	0	0	326
Total receipts	622	84	3,323
Disbursements:			
Grants to local governments	0	0	10
State operations	564	85	72
Unemployment benefits	0	0	4,170
General State charges	53	1	2
Debt service	101	0	0
Capital projects	0	0	16
Total disbursements	718	86	4,270
Other financing sources (uses):			
Transfers from other funds	78	0	22
Transfers to other funds	0	0	0
Net other financing sources (uses)	78	0	22
Change in fund balance	(18)	(2)	(925)
Closing fund balance	(120)	17	(851)

CASH FINANCIAL PLAN
PROPRIETARY AND FIDUCIARY FUNDS
2003-2004
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(120)	17	(851)
Receipts:			
Unemployment taxes	0	0	2,600
Miscellaneous receipts	565	83	81
Federal grants	0	0	26
Total receipts	565	83	2,707
Disbursements:			
Grants to local governments	0	0	10
State operations	531	85	87
Unemployment benefits	0	0	3,100
General State charges	40	2	6
Debt service	56	0	0
Capital Projects	0	0	4
Total disbursements	627	87	3,207
Other financing sources (uses):			
Transfers from other funds	94	0	23
Transfers to other funds	0	0	0
Net other financing sources (uses)	94	0	23
Change in fund balance	32	(4)	(477)
Closing fund balance	(88)	13	(1,328)

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

	October	Change	January
Revenues:			
Taxes:			
Personal income tax	22,566	(7,201)	15,365
User taxes and fees	7,230	(65)	7,165
Business taxes	4,328	(798)	3,530
Other taxes	779	(45)	734
Miscellaneous revenues	3,996	2,210	6,206
Total revenues	38,899	(5,899)	33,000
Expenditures:			
Grants to local governments	28,426	974	29,400
State operations	10,051	(23)	10,028
General State charges	2,330	(21)	2,309
Debt service	23	0	23
Capital projects	1	0	1
Total expenditures	40,831	930	41,761
Other financing sources (uses):			
Transfers from other funds	6,122	4,407	10,529
Transfers to other funds	(4,883)	300	(4,583)
Proceeds from financing arrangements/ advance refundings	259	1	260
Net other financing sources (uses)	1,498	4,708	6,206
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(434)	(2,121)	(2,555)
Accumulated Surplus (Deficit)	58	(2,121)	(2,063)

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

	2002-2003 Estimate	2003-2004 Recommended	Change
Revenues:			
Taxes:			
Personal income tax	15,365	15,370	5
User taxes and fees	7,165	7,499	334
Business taxes	3,530	3,684	154
Other taxes	734	780	46
Miscellaneous revenues	6,206	6,139	(67)
Total revenues	33,000	33,472	472
Expenditures:			
Grants to local governments	29,400	27,533	(1,867)
State operations	10,028	9,919	(109)
General State charges	2,309	2,625	316
Debt service	23	24	1
Capital projects	1	1	0
Total expenditures	41,761	40,102	(1,659)
Other financing sources (uses):			
Transfers from other funds	10,529	10,611	82
Transfers to other funds	(4,583)	(4,443)	140
Proceeds from financing arrangements/ advance refundings	260	324	64
Net other financing sources (uses)	6,206	6,492	286
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	(2,555)	(138)	2,417
Accumulated Deficit	(2,063)	(2,201)	

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	Elimin-ations	Intrafund Elimin-ations	Reclass-ification	GAAP Financial Plan
Receipts/Revenues:									
Taxes:									
Personal income tax	17,182	0	0	17,182	(1,817)	0	0	0	15,365
User taxes and fees	7,052	0	0	7,052	113	0	0	0	7,165
Business taxes	3,522	0	0	3,522	8	0	0	0	3,530
Other taxes	761	0	0	761	(27)	0	0	0	734
Miscellaneous receipts	4,085	3,121	683	7,889	(119)	(78)	(621)	(865)	6,206
Total receipts/revenues	32,602	3,121	683	36,406	(1,842)	(78)	(621)	(865)	33,000
Disbursements/expenditures:									
Grants to local governments	26,932	2,407	0	29,339	791	0	0	(730)	29,400
State operations	7,762	3,252	625	11,639	49	(236)	(621)	(803)	10,028
General State charges	2,770	190	54	3,014	117	(17)	0	(805)	2,309
Debt service	0	0	101	101	23	0	0	(101)	23
Capital projects	0	1	0	1	0	0	0	0	1
Total disbursements/expenditures	37,464	5,850	780	44,094	980	(253)	(621)	(2,439)	41,761
Other financing sources (uses):									
Transfers from other funds	7,336	2,809	78	10,223	0	(181)	(378)	865	10,529
Transfers to other funds	(2,323)	(196)	0	(2,519)	(5)	2	378	(2,439)	(4,583)
Proceeds from financing arrangements/ advance refundings	0	0	0	0	260	0	0	0	260
Net other financing sources (uses)	5,013	2,613	78	7,704	255	(179)	0	(1,574)	6,206
(Deposit to)/use of fund balances	227	0	0	227	(227)	0	0	0	0
Receipts/revenues and other financing sources over (under) disbursements/expenditures and other financing uses	378	(116)	(19)	243	(2,794)	(4)	0	0	(2,555)

CONVERSION OF CASH FINANCIAL PLAN
TO GAAP FINANCIAL PLAN
GENERAL FUND
2003-2004
(millions of dollars)

	Cash Financial Plan	Perspective Difference: Special Revenue Funds	Entity Difference: Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intrafund Elimin-ations	Reclass-ification	GAAP Financial Plan
Receipts/Revenues:									
Taxes:									
Personal income tax	15,250	0	0	15,250	120	0	0	0	15,370
User taxes and fees	7,508	0	0	7,508	(9)	0	0	0	7,499
Business taxes	3,682	0	0	3,682	2	0	0	0	3,684
Other taxes	771	0	0	771	9	0	0	0	780
Miscellaneous receipts	3,538	3,141	625	7,304	10	(85)	(564)	(526)	6,139
Total receipts/revenues	30,749	3,141	625	34,515	132	(85)	(564)	(526)	33,472
Disbursements/expenditures:									
Grants to local governments	25,913	2,335	0	28,248	(132)	0	0	(583)	27,533
State operations	7,152	3,566	592	11,310	56	(240)	(564)	(643)	9,919
General State charges	3,165	206	42	3,413	96	(23)	0	(861)	2,625
Debt service	0	0	56	56	24	0	0	(56)	24
Capital projects	0	1	0	1	0	0	0	0	1
Total disbursements/expenditures	36,230	6,108	690	43,028	44	(263)	(564)	(2,143)	40,102
Other financing sources (uses):									
Transfers from other funds	7,442	3,001	94	10,537	0	(185)	(267)	526	10,611
Transfers to other funds	(2,414)	(151)	0	(2,565)	(5)	3	267	(2,143)	(4,443)
Proceeds from financing arrangements/ advance refundings	0	0	0	0	324	0	0	0	324
Net other financing sources (uses)	5,028	2,850	94	7,972	319	(182)	0	(1,617)	6,492
(Deposit to)/use of fund balances	75	0	0	75	(75)	0	0	0	0
Receipts/revenues and other financing sources (under) over disbursements/expenditures and other financing uses	(378)	(117)	29	(466)	332	(4)	0	0	(138)

GAAP FINANCIAL PLAN
GENERAL FUND
2003-2004 THROUGH 2005-2006
(millions of dollars)

	2003-2004 Recommended	2004-2005 Projected	2005-2006 Projected
Revenues:			
Taxes:			
Personal income tax	15,370	16,281	17,547
User taxes and fees	7,499	7,810	8,042
Business taxes	3,684	3,781	3,885
Other taxes	780	804	891
Miscellaneous revenues	6,139	5,058	4,721
Total revenues	33,472	33,734	35,086
Expenditures:			
Grants to local governments	27,533	29,613	31,663
State operations	9,919	10,105	10,371
General State charges	2,625	2,996	3,656
Debt service	24	24	25
Capital projects	1	1	1
Total expenditures	40,102	42,739	45,716
Other financing sources (uses):			
Transfers from other funds	10,611	10,672	10,700
Transfers to other funds	(4,443)	(4,862)	(4,805)
Proceeds from financing arrangements/ advance refundings	324	299	298
Net other financing sources (uses)	6,492	6,109	6,193
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	(138)	(2,896)	(4,437)

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	26,794	4,177	1,668	6,897	39,536
Federal grants	0	32,632	1,475	0	34,107
Lottery	0	5,349	0	0	5,349
Patient fees	0	0	0	317	317
Miscellaneous revenues	6,206	1,185	344	39	7,774
Total revenues	33,000	43,343	3,487	7,253	87,083
Expenditures:					
Grants to local governments	29,400	35,185	1,134	0	65,719
State operations	10,028	5,192	0	7	15,227
General State charges	2,309	203	0	0	2,512
Debt service	23	0	0	2,662	2,685
Capital projects	1	2	3,704	0	3,707
Total expenditures	41,761	40,582	4,838	2,669	89,850
Other financing sources (uses):					
Transfers from other funds	10,529	1,107	170	4,687	16,493
Transfers to other funds	(4,583)	(3,922)	(1,278)	(9,227)	(19,010)
Proceeds of general obligation bonds	0	0	222	0	222
Proceeds from financing arrangements/ advance refundings	260	0	1,853	0	2,113
Net other financing sources (uses)	6,206	(2,815)	967	(4,540)	(182)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,555)	(54)	(384)	44	(2,949)

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	27,333	4,308	1,769	7,636	41,046
Federal grants	0	32,099	1,660	0	33,759
Lottery	0	5,653	0	0	5,653
Patient fees	0	0	0	325	325
Miscellaneous revenues	6,139	1,450	492	95	8,176
Total revenues	33,472	43,510	3,921	8,056	88,959
Expenditures:					
Grants to local governments	27,533	35,165	1,234	0	63,932
State operations	9,919	5,336	0	7	15,262
General State charges	2,625	195	0	0	2,820
Debt service	24	0	0	2,686	2,710
Capital projects	1	2	4,126	0	4,129
Total expenditures	40,102	40,698	5,360	2,693	88,853
Other financing sources (uses):					
Transfers from other funds	10,610	1,064	206	4,888	16,768
Transfers to other funds	(4,442)	(3,735)	(1,106)	(10,253)	(19,536)
Proceeds of general obligation bonds	0	0	248	0	248
Proceeds from financing arrangements/ advance refundings	324	0	1,941	0	2,265
Net other financing sources (uses)	6,492	(2,671)	1,289	(5,365)	(255)
(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses	(138)	141	(150)	(2)	(149)

CASHFLOW
GENERAL FUND
2001-2002
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Actual)	Total (Actual)
Opening fund balance	1,110	6,142	5,554	5,201	1,110
Receipts:					
Taxes:					
Personal income tax	11,398	4,789	4,771	4,896	25,854
User taxes and fees	1,823	1,620	1,884	1,771	7,098
Business taxes	997	799	852	968	3,616
Other taxes	207	151	226	219	803
Miscellaneous receipts	345	414	459	407	1,625
Transfers from other funds	550	467	630	501	2,148
Total receipts	15,320	8,240	8,822	8,762	41,144
Disbursements:					
Grants to local governments	6,386	4,973	6,086	10,390	27,835
State operations	2,386	2,359	1,746	1,348	7,839
General State charges	728	752	543	627	2,650
Transfers to other funds	788	744	800	566	2,898
Total disbursements	10,288	8,828	9,175	12,931	41,222
Excess (deficiency) of receipts over disbursements	5,032	(588)	(353)	(4,169)	(78)
Closing fund balance	6,142	5,554	5,201	1,032	1,032

CASHFLOW
GENERAL FUND
2002-2003
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	1,032	1,737	1,735	1,463	1,032
Receipts:					
Taxes:					
Personal income tax	6,754	3,763	2,148	4,517	17,182
User taxes and fees	1,781	1,816	1,745	1,710	7,052
Business taxes	702	833	758	1,229	3,522
Other taxes	211	214	157	179	761
Miscellaneous receipts	516	338	735	2,496	4,085
Transfers from other funds	1,469	1,813	1,562	2,492	7,336
Total receipts	11,433	8,777	7,105	12,623	39,938
Disbursements:					
Grants to local governments	6,950	4,662	4,577	10,743	26,932
State operations	2,233	2,432	1,881	1,216	7,762
General State charges	691	901	513	665	2,770
Transfers to other funds	854	784	406	279	2,323
Total disbursements	10,728	8,779	7,377	12,903	39,787
Excess (deficiency) of receipts over disbursements	705	(2)	(272)	(280)	151
Closing fund balance	1,737	1,735	1,463	1,183	1,183

CASHFLOW
GENERAL FUND
2002-2003
(millions of dollars)

	April through December 2002	2003 January	February	March	Total
Opening fund balance	1,032	1,463	3,905	4,232	1,032
Receipts:					
Taxes:					
Personal income tax	12,665	2,746	1,319	452	17,182
User taxes and fees	5,342	579	448	683	7,052
Business taxes	2,293	70	46	1,113	3,522
Other taxes	582	61	61	57	761
Miscellaneous receipts	1,589	190	129	2,177	4,085
Transfers from other funds	4,844	1,127	445	920	7,336
Total receipts	27,315	4,773	2,448	5,402	39,938
Disbursements:					
Grants to local governments	16,189	1,264	1,408	8,071	26,932
State operations	6,546	655	441	120	7,762
General State charges	2,105	266	161	238	2,770
Transfers to other funds	2,044	146	111	22	2,323
Total disbursements	26,884	2,331	2,121	8,451	39,787
Excess (deficiency) of receipts over disbursements	431	2,442	327	(3,049)	151
Closing fund balance	1,463	3,905	4,232	1,183	1,183

CASHFLOW
GENERAL FUND
2003-2004
(millions of dollars)

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	1,183	780	1,096	1,402	1,183
Receipts:					
Taxes:					
Personal income tax	4,490	3,801	2,292	4,667	15,250
User taxes and fees	1,851	1,907	1,951	1,799	7,508
Business taxes	867	891	832	1,092	3,682
Other taxes	198	203	175	195	771
Miscellaneous receipts	306	324	2,396	512	3,538
Transfers from other funds	2,002	1,934	1,299	2,207	7,442
Total receipts	9,714	9,060	8,945	10,472	38,191
Disbursements:					
Grants to local governments	6,522	4,713	5,463	9,215	25,913
State operations	2,170	2,138	1,993	851	7,152
General State charges	672	1,169	649	675	3,165
Transfers to other funds	753	724	534	403	2,414
Total disbursements	10,117	8,744	8,639	11,144	38,644
Excess (deficiency) of receipts over disbursements	(403)	316	306	(672)	(453)
Closing fund balance	780	1,096	1,402	730	730

CASHFLOW
GENERAL FUND
2003-2004
(millions of dollars)

	2003 April	May	June	July	August	September	October	November	December	2004 January	February	March	Total
Opening fund balance	1,183	2,828	375	780	514	501	1,096	1,338	3,025	1,402	4,398	4,544	1,183
Receipts:													
Taxes:													
Personal income tax	2,541	349	1,600	1,165	1,106	1,530	1,192	922	178	2,786	1,338	543	15,250
User taxes and fees	554	516	781	539	583	785	583	582	786	583	484	732	7,508
Business taxes	65	13	789	41	36	814	32	(1)	801	40	19	1,033	3,682
Other taxes	60	66	72	66	70	67	55	59	61	63	68	64	771
Miscellaneous receipts	111	97	98	94	102	128	112	2,190	94	93	123	296	3,538
Transfers from other funds	944	270	788	565	524	845	589	393	317	1,150	346	711	7,442
Total receipts	4,275	1,311	4,128	2,470	2,421	4,169	2,563	4,145	2,237	4,715	2,378	3,379	38,191
Disbursements:													
Grants to local governments	1,250	2,740	2,532	1,558	1,442	1,713	1,363	1,641	2,459	840	1,762	6,613	25,913
State operations	798	709	663	854	662	622	621	535	837	557	216	78	7,152
General State charges	313	162	197	266	195	708	290	154	205	268	157	250	3,165
Transfers to other funds	269	153	331	58	135	531	47	128	359	54	97	252	2,414
Total disbursements	2,630	3,764	3,723	2,736	2,434	3,574	2,321	2,458	3,860	1,719	2,232	7,193	38,644
Excess (deficiency) of receipts over disbursements	1,645	(2,453)	405	(266)	(13)	595	242	1,687	(1,623)	2,996	146	(3,814)	(453)
Closing fund balance	2,828	375	780	514	501	1,096	1,338	3,025	1,402	4,398	4,544	730	730

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	39,738	40,794	37,499
Alcoholic Beverage Control	0	0	0
Banking Department	0	0	0
Consumer Protection Board	465	484	404
Economic Development, Department of	67,295	36,874	29,972
Empire State Development Corporation	103,051	94,602	0
Energy Research and Development Authority	0	0	0
Housing Finance Agency	700	665	0
Housing and Community Renewal, Division of	79,926	81,871	67,227
Insurance Department	0	0	0
Olympic Regional Development Authority	7,550	7,471	7,400
Public Service, Department of	0	0	0
Science, Technology and Academic Research, Office of	36,500	33,321	55,845
Functional Total	335,225	296,082	198,347
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,289	4,185	4,151
Environmental Conservation, Department of	108,950	106,701	100,702
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	115,842	114,067	96,017
Functional Total	229,081	224,953	200,870
TRANSPORTATION			
Motor Vehicles, Department of	124,118	106,992	0
Transportation, Department of	155,507	163,818	161,616
Functional Total	279,625	270,810	161,616
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	903	905	928
Aging, Office for the	65,896	67,038	60,963
Children and Families, Council on	904	980	0
Children and Family Services, Office of	1,190,483	1,196,450	1,253,708
Health, Department of	7,169,369	6,761,497	6,277,410
Medical Assistance	6,204,375	5,945,862	5,464,409
Medicaid Administration	111,195	121,150	120,150
All Other	853,799	694,485	692,851
Human Rights, Division of	13,231	12,929	13,352
Labor, Department of	31,290	41,294	27,650
Prevention of Domestic Violence, Office of	2,310	2,514	2,215
Temporary and Disability Assistance, Office of	1,496,614	955,357	1,386,903
Welfare Assistance	1,060,240	496,159	984,350
Welfare Administration	380,585	383,225	319,132
All Other	55,789	75,973	83,421
Welfare Inspector General, Office of	711	640	0
Workers' Compensation Board	0	0	0
Functional Total	9,971,711	9,039,604	9,023,129
MENTAL HEALTH			
Mental Health, Office of	1,410,562	1,303,615	1,203,089
Mental Retardation and Developmental Disabilities, Office of	810,517	766,743	768,150
Alcohol and Substance Abuse Services, Office of	295,264	296,611	291,493
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	3,136	2,982	2,835
Functional Total	2,519,479	2,369,951	2,265,567

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended
PUBLIC PROTECTION			
Capital Defenders Office	12,225	12,667	11,787
Correction, Commission of	2,454	2,524	2,481
Correctional Services, Department of	1,816,411	1,781,882	1,781,300
Crime Victims Board	9,851	3,814	3,313
Criminal Justice Services, Division of	102,432	102,315	93,296
Investigation, Temporary State Commission of	3,115	2,991	2,757
Judicial Commissions	2,225	2,372	2,424
Military and Naval Affairs, Division of	40,400	24,118	21,331
Parole, Division of	180,689	184,713	177,476
Probation and Correctional Alternatives, Division of	85,106	85,312	75,102
Public Security, Office of	0	0	6,990
State Police, Division of	381,177	366,781	327,254
Functional Total	2,636,085	2,569,489	2,505,511
EDUCATION			
Arts, Council on the	52,741	51,296	44,726
City University of New York	756,987	859,836	667,635
Education, Department of	13,515,034	13,717,745	12,973,082
School Aid	12,178,357	12,303,047	11,744,014
STAR Property Tax Relief	0	0	0
Handicapped	690,550	786,851	762,387
All Other	646,127	627,847	466,681
Higher Education Services Corporation	699,489	316,959	407,282
State University Construction Fund	0	0	0
State University of New York	1,383,300	1,428,084	1,241,463
Functional Total	16,407,551	16,373,920	15,334,188
GENERAL GOVERNMENT			
Audit and Control, Department of	139,601	149,272	149,344
Budget, Division of the	26,707	32,208	29,431
Civil Service, Department of	28,917	26,085	20,450
Elections, State Board of	3,525	3,503	3,585
Employee Relations, Office of	3,990	4,125	3,458
Executive Chamber	16,181	19,869	16,122
General Services, Office of	121,233	116,353	111,611
Inspector General, Office of	4,773	4,453	4,322
Law, Department of	119,460	118,515	110,727
Lieutenant Governor, Office of the	464	542	483
Lottery, Division of	0	0	0
Public Employment Relations Board	3,735	3,687	4,550
Racing and Wagering Board, State	9,412	9,409	0
Real Property Services, Office of	40,529	36,982	31,836
Regulatory Reform, Governor's Office of	3,334	3,456	3,162
State, Department of	13,898	19,450	15,848
Tax Appeals, Division of	3,061	3,055	2,723
Taxation and Finance, Department of	296,681	324,930	318,327
Technology, Office for	50,055	47,347	34,431
TSC Lobbying	1,013	1,083	963
Veterans Affairs, Division of	10,088	11,391	10,085
Functional Total	896,657	935,715	871,458
ALL OTHER CATEGORIES			
Legislature	207,204	206,735	206,735
Judiciary (excluding fringe benefits)	1,261,455	1,305,500	1,338,800
Homeland Security	0	30,008	10,948
World Trade Center	0	62,590	0
Local Government Assistance	845,032	834,170	806,960
Long-Term Debt Service	2,086,398	1,473,968	1,583,204
Capital Projects	288,727	169,809	205,957
General State Charges/Miscellaneous	3,257,374	3,623,960	3,930,220
Functional Total	7,946,190	7,706,740	8,082,824
TOTAL GENERAL FUND SPENDING	41,221,604	39,787,264	38,643,510

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

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	71,716	92,663	79,225
Alcoholic Beverage Control	11,235	10,804	10,459
Banking Department	51,620	56,445	54,488
Consumer Protection Board	2,962	3,833	3,350
Economic Development, Department of	70,071	41,098	34,017
Empire State Development Corporation	103,051	108,902	40,000
Energy Research and Development Authority	30,036	28,023	28,023
Housing Finance Agency	700	665	0
Housing and Community Renewal, Division of	242,394	233,763	215,748
Insurance Department	90,901	99,449	132,505
Olympic Regional Development Authority	7,664	7,621	7,550
Public Service, Department of	51,273	56,908	55,268
Science, Technology and Academic Research, Office of	42,083	60,150	83,597
Functional Total	775,706	800,324	744,230
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,469	4,535	4,501
Environmental Conservation, Department of	784,660	825,816	934,457
Environmental Facilities Corporation	9,254	7,844	15,706
Parks, Recreation and Historic Preservation, Office of	197,427	209,040	210,826
Functional Total	995,810	1,047,235	1,165,490
TRANSPORTATION			
Motor Vehicles, Department of	199,988	209,376	213,379
Transportation, Department of	4,386,021	4,828,880	4,790,993
Functional Total	4,586,009	5,038,256	5,004,372
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	1,470	1,316	1,339
Aging, Office for the	157,633	169,055	166,444
Children and Families, Council on	1,635	1,882	0
Children and Family Services, Office of	2,786,122	2,900,450	3,023,166
Health, Department of	25,400,461	28,060,789	29,022,593
Medical Assistance	21,866,218	24,259,557	24,774,469
Medicaid Administration	501,735	449,900	601,900
All Other	3,032,508	3,351,332	3,646,224
Human Rights, Division of	14,388	14,532	14,957
Labor, Department of	784,941	750,390	788,772
Prevention of Domestic Violence, Office of	2,521	2,534	2,235
Temporary and Disability Assistance, Office of	4,297,963	4,077,947	4,248,714
Welfare Assistance	3,035,727	2,754,118	2,946,356
Welfare Administration	380,585	383,225	319,132
All Other	881,651	940,604	983,226
Welfare Inspector General, Office of	970	1,010	0
Workers' Compensation Board	137,265	141,248	136,603
Functional Total	33,585,369	36,121,153	37,404,823
MENTAL HEALTH			
Mental Health, Office of	2,001,887	2,020,105	2,031,862
Mental Retardation and Developmental Disabilities, Office of	2,316,091	2,473,862	2,600,047
Alcohol and Substance Abuse Services, Office of	464,287	474,877	482,300
Developmental Disabilities Planning Council	0	3,833	3,819
Quality of Care for the Mentally Disabled, Commission on	9,155	10,053	10,461
Functional Total	4,791,420	4,982,730	5,128,489

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

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended
PUBLIC PROTECTION			
Capital Defenders Office	12,225	12,667	11,787
Correction, Commission of	2,601	2,524	2,481
Correctional Services, Department of	2,100,374	2,034,643	2,032,524
Crime Victims Board	68,777	69,584	62,386
Criminal Justice Services, Division of	152,146	154,429	151,916
Investigation, Temporary State Commission of	3,252	3,164	3,000
Judicial Commissions	2,225	2,372	2,424
Military and Naval Affairs, Division of	679,166	119,770	126,902
Parole, Division of	184,507	189,056	181,819
Probation and Correctional Alternatives, Division of	86,696	85,312	75,102
Public Security, Office of	0	0	10,749
State Police, Division of	499,140	475,917	472,923
Functional Total	3,791,109	3,149,438	3,134,013
EDUCATION			
Arts, Council on the	53,283	51,906	45,328
City University of New York	803,386	916,486	714,685
Education, Department of	19,785,046	20,597,282	19,831,153
School Aid	13,739,854	14,306,260	13,648,460
STAR Property Tax Relief	2,510,074	2,667,000	2,707,000
Handicapped	1,063,878	1,094,086	1,100,968
All Other	2,471,240	2,529,936	2,374,725
Higher Education Services Corporation	784,675	776,352	705,678
State University Construction Fund	9,439	10,837	11,003
State University of New York	3,989,909	4,174,352	4,309,925
Functional Total	25,425,738	26,527,215	25,617,772
GENERAL GOVERNMENT			
Audit and Control, Department of	142,700	152,204	152,298
Budget, Division of the	31,010	38,980	41,164
Civil Service, Department of	29,806	27,185	21,950
Elections, State Board of	3,525	3,503	33,368
Employee Relations, Office of	4,030	4,307	3,646
Executive Chamber	16,181	19,869	16,122
General Services, Office of	183,536	208,298	218,296
Inspector General, Office of	5,725	5,442	5,563
Law, Department of	154,693	160,820	160,494
Lieutenant Governor, Office of the	464	542	483
Lottery, Division of	153,093	160,854	154,942
Public Employment Relations Board	3,832	3,883	4,783
Racing and Wagering Board, State	13,950	13,686	14,654
Real Property Services, Office of	52,156	49,843	51,862
Regulatory Reform, Governor's Office of	3,334	3,456	3,162
State, Department of	95,755	152,049	135,086
Tax Appeals, Division of	3,061	3,055	2,723
Taxation and Finance, Department of	322,610	359,731	350,508
Technology, Office for	50,055	47,347	34,431
TSC Lobbying	1,037	1,383	1,263
Veterans Affairs, Division of	11,022	12,448	11,304
Functional Total	1,281,575	1,428,885	1,418,102
ALL OTHER CATEGORIES			
Legislature	208,154	207,685	207,685
Judiciary (excluding fringe benefits)	1,394,203	1,472,960	1,515,852
Homeland Security	0	45,008	26,538
World Trade Center	0	2,059,657	946,042
Local Government Assistance	845,032	834,170	806,960
Long-Term Debt Service	4,143,157	3,091,029	3,361,993
General State Charges/Miscellaneous	3,220,745	4,142,002	4,339,694
Functional Total	9,811,291	11,852,511	11,204,764
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	85,044,027	90,947,747	90,822,055

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	63,258	69,534	66,124
Alcoholic Beverage Control	11,205	10,804	10,459
Banking Department	51,620	56,445	54,488
Consumer Protection Board	2,962	3,833	3,350
Economic Development, Department of	69,950	40,766	33,685
Empire State Development Corporation	103,051	108,902	40,000
Energy Research and Development Authority	30,036	28,023	28,023
Housing Finance Agency	700	665	0
Housing and Community Renewal, Division of	183,316	199,293	180,759
Insurance Department	90,901	99,449	132,505
Olympic Regional Development Authority	7,664	7,621	7,550
Public Service, Department of	50,044	55,859	53,920
Science, Technology and Academic Research, Office of	36,521	54,525	77,972
Functional Total	701,228	735,719	688,835
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,407	4,185	4,151
Environmental Conservation, Department of	588,508	645,975	754,593
Environmental Facilities Corporation	9,254	7,844	15,706
Parks, Recreation and Historic Preservation, Office of	193,374	203,881	205,680
Functional Total	795,543	861,885	980,130
TRANSPORTATION			
Motor Vehicles, Department of	189,119	194,840	198,779
Transportation, Department of	3,252,331	3,558,522	3,528,362
Functional Total	3,441,450	3,753,362	3,727,141
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	903	905	928
Aging, Office for the	65,896	67,038	60,963
Children and Families, Council on	904	1,205	0
Children and Family Services, Office of	1,219,364	1,220,606	1,312,785
Health, Department of	9,304,731	10,628,779	10,583,220
Medical Assistance	7,361,167	8,451,262	8,328,309
Medicaid Administration	111,195	121,150	120,150
All Other	1,832,369	2,056,367	2,134,761
Human Rights, Division of	13,231	12,933	13,356
Labor, Department of	49,431	83,182	74,089
Prevention of Domestic Violence, Office of	2,310	2,534	2,235
Temporary and Disability Assistance, Office of	1,546,398	1,021,844	1,457,916
Welfare Assistance	1,060,240	496,159	984,350
Welfare Administration	380,585	383,225	319,132
All Other	105,573	142,460	154,434
Welfare Inspector General, Office of	711	640	0
Workers' Compensation Board	137,265	141,248	136,603
Functional Total	12,341,144	13,180,914	13,642,095
MENTAL HEALTH			
Mental Health, Office of	1,586,166	1,497,971	1,442,023
Mental Retardation and Developmental Disabilities, Office of	864,756	830,651	850,825
Alcohol and Substance Abuse Services, Office of	318,415	331,327	328,992
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	3,136	2,987	2,840
Functional Total	2,772,473	2,662,936	2,624,680

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended
PUBLIC PROTECTION			
Capital Defenders Office	12,225	12,667	11,787
Correction, Commission of	2,454	2,524	2,481
Correctional Services, Department of	2,023,515	1,971,632	1,969,550
Crime Victims Board	36,728	31,355	30,854
Criminal Justice Services, Division of	107,063	109,770	107,251
Investigation, Temporary State Commission of	3,252	3,164	3,000
Judicial Commissions	2,225	2,372	2,424
Military and Naval Affairs, Division of	54,097	39,844	41,797
Parole, Division of	180,689	184,813	177,576
Probation and Correctional Alternatives, Division of	85,106	85,312	75,102
Public Security, Office of	0	0	10,749
State Police, Division of	455,398	460,977	455,542
Functional Total	2,962,752	2,904,430	2,888,113
EDUCATION			
Arts, Council on the	52,741	51,296	44,726
City University of New York	803,386	916,486	714,685
Education, Department of	17,650,524	18,467,154	17,646,622
School Aid	13,739,854	14,306,260	13,648,460
STAR Property Tax Relief	2,510,074	2,667,000	2,707,000
Handicapped	690,550	786,851	762,387
All Other	710,046	707,043	528,775
Higher Education Services Corporation	767,627	386,152	470,478
State University Construction Fund	9,439	10,837	11,003
State University of New York	3,845,690	4,033,063	4,167,313
Functional Total	23,129,407	23,864,988	23,054,827
GENERAL GOVERNMENT			
Audit and Control, Department of	142,700	152,204	152,298
Budget, Division of the	31,010	38,980	41,164
Civil Service, Department of	29,806	27,185	21,950
Elections, State Board of	3,525	3,503	3,585
Employee Relations, Office of	4,030	4,307	3,646
Executive Chamber	16,181	19,869	16,122
General Services, Office of	178,584	203,998	213,996
Inspector General, Office of	5,725	5,442	5,563
Law, Department of	136,138	140,078	139,604
Lieutenant Governor, Office of the	464	542	483
Lottery, Division of	153,093	160,854	154,942
Public Employment Relations Board	3,832	3,883	4,783
Racing and Wagering Board, State	13,950	13,686	14,654
Real Property Services, Office of	52,156	49,843	51,862
Regulatory Reform, Governor's Office of	3,334	3,456	3,162
State, Department of	40,082	68,335	66,124
Tax Appeals, Division of	3,061	3,055	2,723
Taxation and Finance, Department of	322,137	359,463	350,230
Technology, Office for	50,055	47,347	34,431
TSC Lobbying	1,037	1,383	1,263
Veterans Affairs, Division of	10,088	11,391	10,085
Functional Total	1,200,988	1,318,804	1,292,670
ALL OTHER CATEGORIES			
Legislature	208,154	207,685	207,685
Judiciary (excluding fringe benefits)	1,391,074	1,470,460	1,513,352
Homeland Security	0	45,008	26,538
World Trade Center	0	64,353	0
Local Government Assistance	845,032	834,170	806,960
Long-Term Debt Service	4,143,157	3,091,029	3,361,993
General State Charges/Miscellaneous	3,046,419	3,967,475	4,075,270
Functional Total	9,633,836	9,680,180	9,991,798
TOTAL STATE FUNDS SPENDING	56,978,821	58,963,218	58,890,289

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
2001-2002
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	25,854	1,310	0	250	27,414
User taxes and fees	7,098	454	839	2,151	10,542
Sales and use tax	6,131	365	0	2,044	8,540
Cigarette and tobacco taxes	532	0	0	0	532
Motor fuel tax	0	62	320	107	489
Motor vehicle fees	185	27	371	0	583
Highway Use tax	0	0	148	0	148
Alcoholic beverages taxes	178	0	0	0	178
Alcoholic beverage control license fees	34	0	0	0	34
Auto rental tax	38	0	0	0	38
Business taxes	3,616	1,015	554	0	5,185
Corporation franchise tax	1,515	187	0	0	1,702
Corporation and utilities tax	972	246	0	0	1,218
Insurance taxes	633	63	0	0	696
Bank tax	496	70	0	0	566
Petroleum business tax	0	449	554	0	1,003
Other taxes	803	0	112	258	1,173
Estate tax	761	0	0	0	761
Gift tax	6	0	0	0	6
Real property gains tax	5	0	0	0	5
Real estate transfer tax	0	0	112	258	370
Pari-mutuel taxes	30	0	0	0	30
Other taxes	1	0	0	0	1
Total Taxes	37,371	2,779	1,505	2,659	44,314
Miscellaneous receipts	1,625	7,129	1,444	614	10,812
Federal grants	0	26,698	1,423	0	28,121
Total	38,996	36,606	4,372	3,273	83,247

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	17,182	2,667	0	4,306	24,155
User taxes and fees	7,052	518	1,002	2,215	10,787
Sales and use tax	6,303	372	0	2,098	8,773
Cigarette and tobacco taxes	451	0	0	0	451
Motor fuel tax	0	68	350	117	535
Motor vehicle fees	76	78	465	0	619
Alcoholic beverages taxes	182	0	0	0	182
Highway Use tax	0	0	146	0	146
Alcoholic beverage control license fees	40	0	0	0	40
Auto rental tax	0	0	41	0	41
Business taxes	3,522	992	572	0	5,086
Corporation franchise tax	1,535	199	0	0	1,734
Corporation and utilities tax	868	195	0	0	1,063
Insurance taxes	670	67	0	0	737
Bank tax	449	69	0	0	518
Petroleum business tax	0	462	572	0	1,034
Other taxes	761	0	112	337	1,210
Estate tax	723	0	0	0	723
Gift tax	3	0	0	0	3
Real property gains tax	4	0	0	0	4
Real estate transfer tax	0	0	112	337	449
Pari-mutuel taxes	30	0	0	0	30
Other taxes	1	0	0	0	1
Total Taxes	28,517	4,177	1,686	6,858	41,238
Miscellaneous receipts	4,085	9,747	2,488	626	16,946
Federal grants	0	30,955	1,482	0	32,437
Total	32,602	44,879	5,656	7,484	90,621

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	15,250	2,707	0	5,097	23,054
User taxes and fees	7,508	601	1,099	2,255	11,463
Sales and use tax	6,765	393	0	2,255	9,413
Cigarette and tobacco taxes	446	0	0	0	446
Motor fuel tax	0	113	425	0	538
Motor vehicle fees	75	95	481	0	651
Alcoholic beverages taxes	180	0	0	0	180
Highway Use tax	0	0	149	0	149
Alcoholic beverage control license fees	42	0	0	0	42
Auto rental tax	0	0	44	0	44
Business taxes	3,682	1,000	554	0	5,236
Corporation franchise tax	1,591	205	0	0	1,796
Corporation and utilities tax	805	188	0	0	993
Insurance taxes	818	85	0	0	903
Bank tax	468	75	0	0	543
Petroleum business tax	0	447	554	0	1,001
Other taxes	771	0	112	292	1,175
Estate tax	736	0	0	0	736
Gift tax	0	0	0	0	0
Real property gains tax	2	0	0	0	2
Real estate transfer tax	0	0	112	292	404
Pari-mutuel taxes	32	0	0	0	32
Other taxes	1	0	0	0	1
Total Taxes	27,211	4,308	1,765	7,644	40,928
Miscellaneous receipts	3,538	10,204	2,790	702	17,234
Federal grants	0	30,390	1,668	0	32,058
Total	30,749	44,902	6,223	8,346	90,220

CASH RECEIPTS
GENERAL FUND
2001-2002 THROUGH 2003-2004
(millions of dollars)

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended	2003-2004 Compared with 2002-2003
Personal income tax	25,854	17,182	15,250	(1,932)
User taxes and fees	7,098	7,052	7,508	456
Sales and use tax	6,131	6,303	6,765	462
Cigarette and tobacco taxes	532	451	446	(5)
Motor fuel tax	0	0	0	0
Motor vehicle fees	185	76	75	(1)
Alcoholic beverages taxes	178	182	180	(2)
Alcoholic beverage control license fees	34	40	42	2
Auto rental tax	38	0	0	0
Business taxes	3,616	3,522	3,682	160
Corporation franchise tax	1,515	1,535	1,591	56
Corporation and utilities tax	972	868	805	(63)
Insurance taxes	633	670	818	148
Bank tax	496	449	468	19
Petroleum business tax	0	0	0	0
Other taxes	803	761	771	10
Estate tax	761	723	736	13
Gift tax	6	3	0	(3)
Real property gains tax	5	4	2	(2)
Pari-mutuel taxes	30	30	32	2
Other taxes	1	1	1	0
Total Taxes	37,371	28,517	27,211	(1,306)
Miscellaneous receipts	1,625	4,085	3,538	(547)
Total	38,996	32,602	30,749	(1,853)

CASH RECEIPTS
SPECIAL REVENUE FUNDS
2001-2002 THROUGH 2003-2004
(millions of dollars)

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended	2003-2004 Compared with 2002-2003
Personal income tax	1,310	2,667	2,707	40
User taxes and fees	454	518	601	83
Sales and use tax	365	372	393	21
Motor fuel tax	62	68	113	45
Motor vehicle fees	27	78	95	17
Business taxes	1,015	992	1,000	8
Corporation franchise tax	187	199	205	6
Corporation and utilities tax	246	195	188	(7)
Insurance taxes	63	67	85	18
Bank tax	70	69	75	6
Petroleum business tax	449	462	447	(15)
Total Taxes	2,779	4,177	4,308	131
Miscellaneous receipts	7,129	9,747	10,204	457
State university income	1,824	1,897	2,138	241
Lottery	1,713	1,965	1,996	31
Indigent care	836	1,020	911	(109)
HCRA Transfer fund	335	1,159	1,510	351
Provider assessments	0	441	652	211
EPIC	278	535	597	62
Child health plus	303	398	367	(31)
All other	1,840	2,332	2,033	(299)
Federal grants	26,698	30,955	30,390	(565)
Total	36,606	44,879	44,902	23

CASH RECEIPTS
CAPITAL PROJECTS FUNDS
2001-2002 THROUGH 2003-2004
(millions of dollars)

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended	2003-2004 Compared with 2002-2003
User taxes and fees	839	1,002	1,099	97
Motor fuel tax	320	350	425	75
Motor vehicle fees	371	465	481	16
Highway Use tax	148	146	149	3
Auto Rental Tax	0	41	44	3
Business taxes	554	572	554	(18)
Petroleum business tax	554	572	554	(18)
Other taxes	112	112	112	0
Real estate transfer tax	112	112	112	0
Total Taxes	1,505	1,686	1,765	79
Miscellaneous receipts	1,444	2,488	2,790	302
Authority bond proceeds	1,360	2,305	2,557	252
State park fees	22	22	22	0
Environmental receipts	20	56	91	35
All other	42	105	120	15
Federal grants	1,423	1,482	1,668	186
Total	4,372	5,656	6,223	567

CASH RECEIPTS
DEBT SERVICE FUNDS
2001-2002 THROUGH 2003-2004
(millions of dollars)

	2001-2002 Actual	2002-2003 Estimated	2003-2004 Recommended	2003-2004 Compared with 2002-2003
Personal income tax	250	4,306	5,097	791
User taxes and fees	2,151	2,215	2,255	40
Sales and use tax	2,044	2,098	2,255	157
Motor fuel tax	107	117	0	(117)
Other taxes	258	337	292	(45)
Real estate transfer tax	258	337	292	(45)
Total Taxes	2,659	6,858	7,644	786
Miscellaneous receipts	614	626	702	76
Mental hygiene patient receipts	248	231	232	1
SUNY dormitory fees	247	284	292	8
Health patient receipts	91	85	93	8
All other	28	26	85	59
Total	3,273	7,484	8,346	862

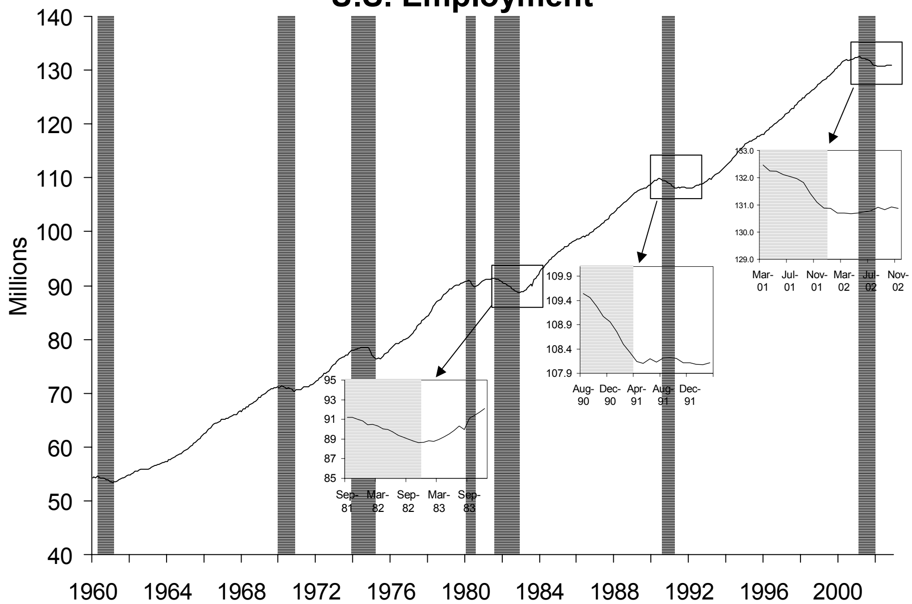
ECONOMIC BACKDROP

OVERVIEW

The financial market and high technology investment bubbles collapsed in 2000, leaving the national economy with extensive overcapacity and a business-led recession. The already weakened condition of the national economy was exacerbated by the events of September 11. However, the Federal Reserve moved quickly in January 2001 to lower interest rates, strengthening the housing market and consumer spending. Household spending remained positive throughout 2001 and showed remarkable resilience during the fourth quarter of 2001, particularly in response to generous incentive packages offered by the auto industry. By the beginning of 2002, the U.S. economy appeared to be in recovery.

However, in the middle of 2002, the expansion began to falter, looking more like the jobless recovery of the early 1990s than the historical norm for post-recession expansions (see Figure 1). Equity markets were falling, due in part to corporate accounting scandals. Households appeared to finally be feeling the resulting loss of wealth. The global economy weakened, while national security concerns escalated. Projected fourth quarter growth of less than one percent would be the lowest since real U.S. Gross Domestic Product (GDP) fell 0.3 percent in the third quarter of 2001 (see Figure 2). The Division of the Budget (DOB) projects real GDP growth of 2.4 percent for 2002, followed by growth of the same magnitude for 2003. These represent relatively weak growth rates for the first two years of an expansion.

Figure 1
U.S. Employment



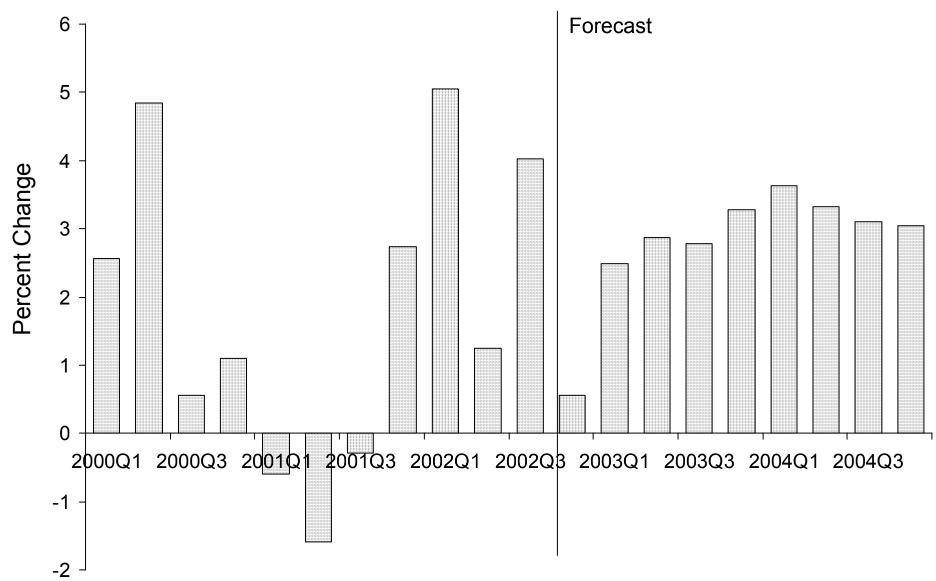
Note: Shaded areas represent US recessions.
Source: Economy.com.

The New York State economy is only now emerging from recession. As a result of the destruction in lower Manhattan and the prolonged downturn in equity markets, the State's recession has lasted longer than originally anticipated. Correspondingly, the downstate region has lost jobs at a faster pace than upstate. The finance sector is adapting to the demise of the stock price bubble, and is likely to continue to contract for the foreseeable future. The travel and tourism industry has still not recovered to pre-attack levels. Meanwhile, the upstate manufacturing sector continues to contract due to weakness in both the national and global economies. The Budget Division projects growth in State employment of 0.7 percent for 2003, following a 1.6 percent decline for 2002. Total State wages are projected to rise by 2.3 percent for 2003, following a decline of 3.2 percent for 2002.

The fundamentals of the U.S. economy are sound. Productivity growth remains above the 1973-94 average. A low inflation/low interest rate environment continues to prevail and both monetary and fiscal policy remain expansionary. Therefore, the Budget Division expects the national economy to return to its potential rate of growth of about 3.0 percent by 2004. Nevertheless, in the near-term there exists an extraordinary level of uncertainty related to national security concerns, corporate governance, and the financial markets. Whether consumer spending will hold up in the face of these risks is unknown. Moreover, since the securities and travel industries are likely to be among the last to recover, the implications for New York State's economic and fiscal situation are particularly grave.

Figure 2

Real Gross Domestic Product



Source: Economy.com; DOB staff estimates.

THE NATIONAL ECONOMY

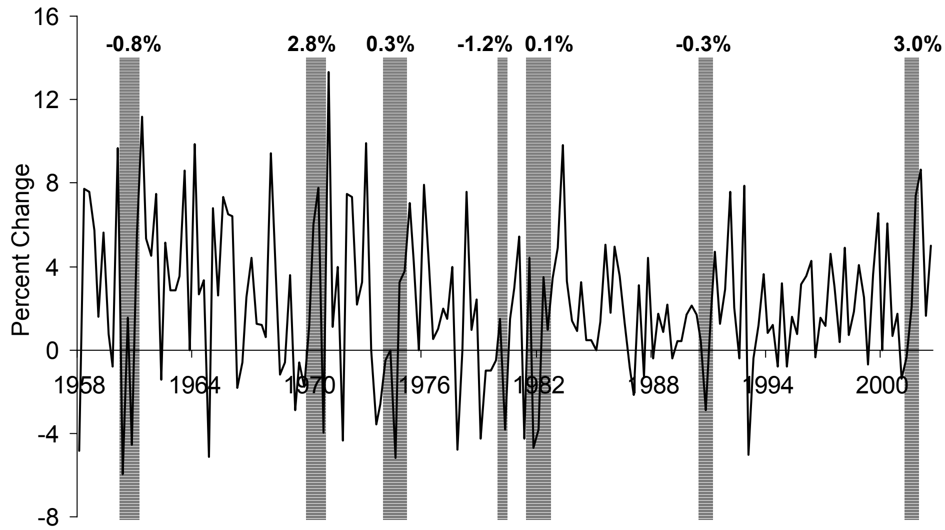
The 2001 Business Recession

The 2001 recession was unique in two ways.[1] It was unusually mild, encompassing only three quarters of decline in real U.S. GDP. Indeed, the average quarterly rate of decline for the 2001 recession was only 0.8 percent, less than half of the 2.0 percent decline for the early 1990s recession. A robust housing market and record high auto sales helped to offset steep

[1] The National Bureau of Economic Research (NBER) Business Cycle Dating Committee has not officially announced an end to the recession that began in March 2001. The Committee recently announced that it "will determine the date of a trough in activity when it concludes that a hypothetical subsequent downturn would be a separate recession, not a continuation of the past one." See <http://www.nber.org/cycles/ recessions.html>. Moreover, in June 2003, the U.S. Bureau of Labor Statistics (BLS) is expected to release its benchmark revision for national employment as measured under the Current Employment Statistics (CES) program and revise downward the March 2002 employment estimate by 284,000, or 0.2 percent (see <http://www.bls.gov/web/ cesbmpkg.htm#Overview>). Nevertheless, based on the Budget Division forecast, the Committee is expected to identify a business cycle trough in either late 2001 or early 2002.

declines in business spending and inventories. Another unique feature of the most recent downturn was the unusually high rates of productivity growth, averaging 3.0 percent over the last three quarters of 2001.

Figure 3
Nonfarm Business Productivity Growth



Note: Productivity is measured as output per hour. Shaded areas represent US recessions; numbers above recession bars show average productivity during recession; the most recent recession is assumed to span the last three quarters of 2001.
Source: Economy.com.

Figure 3 indicates the average rate of nonfarm business productivity growth for the past seven recessions, with the 2001 recession easily surpassing all the others. While the capacity overhang left by the high rates of investment growth of the late 1990s may be partly responsible for this phenomenon, it may also be an artifact of measurement. For example, during the fourth quarter of 2001, nonfarm business output grew 2.4 percent while hours worked in private nonfarm establishments fell a precipitous 3.7 percent in the wake of September 11. Since labor productivity is typically measured as output per hour, one would expect a measure for the fourth quarter of over six percent; labor productivity in the nonfarm business sector actually grew 7.4 percent during the fourth quarter.

Using the Division's current estimates for the fourth quarter of 2002, Table 1 compares what we believe is the first year of the current recovery with the first four quarters of the 1990s expansion and the average over the last five expansions. It is evident from the table that the current recovery has much in common with the "jobless recovery" of the early 1990s. Because of the shallowness of the last two recessions, the economic recoveries that followed did not exhibit the sizeable rebound that typically succeeds a downturn due to the release of pent-up demand. Hence, real U.S. GDP, personal income, wages, employment, profits, and prices are estimated to have grown at rates well below the average over the past five expansions, but comparable to those of the first four quarters of the 1990s expansion. In contrast, growth in government spending was above both the last expansion and the average of the last five, while the stock market uncharacteristically fell.

TABLE 1
AVERAGE GROWTH FOR FIRST FOUR QUARTERS OF U.S. EXPANSIONS*
SELECTED ECONOMIC INDICATORS

	Current Expansion**	Last Expansion	Last 5 Expansions
GDP Real	2.7	2.3	4.8
Consumption	2.2	2.5	4.7
Residential Fixed Investment	4.6	14.5	25.0
Nonresidential Fixed Investment	(1.2)	(2.0)	4.4
Government	3.5	0.2	0.2
Wages	3.6	4.6	8.3
Corp. profits with IVA and CCA***	(1.8)	9.6	29.7
CPI Urban	2.4	2.9	5.2
Non-Ag. Employment	(0.2)	(0.4)	1.7
S&P500	(17.3)	17.3	22.1
Federal Funds Rate	1.7	5.1	7.9

* Rates are simple averages over the seasonally adjusted annualized rates for the first four quarters of the expansion, except for the federal funds rate.
** Current national expansion is assumed to have begun during the first quarter of 2002; first four quarters are composed of three quarters of actuals and one quarter of forecast.
***IVA is the inventory valuation adjustment; CCA is the capital consumption adjustment.
Source: Economy.com; DOB staff estimates.

Was the 2001 recession truly as mild as we think? Recent revisions to key economic data suggest a deeper recession than originally thought. Moreover, expected future revisions may cause us to revisit this question yet again. In its annual comprehensive revision of the national income and product account data, the U.S. Bureau of Economic Analysis (BEA) significantly altered its depiction of the course of the national economy before and during the recession. The revisions are normally released each July to incorporate source data that are more complete, more detailed, and otherwise more pertinent than previously available.[2] Based on the revisions, we now know that the U.S. economy began to weaken much earlier than originally estimated, with real U.S. GDP declining during the first three quarters of 2001. Prior to the revision, GDP was estimated to have fallen only during the third quarter. As a result, real U.S. GDP growth for 2001 was revised down from 1.2 percent to 0.3 percent (see Table 2). It also appears that the economy generated more momentum during the fourth quarter of 2001 than originally thought, setting the stage for strong first quarter 2002 growth of 5.0 percent.

BEA revises its initial estimates of wage and salary disbursements, as measured under the National Income and Product Accounts (NIPA), based on data from the Covered Employment and Wage (CEW) program, also known as ES 202 program. CEW data is considered by most analysts to be the most accurate data source available for employment and wages (see Box 1). As indicated in the left-hand panel of Figure 4, for each year from 1998 through 2001, the revised NIPA estimates are very close to those derived directly from CEW program data. In July, national wage and salary disbursements for 2001 were revised down by $148 billion, resulting in a decline in the growth rate from 5.4 percent to 2.4 percent. Growth in corporate profits from current production was revised down for 1999 and 2000 by 2.0 and 6.3 percentage points respectively, while profits growth for 2001 was revised up by 3.0 percentage points.

More recent data indicate that we can expect additional revisions to critical economic data in the near future. The U.S. Bureau of Labor Statistics (BLS) also uses CEW data to revise its official estimate of national employment under the Current Employment Statistics (CES) program. In June 2002, BLS revised CES employment growth for the first half of 2001 down from its original estimates. However, more recent CEW data indicate that employment for the second half of 2001 can be expected to be revised down as well. In fact, CEW data indicate

[2] See Brent R. Moulton, Eugene P. Seskin, and Stephanie H. McCulla, "Annual Revision of the National Income and Product Accounts: Annual Estimates, 1999-2001 and Quarterly Estimates, 1999:I-2002:I", *Survey of Current Business* (August 2002): 7-34.

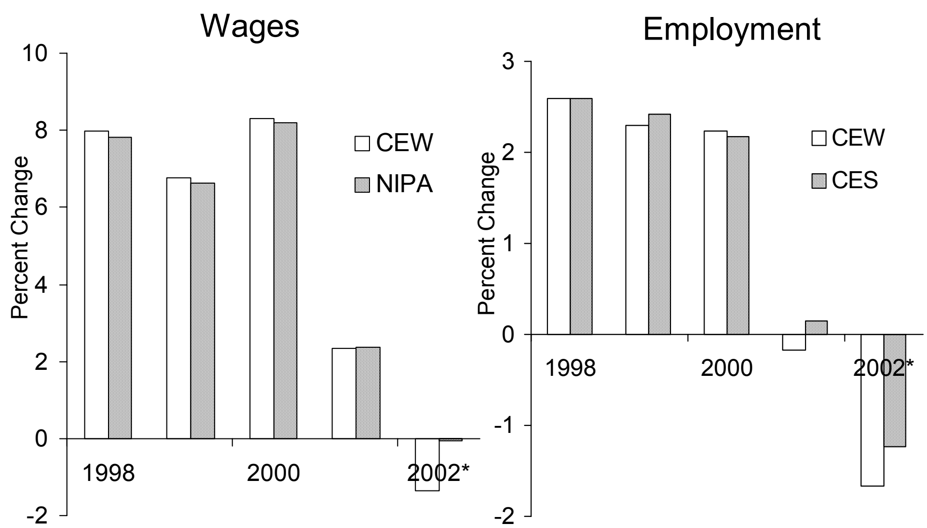
a decline in national employment of 0.2 percent for 2001. This compares to the 0.2 percent increase currently indicated by the official payroll employment series (see Figure 4). In addition, CEW data for the first quarter of 2002 show a decline in wages from the same quarter in 2001 of 1.4 percent, a significantly larger drop than BEA's current estimate of -0.1 percent. This indicates that in the future, wages can be expected to be revised downward as well.

TABLE 2
2002 ANNUAL REVISION TO NATIONAL INCOME AND PRODUCT ACCOUNTS
(percent change)

	1999	2000	2001
Real Gross Domestic Product			
Current	4.1	3.8	0.3
Previously published	4.1	4.1	1.2
Difference	0.0	(0.4)	(0.9)
Consumption			
Current	4.9	4.3	2.5
Previously published	5.0	4.8	3.1
Difference	(0.1)	(0.5)	(0.6)
Gross Private Domestic Investment			
Current	6.6	6.2	(10.7)
Previously published	6.6	6.8	(8.0)
Difference	0.0	(0.6)	(2.7)
Personal Income			
Current	4.9	8.0	3.3
Previously published	4.7	7.0	4.9
Difference	0.1	1.0	(1.5)
Wage and Salary Disbursements			
Current	6.6	8.2	2.4
Previously published	6.7	8.2	5.4
Difference	(0.0)	0.0	(3.0)
Corporate Profits			
Current	5.7	2.7	(14.3)
Previously published	7.7	8.9	(17.4)
Difference	(2.0)	(6.3)	3.0

*Discrepancies are due to rounding.
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Figure 4
U.S. Employment and Wage Growth Comparison



* First quarter of 2002 only.
Source: Economy.com, Bureau of Labor Statistics.

BOX 1
COVERED EMPLOYMENT AND WAGE DATA

The Covered Employment and Wages (CEW) program, also known as the ES 202 program, has become an invaluable source of employment and wage data at both the national and state levels. The CEW program produces a comprehensive tabulation of employment and wage information for workers covered by State unemployment insurance laws and Federal workers covered by the Unemployment Compensation for Federal Employees program. The CEW program supplies data for the entire United States on the number of establishments, monthly employment, and quarterly wages by county, by type of ownership, and by industry at the 4-digit Standard Industrial Classification (SIC) level, and, more recently at the 6-digit North American Industry Classification System (NAICS) level.

Employment data under the CEW program represent the number of covered workers who worked during, or received pay for, the pay period that includes the 12th of the month. Excluded are members of the armed forces, the self-employed, proprietors, domestic workers, unpaid family workers, university teaching assistants, and railroad workers covered by the railroad unemployment insurance system. Over 96 percent of total wage and salary civilian jobs are included in the CEW data. Wages represent total compensation paid during the calendar quarter, regardless of when services were performed. Included in wages are pay for vacation and other paid leave, bonuses, some stock options payouts, tips, the cash value of meals and lodging, and in some States, contributions to deferred compensation plans, such as 401(k) plans. The CEW program does provide partial information on agricultural industries and employees in private households.

Data from the CEW program are used to benchmark another important and commonly used employment series published under the Current Employment Statistics (CES) program. Although timely, CES employment data, also known as Establishment Survey data, are based on a much smaller sample of firms and are therefore less accurate. CEW program data are used also by the Bureau of Economic Analysis (BEA) of the Department of Commerce as the basis for revising the wage and salary component of personal income.

OUTLOOK FOR U.S. CORPORATE PROFITS AND THE STOCK MARKET

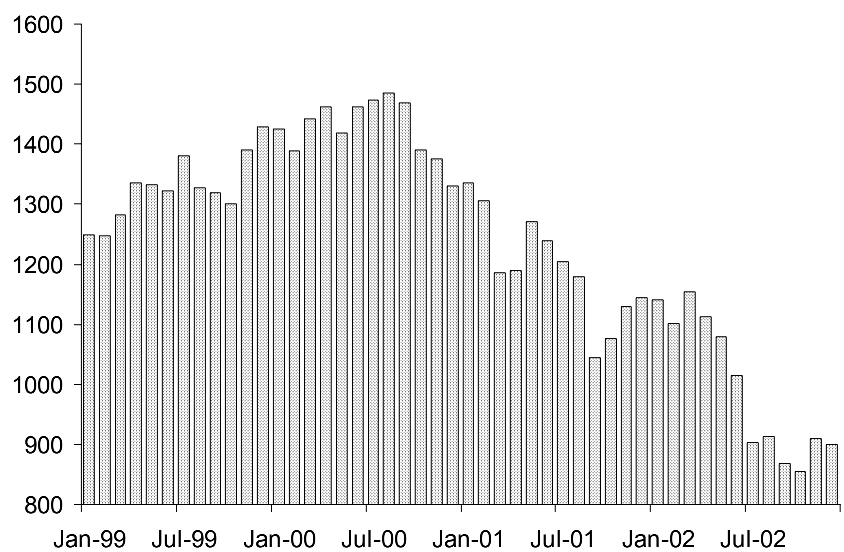
Two features particularly distinguish the current expansion from previous expansions — the behavior of corporate profits and the performance of the stock market. By the fourth quarter of 2000, profit declines on a year-ago basis were plaguing the transportation, communications, and utilities industries as well as durable manufacturing. Unable to raise prices and shift cost increases to consumers due to competitive pressures, businesses in those industries, as well as those in nondurable manufacturing and wholesale trade, saw their profits continue to fall for most of 2001.

The corporate sector finally reached a turning point toward the end of 2001. Although pre-tax corporate profits fell by $55.2 billion during the fourth quarter, that decline was largely due to the effect of the Job Creation and Worker Assistance Act of 2002.[3] However, profits from current production, which is adjusted for the impact of such law changes, actually grew by $124.2 billion.[4] Since the fourth quarter of 2001, profits from current production have been well above year-ago levels, though this growth was likely achieved through aggressive cost cutting, rather than through strong sales growth.

Based on estimated growth of 4.5 percent for the fourth quarter, pre-tax corporate profits grew on a quarterly basis throughout 2002. However, on an annual average basis, the Budget Division estimates pre-tax corporate profits to have declined 1.5 percent for 2002, again reflecting primarily the impact of the Job Creation and Worker Assistance Act of 2002 beginning with the fourth quarter of 2001. In contrast, profits from current production are estimated to have growth 7.9 percent for 2002. Growth in pre-tax corporate profits of 8.5 percent is projected for 2003. However, there are substantial risks associated with the corporate profits forecast stemming from the ongoing restatement of corporate earnings in the wake of the recent accounting scandals.

Figure 5

S&P 500 Stock Index



Source: Economy.com.

The demise of the speculative run-up in equity prices has cast a long shadow over both the recession and the current recovery, compounding the risk typically associated with

[3] This Act allowed corporate taxpayers to deduct an additional 30 percent of the value of qualifying capital assets and software in the first year, retroactively from the fourth quarter of 2001, if such property is purchased between September 11, 2001 and September 11, 2004. For a more detailed discussion, see "H.R. 3090, Job Creation and Worker Assistance Act of 2002", Congressional Budget Office, May 3, 2002.

[4] BEA's measure of profits from current production under the National Income and Product Accounts (NIPA) data deviates from pre-tax corporate profits by the capital consumption adjustment (CCA), an adjustment for changes in tax law pertaining to the deduction of depreciation costs, as well as by the inventory valuation adjustment (IVA), an adjustment for changes in the price of inputs withdrawn from the firm's inventories for production during the current period.

forecasting asset values. The stock market is typically a leading indicator, usually signaling growth at the end of a recession. However, not only did equity prices fail to grow toward the end of the recession, they continued to fall through much of 2002, despite the relative improvement in corporate profits. Revelations pertaining to corporate accounting errors forced investors to look backward rather than forward, resulting in a revaluing of equities to incorporate the new information. Thus, the market low of September 25, 2001, reached subsequent to the World Trade Center attack, was followed by a new low on October 9, 2002, a full year later (see Figure 5). Indeed, the 48.9 percent decline in the S&P 500 between its September 2000 peak and the October 2002 low was the greatest since the early 1930s. The Budget Division expects stock prices, as measured by the S&P 500, to fall 4.5 percent in 2003 on an annual average basis, following a 16.5 percent decline in 2002. This forecast represents the first time that the index would have fallen for three consecutive years on an average annual basis since the early 1940s.

OUTLOOK FOR U.S. EMPLOYMENT AND INCOME

Almost 2.4 million private sector jobs were lost between February 2001 and December 2002, as corporations struggled to restore profitability by containing costs.[5] The simultaneous growth in output and decline in employment indicate strong productivity growth for the period. Indeed, labor productivity averaged 5.1 percent over the first three quarters of 2002. Meanwhile, the 5.5 percent decline in employment in the manufacturing sector, where labor productivity is typically the greatest, is the largest rate of decline of any major sector.

The outlook for employment growth over the near term is weak. The continued overhang of productive capacity in the communications sector and the failure of the travel industry to fully recover from the events of September 11 resulted in a 4.1 percent decline in employment in the transportation, communication, and public utilities sector in 2002. Similarly, employment in hotels and other lodging places fell 3.9 percent, while wholesale and retail trade employment fell 1.5 percent and 0.9 percent, respectively. Employment growth in business services industries, which are dependent on the overall health of the economy, as well as on corporate spending, fell 2.8 percent. In contrast, employment in the expanding healthcare industries rose 2.8 percent.

The Budget Division expects employment growth of 0.6 percent for 2003, following a decline of 0.9 percent in 2002. Growth in the private sector will be slightly lower, while government employment is expected to grow 1.0 percent. This forecast is driven largely by the outlook for productivity and economic growth. Given the rate at which producers want to expand their output, high rates of productivity growth tend to dampen the need for new hires. Meanwhile, expectations of higher future growth will tend to increase the demand for workers. In the absence of significant investment growth, and with the implementation effects of prior investments becoming complete, productivity will likely revert to slower but still healthy rates of increase. The resulting adverse impact on the ability of firms to increase output per worker will lead firms to increase their rate of hiring to achieve even a moderate pace of economic growth. DOB's industry-specific forecasts for employment and wages are classified for both the nation and the State based on the North American Industry Classification System, or NAICS (see Box 2). The nation's unemployment rate is expected to hold steady at 5.8 percent for 2003.

The improvement in employment growth projected for 2003 will result in a similar rebound in wage growth to an expected 4.5 percent, after an increase of only 1.5 percent in 2002. However, growth of 4.5 percent is well below the average of the late 1990s and, owing to low inflation and relatively slow growth in employment, will be the third lowest rate in over a decade. Weak growth in wages is estimated to have resulted in personal income growth of only 3.1 percent for 2002, the lowest rate of growth in over 40 years. The Budget Division

[5] When BLS releases its benchmark revision in June 2003, the total number of jobs lost may be higher (see footnote 1).

projects faster growth in personal income of 4.7 percent for 2003. The greater acceleration in profits growth projected for 2003 relative to income growth suggests that, for the near future, gains in worker productivity are expected to accrue to firms in the form of earnings rather than to workers in the form of wages.

BOX 2
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 "broad sector" 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.

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 June 2003, although the historical data may not be complete at all levels of detail. 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 1964. The basis for the data construction is a "bridge" table developed by the Census Bureau from the 1997 Economic Census data.[1] This table allocates the 1997 level of employment for each two-digit major SIC industry classification to the appropriate two-digit NAICS sectors. These allocations are applied to employment for the entire historical period, producing a consistent set of historical data classified in accordance with NAICS.

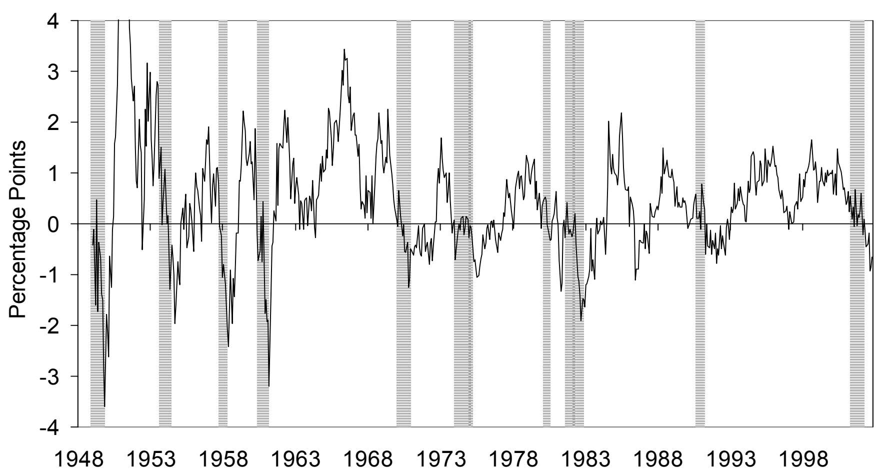
[1] See U.S. Census Bureau, "1997 Economic Census: Bridge Between SIC and NAICS," Table 2. See <http://www.census.gov/epcd/ec97brdg>.

BOX 3
THE HOUSEHOLD SURVEY PUZZLE

The projected improvement in the outlook for national employment is supported by a comparison of two alternative sources of employment data published by the U.S. Bureau of Labor Statistics. The source most often cited by economists who forecast employment is the Establishment Survey, which samples the payroll reports of about 300,000 firms across the country under the Current Employment Statistics (CES) program. Since it is an enumeration of jobs, an individual with two jobs would be counted twice. However, an alternative measure of employment comes from the Current Population Survey (CPS), or household survey, and is the primary data source for labor force and unemployment rate data. Because the CPS is most concerned with the employment status of a member of a household, an individual with more than one job is counted only once.

The chart below indicates that it is not unusual for these two data sources to diverge substantially in their measure of job growth. On average, payroll employment tends to grow faster, sometimes by more than a full percentage point. However, during and immediately following a recession, household survey employment tends to exhibit the higher growth rate. This has been true for all recessions since World War II, and the current post-recession period is no exception. The magnitude of the difference during and after the 2001 recession — on the order of one-half of one percentage point — is well within the historical norm. Thus, historical evidence suggests that the more rapid pace of employment growth exhibited by the household survey data can be expected to be matched, and eventually surpassed, by faster growth on a payroll basis, once the recovery has gathered steam.

Gap Between Establishment and Household Survey Employment Growth Rates



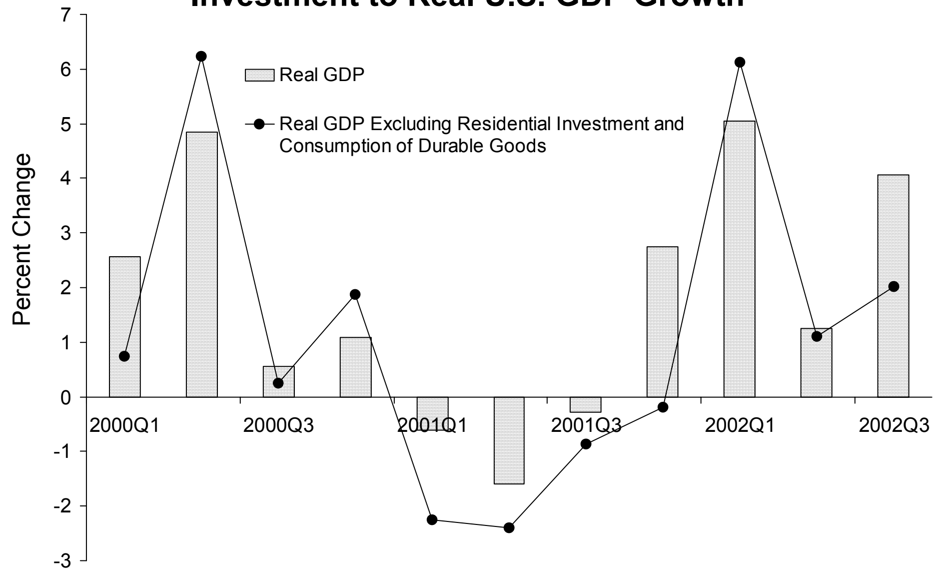
Note: Shaded areas represent US recessions. Growth rates are measured on a year-ago basis.
Source: Economy.com.

Consumption

Throughout the 2001 recession, consumers faced a declining stock market and a depressed labor market. Moreover, since September 11, U.S. households have faced national security concerns as well. Nevertheless, consumption growth has remained positive. Both monetary and fiscal policy have contributed to the resilience of consumers. The retroactive enactment of tax reductions yielded a significant boost to after-tax incomes during the third quarter of 2001. The Federal Reserve Board’s 11 interest rate cuts during 2001 helped to keep the markets for housing and mortgage refinancing strong. Moreover, lower interest rates, coupled with generous incentive packages offered by automobile manufacturers, helped maintain auto sales at high levels. Figure 6 compares actual GDP growth to what growth would have been if residential investment and spending for consumer durables were excluded from the total. Had it not been for those two components of final demand, the decline in real output during 2001 would have been deeper and more prolonged (see Figure 6).

Figure 6

Contribution of Durable Consumption and Residential Investment to Real U.S. GDP Growth



Source: Economy.com.

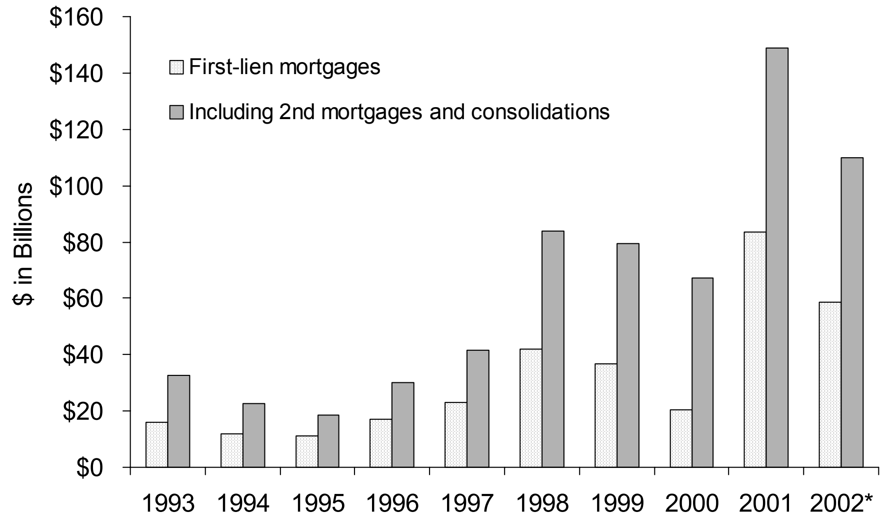
By taking advantage of lower mortgage rates and rising home prices, many homeowners have been able to extract equity from their homes through mortgage refinancing. More than half of those who refinanced from the first quarter of 2001 through the third quarter of 2002 borrowed 5 percent more than the original loan amount, "cashing-out" the growth in their equity and the extra savings resulting from lower interest rates. During 2001, cash-outs from first-lien mortgages reached a record $84 billion (see Figure 7).[6] A more comprehensive measure obtained by adding cash-outs from mortgage consolidations and second mortgages brings the total value of home equity taken out as cash to $148 billion for 2001.[7] It seems reasonable to believe that this extraction of home equity helped to maintain consumption growth despite the declines in financial wealth and employment. As of the middle of 2002, only half of the homeowners with mortgages are reported to have refinanced.[8] This suggests that households may continue to refinance and cash out equity from their homes to sustain their spending habits, although perhaps at a more moderate rate than in 2002.

[6] < http://www.freddiemac.com/news/finance/refi_archives.html>
[7] < http://www.freddiemac.com/news/finance/cashout_faq.html>
[8] "Mortgage Refinancing in 2001 and Early 2002," *Federal Reserve Bulletin*, December 2002, p. 470.

The strong growth in both sales volume and price in the housing market has raised questions about the possibility of a speculative bubble in the housing market similar to what occurred in the late 1980s. Given the importance of the housing market in sustaining both consumption and residential investment, a collapse of housing prices could be very damaging to the struggling economic recovery. However, a recent study indicates that the recent rise in home prices can be almost entirely explained by such economic fundamentals as increases in real per capita income, declines in real mortgage rates, and the low unemployment rate.[9] As indicated in Figure 8, the average new home price adjusted for average household income is actually below the adjusted price for the late 1980s. Real residential fixed investment rose an estimated 3.4 percent in 2002, although much of that growth occurred in the first quarter. With mortgage rates projected to rise over the course of this year, real residential fixed investment is expected to grow at a much lower 0.8 percent for 2003.

Figure 7

Home Equity Cashed Out Through Refinancing



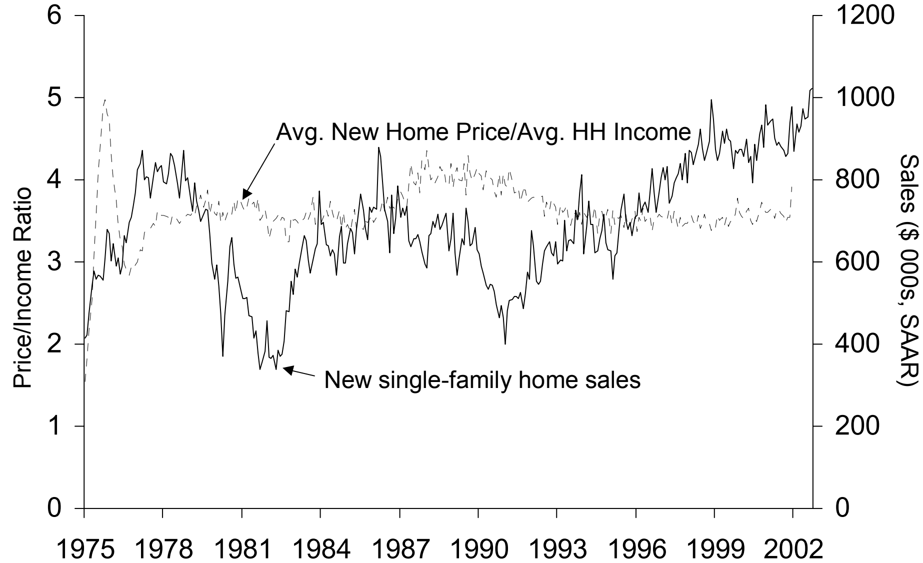
* Includes three quarters of data.

Source: Freddie Mac.

[9] Macroeconomic Advisers estimate a model of the Housing Price Index (HPI), a measure of average U.S. home prices, using real per capita income, the real mortgage rate, the unemployment rate and housing supply as explanatory variables. The model underestimates the recent value of the HPI by less than four percent. See Macroeconomic Advisers, *Economic Outlook*, Vol. 20, No. 9, October 15, 2002.

Figure 8

New Home Sales and Average Price per Dollar of Average Household Income

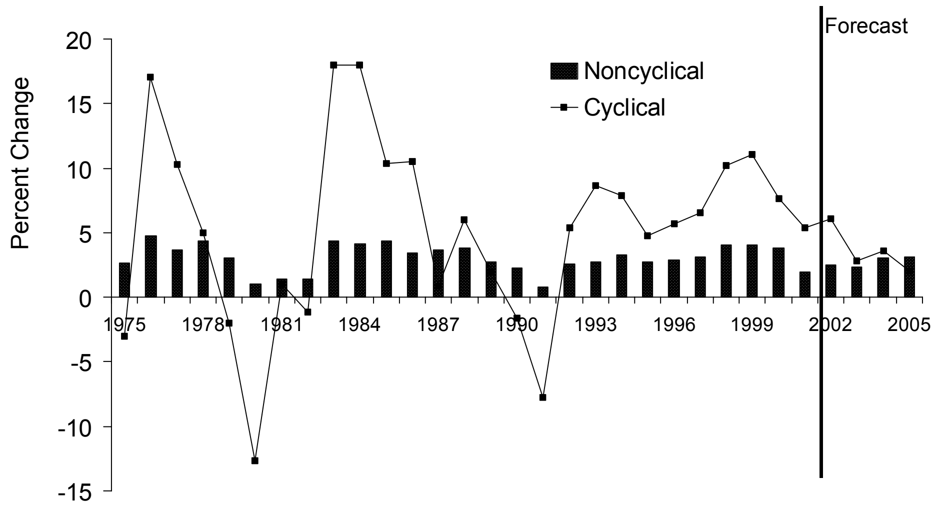


Source: Economy.com.

Through late 2002, consumption was buoyed by solid income growth afforded by high productivity growth, low interest rates, a strong housing market, and tax cuts. But the absence of any significant job growth, the continued stagnation of the stock market, as well as national security concerns, have weakened consumer sentiment and produced tremendous uncertainty surrounding the future behavior of the household sector. Concerns are growing that consumer demand for autos and housing may lessen and be no longer able to sustain the recovery. These concerns are only partially offset by the expected continuation in the refinancing trend.

Real consumption growth is expected to fall to 2.4 percent for 2003, following growth of 3.0 percent in 2002. This decline in the rate of overall consumption is largely explained by the projected decline in the growth of cyclical consumption, comprised primarily of consumer durables such as autos and home furnishings, from 6.1 percent in 2002 to 2.8 percent in 2003. This decline is driven by slightly higher interest rates, the expectation that auto sales will come down from their record high rates, as well as weaker growth in residential investment. Noncyclical consumption, comprised chiefly of services and nondurable goods, is the larger and historically more stable component of consumer spending, driven primarily by real personal income as well as spending habits that tend to persist over time (see Figure 9). With personal income growth of 4.7 percent projected for 2003, noncyclical consumption is expected to grow 2.3 percent for 2003, following growth of 2.5 percent for 2002.

Figure 9
Cyclical vs. Noncyclical Consumption Growth



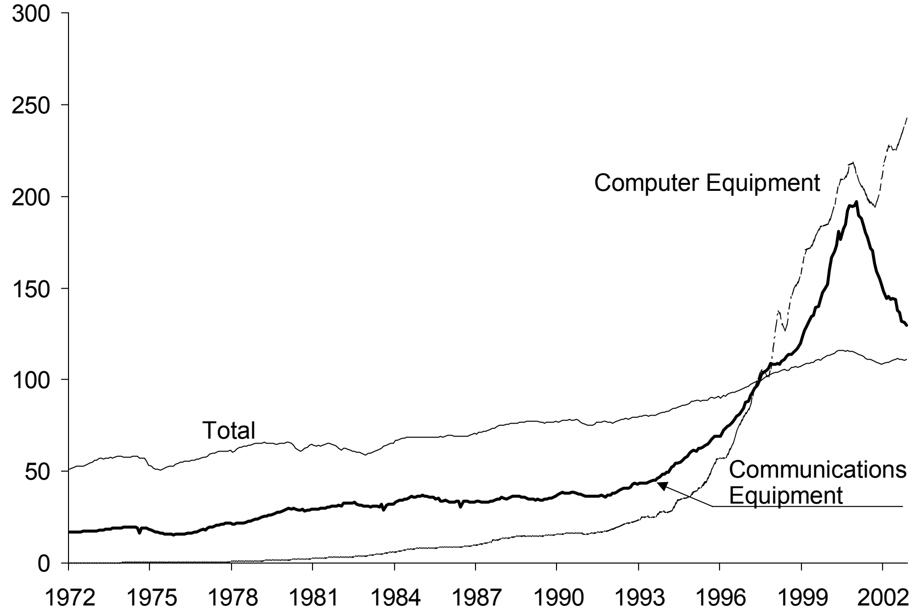
Source: Economy.com; DOB staff estimates.

Business Investment

The 2001 recession was led by a collapse in business spending that began in the fourth quarter of 2000. Several years of low financing costs and high investment growth created significant overcapacity, especially in the telecommunications and other high-tech sectors (see Figure 10). Industrial production of telecommunications equipment more than tripled between 1994 and 2000, but has declined 35 percent since its cyclical peak.

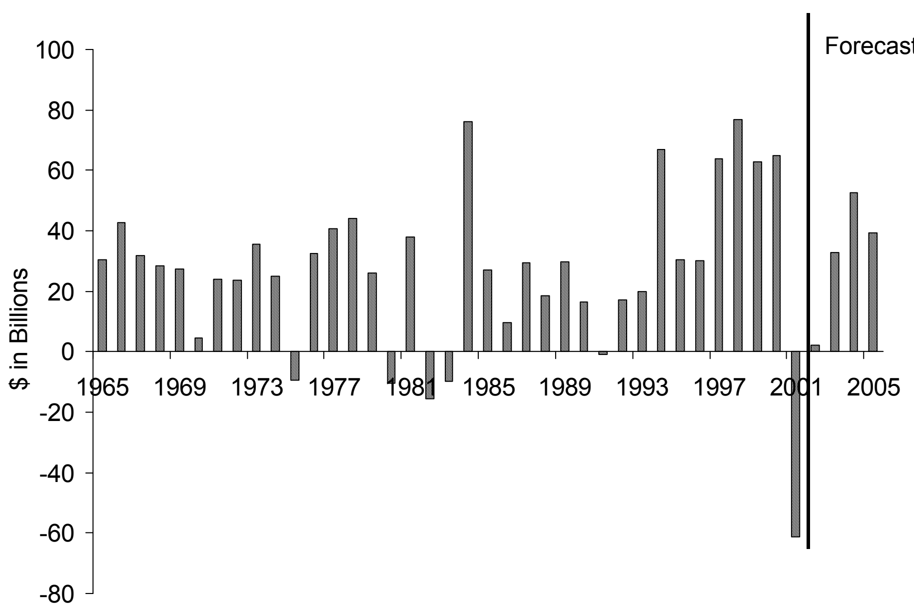
Figure 10

Industrial Production and Selected Components



Source: Economy.com.

Figure 11
Change in Private Inventories



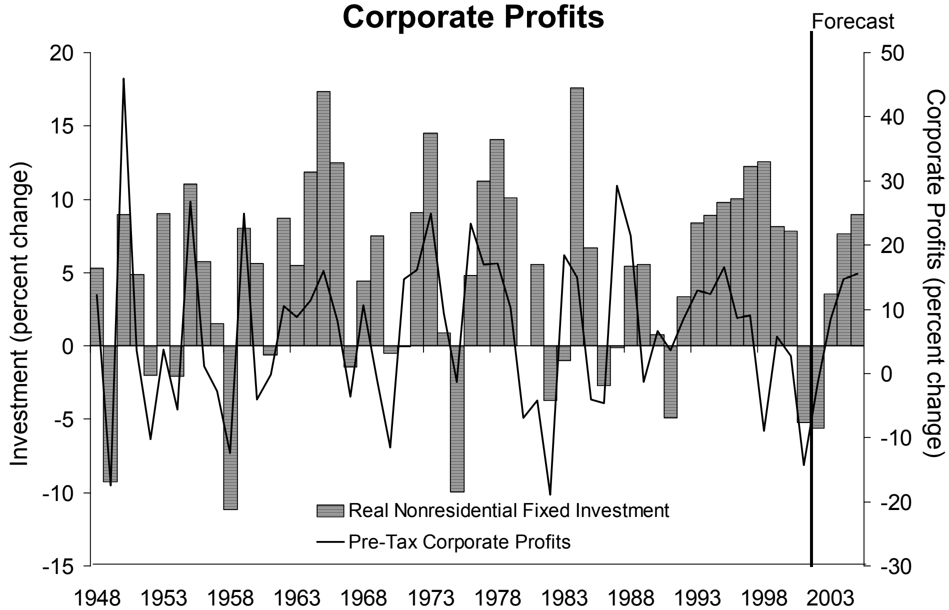
Source: Economy.com; DOB staff estimates.

Over the long run, the business sector strives to achieve a level of investment that maintains firms' optimal capital-output ratio.[10] However, over the short run, investment will also vary with the business sector's outlook for economic growth, as well as the cost of acquiring capital financing through the debt and equity markets. Following a prolonged period

[10] With a Cobb-Douglas production function, the optimal capital-output ratio will be equal to the ratio of the price of output to the rental rate of capital.

of declining business spending for equipment and inventories, nonresidential investment is expected to improve in 2003 (see Figure 11 and Figure 12). Although interest rates remain low, the cost of equity financing is much higher than it was in the late 1990s. Therefore, the improvement in nonresidential investment is likely to be slow and uneven across sectors. While real investment in computers and peripheral equipment has been growing since the fourth quarter of 2001, overcapacity will continue to be a drag on investment in the telecommunications and airline industries. The Budget Division projects a decline of 5.6 percent in real nonresidential fixed investment for 2002, followed by an increase of 3.5 percent for 2003. The improvement in 2003 is largely accounted for by the computer and related equipment component of real business spending.

Figure 12
Growth in Real Nonresidential Fixed Investment and Corporate Profits



Source: Economy.com; DOB staff estimates.

Monetary and Fiscal Policy Outlook

With only modest growth in consumption and investment projected for the end of 2002, both monetary and fiscal policy are explicitly expansionary. Following several years of surpluses, the Federal government budget ended the 2001-02 fiscal year with a $159 billion deficit, the first since 1996-97. Several factors have contributed to the return of Federal budget deficits. Fiscal policy initiatives signed into law in March 2002 included a 13-week extension of unemployment benefits, $5 billion in special tax breaks to help revitalize the area of lower Manhattan struck by terrorists in September 2001, as well as providing for greater first-year write-offs for purchases of computers, machinery and other equipment by businesses. These initiatives overlay the tax reductions signed into law in June 2001. In addition to economic stimulus legislation, defense outlays grew by 13 percent in 2002, compared with average annual growth of 6 percent from 1999 to 2001, while outlays for other programs and activities rose nearly 12 percent.

Another contributor to the revival of Federal budget deficits is the operation of "automatic stabilizers" in the economy. As the economy moves into recession and revenues begin to fall, spending tends to increase for entitlement programs that serve the unemployed, such as unemployment benefits, food stamps, and Medicaid. Using the concept of a "cyclically adjusted budget" to remove the effects of the business cycle on the Federal budget, the

Congressional Budget Office (CBO) estimates that about one third of the expected decline in the Federal surplus from 2000 to 2003 is due to the operation of the economy's automatic stabilization mechanisms, while the remainder is mainly due to enacted tax reductions and discretionary spending increases.[11]

Although the full dimensions of Federal fiscal policy for 2002-03 have yet to unfold, the administration has proposed an economic stimulus package that would cost $102 billion this year and $674 billion over the next decade. Most of the stimulus comes from the following proposals related to the personal income tax: (1) the acceleration into 2003 of rate reductions now scheduled to take effect in 2004; (2) the exclusion of dividend income from taxable income; (3) the acceleration of marriage penalty relief; (4) the acceleration of the scheduled increase in the child care credit; (5) an accelerated expansion of the 10 percent tax bracket; and (6) an increase in the alternative minimum tax exemption. In addition, the package includes tax incentives for small businesses and monetary assistance for the unemployed.

Based on the limited information available, the Division of the Budget estimated the impact of the administration's proposed stimulus package on the U.S. economy, assuming it becomes law during the middle of 2003 in its present form. In addition, it is assumed that rebate checks will be promptly sent to those claiming the childcare credit, and that withholding tables will be adjusted almost immediately upon enactment. Based on these assumptions, simulation results indicate that the stimulus package would increase real consumption by 0.4 percentage points and real output by 0.2 percentage points in 2003, with the largest impact being felt in the fourth quarter.

After reducing its target for the federal funds rate 11 times from 6.5 percent to 1.75 percent during 2001, the Federal Reserve Board Federal Open Market Committee (FOMC) kept the target unchanged for most of 2002. These reductions have helped stimulate the housing and automobile markets, as well as allowing homeowners to sustain consumption through "cash out" mortgage refinancing. However, in response to a slowing economy, the FOMC voted for a further 50 basis point cut in the federal funds target to 1.25 percent at its November 6 meeting (see Figure 13). The last time the federal funds rate was at such a low level was July 1961, when it hit 1.17 percent.

With the federal funds target rate at 1.25 percent, concerns are being raised about whether the FOMC would find itself running up against the "zero bound" on the real federal funds rate and so be unable to use monetary policy to further stimulate the economy. While hitting the "zero bound" would mean the Federal Reserve could no longer use its traditional monetary policy tool — short-term interest rates — it would not remain without the ability to apply monetary policy. Instead, the central bank would have to expand the scale of its asset purchases, or perhaps expand the menu of assets that it purchases, to include such assets as Treasury securities with longer maturities.[12]

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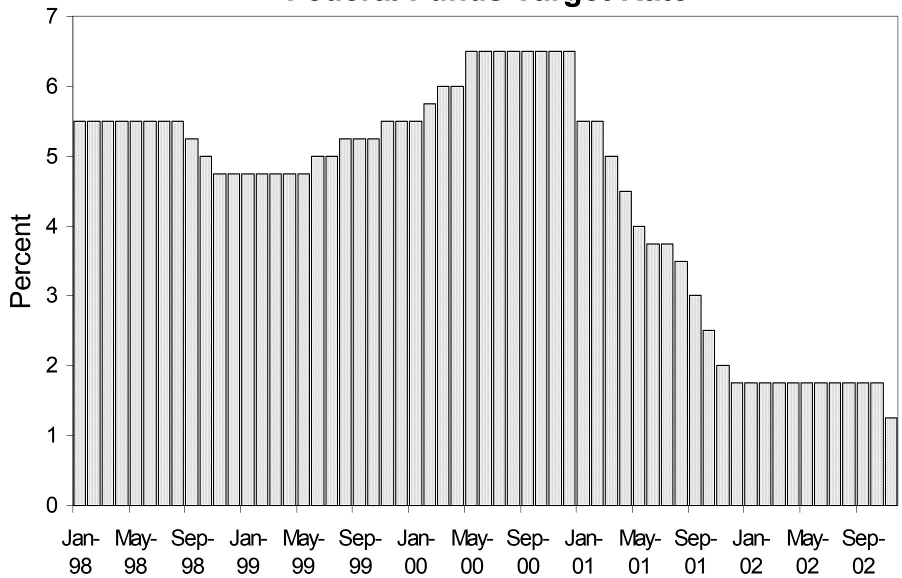
[11] Congressional Budget Office, *CBO Report*, "The Standardized and Cyclically Adjusted Budgets: Updated Estimates," September 2002.

[12] Ben S. Bernanke, "Deflation: Making Sure 'It' Doesn't Happen Here," remarks before the National Economists Club, Washington, D.C., November 21, 2002. <http://www.federalreserve.gov/boarddocs/speeches/2002/20021121/default.htm>

Figure 13

Federal Funds Target Rate



Note: On January 3, 2001, target was reduced from 6.5 percent to 6 percent, and then again on January 31 from 6 percent to 5.5 percent.
Source: Federal Reserve Board of Governors.

The Division of the Budget projects a modest tightening of the federal funds target rate by the FOMC during the second half of 2003 as the economy slowly expands; the target rate is expected to rise to 2.0 percent by the end of the year. However, this forecast is not without risks. The Federal Reserve's attempts to keep interest rates low could be frustrated by the return of large Federal budget deficits, which tend to put upward pressure on rates, damping down demand for interest-sensitive components of consumer spending like automobiles and housing, as well as business investment.

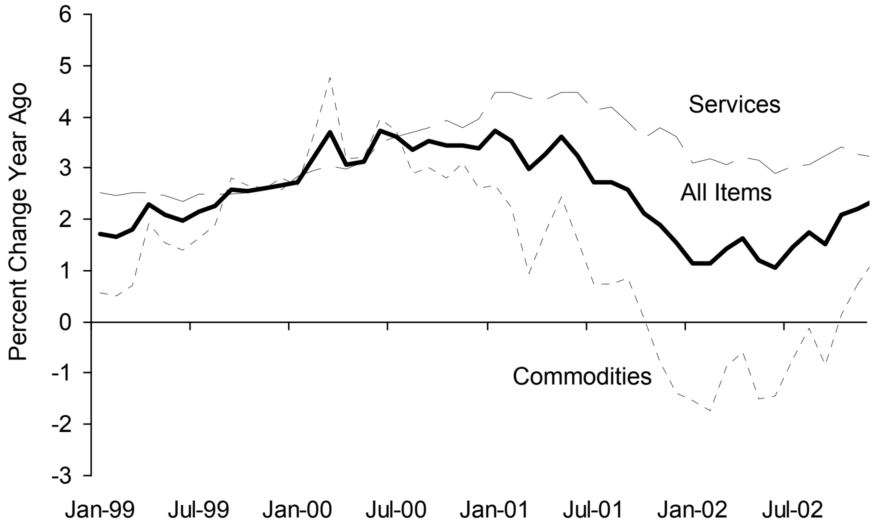
Outlook for Inflation

In early 2002, expectations of a robust recovery led market participants to believe that the Federal Reserve was likely to begin raising its target for the federal funds rate sometime later in the year. However, inflation has remained relatively restrained, due to a combination of factors — both here and abroad — such as the sluggish recovery, continued increases in productivity, and ever increasing globalization. Consumer prices as measured by the Consumer Price Index (CPI) rose 1.6 percent in 2002, while the GDP deflator, a broader measure of price growth, is estimated to have increased 1.1 percent.

However, these summary measures of inflation disguise the recent divergence in the behavior of goods and service prices, which became notable as of the middle of 2000 (see Figure 14). By 2002 the gap had widened, with the services component of the CPI rising 3.1 percent and the goods component falling 0.6 percent. In general, goods prices are believed to be more sensitive to changes in the business cycle, with the prices for services remaining relatively stable. But more specifically, prices for medical-care services have been increasing at a 5.1 percent rate, well above that of services overall. Thus, a significant portion of the recent divergence between the goods and services components appears to have been driven by the increase in medical care prices (see Figure 15). The gap between the inflation rates for commodities and services is expected to remain as growth in health care costs continues to outpace price increases in the rest of the economy.

Figure 14

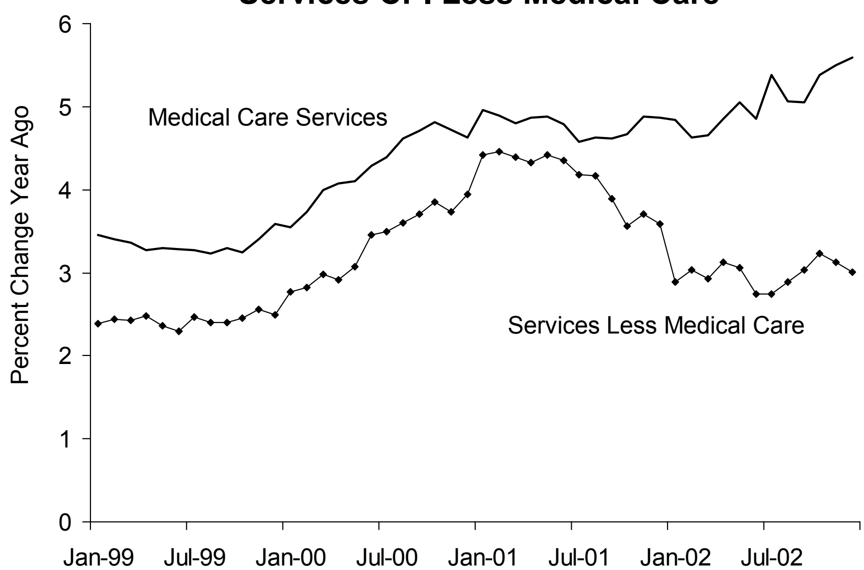
Commodities Inflation vs. Services Inflation



Source: Economy.com.

Figure 15

Medical Care Services CPI vs. Services CPI Less Medical Care



Source: Economy.com.

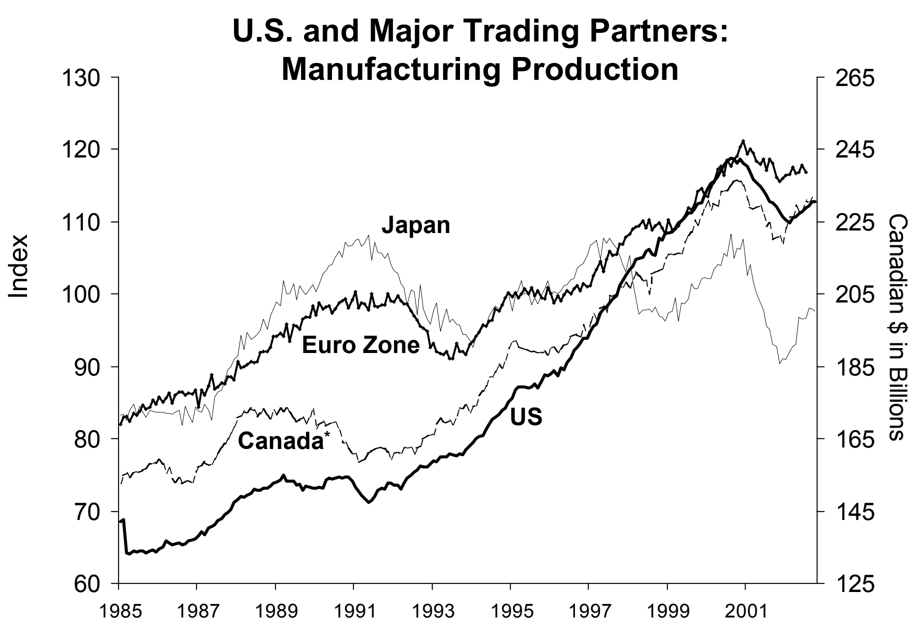
With the economy continuing its gradual recovery from recession, the Division of the Budget expects inflation will generally begin trending upward again. Moreover, oil prices are expected to remain high through the first half of 2003. The Division projects an increase in inflation, as measured by growth in the CPI, to 2.4 percent over the course of 2003. This forecast is consistent with an increase in services price growth of 4.2 percent, an increase in medical services inflation to a 6.2 percent rate, as well as an increase in all energy related prices for 2003.

THE GLOBAL ECONOMY

The U.S. economy is, for many countries, a major engine of growth. Therefore, the weakness in U.S. economic growth has been reflected in reduced growth rates elsewhere in the world. With few exceptions, much of the world economy is growing well below potential. The Eurozone is growing very slowly; Argentina remains in recession, while Mexico and Brazil are growing only moderately; and the Japanese economy continues to stagger. Most of the other Asian countries are also growing moderately, with the exception of China, which continues to experience robust growth.

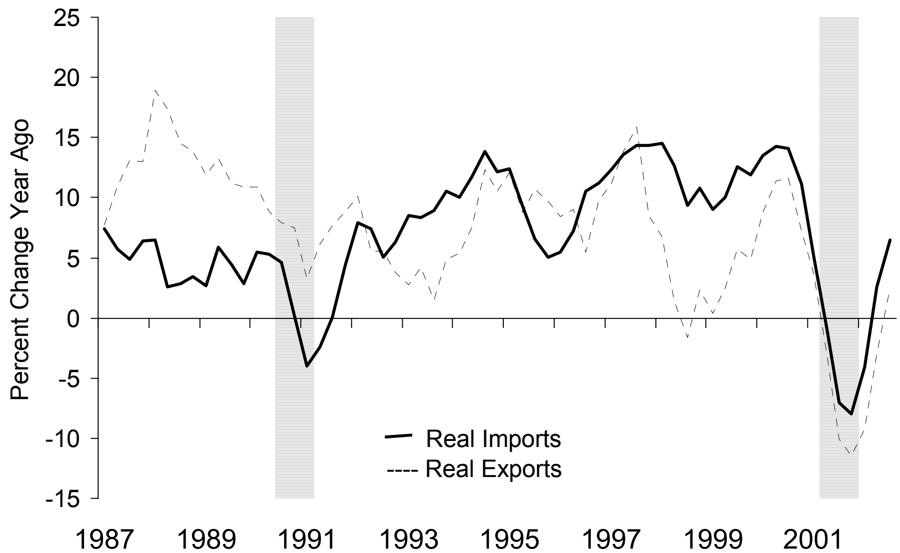
The movements of the U.S. economy and its largest trading partners have become much more synchronized in the last decade. Industrial production measures for the U.S., Canada, Japan, and the Eurozone peaked within five months of one another (see Figure 16). After dipping in the early 1990's, industrial production for those countries now participating in the common European currency continued on their upward trends through the U.S. business cycle peak in early 2001. The Japanese economy followed a similar course save for a major setback during the late 1990s. With little near-term improvement expected in the growth rate of the U.S. economy, we project a continuation of sluggish growth for most foreign economies. For the U.S., this pattern of weak international growth is reflected in both imports and exports. Both declined during the last recession and while growth has resumed during 2002, it has been at a much more moderate rate, thus far, than in pre-recession days (see Figure 17).

Figure 16



* Real industrial output.
Source: Economy.com

Figure 17
Real Import and Export Growth



Note: Shaded areas represent US recessions.
Source: Economy. com.

The value of the dollar is another factor that has a strong impact on U.S. exports and imports. The dollar, as measured on a trade-weighted basis, peaked in 2001 at the highest level in well over a decade, retreating only slightly since then. As a consequence, export growth has lagged the growth in imports for much of 2002. The result has been a gap between imports and exports that has continued to mushroom, with only a brief hiatus during the recession. The gap has now reached a level of 5.1 percent of GDP. Indeed, as of the third quarter of 2002, real imports had almost regained their pre-recession peak, attained during the third quarter of 2000, owing almost entirely to demand generated by the household sector. In contrast, real exports were still an annualized $88 billion below their third quarter 2000 peak.

The resilience of U.S. consumers, relative to the business sector, is clearly reflected in the change in the composition of imports since 2000. By the third quarter of 2002, real imports of non-auto consumer goods had risen $35 billion above their pre-recession peak, on an annualized basis. In contrast, real imports of non-auto capital goods remained an annualized $77 billion below peak for the same quarter. Given the recent strength of the auto market, it is not surprising that real auto imports have risen $12 billion on an annualized basis above their third quarter 2000 level. The available data do not permit a breakdown of auto imports by final demand sector. However, between the third quarter of 2000 and the same quarter of 2002, the number of vehicles purchased by the business sector fell 9.5 percent, while the number of vehicles purchased by consumers grew 0.8 percent. Therefore, we infer that much of the growth in the demand for auto imports over the last two years had been generated by households.

The dollar is expected to decline slowly from current levels, but not in an amount sufficient to significantly alter the magnitude of the trade gap over the next couple of years. However, a weaker dollar is expected to modestly contribute to slightly higher goods price inflation in the coming year. The Budget Division expects that exports will grow 5.3 percent in 2003, following a decline of 1.1 percent in 2002. Imports are expected to increase by 7.5 percent in 2003, following 3.5 percent growth for 2002. The trade gap is expected to remain roughly constant as a percentage of GDP for 2003.

COMPARISON WITH OTHER FORECASTERS

Table 9 (at the end of this section) presents the Division of the Budget's baseline forecast for selected U.S. economic indicators. An alternative forecast for selected economic indicators assuming a costly war with Iraq appears in Box 4. The Division's macroeconomic model underwent substantial revision in 2000. A brief description of the model is presented in Box 5.

Table 3 compares DOB's forecast for major U.S. indicators with those of other forecasting groups. The Division of the Budget's baseline forecast for real U.S. GDP, which excludes the impacts of both the proposed federal stimulus package and a major Iraqi conflict, is 2.4 percent for 2003. This is slightly below most of the other forecasters, and significantly below Global Insight's forecast of 3.1 percent. DOB's forecast of 2.4 percent inflation for 2003 is the same as Macroeconomic Advisors. However, it is higher than other forecasters. The unemployment rate for 2003 ranges from 5.8 percent to 6.2 percent, with DOB's forecast at 5.8 percent.

TABLE 3
U.S. ECONOMIC FORECAST COMPARISON

	2002 (preliminary)	2003 (forecast)	2004 (forecast)	2005 (forecast)	2006 (forecast)
Gross Domestic Product (GDP) (1996 chain wt. percent change)					
DOB	2.4	2.4	3.3	3.1	3.0
Blue Chip Consensus	2.4	2.8	3.6	NA	NA
Economy.com	2.5	2.5	NA	NA	NA
Global Insight	2.4	3.1	4.7	3.3	3.3
Macroeconomic Advisers	2.4	2.6	3.8	NA	NA
Consumer Price Index (CPI) (percent change)					
DOB	1.6	2.4	2.5	2.6	2.6
Blue Chip Consensus	1.6	2.2	2.3	NA	NA
Economy.com	1.6	2.0	NA	NA	NA
Global Insight	1.6	2.3	2.4	2.6	2.4
Macroeconomic Advisers	1.6	2.4	2.0	NA	NA
Unemployment Rate (percent)					
DOB	5.8	5.8	5.4	5.1	5.1
Blue Chip Consensus	5.8	5.9	5.5	NA	NA
Economy.com	5.8	6.2	NA	NA	NA
Global Insight	5.8	6.2	5.3	5.0	5.1
Macroeconomic Advisers	5.8	5.9	5.4	NA	NA

Source: Projections for 2002-2006 by New York State Division of the Budget, January 2003; Blue Chip Economic Indicators, January 2003; Economy.com, Macro Forecast, January 2003; Global Insight, US Forecast Summary, January 2003; and Macroeconomic Advisers, Economic Outlook, January 2003.

BOX 4
ECONOMIC IMPACT OF WAR WITH IRAQ

A number of recent studies have produced a wide range of estimates of the cost of going to war with Iraq.[1] The width of this range is due to the variety of assumptions pertaining to the severity and the duration of the conflict. The Budget Division has performed simulations to analyze the impact of a more extreme set of events than those that underlie the baseline forecast. These simulations are based on the following assumptions:

- The war will begin in early 2003 and last about three months.
- Due to higher defense spending, the NIPA measure of the contribution of federal government expenditures to final demand rises over $20 billion in 2003.
- The price of West Texas Intermediate Crude oil hits $40 per barrel during the first quarter of 2003 and gradually declines to $30 per barrel at the end of 2003.
- Consumer confidence deteriorates significantly during the first half of 2003.
- The spread between 10-year Treasury and BAA corporate bond rates reaches 550 basis points early in 2003.

The table below compares this war scenario to DOB's baseline U.S. forecast. Higher oil prices and the declines in both consumer confidence and stock prices reduce real consumption growth by 0.4 percentage points in 2003 relative to the baseline. However, the increase in federal defense spending helps to offset the decline in the rate of consumption growth. Consequently, real GDP growth is only 0.1 percentage point below baseline. The spike in oil prices increases the rate of inflation for 2003 from 2.4 percent to 3.0 percent. Lower consumer and business confidence negatively impact the equity markets in early 2003. However, the market recovers faster after the short conflict, with the S&P 500 stock market index growing 15 percent in 2004 compared to baseline growth of 9.1 percent. The level of the index under the war scenario returns to the baseline level by the end of 2004. Higher long-term interest rates under the war scenario reduce residential investment by 2.5 percentage points in 2003, and the higher cost of borrowing lowers the growth in nonresidential investment as well, from 3.5 percent to 3.3 percent.

ECONOMIC IMPACT OF WAR WITH IRAQ
(Calendar Year)

	2002	2003			2004		
		War	Baseline	Difference	War	Baseline	Difference
GDP Real	2.4	2.3	2.4	(0.1)	3.2	3.3	(0.0)
Consumption	3.0	2.1	2.4	(0.4)	3.2	3.1	0.1
Residential Investment	3.4	(1.8)	0.8	(2.5)	0.1	(0.5)	0.6
Non-Res. Fixed Investment	(5.6)	3.3	3.5	(0.2)	7.5	7.7	(0.1)
Government	4.4	3.3	2.4	0.9	1.3	1.6	(0.4)
Personal Income	3.1	4.8	4.7	0.1	5.5	5.3	0.2
CPI Urban	1.6	3.0	2.4	0.5	2.7	2.5	0.2
S&P500	(16.5)	(10.9)	(4.5)	(6.4)	15.2	9.1	6.1
10-Year Treasury Note	4.6	4.4	4.3	0.1	5.5	5.4	0.1

Note: All indicators are percent changes except for 10-year Treasury rate; numbers may not add correctly due to rounding.
Source: Economy.com; DOB staff estimates.

The Budget Division also simulated the impact of war on the New York economy. Employment growth for 2003 under the war scenario is only marginally lower than baseline growth. However, the projected growth in bonuses is 2.8 percentage points lower than baseline for 2003. Lower bonus growth reduces the growth in wages for 2003 under the war scenario by 0.3 percentage points. In contrast, wage growth for 2004 under the war scenario is 0.7 percentage points higher than baseline. This is partly due to the higher rate of inflation projected under the war scenario.

[1] See "After an Attack on Iraq: The Economic Consequences," Macroeconomic Advisors, December 2002; "Estimated Costs of a Potential Conflict with Iraq," CBO, September 2002; "Assessing the Cost of Military Action Against Iraq: Using Desert Shield/Desert Storm as a Basis for Estimates," House Budget Committee, Democratic Caucus, October 2002; "War Games", *Regional Financial Review*, Economy.com, September 2002.

BOX 5
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 time 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 a significant improvement in the understanding of the long-run equilibrium relationships among macroeconomic data series and the predictive power of these relationships in constraining economic dynamics.

The Budget Division'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 that incorporate the results from the core model as inputs. The current estimation period for the model is 1965:1 through 2002:3. Our analysis borrows heavily from the Federal Reserve Board model which was redesigned the during the 1990s 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 optimizing behavior when making consumption and labor supply decisions, subject to a wealth constraint. Expected wealth is, in part, determined by expected future output and interest rates. Likewise, firms maximize profits when making labor demand and investment decisions. 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 first assuming that expectations are rational and then specifying a common information set that is available to economic agents who incorporate all relevant information when forming and making their expectations. Long-run equilibrium is defined as the solution to a dynamic optimization problem carried out by households and firms. The model structure incorporates an error-correction framework that ensures movement back to long-run equilibrium.

The model structure reflects the microeconomic foundations that 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 that 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 that 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/USA Macroeconomic Model of the United States," edited by F. Brayton and P. Tinsley. Federal Reserve Board, Version 1.0, October 1996.

RISKS TO THE U.S. FORECAST

There are several significant risks that could adversely affect the U.S. economic recovery or perhaps even derail it and put the nation back into recession. By far the greatest is the risk of another terrorist attack, or series of attacks, that could lead to a steep decline in consumer confidence and spending, as well as a postponement of investment plans by businesses. Similarly, a war with Iraq carries the potential for a large spike of some duration in oil prices as well as a sharp drop in consumer sentiment and business confidence (see Box 4).

Consumer spending remained relatively strong during the recession, resulting in little pent-up demand. If job growth is inadequate, or if declines in the value of homes or financial assets too pronounced, or if consumer sentiment should deteriorate, then consumer spending growth could quickly fall. Businesses may be reluctant to increase investment spending if demand for their products and services remains weak or if geopolitical risks seem too large. Although the Federal government has adopted an expansionary policy stance, state and local governments are raising taxes and cutting back on spending. On balance, total government spending could be weaker than projected, reducing overall growth.

Given current growth prospects for the economies of our major trading partners, net exports are expected to continue be a drag on growth. That drag could worsen if some of these economies stumble. Oil prices and stock prices are difficult to forecast. Substantially higher or lower prices than projected could have correspondingly significant impacts on the economy. The wealth effect, which incorporates both equity and home prices, could be either positive or negative, depending on the path of these prices over the next several quarters.

On the other hand, there are forces that could propel economic growth to a faster pace than currently envisaged. Productivity has remained surprisingly strong throughout much of the recession and recovery to date. Stronger productivity could result in even faster growth in corporate profits. Moreover, if firms pass on more of the productivity increase to workers, average wage growth would also be stronger than what is reflected in the forecast. If concerns related to national security and corporate governance resolve themselves more quickly than anticipated, stronger profits could drive the stock market upward and consumer sentiment could rebound. Also, any additional tax cuts passed by Congress should result in higher growth, although that impact could be mitigated by higher long-term interest rates.

THE NEW YORK STATE ECONOMY

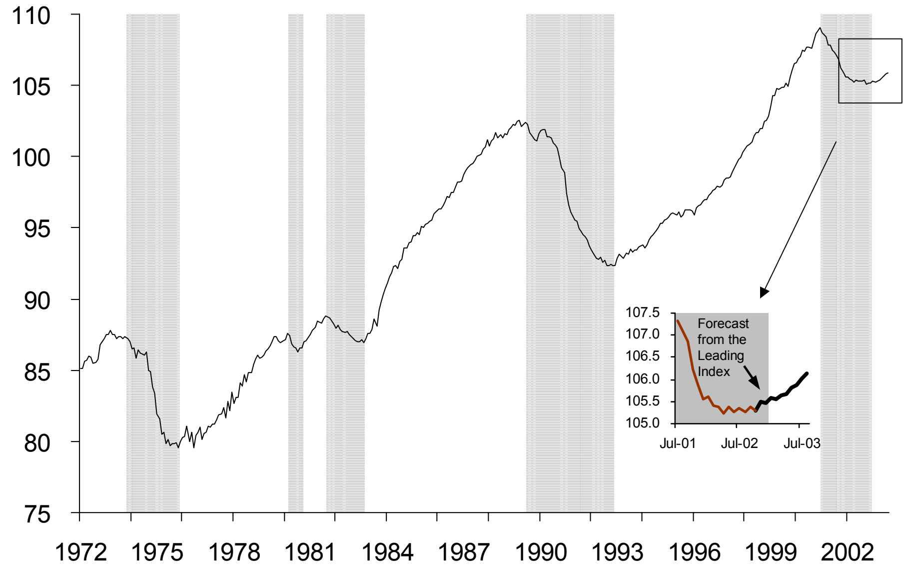
The 2001-02 Recession

The September 11 terrorist attack struck at the heart of the world's financial capital — New York City. It is therefore no surprise that the attack had a more severe impact on the New York economy than on any other state. Although the national economy has been in recovery for much of 2002, the Division of the Budget believes that the State economy is only now emerging from recession, implying a significantly longer downturn for the State than for the nation as a whole (see Box 6).

Based on the New York State Index of Coincident Economic Indicators, the State's last expansion peaked in December 2000 (see Figure 18). Like the previous recession in New York, the 2001-02 downturn began prior to the national business cycle peak designated by the National Bureau of Economic Research (NBER). Moreover, the New York State Index of Leading Economic Indicators projects an end to the State's recession in either late 2002 or early 2003. Nevertheless, the 2001-02 recession was not as deep as the recession that began in New York in 1989 and lasted more than three years. The major contributors to the loss of over one-half million jobs during the 1989-92 recession are largely absent today. For example, despite significant manufacturing layoffs, the scale of corporate restructuring within the manufacturing and trade sectors has been much less than in the early 1990s. In contrast to the downsizing of the State's defense industry that cost New York hundreds of thousands of jobs a decade ago, the nation's defense is now mobilized for the war on terrorism and a possible conflict with Iraq. Moreover, there is little evidence of the highly inflated real estate market that existed in the late 1980s.

Figure 18

New York Index of Coincident Economic Indicators



Source: Economy.com; DOB staff estimates.

For a number of reasons, the State's 2001-02 recession lasted longer than the national average. The national downturn unfolded in three stages, much of which centered on the financial markets. The first stage was initiated by the collapse of dot-com equity prices and the implosion of the high-tech sector that followed. These events precipitated heavy job losses in the State's manufacturing, trade, and finance industries during the first eight months of 2001. With the State and the nation already in recession, the destruction of the World Trade Center wrought catastrophe for the downstate economy, with the finance and travel and tourism industries being the hardest hit. The losses experienced during this second phase, the period just following September 11, are now estimated to be much greater than originally thought.

The final phase of the downturn began with the December 2001 collapse of Enron, the first major corporation to see its accounting irregularities become part of the popular lexicon. Continuing revelations pertaining to the misrepresentation of corporate revenues eventually sent stock prices below their post-September 11 lows. These events delayed any hope of a quick recovery on Wall Street, leading to further financial sector layoffs, as well as reductions in bonuses, even as the national economy was beginning to improve. As a result, the State recession extended well beyond that of the nation. Indeed, the Budget Division believes that revised data will ultimately show that the combined impact of the national recession, September 11, corporate accounting scandals, and the resulting decline in equity markets will result in the loss of approximately 270,000 jobs over the course of the recession.[13]

[13] The full impact of the recession and September 11 on State job growth is not yet reflected in the CES employment series for New York. Based on the most recent CEW data available, DOB expects the New York State Department of Labor to revise its employment estimates significantly downward for both 2001 and 2002 in its next benchmark revision, to be released in March 2003. However, neither is the full impact of September 11 reflected in CEW data. Many firms were temporarily relocated out-of-State immediately following the attack. Because many of these firms continued to participate in the State's Unemployment Insurance program, these relocated employees continued to appear in CEW data for New York. Therefore, for the months immediately following September 11, the revision to the CES data may be even larger than indicated by CEW data.

BOX 6
NEW YORK STATE INDICES OF COINCIDENT AND LEADING ECONOMIC INDICATORS

In the absence of an official mechanism for dating business cycles at the sub-national level, DOB staff constructed a New York State Index of Coincident Economic Indicators measuring overall economic conditions for New York.[1] The methodology used to construct the index is based on the Stock and Watson methodology (1991) and rests on the notion that co-movements in many macroeconomic time series can be captured by a single unobserved variable representing the overall state of the economy.[2] Four State data series — private sector employment, hours worked in the manufacturing sector, the unemployment rate, and sales tax receipts (as a proxy for retail sales) — are combined into a single index using the Kalman filter, a common approach to the estimation of unobserved variables.

Based on the DOB Coincident Index, five business cycles have been identified for New York since the early 1970s, as reported in the table below. A recession is judged to have begun if the DOB Coincident Index sustains three to five consecutive declines of significant depth. A similar approach is used to date business cycle troughs.

NEW YORK STATE BUSINESS CYCLES

Peak Date	Trough Date	Recession Length (in months)	Private Sector Job Losses
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
December 2000	?	?	?

Source: DOB staff estimates.

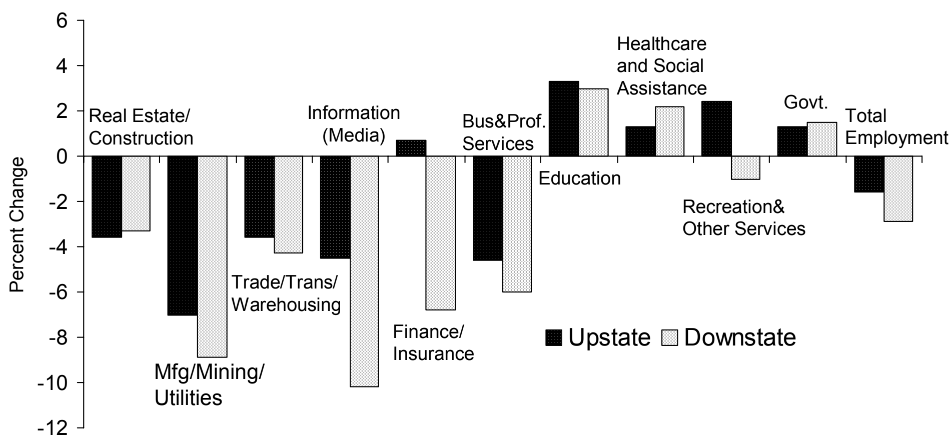
In order to gauge the future direction of the State economy, the Budget Division produces a forecast for the Coincident Index up to 12 months ahead. The forecasting model includes the following five leading economic variables in a vector autoregressive framework: the U.S. Index of Leading Economic Indicators (excluding stock prices and the interest rate spread), New York housing permits, New York initial unemployment insurance claims, stock prices, and the spread between the 10-year and one-year U.S. Treasury rates. The forecast of the Coincident Index becomes the New York State Index of Leading Economic Indicators.

[1] Megna, R. and Q. Xu (2003). "Forecasting the New York State Economy: The Coincident and Leading Indicators Approach," *International Journal of Forecasting* (forthcoming).
[2] 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.

With New York City at the epicenter of the State's economic turmoil, New York's 2001-02 recession has had disparate regional effects. Based on CEW data, the 10-county downstate region lost jobs at a significantly faster pace than upstate between the first half of 2001 and the first half of 2002, with downstate employment falling 2.9 percent, compared to a 1.6 percent decline upstate. Although the greatest disparity occurred in the finance and insurance sector, Figure 19 indicates large disparities within other sectors as well. Travel and tourism in New York City came to a virtual halt immediately after September 11 and has yet to fully recover. By the first half of 2002, downstate recreation and other services employment, including accommodations and arts and entertainment, had fallen 1.0 percent below the same period in 2001, while rising upstate by 2.4 percent.

The Budget Division's assessment that the State economy will be in recovery by the beginning of 2003 is supported by the results of a recent survey of New York businesses by the Econometric Research Institute at the University at Albany. Findings indicate that a majority of firms surveyed saw declines in profits and bonuses for 2002, while only slim majorities saw increases in employment and sales. In contrast, a majority of firms expect to see increases in all major business indicators in 2003. Firms were asked three times over a period of 18 months whether they expect to expand their business operations within the next five years. The percentage of firms that answered in the affirmative fell over time from 53 percent in April 2001, to 46 percent in December 2001, to 44 percent in October 2002, possibly an indication of a weak recovery to come. Survey results also indicate regional disparities, with New York City being the only region where a majority of firms reported declines in all major business indicators for 2002. However, a majority of firms in all regions, including New York City, expect increases for 2003.

Figure 19
Employment Growth: Upstate vs. Downstate
2002H1 over 2001H1



Note: Business and professional services includes NAICS broad sectors 54, 55 and 56; recreation and other services includes NAICS broad sectors 71, 72, and 81.
Source: NYS Department of Labor, CEW data.

The Impact of the Stock Market on the New York Economy

Due to the prominence of New York City in the world of finance, the financial markets exert a strong influence on both State employment and income growth, and thus on State revenues. The stock market cycle that began in October 1990 and that is believed to have ended in October 2002 has had a profound impact on both the State's economic and fiscal condition. Table 4 presents recent stock market trends and places them in historical perspective. Since the end of World War II, there have been 10 bear markets, defined as a sustained drop in the S&P 500 index of stock prices of about 20 percent or more.

As reported in Table 4, each market cycle begins with a run-up in equity prices, or bull market, during which the market's previous high is reached and eventually surpassed. As indicated in column (4), only the bear market of 1973-74 is comparable to the most recent one in terms of the percentage decline in prices. However, the 2000-02 bear market surpassed that of 1973-74 in length by almost one year, making it the longest bear market of the postwar period. The market has succeeded in attaining its prior peak within two years, except for the period following the 1973-74 bear market. Almost six years elapsed before the market finally returned to its January 11, 1973, peak.

These market cycles tend to be accompanied by a rise and fall in securities industry employment, although typically with a lag. Between February 1973 and October 1974, the State's securities industry lost 23 percent of its employment. The bull market that lasted from October 1990 to March 2000 was the longest bull market of the postwar period and is characterized by the largest run-up in prices, 417 percent. That market was accompanied by a 50 percent increase in industry employment between October 1991 and June 2001.

However, since then securities industry employment has fallen by 11.8 percent. History suggests that it could take years, and several intervening bull and bear markets, before both price and employment recover to the record levels reached in 2000 and 2001, respectively.

TABLE 4
BULL AND BEAR MARKETS

Price Run-Up	Peak Dates	Trough Dates	Percent Changes	Duration in Months	Market Hit Previous High Dates	Market Hit Previous High Months
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	08/03/56	10/22/57	(21.5)	14.6	09/24/58	11.1
85.7%	12/12/61	06/26/62	(28.0)	6.5	09/03/63	14.2
78.8%	02/09/66	10/07/66	(22.2)	7.9	05/04/67	6.9
47.2%	11/29/68	05/26/70	(36.1)	17.9	03/06/72	21.4
73.5%	01/11/73	10/03/74	(48.2)	20.8	07/17/80	69.4
73.1%	09/21/76	03/06/78	(19.4)	17.5	08/15/79	17.3
58.9%	01/06/81	08/12/82	(25.8)	19.2	10/20/82	2.3
228.8%	08/25/87	12/04/87	(33.5)	3.4	07/19/89	19.5
64.8%	07/16/90	10/11/90	(19.9)	2.9	02/13/91	4.1
417.0%	03/24/00	10/09/02*	(49.1)	30.5	?	?

* Based on staff estimates.
Source: Economy.com.

After plummeting in the aftermath of September 11, the market began a brief rally between October 2001 and March 2002. However, the sluggish pace of the recovery, the loss of confidence by investors due to corporate accounting scandals and questions about corporate governance put the markets back on the downward course that had begun in March 2000. By late November 2002, the Standard and Poor's index of 500 stock prices was 37.5 percent below its peak value in 2000. Wall Street, which traditionally leads the State's economic recovery, had become the poorest performer among the State's major economic sectors. Moreover, the industry believes that 2003 will represent a third straight year of declines for equity markets, with no significant increase in retail activity until 2004 at the earliest.[14]

The combined effects of a weak economic expansion, the depreciation in equity values, and national security concerns can be seen in the income and employment levels of financial services firms in the State. Based on CEW data, 29,800 finance and insurance industry jobs were eliminated between the first half of 2001 and the same period in 2002, a decline of 5.3 percent. Pretax profits for the securities industry peaked at $21 billion in 2000, but fell 51 percent below that in 2001 and are estimated to have fallen even further to $7.9 billion for 2002. The securities industry projects profits of between $8.2 billion and $9.0 billion for 2003 (see Figure 20).

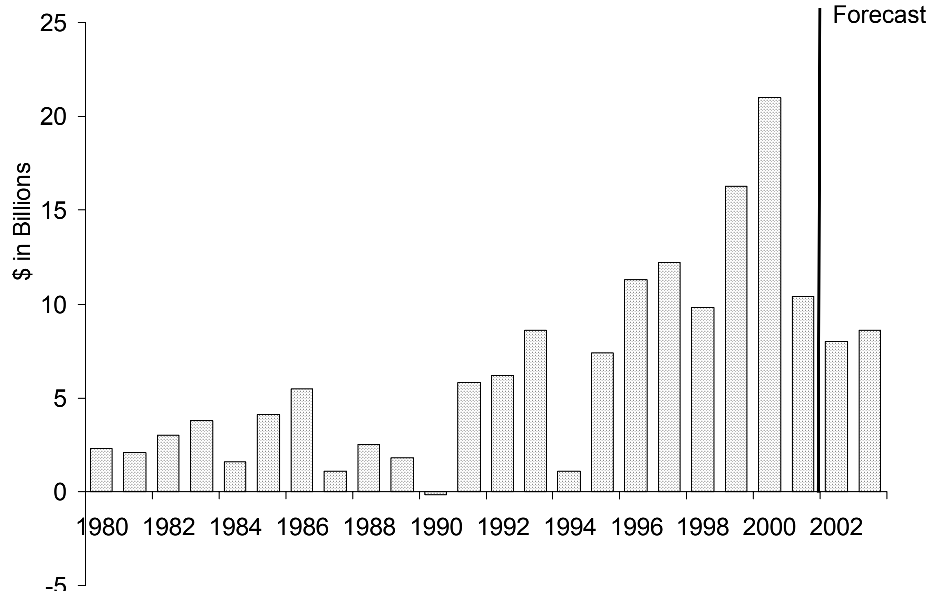
The securities industry's most lucrative sources of income, initial public offerings (IPOs) and merger and acquisition activity, are down significantly from their 2000 peaks. A decline in secondary market prices makes firms reluctant to use equity financing to fund business spending. Consequently, IPOs fell 28.4 percent in 2002.[15] This implies a fall-off in the value of IPOs of $50 billion or a decline of 66 percent since their 2000 peak.

Most affected by the depressed state of the secondary equities market has been merger and acquisition activity. Following a substantial 47.4 percent decline in 2001, the value of merger and acquisition underwriting is down 44.3 percent through the third quarter of 2002, compared with the same period of a year ago. Because of the high fees involved, the decline

[14] Securities Industry Association (SIA), *Securities Industry Trends*, Vol. XXVII, No.6, December 2002.
[15] This measure of IPO activity excludes closed-end bond fund issuances; see <http: /www.sia.com/reference_materials/pdf/keystats.pdf >.

in mergers and acquisitions represents a large revenue loss for the industry. Moreover, because of the weak demand for underwriting services, Wall Street firms have been forced to reduce their fees in order to compete for business.

Figure 20
Securities Industry Profits



Note: 2002 and 2003 are SIA projections; projection for 2003 is the midpoint of SIA's forecast range.
Source: Securities Industry Association (SIA).

The decline in stock prices and the weak recovery of the national economy continue to adversely affect debt underwriting activity as well. Notwithstanding the national recession and September 11, the value of debt underwriting was up 44 percent in 2001, thanks to falling interest rates and the weak stock market. In contrast, debt underwriting rose only 2.6 percent in 2002, despite even lower interest rates.

Since the stock market began to drop in 2000, Wall Street firms have adopted several significant measures to boost profits. Firms have increasingly specialized by eliminating particular products and services, sometimes even completely retreating from major business areas in order to increase their comparative advantage. A second and related measure is the reduction of compensation costs. Wall Street has endured several rounds of layoffs in the past two years. The industry is also estimated to have severely reduced employee compensation packages, including salaries, stock options, bonuses, and other benefits. Moreover, further cuts may be necessary in order to bring compensation levels back to their historical average relationship with revenues. For example, in the 1980s, compensation is reported to have averaged approximately 42 percent of net revenue; for 2001, that share had almost reached 50 percent.

Overview of the Anticipated 2003 Recovery

The New York State Indices of Coincident and Leading Economic Indicators suggest that New York's recession lasted through the fourth quarter of 2002. Table 5 compares characteristics of the forecast for the first year of the State's recovery with prior expansions. The Budget Division projects employment growth to be significantly stronger than was experienced during the first year of the last expansion and not unlike the longer-term average. However, expectations for bonuses stand in sharp contrast with those for employment. Similar to the early 1990s recovery but unlike earlier recoveries, finance and insurance sector bonuses are projected to decline during the first year of the 2003 expansion. This is due to unusually weak conditions in the financial markets. Whereas the stock market has been a leading indicator in the past, it lagged the economy in 2002 as equity markets continued to find their footing amid weak earnings growth and well-publicized scandals.

TABLE 5
AVERAGE GROWTH OVER FIRST FOUR QUARTERS OF NEW YORK EXPANSIONS[1]
SELECTED ECONOMIC INDICATORS

	Current Expansion[2]	Last Expansion	Last 4 Expansions[3]
Total Employment	0.7	0.1	0.6
Private Employment	0.9	0.2	0.9
Personal Income	3.1	1.9	7.2
Total Wages	2.3	1.7	6.4
Nonbonus Wages	3.9	2.6	6.6
Total Bonuses	(10.4)	(6.7)	3.7
Finance and Insurance Bonuses	(26.4)	(8.3)	20.9
Non-wage Income	4.2	2.2	8.5
Unemployment Rate	5.9	7.8	8.5
Composite CPI for New York	2.2	3.0	5.9

[1] Timing of New York State expansions is based on DOB staff estimates.
[2] Current State expansion is assumed to begin during the first quarter of 2003; all four quarters are forecast.
[3] Expansion that began in October of 1980 lasted only three quarters.
Source: Economy.com; NYS Department of Labor; DOB staff estimates.

The slow pace of the national economic recovery, combined with the aftermath of the events of September 11 and the financial markets shakeup, has had a severely adverse effect on State employment. Based on the Leading Index, the State economic recovery will be slow, as indicated in the highlighted portion of Figure 18. Although the Budget Division's forecast for average employment growth for 2003 is not low by historical standards, it represents an only modest rebound from the steep decline experienced in the wake of September 11. Based the Budget Division forecast, State private sector employment is not expected to approach its pre-recession fourth quarter peak until the fourth quarter of 2005.

Outlook for Employment

Total State nonagricultural employment is projected to rise 0.7 percent in 2003, following a 1.6 percent decline in 2002. The growth rate projected for the State for 2003 is slightly above the 0.6 percent increase for the nation as a whole. Private sector employment is projected to grow 0.9 percent in 2003, representing an increase of approximately 58,300 jobs, following a 2.1 percent drop for 2002. Table 6 reports projected changes in employment for selected groupings of NAICS sectors (see Box 7). The greatest losses are expected to occur in the manufacturing and transportation and warehousing sectors, while the greatest rates of gain are expected to be experienced in the health and arts, entertainment, and other services sectors. The State's average annual unemployment rate is expected to be 5.9 percent this year, only a slight decrease from 6.0 percent in 2002. This unemployment picture for 2002 and 2003 compares favorably with the last three recessions. The State's unemployment rate peaked at 10.2 percent in 1976, 8.6 percent in 1982-83, and again at 8.6 percent in 1992.

TABLE 6
CHANGE IN NEW YORK STATE PRIVATE SECTOR EMPLOYMENT FOR 2003
SELECTED SECTORS

	Percent	Levels
Manufacturing	(1.4)	(9,100)
Finance and Insurance	(0.2)	(1,000)
Arts, entertainment and recreation, accommodation and food, and other services	1.2	11,700
Wholesale and Retail Trade	0.6	7,100
Business and Professional Services	0.5	5,300
Transportation and Warehousing	(1.2)	(2,700)
Construction	1.8	5,900
Health Care and Social Assistance	2.5	28,000
Educational Services	2.6	6,500
Information (Media)	0.9	2,700
All Other	1.6	3,900
Total Private	**0.9**	**58,300**

Note: Business and professional services includes NAICS sectors 54, 55, and 56.
Source: NYS Department of Labor; DOB staff estimates.

Manufacturing

On an annual basis, manufacturing employment has been falling consistently since the early 1980s. The decline has tended to accelerate during recessions, as in 1982 and 1991, and this past recession was no exception. Along with the rest of the nation, the State's manufacturing sector shed 31,600 jobs during the first half of 2001, on a year-over-year basis, up from a loss of only 14,750 for the first half of 2000. The number of jobs lost almost doubled yet again in the first half of 2002 to 59,200, as the State's recession deepened after September 11.

In an effort to further understand the behavior of the State's manufacturing sector, we examine the pattern of job losses by firm size. We classify the State's manufacturing firms into three sizes: small firms of 50 employees or less; mid-size firms with between 51 and 250 employees; and large firms with more than 250 workers.[16] As defined here, small firms account for 28 percent of employment, but 89 percent of the establishments in this sector. In contrast, large firms account for 38 percent of employment but only 2 percent of firms. These shares remain fairly stable over the two-year period examined.

During the first stage of the slowdown, small firms lost the most jobs. During the first half of 2001, small firms lost 12,100 jobs, or 5.7 percent of their total workforce. This represents 38 percent of the jobs lost by the State's manufacturing sector during the period. Medium-size firms lost somewhat fewer jobs, while large firms lost the fewest. Interestingly, the situation reversed during the following year. Between the first half of 2001 and the first half of 2002, large firms lost 66 percent more jobs than small firms, or 40 percent of all the manufacturing jobs lost during the period, while small firms lost the least. During that period, small-firm employment fell 7.1 percent, while large firms lost 8.7 percent of their jobs.

Manufacturing firms in New York appear to have become more specialized during the 2001-02 recession. This finding emerges when classifying firms according to the primary activity of their parent company, rather than by the primary activity of the establishment itself. The rates of employment decline become even larger if the sample is expanded to include establishments whose parent company is a manufacturing firm even if the establishment itself engages another type of activity.[17] For example, among small firms, the rate of employment

[16] For this analysis, firms are classified by industry according to their so-called NAICS auxiliary code, the primary code which the U.S. Bureau of Labor Statistics will be using to report job losses and gains when it moves to NAICS-based reporting in 2003. An establishment's auxiliary NAICS code can differ from its parent company code when the primary activity of that establishment differs from the primary activity of the parent company.
[17] It is very rare for an establishment to engage in manufacturing activity if the parent company establishment does not.

decline over the two-year period from the first half of 2000 to the first half of 2002 rises from 12.4 percent for establishments classified by their own primary activity to 12.8 percent for establishments classified by that of the parent company (see Table 7). The net number of establishments that go out of business rises from 7.7 percent to 8.5 percent.

TABLE 7
DECLINE IN MANUFACTURING SECTOR EMPLOYMENT BY FIRM SIZE

	2002H1		2000H1-2002H1	
	Level	**Share**	**Job Losses**	**% Change**
Classified by Establishment Activity				
Employment				
Less than 50 Workers	185,906	28.3%	(26,397)	(12.4%)
Between 50 to 250 Workers	221,259	33.7%	(32,734)	(12.9%)
More than 250 Workers	248,774	37.9%	(31,618)	(11.3%)
Number of Firms				
Less than 50 Workers	19,560	88.5%	(1,640)	(7.7%)
Between 50 to 250 Workers	2,157	9.8%	(298)	(12.1%)
More than 250 Workers	377	1.7%	(44)	(10.3%)
Classified by Parent Company Activity[1]				
Employment				
Less than 50 Workers	189,706	27.1%	(27,872)	(12.8%)
Between 50 to 250 Workers	230,647	32.9%	(34,632)	(13.1%)
More than 250 Workers	280,042	40.0%	(40,388)	(12.6%)
Number of Firms				
Less than 50 Workers	19,907	88.2%	(1,848)	(8.5%)
Between 50 to 250 Workers	2,248	10.0%	(308)	(12.1%)
More than 250 Workers	414	1.8%	(49)	(10.6%)

[1]Includes firms with NAICS auxiliary code other than manufacturing.
Source: NYS Department of Labor, CEW data.

This finding is even more striking among large firms, for which the rate of employment decline rises from 11.3 percent to 12.6 percent, a difference of about 8,800 jobs. This pattern implies that during the recession, workers engaged in production activities that differ from the primary activity of the parent company had a greater chance of losing their jobs than workers engaged in the same activity as the parent company. Similarly, establishments whose primary production activity differed from the primary activity of the parent company had a greater chance of closing than those engaged in the same activity as the parent company, particularly among small firms.

The State's manufacturing sector continued to lose jobs in 2002, incurring the heaviest job losses among the State's major economic sectors, as a result of the national economic slowdown and the September 11 terrorist attack. The softness of the world economy and the resulting weakness of international demand for U.S. goods also contributed to the heavy losses. Through the first half of 2002, manufacturing jobs had declined 8.3 percent, with the downstate economy being hit harder than upstate. Over the same period, upstate lost 7.4 percent of its manufacturing employment, while downstate lost 9.5 percent.

The long-term decline in New York manufacturing employment is expected to continue throughout the forecast period. This sector's share of State employment has declined almost continually over the post-World War II period 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 also expected to continue. Weak national and international demand for manufactured goods has hastened this sector's employment decline. The situation is expected to improve slightly over the course of 2003, with the improvement of both the U.S. and global economies. However, a possible softening in the auto market, following a period of record sales, is a source of risk for manufacturing in the western part of the State. Manufacturing employment is expected to fall 1.4 percent in 2003, following a decline of 6.2 percent in 2002.

Construction

The State's construction sector was strong throughout the latter half of the 1990s, experiencing the highest rate of employment growth among all of the major economic sectors. The prolonged economic expansion, strong income growth, and relatively low interest rates all stimulated demand for both residential and office construction, warehouses, government capital programs, as well as nonbuilding construction. Even with the impact of the national economic slowdown and the September 11 terrorist attack, State construction employment recorded a 1.2 percent gain in 2001.

However, the impacts of the national recession and September 11 on the construction sector have become clearly visible. Construction contracts for new buildings and major innovations in New York City fell 35 percent in the third quarter of 2002 compared with a year ago.[18] The downstate region accounts for two thirds of total State construction employment and recent data show a distinct weakening. Statewide construction employment fell 3.7 percent in the first half of 2002 compared to a year ago. Several conditions in this sector account for the post-September 11 employment pattern. The cleanup of the World Trade Center site created many construction jobs but was finished ahead of schedule, and reconstruction plans are still in the design phase. Finance industry layoffs and the relocation of operations to other states reduced the demand for office buildings. Consequently, commercial real estate prices have fallen, and have thus discouraged new office construction. Layoffs and falling incomes have also reduced demand for residential construction, despite record low interest rates. Finally, anecdotal evidence suggests that tight budgets for both State and local governments are significantly affecting the demand for public construction.[19]

Nevertheless, the construction sector is expected to expand again in 2003. A major contributor to this development will be the reconstruction effort on the site of the World Trade Center, which is expected to begin in the middle of 2003. Another contributor will be continued low mortgage rates. Construction employment is expected to grow 1.8 percent for 2003, following a decline of 2.4 percent for 2002.

Finance

During the late 1990s, the finance industry was the primary growth engine for downstate New York. Just prior to September 11, securities firms employed 186,342 people in New York City, about six percent of the total workforce. But the finance industry adds more to the State and City economies than the jobs that it directly creates. During the last expansion, the securities industry represented a major source of stimulus for a wide range of businesses. The high corporate earnings, wages, and bonuses produced by the securities industry are important in fueling the activity of other sectors, including real estate, construction, retail sales, publishing, accounting, legal and business services, restaurants, and entertainment. It is estimated that each job in New York City's securities industry generates about two additional jobs.[20] Securities industry firms located in New York City lost 19,200 jobs during the first half of 2002, compared with the same period in 2001. Applying a multiplier of two implies that the securities industry may account for 40 percent of the 144,800 jobs lost in New York City during that period, based on CEW data.

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[18] F.W. Dodge Division of McGraw-Hill Companies, as reported in Fredrickson, Tom, "Construction leveled in NYC; job cuts loom," *Crain's*, Vol. XVIII, no. 44, November 4-10, 2002.
[19] See <http://newyork.construction.com/NYCN/NY-Jan03/cover2_0103.htm>.
[20] Minnesota IMPLAN Group, Inc., IMPLAN Professional Version 2.0 Social Accounting & Impact Analysis Software.

It is estimated that the finance and insurance sector will have lost about 30,000 jobs by the end of 2002 relative to the sector's 2000 peak, a decline not seen since the early 1990s. It is projected that the industry will continue to cut compensation costs in order to boost profits. Some of this cost cutting may be achieved through continued consolidation, a trend that accelerated over 2002. Continued consolidation, combined with a weak profit performance for the finance and insurance industry and the aftermath of September 11, are expected to result in an employment decline of 0.2 percent in 2003, following a decline of 4.4 percent in 2002. We note that recent Federal regulatory changes require financial firms to establish backup operations at least 300 miles away from the primary site. For many firms, this may entail moving operations out-of-state, posing further risk to State employment in this industry, and to the Budget Division forecast.

Other Sectors

The State's wholesale and retail trade sectors have suffered heavy job losses due to the long lasting impact of September 11 and the slow national economic recovery. Wholesale trade lost 20,600 jobs during the first half of 2002, a decline of 5.5 percent, while retail trade lost 21,200 jobs over the same period, a decline of 2.5 percent. Owing to the combined weak national and global economies, and the continued terrorist threat, wholesale and retail trade employment is expected to grow only 0.3 percent and 0.7 percent, respectively, for 2003, following declines of 4.6 percent and 0.9 percent for 2002. Employment in the State's transportation and warehousing sector tends to track trade sector trends very closely. However, in 2003 the transportation sector will carry the additional burden of the ailing airline industry. Not only are jobs expected to be lost due to continued consolidation within the industry, but the federal takeover of airport security operations will result in a transfer of employees from the private to the public sector as well. Transportation and warehousing employment is projected to fall 1.2 percent this year, following a decline of 5.3 percent for 2002 (see Table 6).

Education and healthcare services continued to grow throughout the recession. Through the first half of 2002 compared to the same period in 2001, education services grew 3.1 percent, adding 7,530 jobs, following growth of 4.9 percent for 2001. Similarly, healthcare and social assistance services grew 1.9 percent during the first half of 2002, adding 20,600, following growth of 1.7 percent for 2001. The growth in the healthcare industry is expected to continue in line with the legislated expansion of government sponsored healthcare programs and the rise in insurance premiums. The Budget Division expects education and healthcare employment to grow 2.6 percent and 2.5 percent, respectively, for 2003.

With the collapse of the "dot-com" sector in 2000 and 2001 and the national recession, the State's media services industries have shed many jobs, falling 0.1 percent in 2001 and a much greater 7.2 percent in 2002.[21] With the continued expansion of the national economy, media services employment is expected to grow by 0.9 percent in 2003. The State's professional and technical services industries, as well as the management and administrative support services industries, are also expected to benefit from the continued national expansion. Professional and technical services industries are expected to grow 0.6 percent in 2003, following a decline of 4.5 percent in 2002, while management and administrative support services industries are expected to grow 0.4 percent in 2003, following a decline of 3.0 percent in 2002.

[21] Under NAICS, media services industries comprise the information sector, or broad sector 51.

BOX 7
THE TRANSITION FROM SIC TO NAICS: A SNAPSHOT OF THE STATE ECONOMY IN 2001

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 2). In anticipation of the conversion to the NAICS, DOB has constructed estimates of NAICS employment and wage data at the 20 "broad sector" 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 CEW program. 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 quarterly 2000 data. Then, to get the total for a specific NAICS group, the percentages relating to that NAICS group for each quarter 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 34.4 percent, 16.7 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 16.7 percent of total employment, followed by health care and social assistance (13.0 percent) and retail trade (10.3 percent). The smallest three sectors are mining; 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 9.9 percent to 8.3 percent. This is due, in part, to the shift of publishing from manufacturing to the newly created information sector. In addition, establishments that specialize in research and development, now classified under manufacturing, will be classified as professional, scientific, and technical services under NAICS even if the parent company is in manufacturing. The retail trade sector's share is significantly reduced under the new system, from 15.3 percent to 10.3 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 sector under SIC becomes the finance and insurance sector under NAICS, causing its share to be reduced from 8.8 percent to 6.6 percent. Real estate industries are joined by rental and leasing to form a new sector under NAICS.

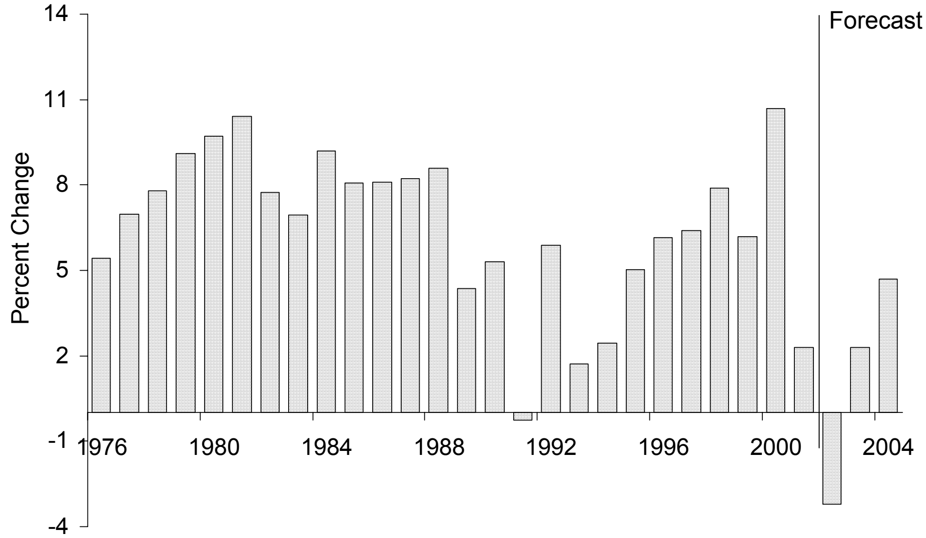
Outlook for Income

Weak growth in variable compensation and employment is expected to result in total wage growth of 2.3 percent for 2003, following an estimated decline of 3.2 percent for 2002 (see Figure 21). The weak growth in State wages projected for 2003 will result in total personal income growth of 3.1 percent, following growth of 0.4 percent for 2002 (see Table 9).

Because the state-level wage data published by BEA have proven unsatisfactory for the purpose of forecasting State personal income tax liability, the Budget Division constructs its own wage and personal income series based on CEW data. Moreover, because of the importance of trends in variable income — composed of bonus and stock options income — to the understanding of trends in State wages overall, the Budget Division has developed a methodology for decomposing its wage series into bonus and nonbonus wages. For a detailed discussion, see Box 8. The Budget Division's outlook for State income is based on these constructed series.

Figure 21

New York State Wage Growth



Source: NYS Department of Labor; DOB staff estimates.

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 8). 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 as the cash component of bonuses, often as part of a bonus package, an employee may exercise that option, thus transforming it into taxable 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.

Bonus income paid to employees in the finance and insurance industry has grown substantially since the early 1990s. During the 1999-2000 and 2000-01 State fiscal years, finance and insurance sector bonuses grew 43.5 percent and 23.8 percent, respectively, to levels that accounted for more than half of total bonuses paid in the State. Two factors were primarily responsible for this strong growth: the robust performance of security industry profits in those years and the shift in the State's corporate wage structure away from fixed to performance-based pay. An incentive-based payment structure allows employers to share with employees the risks of doing business and is particularly attractive to the securities industry, given the degree of volatility in industry profits.

The strong growth in finance and insurance bonuses was abruptly reversed during the 2001-02 State fiscal year when bonuses dropped 32.8 percent as a result of the national recession, the World Trade Center terrorist attack and the downslide in equity prices. As already noted, securities industry profits are estimated to have further deteriorated in 2002, dropping 62 percent from their record 2000 level. Moreover, tens of thousands of positions have been lost since September 11, 2001. Therefore, the Division of the Budget projects that variable income for the finance and insurance sector will fall 34.8 percent to $14.0 billion during the 2002-03 State fiscal year, a drop of 56.3 percent from the record $32.0 billion paid out in 2000-01 (see Figure 22). Variable income for that sector is expected to rise 8.7 percent during 2003-04, bringing it almost back up to its 1996-97 level.

BOX 8
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 Covered Employment and Wages (CEW) Program. 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 CEW data, 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 7.2 percent and 9.8 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 CEW data. 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 CEW data than with the BEA's estimate of 2.4 percent.

Once an entire year of CEW 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 CEW data. The addition of these components typically changes the annual growth rate for State wages by no more than two-tenths of one percentage point.

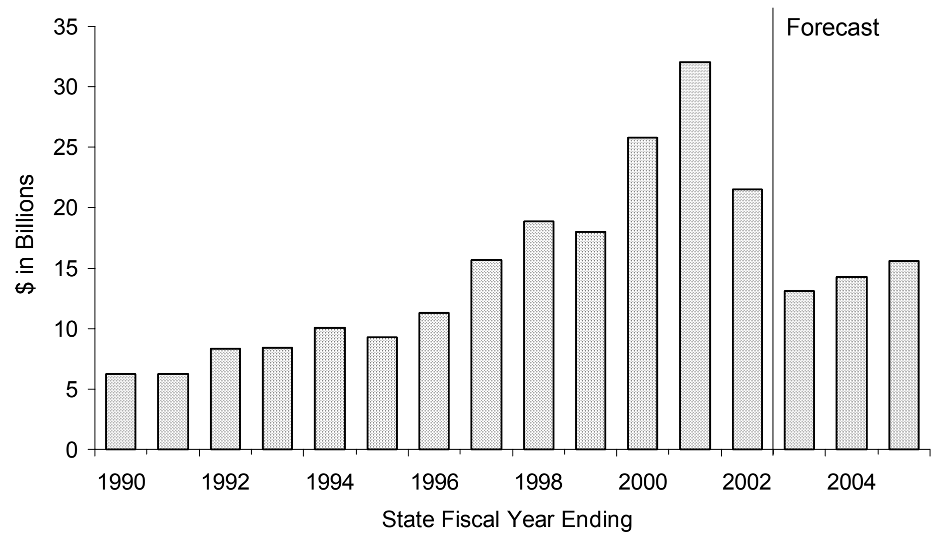
An increasing portion of New York State wages are paid on a variable basis, in the form of either bonus payments or proceeds derived from the exercise of stock options. No government agency collects data on variable income as distinct from ordinary wages; therefore, it must be estimated. The Division of the Budget derives its estimate of bonuses from firm-level data as collected under the CEW 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 CEW 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.

Figure 22

New York State Finance and Insurance Sector Bonuses



Source: NYS Department of Labor; DOB staff estimates.

Although the decline for 2002-03 will be steepest for finance and insurance firms, bonus income in other sectors is expected to fall as well, with an expected decline of 3.5 percent in State fiscal year 2002-03. This decline is expected to be followed by a 5.3 percent increase in 2003-04. As a result, finance and insurance sector bonuses as a percentage of total bonuses will drop to around 39.2 percent in 2003-04, compared with their peak share of 55.6 percent attained in 2000-01.

Overall, total bonus income for the State is projected to fall 18.5 percent for State fiscal year 2002-03, followed by growth of 6.6 percent for 2003-04. On a calendar year basis, total State bonus income is expected to decrease 23.0 percent for 2002, followed by a decline of 10.4 percent for 2003.

Nonbonus 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 nonbonus average wage for each of the State's industrial sectors is believed to have a stable long-run relationship with the real U.S. average wage for that sector. However, State real average wages can deviate from their long-run trend due to short-term fluctuations related to business cycles or shocks to the regional economy. Nonbonus average wages are projected to increase by 3.1 percent in 2003, following estimated growth of 1.5 percent for 2002. Total nonbonus wages are projected to grow 3.9 percent for 2003, following a decline of 0.1 percent for 2002.

Average Wage

The decline in bonuses is expected to contribute to slow growth in the State's overall average wage of 1.6 percent for 2003, following an estimated 1.7 percent decline for 2002. If the 2002 estimate turns out to be accurate, it will be the first decline in the State's average wage in the history of CEW data, which begins in 1975.

Nonwage Income

The Division of the Budget projects a 5.6 percent increase in the nonwage components of State personal income for 2002, followed by growth of 4.2 percent for 2003. Projected slower growth for 2003 is chiefly the result of an expected decline in the growth of transfer income as State economic conditions improve.

BOX 9
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 1990-91 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 national and State economies within an econometric modeling framework. 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, though 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 that drive Wall Street profits — merger and acquisition activity, IPOs, 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 risks described above for the national forecast, there are risks specific to the New York economy. Chief among these is a more prolonged downturn in the financial sector than currently projected, producing sharper declines in bonus payments and larger reductions in employment than reflected in the current forecast. Moreover, an unexpectedly large transfer of employees out of state in order to comply with regulations pertaining to backup operations could imply a larger decline in finance and insurance sector employment than anticipated. The effects of these declines would ripple through the downstate economy, resulting in lower wage and employment growth in other sectors as well, the magnitude of which could be quite substantial, although hard to forecast. The reductions in spending by state and local governments will also reverberate throughout the economy to a degree that is hard to estimate. In contrast, should concerns pertaining to national security and corporate governance resolve themselves more quickly than expected, a stronger upturn in stock prices, along with renewed activity in mergers and acquisitions and IPOs is possible, resulting in higher wage growth than projected.

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

The personal income tax (PIT) is not only the State's most important revenue source but is extremely volatile as well. PIT receipts are very sensitive to changes in conventional measures of income. For example, personal income, as measured by BEA, both fails to capture critical components of taxable income and includes components that are not taxed. However, State PIT collections are extremely volatile even when compared to New York State adjusted gross income (NYSAGI), a measure of taxable income derived from State tax returns from which total tax liability is determined. It is common to examine tax liability in terms of its “elasticity,” or sensitivity to changes in the tax base. Because of the progressive nature of the State's income tax system, PIT liability is very elastic with respect to changes in taxable income as measured by NYSAGI. We find that when the personal income tax base rises (or falls), PIT liability tends to rise (or fall) by a much greater rate. Indeed, we find that the personal income tax is much more responsive to changes in income than other taxes.

The relative volatility of personal income tax receipts clearly emerges when comparing three alternative indicators of the size of the New York State tax base — PIT liability, NYSAGI, and personal income (see Figure 23). For 2000, PIT liability is estimated to have grown 17.9 percent. In contrast, NYSAGI is estimated to have grown 14.6 percent, while State personal income grew 8.4 percent.[22] During the following year, personal income tax liability reversed course, falling an estimated 8.6 percent. NYSAGI is estimated to have fallen a lesser 5.8 percent in 2001, while personal income grew 3.1 percent. Although State personal income is expected to grow in 2002, further declines are estimated for NYSAGI and liability as the impact of a depressed equity market continues to exert negative pressure on taxable income.[23]

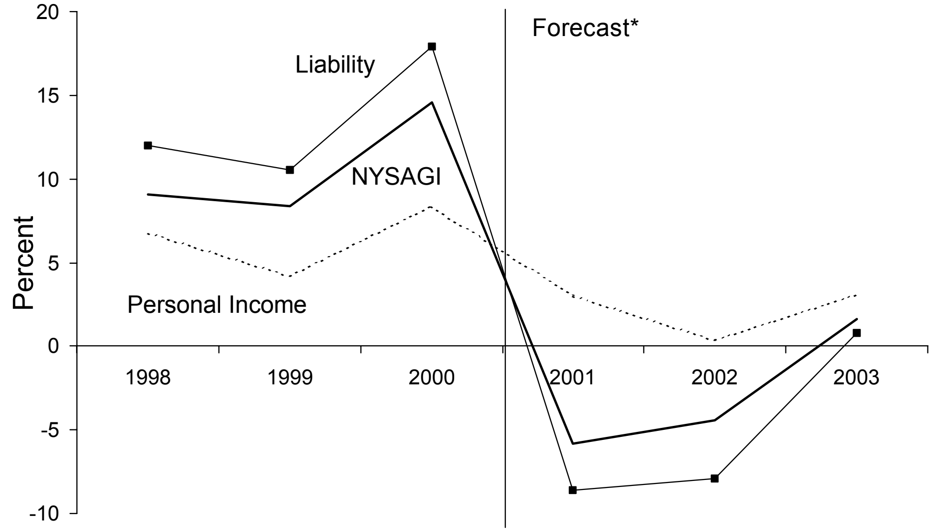
Much of the divergence between personal income growth and NYSAGI growth is explained by types of income not related to current production such as capital gains. Personal income is a National Income and Product Accounts (NIPA) concept, measuring income derived from value added to current production. In contrast, NYSAGI measures the taxable components of income and, as such, includes components that are taxable but not counted in personal income. Since a capital gain or loss earned from the sale of a financial asset is not related to current production, it is not included in the NIPA concept of personal

[22] For a discussion of how DOB constructs State personal income, see Box 8.

[23] For a more detailed discussion of personal income tax liability, see Tax Receipt Section “Personal Income Tax.”

income.[24] With the dramatic rise in capital gains realizations during the late 1990s and 2000, and the equally dramatic declines since then, the growth in taxable income became much more volatile than the growth in income as defined under NIPA.

Figure 23
Indicators of New York State Tax Base Growth Rate Comparison



* For personal income, forecast starts in 2002.
Source: NYS Department of Taxation and Finance; Economy.com; DOB staff estimates.

The extreme volatility in New York State personal income tax liability stems from the volatile nature of certain components of taxable income, such as capital gains realizations, bonuses, and stock incentive payouts. It is important to recall that these components of income differ fundamentally from other conventional economic indicators. Indicators such as GDP, employment, and personal income tend to have relatively stable bases, and although they do fluctuate with the business cycle, these changes are relatively marginal. In contrast, employers may drastically curtail or even eliminate bonus payments in response to a poor performance by the firm. Similarly, if taxpayers refrain from selling financial assets due to depressed market conditions or are carrying forward losses from prior years, little or no capital gains realizations income could result.

The additional volatility in personal income tax liability relative to NYSAGI is primarily related to the progressiveness of the State tax system. Because the volatile components of taxable income alluded to above tend to be concentrated among the State's high-income taxpayers who are taxed at the highest marginal tax rate, growth in those components will tend to increase the average tax rate. Moreover, taxpayers tend to move into higher tax brackets as their incomes rise. Between 1999 and 2000, the latest year for which detailed income tax data are available, the average effective tax rate increased from 4.63 percent to 4.76 percent, without any significant changes in tax law. The increase is the result of liability growing faster than NYSAGI. Correspondingly, the large decline in taxable income estimated for 2001, due in large part to the decline in capital gains realizations, is estimated to have resulted in a decline in the effective tax rate to 4.62 percent. Between 2000 and 2001, New York State personal income tax liability oscillated from growth of 17.9 percent to a decline of 8.6 percent, a 26.5 percentage point swing in only one year's time. This large swing clearly indicates how radical shifts in tax liability can be when the stock market falls.

[24] Any transaction costs generated by such a sale would be related to current production and therefore included in income.

TABLE 8
CHANGES IN NYSAGI AND ITS MAJOR COMPONENTS
($ in Billions)

	1999	2000	2001	2002	2003
NYSAGI					
Level	453.1	519.5	489.4	467.8	475.2
$ Change	35.1	66.4	(30.1)	(21.6)	7.4
Wages					
Level	328.9	373.2	381.2	368.8	377.3
$ Change	19.2	44.3	8.0	(12.3)	8.5
Capital Gains					
Level	49.5	64.0	30.9	19.5	16.9
$ Change	9.3	14.5	(33.0)	(11.5)	(2.5)
Partnership/S Corporation					
Level	35.3	38.9	36.5	36.2	37.5
$ Change	4.6	3.6	(2.4)	(0.4)	1.4

Note: Discrepancies are due to rounding.
Source: NYS Department of Taxation and Finance; DOB staff estimates.

The fact that the most volatile components of income account for such a large portion of NYSAGI poses significant risks to the Division of the Budget's personal income tax forecast. In 1999 and 2000, income from positive capital gains realizations grew an impressive 23.2 percent and 29.3 percent, respectively. However, preliminary data indicate a decline in capital gains realizations of more than 50 percent for 2001. The Budget Division projects further declines of 37.1 percent for 2002 and 12.9 percent for 2003. From Table 8 it can be determined that capital gains realizations accounted for 26.5 percent of the increase in NYSAGI in 1999 and 21.8 percent of the increase in 2000. For 2001, the decline in capital gains is larger than the estimated $30 billion decline in NYSAGI for that year. Because so much of the fluctuation in New York State taxable income derives from financial market volatility, there is a large degree of risk surrounding forecasts for the components of taxable income and, ultimately, tax liability.[25] Therefore, the Budget Division has consistently maintained that a conservative approach to projecting these components is warranted.

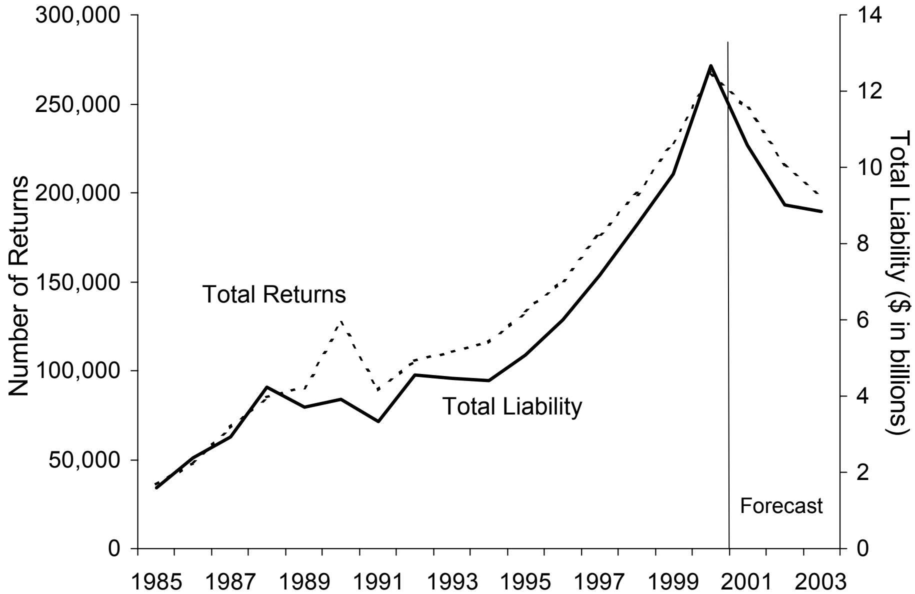
Changes in the State Distribution of Income

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 the income distribution is especially risky since the share of income earned among the wealthiest taxpayers can fluctuate dramatically with such factors as the business cycle, the financial markets, and changes in federal tax treatment. The rising stock market created thousands of millionaires during the latter part of the 1990s, causing the share of total personal income tax liability accounted for by high-income taxpayers — those reporting taxable incomes of $200,000 or more — to grow rapidly during that period. Close to 9 million tax returns were filed in New York State for the 2000 tax year, representing growth of about 2.1 percent per year since 1995. Over the same period, the number of high-income taxpayers grew from 133,000 to 267,000, representing an average annual increase of 20.1 percent (see Figure 24). In 2000, the most recent year for which detailed tax return data are available, these high-income taxpayers represented a mere 3.0 percent of all taxpayers, but they accounted for 39.0 percent of NYSAGI and fully 51.2 percent of personal income tax liability, or $12.7 billion (see Figure 25).

[25] For a discussion of the Budget Division's use of Monte Carlo simulations to compute confidence bands around forecasts, see *Executive Budget Presentation, 2002-03, Appendix II*, pp. 129-136. The confidence bands around this year's forecast are comparable to what we show for last year's estimates.

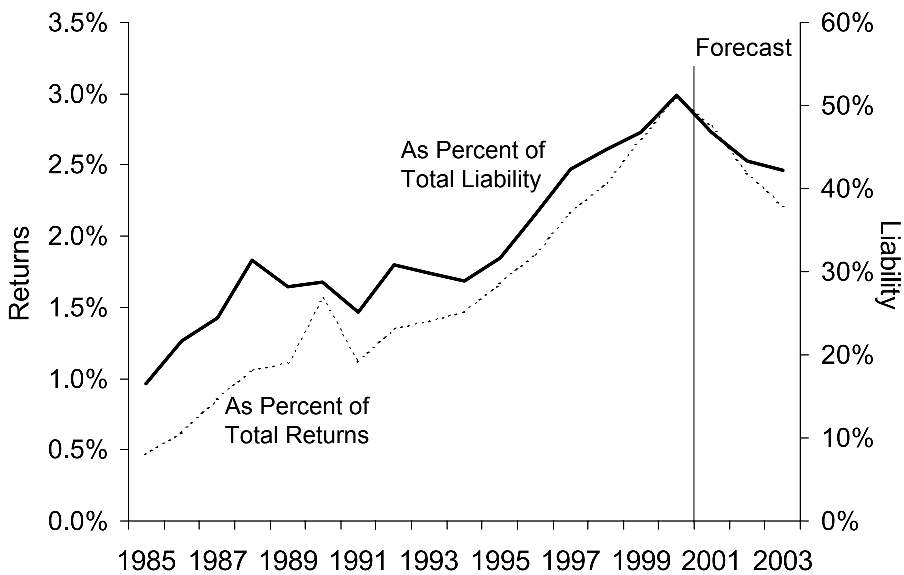
Figure 24

New York State High-Income Tax Returns



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

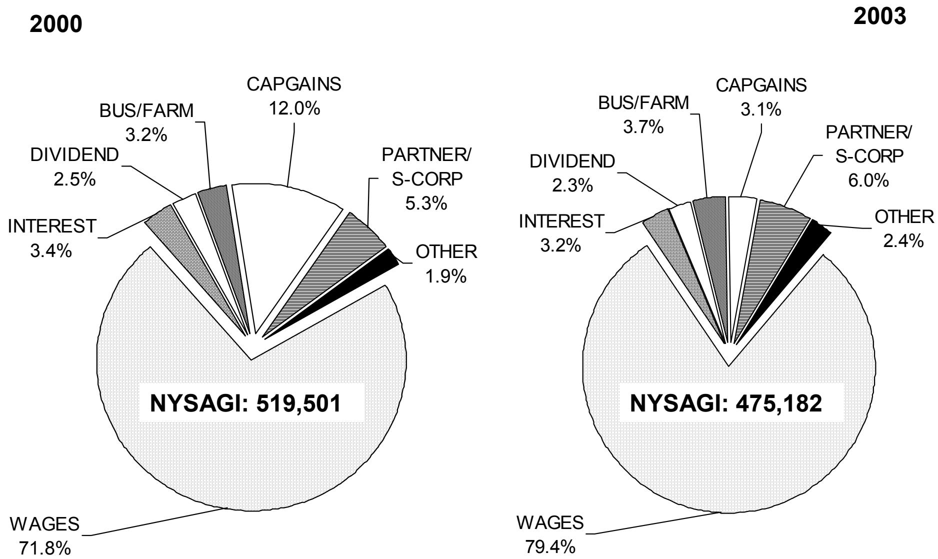
Figure 25
High-Income Taxpayers as Percent of Total Returns and Liability



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

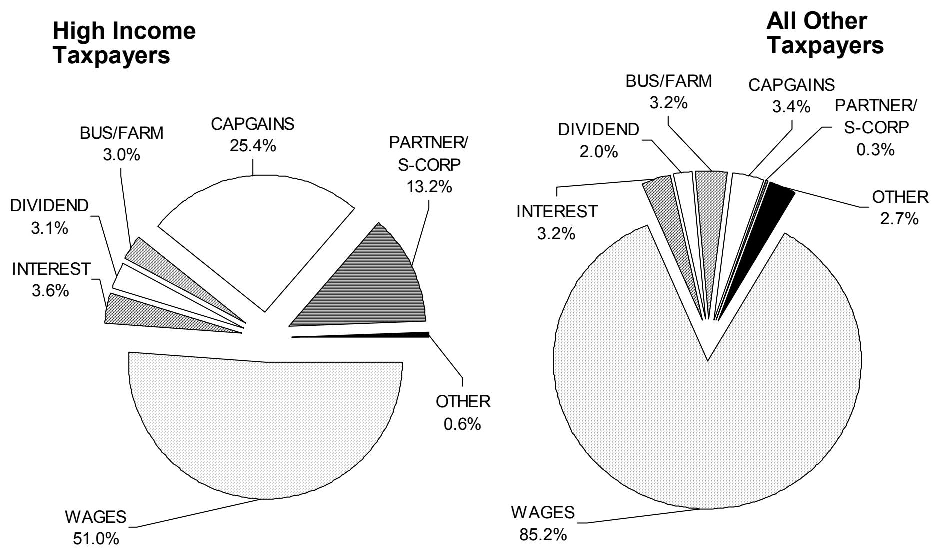
Figure 26 compares the composition of NYSAGI for all taxpayers for the 2000 tax year to that of 2003. The figure shows a clear shift from net capital gains income to wage income. By 2003, estimated net capital gains income only contributes 3.1 percent to taxable income, down from a high of 12.0 percent in 2000. At the same time, the share of wages increases from 71.8 percent to 79.4 percent, which is close to the historical average of 80.0 percent between 1977 and 2000.

Figure 26
Composition of NYSAGI for All Taxpayers



Note: Both capital gains and partnership/S-corporation gains income are net of losses.
Source: NYS Department of Taxation and Finance; DOB staff estimates.

Figure 27
Composition of NYSAGI for 2000

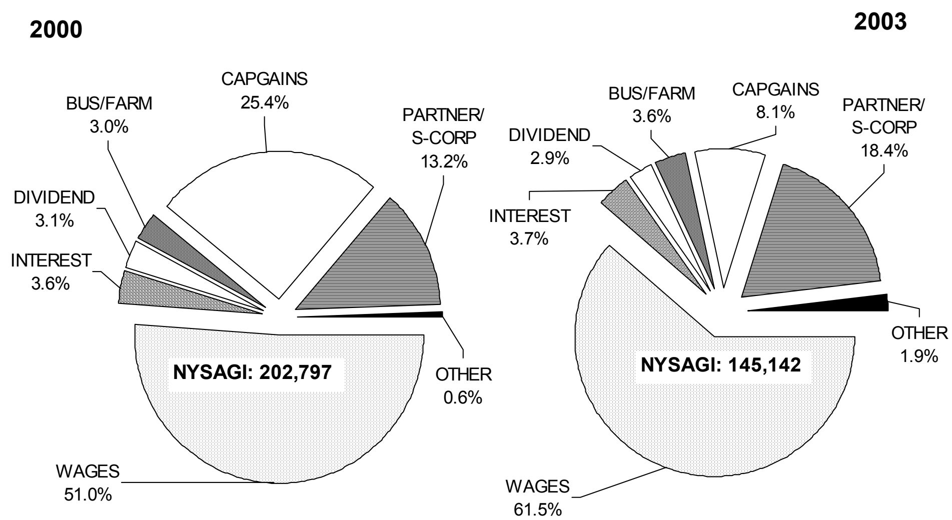


Note: High income taxpayers are defined as those reporting NYSAGI of more than $200,000. Capital gains and partnership/S-corporation gains income are net of losses.
Source: NYS Department of Taxation and Finance.

Figure 27 compares the composition of adjusted gross income for high-income taxpayers with all other taxpayers for the 2000 tax year. It is evident from the figure that the most volatile components of taxable income, capital gains and partnership/S-corporation income comprise a much larger share among high-income taxpayers than for other payers.[26] Figure 28 shows the composition of taxable income for high-income taxpayers in a comparison between the 2000 and the 2003 tax year based on Budget Division estimates. For high-income taxpayers, the share for capital gains realizations is projected to fall by two-thirds from 25.4 percent in 2000 to only 8.1 percent in 2003, while the share of partnership income and wage income grows.

Figure 28 also indicates that NYSAGI reported by high-income taxpayers is estimated to have fallen by 28.4 percent between 2000 and 2003. This represents a partial reversal of the trends of the late 1990s. With the dramatic depreciation of the equity market and the corresponding decline in the net wealth of households, DOB projects a large decline in income among the State's high-income citizens. This decline is projected to occur because the incomes of these taxpayers tend to be heavily weighted toward the more volatile components of taxable income, such as bonus wages and capital gains realizations. The result is a predicted large decline in tax receipts from these payers. By 2003, the share of liability accounted for by these high-income taxpayers is expected to be down to 42.2 percent, from the high of 51.2 percent estimated for 2000.

Figure 28
Composition of NYSAGI for High-Income Taxpayers



Note: Both capital gains and partnership/S-corporation gains income are net of losses.
Source: NYS Department of Taxation and Finance; DOB staff estimates.

The Major Components of NYSAGI

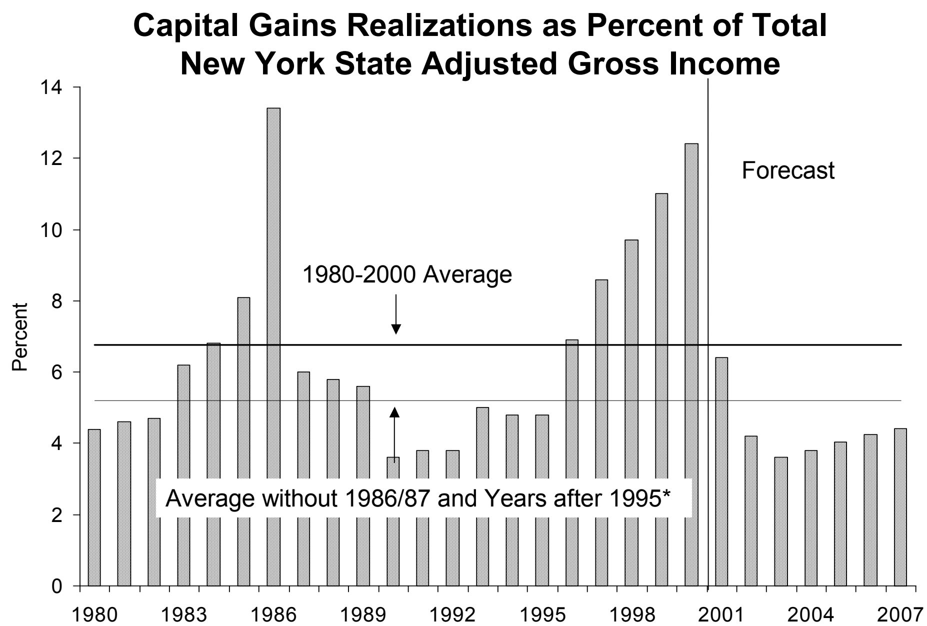
The Budget Division forecasts for the components of NYSAGI are based on detailed tax return data from a sample of State taxpayers through the 2000 tax year, made available by the New York State Department of Taxation and Finance. Although the measure of taxable wages derived from State tax returns does not precisely match the dollar amount derived from CEW data, they are believed to follow the same trend. Therefore, for a discussion of the Budget Division forecast for taxable wages, see "Outlook for Income" above.

[26] Although tax return data does not differentiate bonus income from non-bonus income, it can be surmised that bonus income represents a much larger share of taxable income among high-income taxpayers than among low-income taxpayers.

Positive Capital Gains Realizations

As discussed above, the volatility in capital gains realizations accounts for a large share of the fluctuation in total NYSAGI for recent years. Traditionally, the Budget Division's forecasting model has attempted to capture the inherent volatility in this component of income by incorporating those factors that are most likely to influence realization behavior, such as expected and actual tax law changes and financial market activity for the contemporaneous period.[27] Although the model performed well in prior years, DOB projections have always emphasized the high degree of uncertainty associated with any capital gains forecast.[28] In DOB's review of several models used to predict gains realizations, it is clear that most models were far too optimistic in their projections for 2001 and, in all likelihood, 2002.[29] The Budget Division now estimates a decline of over 50 percent in capital gains realizations for 2001. This decline reduces the share of capital gains out of total NYSAGI from 12.3 percent in 2000 to only 6.3 percent in 2001 (see Figure 29). In retrospect, most models used by fiscal analysts to predict future gains failed to fully incorporate the impact of the accumulation of past capital losses that can be used to offset gains.

Figure 29



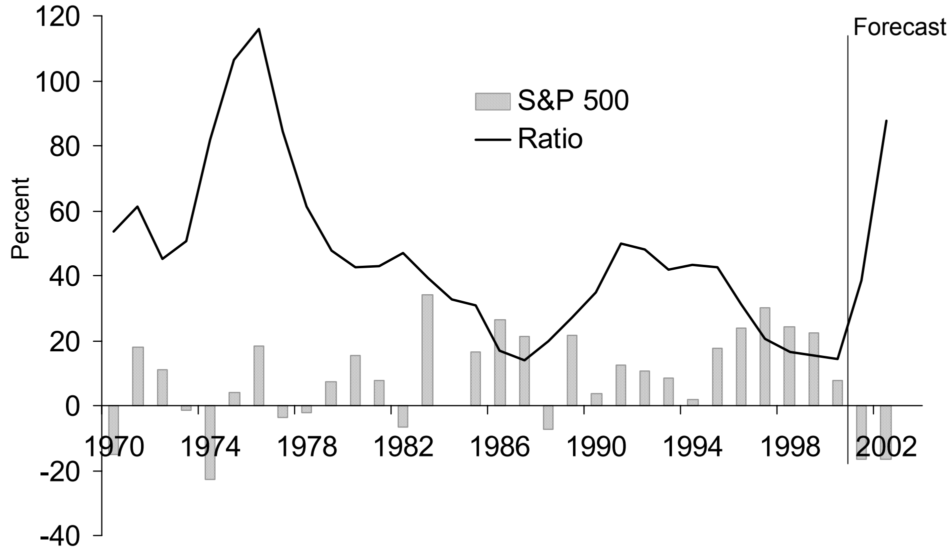
* Adjustment to account for distortions from the 1986 tax reform and the speculative bubble of the late 1990s.
Source: NYS Department of Taxation and Finance; DOB staff estimates.

In any given tax year, taxpayers filing jointly can deduct up to $3000 ($1500 if filing individually) of their net capital losses from ordinary taxable income. The value of any remaining losses can be carried forward indefinitely and used to offset future capital gains. During a prolonged downturn in the equity market, losses can accumulate and be used in later years under improved market conditions, leading to lower taxable capital gains realizations than the performance of the equity market might suggest. Based on national Statistics of Income (SOI) data, we can construct a ratio between the level of losses carried

[27] For a discussion of DOB's traditional approach to modeling capital gains realizations, see L. Holland, H. Kayser, R. Megna and Q. Xu "The Volatility of Capital Gains Realizations in New York State: A Monte Carlo Study," *Proceedings, 94th Annual Conference on Taxation*, National Tax Association, Washington, DC, 2002, pp. 172-183.
[28] See *Executive Budget Presentation, 2002-03, Appendix II*, p. 131.
[29] See for example Congressional Budget Office "Where Did the Revenues Go?" *Revenue and Tax Policy Brief,* August 13, 2002.

over from the previous year and the level of capital gains.[30] Figure 30 illustrates how that ratio has changed over time compared with the performance of the S&P 500. As indicated in the figure, not only can the ratio of the loss carryover to gains exceed one, as it did in 1975 and 1976, but also it can peak one or two years after the decline in the stock market has ended. This observation suggests that accumulated losses can depress taxable gains realizations for several years.

Figure 30
Ratio of Loss Carryover to Capital Gains Realizations and Growth in the S&P 500



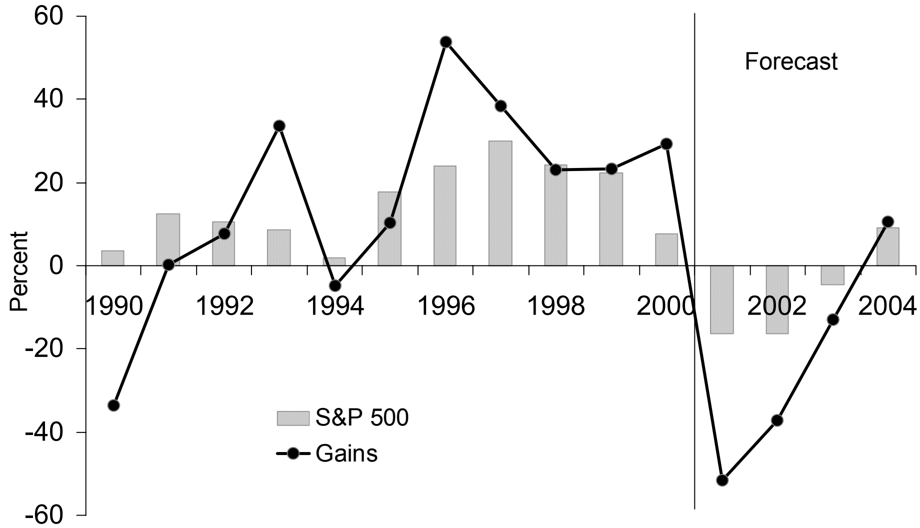
Note: Data for S&P 500 are actuals.
Source: IRS Statistics of Income; DOB staff estimates.

In an attempt to capture the impact of the loss carryover, the DOB forecast model now includes prior year stock market activity in addition to the contemporaneous value. For 2002, realizations are estimated to decline 37.1 percent, followed by yet another decline of 12.9 percent for 2003 (see Figure 31). However, we note that the potential for a large accumulation of losses poses a substantial risk to this forecast. Although there is no state-level data on the loss carryover, we can obtain an estimate by applying the ratio of the loss carryover to gains from the national SOI sample to the estimate of gains realizations for New York. These estimates appear in Figure 32 along with gains realizations and the ratio between the two. Moreover, we can apply estimates of the growth in the loss carryover for 2001, 2002, and the out-years to obtain estimates of the loss carryover for those years for New York. These estimates also appear in Figure 32. Losses carried forward from 2001 and 2002 could depress capital gains realizations for 2003 and the out-years beyond what stock market indicators such as the S&P 500 might suggest. The unprecedented severity and duration of the recent decline in the stock market raises significant risk for the out-year estimates of taxable gains. The level of gains could also deviate from the forecast if the underlying assumptions about the economy and financial market conditions deviate from expectations. Historically, financial market conditions are difficult to predict in the short-run. This can have a significant impact on short-term forecasting error.

[30] For detailed information, see the IRS website at http://www.irs.gov/taxstats/index.html.

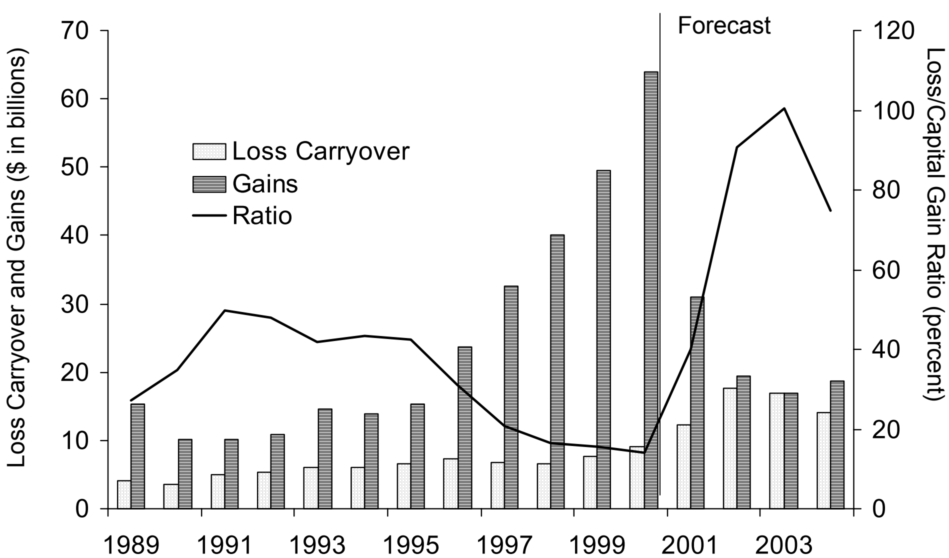
Figure 31

Growth Rate of Capital Gains Realizations and S&P 500



Note: Forecast period for the S&P 500 starts in 2003.
Source: IRS Statistics of Income; NYS Department of Taxation and Finance; DOB staff estimates.

Figure 32
Decomposing the Ratio of Loss Carryover to Capital Gains Realizations



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

Rent, Royalty, Partnership, and S-Corporation Income

Positive rent, royalty, estate, trust, partnership and S-corporation income has become one of the largest components of NYSAGI, accounting for 7.8 percent in 1999 and 7.5 percent in 2000. The largest contributor to this component of taxable income is partnership income, much of which originates within the finance and real estate industry and, therefore, is expected to be closely tied to the overall performance of the economy, as well as to the performance of the stock market. An almost equally large contributor is income from S-Corporation ownership. Selection of S-Corporation status allows firms to pass earnings through to a limited number of shareholders and to avoid corporate taxation. Empirical work shows that the differential between personal income tax and corporate income tax rates can significantly affect election of S-Corporation status.[31] Consequently, DOB's forecast model includes the difference between the corporate franchise tax rate and the maximum marginal personal income tax rate, where the rates are composites of both State and federal rates. The model also includes real U.S. GDP and the S&P 500. While positive partnership and S-corporation income increased 10.1 percent in 2000, the DOB estimates declines of 6.2 percent for 2001 and 1.0 percent for 2002, due primarily to the weak performance of the equity markets. Growth of 3.8 percent is projected for 2003 as both the economy and financial markets improve.

Dividend Income

Dividend income is expected to rise and fall with the fortunes of publicly held U.S. firms, which, in turn, are expected to vary with the business cycle. For example, during the State's last recession, dividend income declined for four consecutive years from 1989 to 1992. Because a strong (or weak) economy, as measured by growth in real U.S. GDP, might have a sustained impact on the payout of dividends, the impact of the business cycle on dividend income is expected to last several years. Dividend income is also thought to be associated with firms' expectations pertaining to their future profitability, which is tied to the future strength of the economy. As interest rates incorporate inflationary expectations, which in turn incorporate expectations regarding the future strength of the economy, they represent a proxy for the latter.

Historically, State dividend income has ranged from a decline of 6 percent in 1991 to an increase of 22 percent in 1981, proving much more variable than U.S. dividend income, a component of the NIPA definition of U.S. personal income. This may suggest the importance of factors affecting the way taxpayers report their income, rather than changes in the payment of dividends by firms. The most obvious impact of a change in the tax law occurred in 1988, when reported dividend income grew 21.8 percent, followed by a decline of 2.6 percent the following year. Dividend income increases 18.2 percent in 2000 before a predicted decline of 20.8 percent in 2001. Moderate growth of 3.8 percent and 5.5 percent is projected for 2002 and 2003, respectively.

Interest Income

For a given amount of assets, an increase in interest rates will increase interest income. DOB's interest income forecasting model is based on this simple concept and accordingly includes the 10-year Treasury rate. In addition, the overall trend in taxable interest income for New York is found to closely track that of U.S. interest income, another component of the NIPA definition of U.S. personal income. However, taxable interest income for New York is much more volatile than the latter measure. For the period from 1976 to 2000, the average growth rate for U.S. interest income was 9.2 percent, with a standard deviation of 7.6 percentage points. In contrast, New York's interest income over the same period averaged 6.5 percent growth, with a standard deviation of over 13.0 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. Interest income increased by 20.9 percent in 2000 but is estimated to have fallen 7.7 percent during 2001 due to the steep decline in interest rates during the year. Interest income is estimated to have fallen 4.4 percent in 2002 and is projected to fall an additional 2.5 percent for 2003 due to the further decline in interest rates.

[31] See for example R. Carroll and D. Joulfaian "Taxes and Corporate Choice of Organizational Form," OTA Paper 73, Office of Tax Analysis, U.S. Treasury Department, Washington, DC, October 1997.

Business and Farm Income

Business and farm income combines income earned and reported as a result of operating a business, practicing a profession as a sole proprietor, or from operating a farm. This component of income is expected to vary with the overall state of the State and national economies. Consequently, the DOB forecasting model includes real U.S. GDP, as well as New York State proprietors' income, a component of the NIPA definition of New York personal income. The Budget Division estimates an increase of only 0.7 percent in business and farm income for 2001. This is well below the 8.1 percent growth for 2000. Small businesses in New York City were greatly affected by the World Trade Center events. An entire area of Manhattan was closed for weeks, retail trade was substantially reduced, and many retail businesses and restaurants in the vicinity of the World Trade Center buildings were either damaged or destroyed. Unlike large corporations, small businesses often lack full insurance coverage for the damages inflicted. Improved growth of 3.7 percent is estimated for 2002 due to the higher growth in both real U.S. GDP and State proprietors' income. Growth of 1.9 percent is projected for 2003.

In summary, given the uncertainty surrounding such volatile components as capital gains realizations and 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. Some of this risk stems from the connection between revenues and the stock market, which is particularly difficult to forecast. This risk is compounded further by the weakness of the national recovery, as well as extraordinary national security concerns. As a result, forecasts for income tax receipts for the upcoming years should be viewed with caution.

TABLE 9
SELECTED ECONOMIC INDICATORS
(Calendar Year)

	2001 (actual)	2002 (estimate)	2003 (forecast)	2004 (forecast)	2005 (forecast)	2006 (forecast)	1976-2001 Average[2]
U.S. Indicators[1]							
Gross Domestic Product (current dollars)	2.6	3.6	4.0	5.3	5.0	5.0	7.3
Gross Domestic Product	0.3	2.4	2.4	3.3	3.1	3.0	3.2
Consumption	2.5	3.0	2.4	3.1	3.0	2.9	3.4
Residential Fixed Investment	0.3	3.4	0.8	(0.5)	0.4	1.6	3.8
Nonresidential Fixed Investment	(5.2)	(5.6)	3.5	7.7	9.0	9.1	5.6
Change in Inventories (dollars)	(61.4)	2.2	32.9	52.6	39.2	29.5	27.8
Exports	(5.4)	(1.1)	5.3	6.5	6.8	6.7	6.3
Imports	(2.9)	3.5	7.5	7.6	7.3	7.7	7.5
Government Spending	3.7	4.4	2.4	1.6	1.6	1.6	2.2
Pre-tax Corp. Profits	(14.3)	(1.5)	8.5	14.7[3]	15.5[3]	4.5	6.7
Personal Income	3.3	3.1	4.7	5.3	5.7	5.9	7.5
Wages	2.4	1.5	4.5	6.0	6.1	5.9	7.2
Nonagricultural Employment	0.2	(0.9)	0.6	1.7	1.8	1.5	2.1
Unemployment Rate (percent)	4.8	5.8	5.8	5.4	5.1	5.1	6.4
S&P 500 Stock Price Index	(16.4)	(16.5)	(4.5)	9.1	10.3	8.6	11.4
Federal Funds Rate	3.9	1.7	1.4	2.7	3.7	3.8	7.3
Treasury Note (10 year)	5.0	4.6	4.3	5.4	6.0	6.2	8.3
Consumer Price Index	2.8	1.6	2.4	2.5	2.6	2.6	4.7
New York State Indicators							
Personal Income[4]	3.0	0.4	3.1	4.2	4.5	4.7	6.8
Wages and Salaries[4]							
Total	2.3	(3.2)	2.3	4.7	4.9	4.9	6.6
Without Bonus[5]	1.6	(0.1)	3.9	4.5	4.6	4.7	6.1
Bonus[5]	7.0	(23.0)	(10.4)	6.5	7.2	6.6	11.5
Wage Per Employee	2.8	(1.7)	1.6	3.7	3.9	3.9	5.6
Property Income	2.0	1.2	2.0	2.0	2.4	2.7	7.7
Proprietors' Income	2.5	2.8	3.9	5.0	4.5	4.4	8.7
Transfer Income	6.6	8.2	5.9	4.2	5.4	5.7	6.9
Nonfarm Employment[4]							
Total	(0.6)	(1.6)	0.7	1.0	0.9	0.9	0.9
Private	(0.8)	(2.1)	0.9	1.0	1.0	1.0	1.0
Unemployment Rate (percent)	4.9	6.0	5.9	5.7	5.5	5.5	6.8
Composite CPI of New York[5]	2.6	2.1	2.2	2.2	2.5	2.5	4.7
New York State Adjusted Gross Income							
Capital Gains	(51.6)	(37.1)	(12.9)	10.5	12.5	10.7	19.1
Partnership/ S-Corporation Gain	(6.2)	(1.0)	3.8	10.0	9.9	9.3	12.5
Business and Farm Income	0.7	3.7	1.9	4.5	3.2	3.4	7.3
Interest Income	(7.7)	(4.4)	(2.5)	3.1	2.4	1.2	6.5
Dividends	(20.8)	3.8	5.5	4.4	6.1	5.7	6.8
Total AGI	(5.8)	(4.4)	1.6	5.3	5.5	5.4	7.5

[1] All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 1996 dollars, unless otherwise noted.

[2] NYSAGI numbers are 1976-2000 averages.

[3] Growth rates for 2004 and 2005 reflect the expiration of the "bonus depreciation" provision of the Job Creation and Worker Assistance Act of 2002 enacted on September 11, 2002. Since firms will no longer be able to depreciate their plant and equipment at the accelerated rate permitted under the 2002 law, taxable profits will rise, regardless of economic conditions. The Budget Division estimates that if not for the expiration of the bonus depreciation provision, pre-tax corporate profits would rise only 8.7 percent in 2004 and 5.2 percent for 2005.

[4] Nonagricultural employment, wage, and personal income numbers are based on CEW data.

[5] Series created by the Division of the Budget.

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

TABLE 10
SELECTED ECONOMIC INDICATORS*
(State Fiscal Year)

	2001-02 (actual)	2002-03 (estimate)	2003-04 (forecast)	2004-05 (forecast)	2005-06 (forecast)	1976-77 - 2001-02 Average
U.S. Indicators[1]						
Gross Domestic Product (current dollars)	2.4	3.7	4.4	5.3	4.9	7.2
Gross Domestic Product	0.3	2.5	2.7	3.3	3.0	3.1
Consumption	2.5	2.8	2.7	3.1	2.9	3.3
Residential Fixed Investment	1.2	3.2	0.3	(0.5)	0.8	3.5
Nonresidential Fixed Investment	(7.8)	(3.0)	4.9	8.2	9.0	5.5
Change in Inventories (dollars)	(61.9)	15.1	40.8	50.8	35.3	27.2
Exports	(8.5)	3.0	5.1	6.8	6.7	6.1
Imports	(5.1)	7.0	7.1	7.5	7.4	7.4
Government Spending	4.2	3.8	2.2	1.6	1.6	2.2
Pre-tax Corp. Profits	(14.0)	3.2	8.7	18.1[2]	10.9	6.3
Personal Income	2.4	3.9	4.8	5.5	5.7	7.4
Wages	1.3	2.6	4.9	6.2	5.9	7.1
Nonagricultural Employment	(0.4)	(0.5)	0.9	1.8	1.7	2.1
Unemployment Rate (percent)	5.1	5.9	5.7	5.3	5.1	6.4
S&P 500 Stock Price Index	(16.9)	(18.2)	2.8	9.4	10.2	10.9
Federal Funds Rate	2.9	1.5	1.6	3.0	3.7	7.3
Treasury Note (10 year)	5.0	4.3	4.6	5.6	6.1	8.3
Consumer Price Index	2.3	2.0	2.4	2.6	2.6	4.7
New York State Indicators						
Personal Income[3]	(0.4)	1.8	4.1	4.3	4.5	6.7
Wages and Salaries[3]						
Total	(3.3)	(1.0)	4.3	4.8	4.8	6.4
Without Bonus[4]	(0.1)	1.4	4.0	4.6	4.6	6.1
Bonus[4]	(22.2)	(18.5)	6.6	6.7	6.9	10.6
Wage Per Employee	(1.7)	(0.2)	3.4	3.8	3.8	5.5
Property Income	0.3	2.0	1.8	2.1	2.5	7.7
Proprietors' Income	2.0	3.3	4.3	4.8	4.5	8.6
Transfer Income	7.1	7.9	5.3	4.5	5.3	6.8
Nonfarm Employment[3]						
Total	(1.5)	(0.8)	0.8	1.0	0.9	0.9
Private	(2.0)	(1.1)	1.0	1.1	1.0	1.0
Unemployment Rate (percent)	5.3	5.9	5.9	5.6	5.5	6.7
Composite CPI of New York[4]	2.4	2.2	2.2	2.3	2.5	4.6

[1] All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 1996 dollars, unless otherwise noted.
[2] Growth rates for 2004-05 reflect the expiration of the "bonus depreciation" provision of the Job Creation and Worker Assistance Act of 2002 enacted on September 11, 2002. Since firms will no longer be able to depreciate their plant and equipment at the accelerated rate permitted under the 2002 law, taxable profits will rise, regardless of economic conditions. The Budget Division estimates that if not for the expiration of the bonus depreciation provision, pre-tax corporate profits would rise only 8.0 percent in 2004-05.

[3] Nonagricultural employment, wage, and personal income numbers are based on CEW data.
[4] Series created by the Division of the Budget.
Source: Economy.com; NYS Department of Labor; DOB staff estimates.

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 decline in tax receipts for 2001-02 and estimated for 2002-03 is directly related to the adverse effects the of national economic recession, the decline in stock market values and the disproportionate impact of the World Trade Center disaster on the New York economy. The back-to-back decline in tax receipts is the first in many years, including the fiscally turbulent 1970's. It is estimated that receipts growth will remain weak in 2003-04 as the impacts of recession, the equity market decline, and the events of September 11 continue to adversely effect receipts. Growth is expected to return closer to historical averages as the economy revives in 2004-05 and 2005-06.

When receipts are adjusted for inflation, the impact of economic contractions becomes more apparent. There were significant consecutive declines in real receipts growth during the 1970's as New York suffered through the deep mid-1970's recession and the oil shocks of 1973 and 1980. The negative growth rates in the late 1980's and early 1990's reflect the 1990 economic recession and the large 1987 personal income tax cut. The growth declines in the mid-1990's are due to slow economic growth in 1994 and 1995 and the multi-year tax reduction program started in 1995. The real declines in receipts for 2001-02 and expected for 2002-03 are by far the most significant of the period and, again, reflect the impact of national recession, the deflation in stock values, and the adverse impact of September 11.

The series of charts in this section detail both the shift in tax shares over time between the major tax sources and the growth in receipts for a selected set of primary tax sources adjusted for inflation. The inflation-adjusted charts also provide timeline indicators for major tax law changes, economic downturns and the recent stock market boom all of which have impacted receipts growth over the past three decades.

PERSONAL INCOME TAX

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 share will decline as a percentage of All Fund tax receipts in 2002-03 and 2003-04 given the significant decline in receipts due to a depressed economy and a weak financial services sector.

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 drove the income tax share upward, while the share of most other tax sources has declined. (See Economic Backdrop section.) This upward shift in share is expected to be reversed over the next few fiscal years as the income earned by high-income individuals in the form of bonuses, stock options, and taxable capital gains declined significantly in 2001 and 2002. Even as growth resumes in bonuses and capital gains, the income tax share of total taxes is expected to continue to decline modestly.

As can be seen in the accompanying chart and tables, during periods of economic recession, income tax collections either decline or increase at a low rate, while during periods of economic growth collections tend to increase more rapidly. Lowering tax rates tend to reduce growth in collections as can be seen during the tax cut programs of 1987-89 and 1995-97. The tax cuts of 1995-97 were followed by strong economic growth, partially the result of the Wall Street Boom, and net collections grew accordingly. Growth in the personal income tax averaged over 7.5 percent over the past three decades, but is expected to increase only by an average of 1 percent over the 2002-03 to 2005-06 period.

USER TAXES AND FEES

The user taxes and fees have declined as a share of total taxes 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 overall price changes. As a result, during periods of economic expansion they tend to grow more slowly than other tax sources which include price increases in their base and they tend to decline less rapidly during economic downturns. Therefore, given the current economic forecast, it is expected that the share of taxes derived from user taxes and fees will increase modestly over the next two fiscal years.

In general for this category, periods with low- or negative-growth rates coincide with recessionary periods (1980-92, 1990-92, 2001-02) or the first year of the exemption on clothes and shoes. Higher growth rates are associated with periods of recovery or sustained economic growth. User tax and fee growth averaged 4.5 percent over the 1972-73 to 2001-02 period. For the 2003-04 Budget planning horizon, average growth of 3.8 percent is assumed.

BUSINESS TAXES AND OTHER TAXES

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 overall volatility of business tax collections is largely the result of intricacies of the tax law and timing issues associated with quarterly estimated payments made by business taxpayers. Although collections tend to decline during periods of recession, some of the most significant periods of quarterly growth occurred during the recession from 1990 to 1992. The growth during this period is largely explained by the imposition of a 15 percent business tax surcharge between 1990 and 1993. Additionally, collections display significant volatility during periods of consistent economic growth. Collections displayed almost no growth during the Wall Street Boom of the late 90's, which may be explained by aggressive tax planning by corporations given Federal law changes at both the Federal and State level. The graph also reveals that the impact of tax cuts and tax increases tends to have a lagged effect on collections growth. Business tax growth averaged over 5 percent for the past 30 years. The 2003-04 Budget assumes growth of 3.8 percent over the 2002-03 to 2005-06 time frame.

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 GROWTH
(millions of dollars)

Fiscal Year	All Funds Tax Receipts[1]	Percent Change	All Funds Inflation Adjusted[2]	Percent Change
1972-73	7,806.5		18,484.4	
1973-74	8,186.6	4.9	17,995.7	(2.6)
1974-75	8,662.8	5.8	17,109.0	(4.9)
1975-76	9,421.5	8.8	17,237.2	0.7
1976-77	10,347.7	9.8	17,915.6	3.9
1977-78	10,505.4	1.5	17,061.1	(4.8)
1978-79	11,153.9	6.2	16,701.7	(2.1)
1979-80	12,137.6	8.8	16,174.4	(3.2)
1980-81	13,496.0	11.2	15,951.2	(1.4)
1981-82	15,143.3	12.2	16,353.5	2.5
1982-83	16,025.0	5.8	16,455.6	0.6
1983-84	18,644.3	16.3	18,511.6	12.5
1984-85	20,391.8	9.4	19,445.4	5.0
1985-86	22,571.8	10.7	20,817.9	7.1
1986-87	24,358.3	7.9	22,093.7	6.1
1987-88	25,858.9	6.2	22,539.9	2.0
1988-89	26,261.7	1.6	21,951.9	(2.6)
1989-90	28,050.4	6.8	22,345.0	1.8
1990-91	27,818.2	(0.8)	21,019.9	(5.9)
1991-92	29,846.6	7.3	21,763.3	3.5
1992-93	31,661.2	6.1	22,390.0	2.9
1993-94	33,026.2	4.3	22,716.7	1.5
1994-95	33,050.3	0.1	22,141.7	(2.5)
1995-96	33,927.1	2.7	22,112.0	(0.1)
1996-97	34,620.3	2.0	21,911.6	(0.9)
1997-98	35,920.6	3.8	22,294.7	1.7
1998-99	38,494.6	7.2	23,514.2	5.5
1999-2000	41,389.2	7.5	24,648.6	4.8
2000-01	44,657.9	7.9	25,718.4	4.3
2001-02	42,474.6	(4.9)	23,915.9	(7.0)
2002-03*	39,987.9	(5.9)	22,080.4	(7.7)
2003-04**	40,968.5	2.5	22,082.1	0.0
2004-05**	43,038.3	5.1	22,628.0	2.5
2005-06**	45,428.3	5.6	23,275.1	2.9
Historical Average: 1973-74 to 2001-02		6.1		1.0
Historical Average: 1980-81 to 2001-02		6.0		1.9
Average Forecast 2002-03 to 2005-06		1.8		(0.6)

[1] Personal Income Tax defined as gross receipts less refunds — 2000-01 receipts reflect an adjustment for the timely payment of refunds.
[2] Receipts deflated by Consumer Price Index (CPI).
* Estimated.
** Projected.
Note: For law changes affecting amounts flowing into various funds, see individual sections.

MAJOR TAX GROUPS
(millions of dollars)

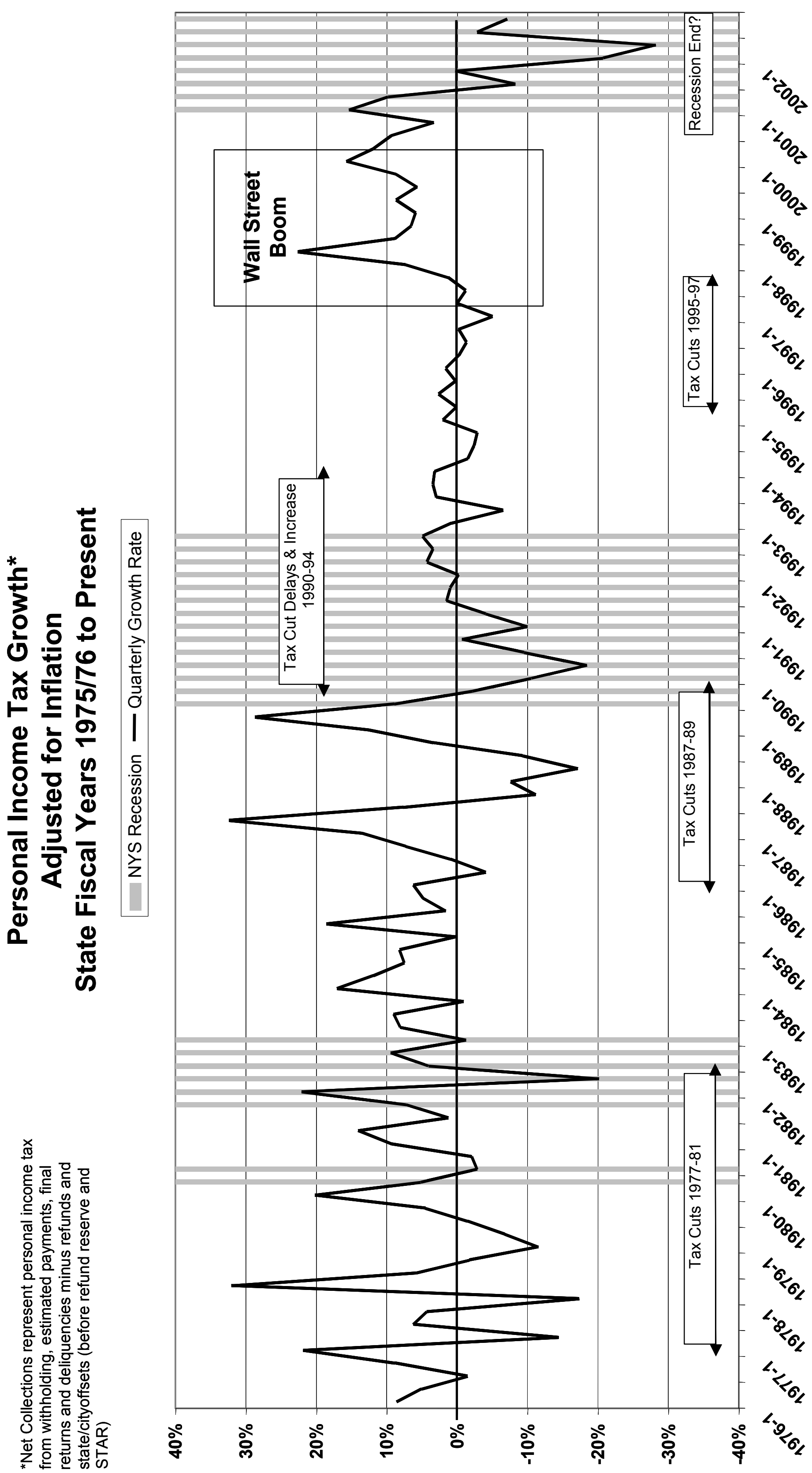
	State Funds Receipts Accounted for By:							
Fiscal Year	**Personal Income Tax**[1]	**Percent Change**	**User Taxes and Fees**	**Percent Change**	**Business Taxes**	**Percent Change**	**Other Taxes**	**Percent Change**
1972-73	3,211.9		2,978.7		1,282.6		333.3	
1973-74	3,432.0	6.9	3,137.9	5.3	1,296.1	1.1	320.6	(3.8)
1974-75	3,588.6	4.6	3,285.8	4.7	1,456.3	12.4	332.1	3.6
1975-76	3,948.8	10.0	3,437.8	4.6	1,699.0	16.7	335.9	1.1
1976-77	4,527.0	14.6	3,531.3	2.7	1,908.0	12.3	381.4	13.5
1977-78	4,506.2	(0.5)	3,710.2	5.1	1,998.8	4.8	290.2	(23.9)
1978-79	5,057.8	12.2	3,905.2	5.3	1,904.8	(4.7)	286.1	(1.4)
1979-80	5,780.0	14.3	4,129.6	5.7	1,973.3	3.6	254.7	(11.0)
1980-81	6,612.3	14.4	4,240.6	2.7	2,350.2	19.1	292.9	15.0
1981-82	8,034.0	21.5	4,434.8	4.6	2,392.1	1.8	282.4	(3.6)
1982-83	8,275.8	3.0	4,773.0	7.6	2,567.2	7.3	409.0	44.8
1983-84	9,374.0	13.3	5,476.4	14.7	3,203.9	24.8	590.0	44.3
1984-85	10,395.1	10.9	5,736.1	4.7	3,399.6	6.1	861.0	45.9
1985-86	11,582.3	11.4	6,319.4	10.2	3,606.1	6.1	1,064.0	23.6
1986-87	12,477.0	7.7	6,603.5	4.5	3,813.8	5.8	1,464.0	37.6
1987-88	13,569.3	8.8	7,071.9	7.1	3,923.5	2.9	1,294.2	(11.6)
1988-89	13,844.4	2.0	7,267.7	2.8	3,809.0	(2.9)	1,340.6	3.6
1989-90	15,301.0	10.5	7,857.5	8.1	3,725.8	(2.2)	1,166.1	(13.0)
1990-91	14,467.0	(5.5)	7,664.7	(2.5)	4,484.4	20.4	1,202.1	3.1
1991-92	14,942.6	3.3	8,093.4	5.6	5,699.0	27.1	1,111.6	(7.5)
1992-93	15,960.7	6.8	8,331.8	2.9	6,223.4	9.2	1,145.3	3.0
1993-94	16,502.0	3.4	8,597.6	3.2	6,798.3	9.2	1,128.3	(1.5)
1994-95	16,727.9	1.4	9,067.1	5.5	6,143.6	(9.6)	1,111.7	(1.5)
1995-96	17,398.5	4.0	9,152.7	0.9	6,240.1	1.6	1,135.8	2.2
1996-97	17,554.4	0.9	9,380.6	2.5	6,517.0	4.4	1,168.3	2.9
1997-98	18,289.0	4.2	9,722.4	3.6	6,585.6	1.1	1,323.6	13.3
1998-99	20,576.1	12.5	10,067.3	3.5	6,400.8	(2.8)	1,450.4	9.6
1999-2000	23,194.4	12.7	10,614.4	5.4	6,133.2	(4.2)	1,447.2	(0.2)
2000-01	26,942.5	16.2	10,669.5	0.5	5,846.2	(4.7)	1,199.7	(17.1)
2001-02	25,573.7	(5.1)	10,542.8	(1.2)	5,184.8	(11.3)	1,173.3	(2.2)
2002-03*	22,905.0	(10.4)	10,787.3	2.3	5,086.0	(1.9)	1,209.6	3.1
2003-04**	23,095.0	0.8	11,461.9	6.3	5,236.0	2.9	1,175.6	(2.8)
2004-05**	24,490.0	6.0	11,915.5	4.0	5,425.0	3.6	1,207.8	2.7
2005-06**	26,320.0	7.5	12,237.8	2.7	5,579.0	2.8	1,291.5	6.9
Historical Average: 1973-74 to 2001-02		7.6		4.5		5.3		5.8
Historical Average: 1980-81 to 2001-02		7.2		4.4		5.0		8.7
Average Forecast 2002-03 to 2005-06		1.0		3.8		1.9		2.5

[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 sections.

ALL FUNDS TAX RECEIPTS SHARES

	Percent of All State Funds Receipts Accounted for By:			
Fiscal Year	Personal Income Tax[1]	User Taxes and Fees	Business Taxes	Other Taxes
1972-73	41.1	38.2	16.4	4.3
1973-74	41.9	38.3	15.8	3.9
1974-75	41.4	37.9	16.8	3.8
1975-76	41.9	36.5	18.0	3.6
1976-77	43.7	34.1	18.4	3.7
1977-78	42.9	35.3	19.0	2.8
1978-79	45.3	35.0	17.1	2.6
1979-80	47.6	34.0	16.3	2.1
1980-81	49.0	31.4	17.4	2.2
1981-82	53.1	29.3	15.8	1.9
1982-83	51.6	29.8	16.0	2.6
1983-84	50.3	29.4	17.2	3.2
1984-85	51.0	28.1	16.7	4.2
1985-86	51.3	28.0	16.0	4.7
1986-87	51.2	27.1	15.7	6.0
1987-88	52.5	27.3	15.2	5.0
1988-89	52.7	27.7	14.5	5.1
1989-90	54.5	28.0	13.3	4.2
1990-91	52.0	27.6	16.1	4.3
1991-92	50.1	27.1	19.1	3.7
1992-93	50.4	26.3	19.7	3.6
1993-94	50.0	26.0	20.6	3.4
1994-95	50.6	27.4	18.6	3.4
1995-96	51.3	27.0	18.4	3.3
1996-97	50.7	27.1	18.8	3.4
1997-98	50.9	27.1	18.3	3.7
1998-99	53.5	26.2	16.6	3.8
1999-2000	56.0	25.6	14.8	3.5
2000-01	60.3	23.9	13.1	2.7
2001-02	60.2	24.8	12.2	2.8
2002-03*	57.3	27.0	12.7	3.0
2003-04**	56.4	28.0	12.7	2.8
2004-05**	56.9	27.7	12.6	2.8
2005-06**	57.9	26.9	12.3	2.8
Historical Average 1986-87 to 2001-02	50.0	29.7	16.7	3.6
Forecast Average 2002-03 to 2005-06	57.1	27.4	12.6	2.9

[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 sections.


Personal Income Tax Growth*
Adjusted for Inflation
State Fiscal Years 1975/76 to Present
NYS Recession
Quarterly Growth Rate
*Net Collections represent personal income tax from withholding, estimated payments, final returns and deliquencies minus refunds and state/cityoffsets (before refund reserve and STAR)
Wall Street Boom
Tax Cut Delays & Increase 1990-94
Tax Cuts 1977-81
Tax Cuts 1987-89
Tax Cuts 1995-97
Recession End?
40%
30%
20%
10%
0%
-10%
-20%
-30%
-40%
1976-1
1977-1
1978-1
1979-1
1980-1
1981-1
1982-1
1983-1
1984-1
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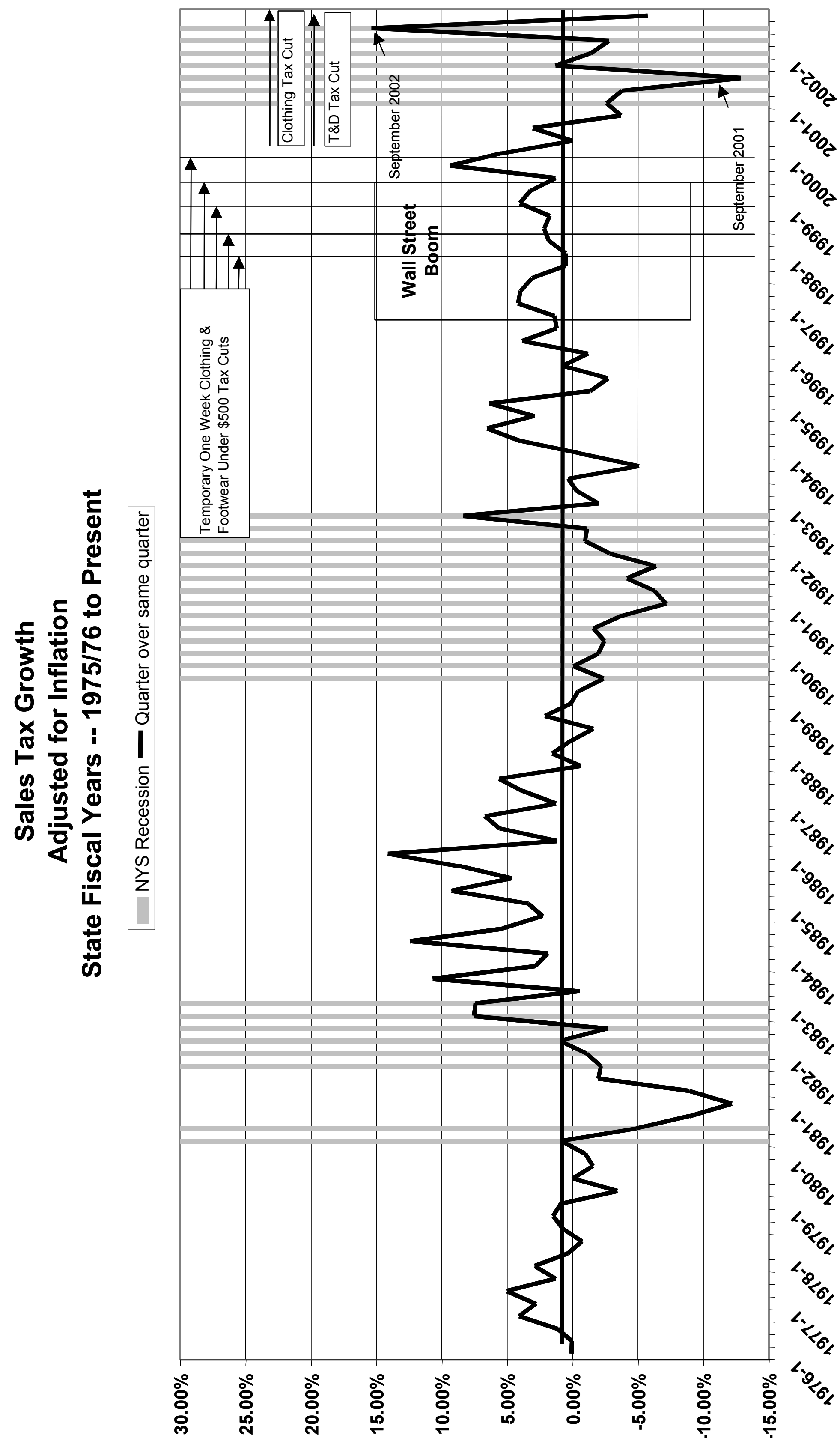
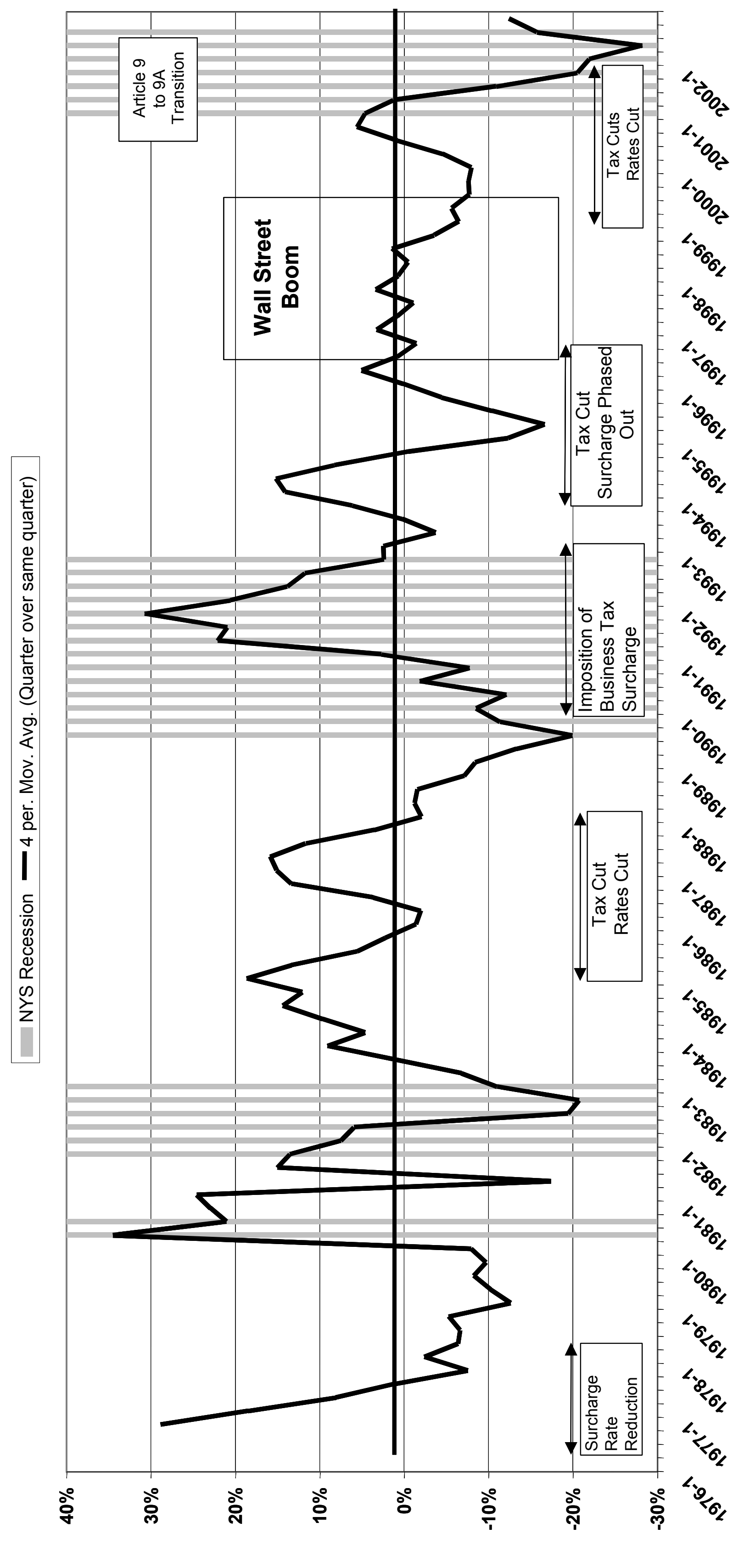
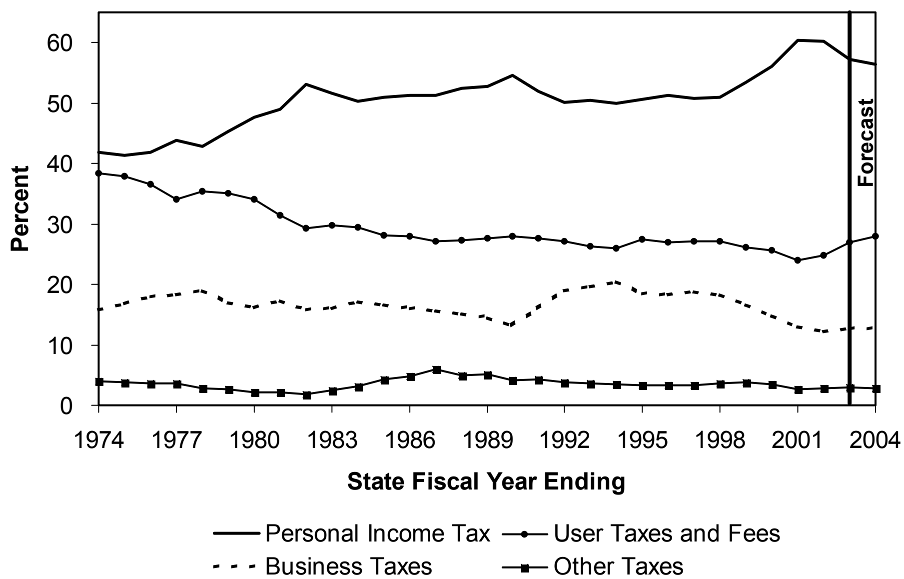
2001-1
2002-1


Sales Tax Growth
Adjusted for Inflation
State Fiscal Years -- 1975/76 to Present
NYS Recession
Quarter over same quarter
Temporary One Week Clothing & Footwear Under $500 Tax Cuts
Wall Street Boom
September 2002
September 2001
Clothing Tax Cut
T&D Tax Cut
30.00%
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
-10.00%
-15.00%
1976-1
1977-1
1978-1
1979-1
1980-1
1981-1
1982-1
1983-1
1984-1
1985-1
1986-1
1987-1
1988-1
1989-1
1990-1
1991-1
1992-1
1993-1
1994-1
1995-1
1996-1
1997-1
1998-1
1999-1
2000-1
2001-1
2002-1

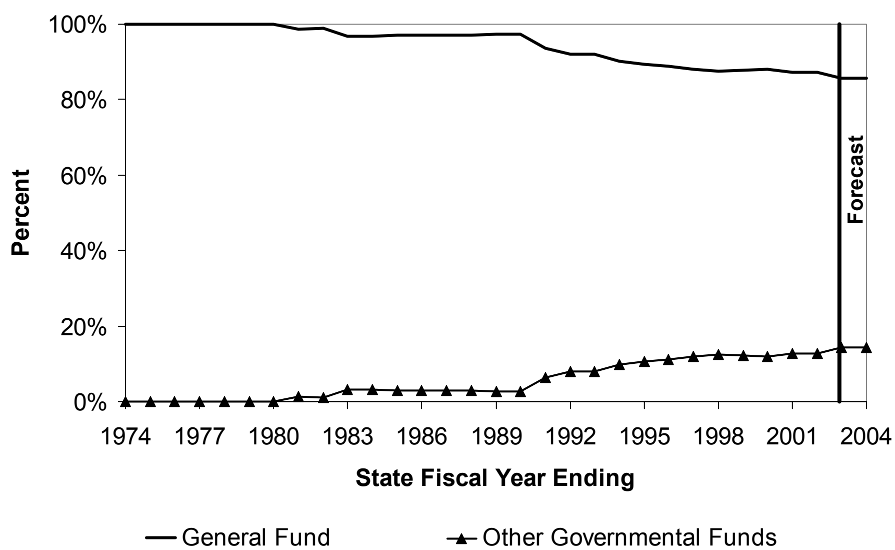
Corporate Franchise, Insurance and Bank Tax Growth
Adjusted for Inflation
State Fiscal Years -- 1975/76 to Present



Share of All Funds Tax Receipts by Major Tax Categories



Share of All FundsTax Receipts by Major Fund Type



BASE GROWTH

All Funds receipts can be adjusted for the estimated value of tax policy and administrative changes to obtain an approximate base receipts series. The accompanying table reports growth in estimated base receipts compared to growth in actual receipts. Growth in base receipts is higher than for actual receipts in most years reflecting the impact of tax reductions in lowering actual receipts growth. The impact of the Wall Street boom on receipts growth in the late 1990's and into 2000-01 is much more evident in base growth. This is as expected given the fact that tax cuts enacted over the 1995-2000 period have reduced actual revenue growth substantially.

GOVERNMENTAL FUNDS
ACTUAL AND BASE TAX RECEIPTS GROWTH
(percent change)

Fiscal Year	Actual Receipts	Base Receipts
1986-87		
1987-88	6.16	6.44
1988-89	1.56	2.93
1989-90	6.78	8.29
1990-91	(0.75)	(3.78)
1991-92	7.25	1.40
1992-93	6.08	4.91
1993-94	4.31	4.23
1994-95	0.07	1.76
1995-96	2.65	3.66
1996-97	2.04	3.66
1997-98	3.75	4.73
1998-99	7.17	8.41
1999-2000	7.52	9.25
2000-01	7.90	11.50
2001-02	(4.89)	(3.83)
2002-03*	(5.85)	(5.09)
2003-04**	2.45	4.09
2004-05**	5.05	5.87
2005-06**	5.55	5.43
Historical Average 1986-87 to 2001-02	3.84	4.24
Forecast Average 2002-03 to 2005-06	1.80	2.58

* Estimated.
** Projected.
Notes:
Taxes only.
PIT is gross receipts less refunds.
Base receipts are actual receipts adjusted for incremental changes in taxes due to tax or administrative actions.

CASH FLOW

The following table reports monthly cash flow for General Fund taxes and miscellaneous receipts for 2003-04. The table highlights the impact of STAR, refund reserve, and revenue bond fund transactions on General Fund cash flow. For personal income and business tax collections, there is a pronounced quarterly pattern given that estimated payments on liability are due at calendar year quarter intervals for many large taxpayers. Sales tax collections also display quarterly peaks due to requirements that certain taxpayers with tax liability below $300,000 per quarter file on a quarterly basis. The monthly estimates for 2003-04 are consistent with monthly average shares from prior years adjusted for any proposed law changes that would impact normal cash flow.

In the personal income tax, withholding tax patterns are derived from quarterly wage forecasts. In addition, personal income tax net receipts reflect several other patterns: large tax settlement payments in April; high levels of refund payments in the February through May period; high withholding tax collections reflecting bonus payments in December through February; and STAR deposits primarily in the September through December period.

General Fund 2003-04 Cash Flow Estimate
(millions of dollars)

Revenue Sources	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	12 Month Total
Personal income tax	2,541.0	349.0	1,600.0	1,165.0	1,106.0	1,530.0	1,192.0	922.0	178.0	2,786.0	1,338.0	543.0	15,250.0
Gross receipts	3,870.0	1,586.0	2,352.0	1,664.0	1,576.0	2,327.0	1,726.0	1,604.0	2,667.0	3,730.0	2,173.0	2,175.0	27,450.0
Refunds	(1,052.4)	(1,120.0)	(219.0)	(110.0)	(101.0)	(107.0)	(92.0)	(269.0)	(231.0)	(16.0)	(390.0)	(647.6)	(4,355.0)
Refund reserve	427.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(468.4)	(41.0)
STAR	0.0	0.0	0.0	0.0	0.0	(180.0)	(44.0)	(105.0)	(2,198.0)	0.0	0.0	(180.0)	(2,707.0)
Debt Service Funds	(704.0)	(117.0)	(533.0)	(389.0)	(369.0)	(510.0)	(398.0)	(308.0)	(60.0)	(928.0)	(445.0)	(336.0)	(5,097.0)
User taxes and fees	554.0	516.1	781.4	539.2	582.6	784.7	583.4	582.0	786.0	583.1	483.6	731.5	7,507.6
Sales and use tax	483.5	458.5	720.3	474.2	516.4	718.7	517.5	521.0	726.5	516.3	431.6	680.4	6,764.9
Cigarette and tobacco taxes	44.0	33.2	37.3	38.4	41.2	39.8	42.6	35.7	35.2	36.8	31.4	30.3	445.9
Motor vehicle fees	6.2	6.5	6.3	6.1	6.3	5.9	6.3	6.0	5.7	6.4	6.2	6.8	74.7
Alcoholic beverage tax	17.0	14.5	14.5	17.0	14.3	16.1	13.2	16.0	15.4	19.7	11.2	10.9	179.8
ABC license fees	3.3	3.4	3.0	3.5	4.4	4.2	3.8	3.3	3.2	3.9	3.2	3.1	42.3
Auto rental tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business taxes	64.8	12.5	788.6	41.5	35.6	813.6	32.2	(1.0)	800.6	40.3	19.3	1,034.0	3,682.0
Corporation franchise tax	48.1	15.5	286.7	34.1	27.2	328.7	25.2	5.3	311.8	28.0	14.3	466.1	1,591.0
Corporation and utilities	2.6	0.2	187.7	2.9	2.5	194.0	(8.7)	3.2	205.7	(0.9)	2.1	213.7	805.0
Insurance taxes	3.1	1.9	184.6	(0.4)	5.4	189.2	6.5	(3.9)	186.7	9.8	5.8	229.3	818.0
Bank tax	11.0	(5.1)	129.6	4.9	0.5	101.7	9.2	(5.6)	96.4	3.4	(2.9)	124.9	468.0
Petroleum business taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other taxes	60.0	66.3	71.7	65.8	70.3	67.5	54.8	58.7	61.6	63.1	68.4	63.0	771.2
Real property gains tax	0.1	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.2	2.1
Estate and gift taxes	58.0	63.5	68.2	62.9	66.3	63.7	52.1	56.0	59.2	60.9	65.9	60.0	736.7
Pari-mutuel tax	1.8	2.6	3.3	2.7	3.7	3.5	2.5	2.5	2.1	2.0	2.3	2.7	31.7
Other taxes	0.1	0.0	0.1	0.0	0.1	0.1	0.0	0.0	0.1	0.0	0.1	0.1	0.7
Total taxes	3,219.8	943.9	3,241.7	1,811.5	1,794.5	3,195.8	1,862.4	1,561.7	1,826.2	3,472.5	1,909.3	2,371.5	27,210.8

SUMMARY OF STATE TAX REDUCTION PROGRAM

Since 1995-96, a multi-year tax reduction program has significantly reduced tax burdens at the State level. The accompanying table reports the tax reductions by tax type and year. In 2003-04, the annual value of the tax reduction program is estimated to total over $13.5 billion.

STATE TAX REDUCTIONS - ALL FUNDS
Current and Recommended Law
(millions of dollars)

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
Personal Income Taxes	556.0	2,796.0	4,484.0	4,780.0	5,333.0	5,570.0	5,126.1	5,319.1	6,030.1
User Taxes and Fees	**130.0**	**210.6**	**268.6**	**388.9**	**560.0**	**1,103.8**	**1,213.1**	**1,223.9**	**900.5**
Sales and use tax	22.4	44.9	101.5	154.1	243.6	782.5	871.0	880.5	547.4
Cigarette and tobacco tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Motor fuel tax	4.1	13.1	14.1	15.5	17.5	17.8	17.6	17.6	18.6
Motor vehicle fees	0.0	0.0	0.0	49.3	69.7	69.5	75.4	73.6	74.9
Highway use tax	19.9	34.6	33.4	38.7	73.1	75.4	85.2	87.6	90.8
Alcoholic beverage tax	3.2	17.4	17.1	18.0	24.6	25.5	28.3	28.2	30.7
ABC license fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hotel/Motel tax	74.4	75.1	76.5	78.0	79.5	81.1	82.8	84.4	86.1
Container tax	6.0	25.5	26.0	35.3	52.0	52.0	52.0	52.0	52.0
Auto rental tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business Taxes	**698.7**	**1,026.5**	**1,182.7**	**1,239.4**	**1,599.4**	**2,097.3**	**2,426.4**	**2,724.7**	**3,042.8**
Corporation franchise tax	317.9	423.9	472.2	496.5	682.0	524.4	836.7	957.0	1,053.3
Corporation and utilities tax	179.6	248.8	285.1	304.5	459.4	1,093.4	1,024.2	1,127.6	1,289.9
Insurance tax	40.0	103.7	116.4	119.4	114.7	127.7	160.5	193.0	216.3
Bank tax	61.3	77.3	100.8	90.0	108.1	116.1	160.1	198.7	231.4
Petroleum business tax	99.9	172.8	208.2	229.0	235.2	235.7	244.9	248.4	251.9
Other Taxes	**53.0**	**182.8**	**178.9**	**322.3**	**317.9**	**582.9**	**785.6**	**823.9**	**851.4**
Estate/Gift tax	15.0	78.7	81.7	86.0	133.0	423.0	616.5	648.0	676.0
Real property gains tax	20.5	89.6	81.6	220.6	168.1	142.1	147.0	156.0	156.0
Real estate transfer tax	0.0	0.0	1.6	2.2	2.2	2.2	2.2	1.3	0.8
Pari-mutuel tax	17.5	14.5	14.0	13.5	14.5	15.5	19.8	18.5	18.5
Other	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Subtotal	**1,437.7**	**4,215.9**	**6,114.2**	**6,730.6**	**7,810.3**	**9,354.0**	**9,551.2**	**10,091.6**	**10,824.8**
STAR	0.0	0.0	0.0	582.2	1,194.6	1,876.5	2,510.1	2,667.0	2,707.0
Grand Total	**1,437.7**	**4,215.9**	**6,114.2**	**7,312.8**	**9,004.9**	**11,230.5**	**12,061.3**	**12,758.6**	**13,531.8**

REVENUE ACTIONS

The 2003-04 Budget includes $1.3 billion in All Funds revenue actions necessary for Financial Plan balance. The accompanying table summarizes the revenue proposals by type of action required (legislative or administrative) and provides a short description of the proposal, the Fund type where revenue will be deposited, the last time an action was taken in an area and the incremental revenue gain from the proposed action.

FEE AND REVENUE ACTIONS LIST

Agency*	Fee Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY2003-04 (000)	New Full Annual Revenue (000)
I. ADMINISTRATIVE							
ABC	Increase penal bonds- 10/1/03	GFMR	$1,000	$2,500	1967	$500	$1,000
CPB	Increase the Do Not Call registry fee - 2/1/04	SFMR	$800	TBD** during rule making	2002	$0	$700
DCJS	Increase the Unified Court System's data processing fee for criminal history searches - 10/1/03	SFMR	$16	$43	1991	$9,450	$18,900
DEC	Increase current user fees - 4/1/03	SFMR	Various	Various	1994	$500	$500
DMV	Increase photo ID fee - 4/1/03	SFMR	$3	$5	1997	$10,000	$10,000
HESC	Increase admin-istrative fee for College Choice Tuition Savings Program - 4/1/03	SFMR	0.60%	0.65%	2002	$718	$718
Ins	Impose assessment to offset costs of disaster preparedness unit - 4/1/03	SFMR	Assessment finances Ins. Dept's costs	Increase assessment to finance new costs	NA	$2,081	$3,000
Ins	Impose assessment to offset costs of fraud proof prescription program - 4/1/03	SFMR	Assessment finances Ins. Dept's costs	Increase assessment to finance new costs	NA	$10,000	$10,000
Ins	Impose assessment to offset costs of immunization program - 4/1/03	SFMR	Assessment finances Ins. Dept's costs	Increase assessment to finance new costs	NA	$8,000	$8,000
Ins	Impose assessment to offset costs of newborn screening - 4/1/03	SFMR	Assessment finances Ins. Dept's costs	Increase assessment to finance new costs	NA	$6,000	$6,000
Ins	Impose assessment to offset costs of Center for Community Health screening and wellness programs - 4/1/03	SFMR	Assessment finances Ins. Dept's costs	Increase assessment to finance new costs	NA	$10,000	$10,000

Agency*	Fee Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY2003-04	New Full Annual Revenue
						(000)	(000)
Parks	Increase current user fees at 130 State facilities - 4/1/03	SFMR	Various	Various	1994	$2,500	$2,500
			Administrative Actions Subtotals			**$59,749**	**$71,318**
II. STATUTORY							
Ag&Mkts	Establish new biennial fee on unregistered/ unlicensed retail stores, food ware-houses, feed mills - 4/1/03	SFMR	None	$200 for food ware-houses; $100 for other	New	$342	$342
Ag&Mkts	Establish new annual fee for certificates of free sale - 4/1/03	SFMR	None	$25 per certificate	New	$65	$65
Ag&Mkts	Increase biennial fees for slaughterhouses, refrigerated ware-houses, food salvage facilities - 4/1/03	SFMR	$20-$100	$200	1988	$19	$19
Ag&Mkts	Increase biennial fees for Nursery Dealers and Nursery Growers - 4/1/03	SFMR	$20-$40	$100	1992	$254	$254
CVB	Increase Crime Victims Assistance fee - 10/1/03	SFMR	$10	$20	2000	$780	$1,560
CVB	Impose Crime Victims Assistance fee on V&T offenses - 10/1/03	SFMR	None	$5	New	$4,045	$8,090
CVB	Increase mandatory surcharges on penal law convictions by 25%-50% - 10/1/03	SFMR	$200/$110/ $50	$250/$140/ $75	2000	$1,950	$3,900
CVB	Increase mandatory surcharges on V&T convictions by 25%-50% - 10/1/03	SFMR	$200/$110/ $30/$20	$250/$140/ $45/$25	2000	$1,525	$3,050
DCJS	Increase mandatory surcharges on V&T felonies, misde-meanors, violations, & equipment - 10/1/03	SFMR	Felonies: $200 Misdemean: $110 Violations: $30 Equipment: $20	Felonies: $250 Misdemean: $140 Violations: $45 Equipment: $25	2000	$11,850	$23,700
DCJS	Increase attorney registration biennial fee - 10/1/03	SFMR	$300	$350	1991	$2,000	$4,000
DCJS	Impose $35 surcharge on driver's license reinstatement - 10/1/03	SFMR	None	$35	New	$8,950	$17,900

Agency*	Fee Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY2003-04	New Full Annual Revenue
						(000)	(000)
DCJS	Require holders of HAZMAT license endorsement to undergo criminal background check - 4/1/03	GFMR	None	$75	New	$2,000	$2,000
DCJS	Require sex offenders to pay a DNA data-bank fee, a sex offender registration fee, and a sex offender registration change fee - 4/1/03	GFMR	None	$50/$50/ $10	New	$800	$800
DCJS	Raise fingerprinting fee - 4/1/03	SFMR	$50	$75	1996	$9,900	$9,900
DEC	Impose fee on new tire sales - 10/1/03	GFMR	None	$2.25 per tire sold	N/A	$22,500	$45,000
DEC	Increase Oil and Gas Depth fees - 4/1/03	GFMR	Varies by depth	Double	1987	$200	$200
DEC	Increase by 25% fee charged per industrial facility permitted to discharge pollutants into NYS waters - 4/1/03	SFMR	$375 to $37,500	$475 to $47,000	1989	$1,000	$1,000
DEC	Increase by 25% fee charged per power plant permitted to discharge pollutants into NYS waters - 4/1/03	SFMR	$40,000	$50,000	1989	$500	$500
DEC	Increase fees for mining permits - 4/1/03	SFMR	$1,200 to $2,000 per acre	$1,500 to $4,000 per acre	1991	$750	$750
DMNA	Increase annual fee paid by nuclear generating facility operators - 4/1/03	SFMR	$550,000 for each reactor	$950,000 for each reactor	1994	$2,400	$2,400
DMV	Increase certificate of vehicle sale fee - 10/1/03	GFTX/ CFMR	$1	$5	1993	$6,000	$12,000
DMV	Increase data search fee by $1 - 10/1/03	GFMR/ CFMR	$5 manual $4 electronic	$6 manual $5 electronic	1991	$5,500	$11,000
DMV	Increase original title application fee - 10/1/03	GFTX/ CFMR	$5	$10	1989	$7,338	$14,675
DMV	Increase emissions sticker fee - 10/103	SFMR	$2	$4	1993	$8,000	$16,000
DOB	Increase cost recovery assess-ments' cap- 4/1/03	GFMR/ SFMR	$20 million	$40 million	1989	$15,000	$15,000
DOCS	Increase charge for license plates - 4/1/03	GFTX	$5.50	$15	1992	$21,700	$21,700

Agency*	Fee Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY2003-04	New Full Annual Revenue
						(000)	(000)
DOH-Medical Asst	Reestablish a temporary .7% non-reimbursable assessment on hospital revenues - 4/1/03	SFMR	None	.7% of gross revenues	Phased-out in 1999	$190,200	Reduce by 25% each year and phase-out by 2007
DOH-Medical Asst	Reestablish a temporary .6% assessment on home care services revenues - 4/1/03	SFMR	None	.6% of gross revenues	Phased-out in 1999	$17,000	Reduce by 25% each year and phase-out by 2007
DOH - Other	Increase vital records fee - 4/1/03	SFMR	$15	$30	1989	$1,680	$2,388
DOH - Other	Increase EPIC rates and deductibles by 10% - 4/1/03	SFMR	Various	Various	2001	$1,500	$1,500
DOH - Other	Increase covered lives assessment in HCRA - 1/1/04	Non-State Fund	$690 million	$725 million	2002	$35,000	$35,000
DOH - Other	Increase HCRA surcharges - 7/1/03	Non-State Fund	$8.18 Private payors $5.98 Medicaid payors	$8.85 Private payors $6.47 Medicaid payors	1996	$20,000	$80,000
DOT	Increase heavyweight “killer truck” fine schedule by average of $500 - 10/1/03	GFMR	Various	Average increase of $500	1985	$1,500	$3,000
DOT	Revise and expand the heavyweight truck permit program - 10/1/03	CFMR	Varies	No increase in fees, but increase in number of statutory permits allowed	NA	$750	$1,500
DSP	Raise vehicle insurance fee - 4/1/03	SFMR	$1	$5	1992	$42,700	$51,300
Judiciary	Increase parking surcharges - 10/1/03	GFMR	$5	$15	1991	$16,000	$32,000
Judiciary	Impose an Appellate Court motion fee - 10/1/03	GFMR	None	$35	New	$630	$1,260
Judiciary	Increase all civil courts fee by 25% - 10/1/03	GFMR	Various	Various	1990	$18,150	$36,300
Judiciary	Impose a $25 surcharge on DWI or DWAI convictions - 10/1/03	GFMR	None	$25	New	$500	$1,000
Judiciary	Impose a $35 motion fee on Supreme/County courts - 10/1/03	GFMR	None	$35	New	$4,200	$8,400
Law	Increase fee for broker/dealer statements - 4/1/03	SFMR	$20 to $800	$30 to $1,200	1989	$2,000	$2,000

Agency*	Fee Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY2003-04	New Full Annual Revenue
						(000)	(000)
Law	Increase fee for real estate syndication offerings - 4/1/03	SFMR	$500 to $20,000	$750 to $20,000	1989	$1,000	$1,000
ORPS	Increase the fee on real property transfers - 4/1/03	SFMR	$25	$50	1991	$9,600	$9,600
OSC	Increase criminal fines deposited into the Justice Court Fund - 4/1/03	GFMR	Varies from $100 to $1,500	Varies from $150 to $2,250	1989	$6,250	$12,500
OSC	Reduce dormancy period of uncashed checks from three years to one year - 4/1/03	GFMR	NA	NA		$38,000	0; acceleration
Parks	Double boat registration fees - 9/1/03	GFTX	$9 to $30 per boat	$18 to $60 per boat	1987	$1,300	$2,700
R&W	Assess .5% fee on annual racing handle (total amount wagered) to support regulatory activities - 4/1/03	SFMR	$0	.5% of total wagered	New	$16,000	$16,000
SED	Cap STAR savings for non-seniors at 2002-03 levels - 4/1/03	GFTX/ SFTX	NA	Cap at 2002-03 benefit	2002	$93,000	$0
TSC Lobbying	Double annual lobbyist registration fees - 4/1/03	GFMR	$50	$100-2004 $200-2005 biennially thereafter	1983	$200	$200
					Statutory Actions - Subtotal	**$652,528**	**$513,453**
					ADMINISTRATIVE AND STATUTORY - GRAND TOTAL	**$712,277**	**$584,771**

III. OTHER REVENUE ACTIONS

Agency*	Fee Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY2003-04	New Full Annual Revenue
Labor	Impose interest assessment on employer unemploy-ment insurance taxes - 4/1/03	SFTX	None	Varies: Average of $1.80 per employee	NA	$22,000	TBD**
T&F	Replace current clothing sales tax exemption with four one-week exempt periods - 6/1/03	GFTX/ DFTX	Clothing items costing less than $110 are exempt all year	Clothing items costing less than $500 would be exempt for four one-week periods	2000	$363,400	$418,900

Agency*	Fee Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY2003-04	New Full Annual Revenue
						(000)	(000)
T&F	Eliminate the income base and other non-premium bases other than the fixed dollar minimum; raise the premiums' tax base to 2% of premiums - 1/1/03	GFTX/ SFTX	Percent of premiums: Life & Health 0.7% Accident & Health 1.0% Property & Casualty 1.3%	Percent of premiums: 2% all insurers	1999	$158,000	$160,000
T&F	Increase limited liability company filing fee - 1/1/03	GFTX/ DFTX	$50 per partner	$100 per partner	1995	$25,000	$25,000
T&F	Initiate withholding for nonresident partnership - 7/1/03	GFTX/ DFTX	No withholding	Implement withholding	NA	$15,000	$25,000
T&F	Decouple from Federal expensing for certain SUV's - 1/1/04	GFTX/ DFTX	Expense full amount in first year	Use regular depreciation	NA	$0	$2,000
					Other Revenue Actions - Subtotal	**$583,400**	**$630,900**
					ALL FEE AND REVENUE ACTIONS - GRAND TOTAL	**$1,295,677**	**$1,215,671**

Key:

CF = Capital Projects Fund
DF = Debt Service Funds
GF = General Fund
MR = Miscellaneous Receipts
SF = Special Revenue Funds
TX = Tax
* Key to Agency abbreviations in Appendix I
**TBD - To be determined

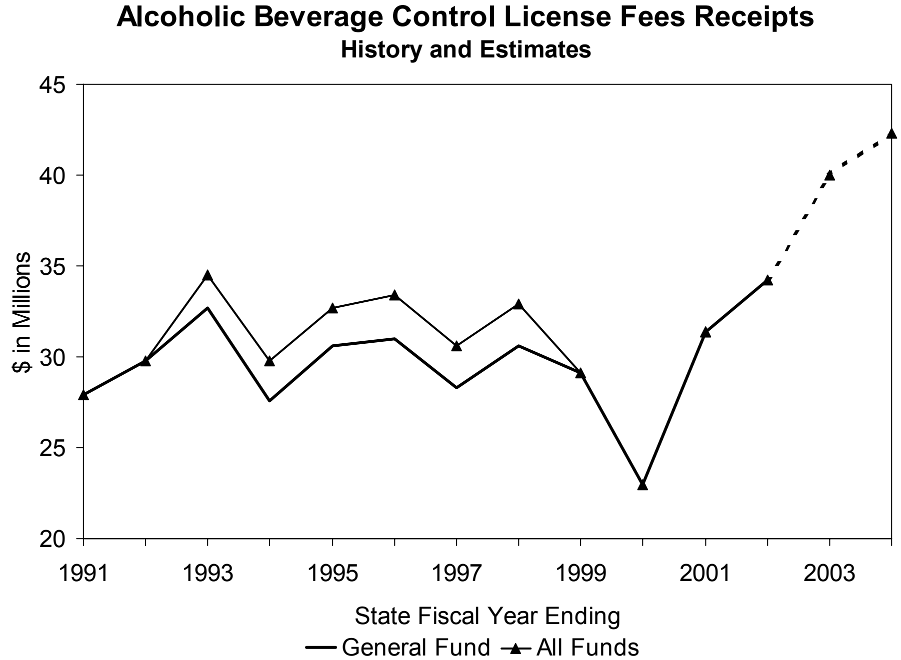
DEDICATED FUND TAX RECEIPTS

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)

	2001-02 Actual	2002-03 Estimate	2003-04 Recommended
SPECIAL REVENUE FUNDS			
School Tax Relief Fund (STAR)			
Personal income tax	1,310.1	2,667.0	2,707.0
Dedicated Mass Transportation Trust Fund	414.7	482.4	533.0
Petroleum business tax	325.1	336.0	325.4
Motor fuel tax	61.8	68.5	112.5
Motor vehicle fees	27.8	77.9	95.1
Mass Trans. Operating Assistance Fund	1,054.7	1,027.8	1,067.8
Corporate Surcharges			
Corporation franchise tax	187.6	199.0	205.0
Corporation and utilities tax	162.8	122.0	105.0
Insurance tax	63.2	67.0	85.0
Bank tax	69.8	69.0	75.0
Other			
Sales and use tax	364.7	371.9	393.3
Petroleum business tax	123.7	125.9	121.5
Corporation and utilities — sections 183 & 184	82.9	73.0	83.0
Total Tax Receipts: Special Revenue Funds	2,779.5	4,177.2	4,307.8
DEBT SERVICE FUNDS			
Debt Reduction Reserve Fund			
Personal income tax	250.0	0.0	0.0
Revenue Bond Tax Fund			
Personal income tax	0.0	4,306.0	5,097.0
Emergency Highway Reconditioning and Preservation Fund			
Motor fuel tax	53.5	58.6	0.0
Emergency Highway Construction and Reconstruction Fund			
Motor fuel tax	53.5	58.4	0.0
Clean Water/Clean Air Fund			
Real estate transfer tax	258.6	336.8	292.4
Local Government Assistance Tax Fund			
Sales and use tax	2,043.7	2,098.3	2,254.4
Total Tax Receipts – Debt Service Funds	2,659.3	6,858.1	7,643.8
CAPITAL PROJECTS FUNDS			
Dedicated Highway and Bridge Trust Funds	1,393.1	1,573.8	1,653.1
Petroleum business taxes	553.6	572.1	554.1
Motor fuel tax	320.6	349.3	424.8
Motor vehicle fees	370.6	465.0	481.5
Highway use tax	148.3	146.1	149.0
Transmission tax	0.0	0.0	0.0
Auto rental tax	0.0	41.3	43.7
Environmental Protection Fund			
Real estate transfer tax	112.0	112.0	112.0
Total Tax Receipts – Capital Projects Funds	1,505.1	1,685.8	1,765.1
Total Tax Receipts – Other Funds	**6,943.9**	**12,721.1**	**13,716.7**

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 on the type and location of the establishment or premises operated, as well as on 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 26,500 bars and restaurants that offer on-premise consumption. The majority of State-licensed bars and restaurants (20,545 in 2001) are authorized to sell beer, wine, and liquor. Approximately 4,000 licensees are permitted to sell only beer and wine. The remaining 1,942 licensees in 2001 sold only beer. In addition, there were 19,000 grocery stores licensed to sell beer for off-premise consumption and 1,200 alcoholic beverage wholesalers. Finally, the remaining licenses, (not shown below) which account for roughly 6 percent of revenue, are made up of specialty and seasonal licenses (e.g. veterans' clubs, seasonal tour boats, etc.).

NUMBER OF LICENSES BY CATEGORY
(calendar year)

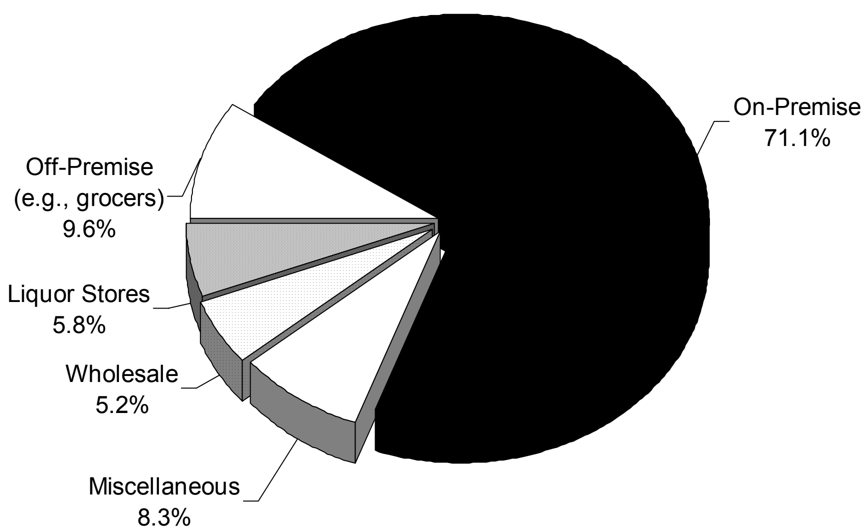
		Bars and Restaurants						
	Liquor Stores	Beer, Wine and Liquor	Beer and Wine	Beer Only	Subtotal	Grocery Stores	Wholesale	Total
1994	2,836	20,030	3,177	1,796	25,003	19,656	1,048	48,543
1995	2,753	19,831	3,372	1,763	24,966	19,768	1,057	48,544
1996	2,673	19,782	3,497	1,838	25,117	19,743	1,074	48,607
1997	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
2001	2,482	20,545	3,991	1,942	26,478	18,994	1,181	49,135

SIGNIFICANT LEGISLATION

The following table summarizes the major alcoholic beverage license fees legislation enacted since 1994.

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
Legislation Enacted in 2002		
Fee Increases	License fees for most licensees increased by 28 percent.	September 1, 2002

Alcoholic Beverage Control License Fees
Share of 2002 Receipts by Licensee Category



2002-03 RECEIPTS

All Funds alcoholic beverage control license fee receipts to date are $28.8 million, 9.9 percent greater than receipts for the comparable period in 2001-02.

Compared to 2001-02, gross alcoholic beverage control license fee All Funds receipts are estimated to increase $5.8 million, or 17 percent, due primarily to the fee increases included in the 2002-03 Enacted Budget, which increased most fees 28 percent, effective August 1, 2002. These increases are expected to boost collections by $8 million in 2002-03. Gross receipts in 2002-03 are projected at $41.5 million and refunds at $1.5 million, resulting in estimated net receipts of $40 million.

2003-04 PROJECTIONS

Gross alcoholic beverage control license fee All Funds receipts are projected to be $43.8 million. Refunds will be approximately $1.5 million, bringing estimated 2003-04 net receipts to $42.3 million. The 2003-04 projection reflects the full year impact of the July 2002 fee increases. Since the total number of licensees is fairly constant from year to year (see table above), collections are a function of the number and type of license renewals that take place during the fiscal year.

OTHER FUNDS

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.

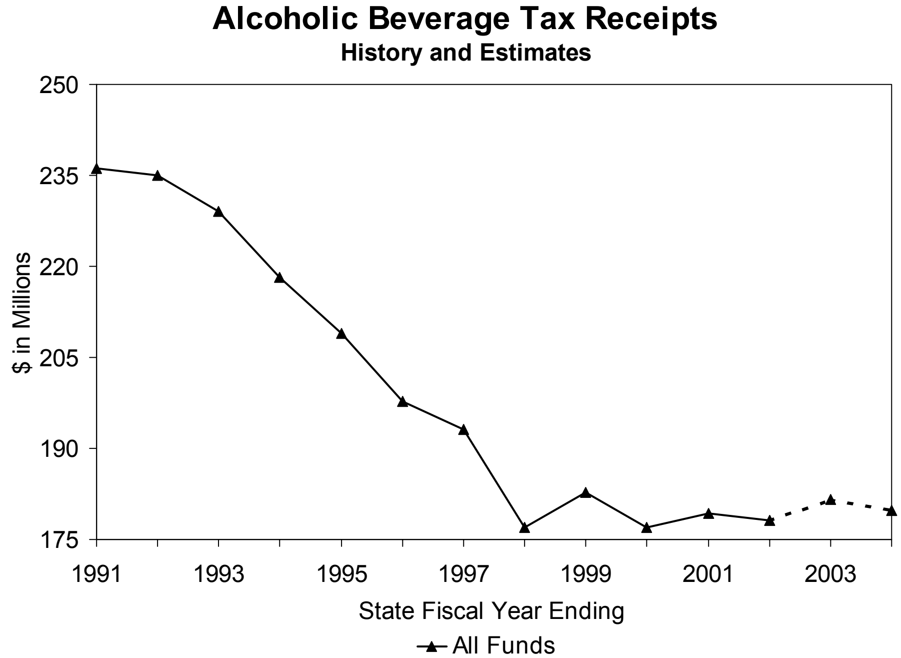
GENERAL FUND

General Fund receipts for 2002-03 are estimated to be $40 million. In 2003-04, General Fund receipts are projected to be $42.3 million, or 5.8 percent above 2002-03.

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						
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
2001-02	35,495	1,251	34,244	0	0	0	34,244
	Estimated						
2002-03	41,500	1,500	40,000	0	0	0	40,000
2003-04	43,800	1,500	42,300	0	0	0	42,300

ALCOHOLIC BEVERAGE TAXES



DESCRIPTION

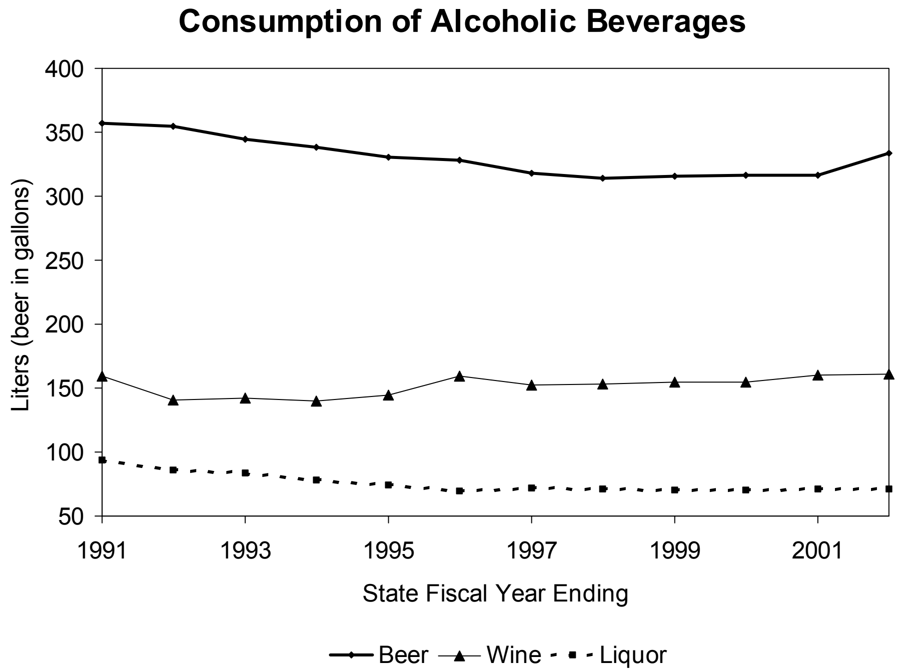
New York State imposes excise taxes at various rates on liquor, beer, wine and specialty beverages. These taxes are remitted by licensed distributors and noncommercial importers of such beverages in the month following the month of delivery.

State tax rates for 2002-03 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

*The beer tax rate will fall to 11 cents per gallon on September 1, 2003.

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 and liquor consumption has recently increased relative to beer consumption. In addition, the movement of alcoholic beverage demand towards less expensive beverages with lower alcohol 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 alcohol beverage tax legislation enacted since 1994.

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 2002 extended these provisions to October 31, 2007.

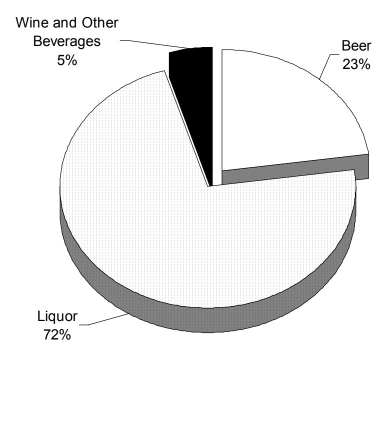
ALCOHOLIC BEVERAGE TAX ENFORCEMENT PROVISIONS

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 shall not exceed 30 percent in aggregate.
Any other person fails to pay the tax		50 percent of the tax amount due, plus 1 percent each month after the expiration. The penalty shall not be less than $100.

2002-03 RECEIPTS

Net All Funds receipts of $139.4 million received to date represent an increase of 1.7 percent from the comparable period in 2001-02. Accordingly, alcoholic beverage tax receipts for 2002-03 are estimated at $181.6 million, an increase of $3.5 million, or 2 percent from 2001-02. The bulk of estimated receipts, $131.3 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 extension of enforcement provisions in 2002 will protect $1 million in liquor tax receipts in 2002-03 (part year), and about $3 million in subsequent years.

Alcoholic Beverage Tax Receipts
2002-03

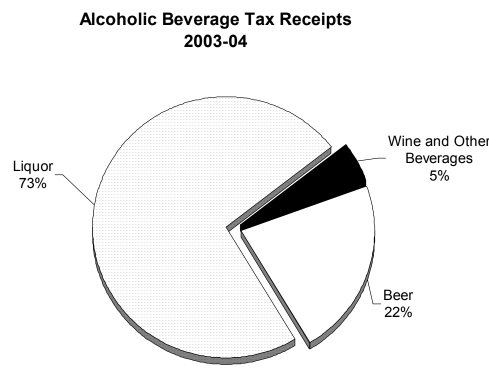


COMPONENTS OF ALCOHOLIC BEVERAGE TAX RECEIPTS
(millions of dollars)

	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
	Actual					--Estimated--	--Projected--
Beer	50.2	47.8	42.7	42.8	41.8	41.6	39.4
Liquor	125.4	125.7	125.2	128.0	127.9	131.3	131.6
Wine and Other	8.5	8.5	8.3	8.5	8.5	8.7	8.8
Subtotal	184.1	182.0	176.2	179.3	178.2	181.6	179.8
Reconciliation	(7.1)	0.8	0.8	0.0	0.0	0.0	0.0
Net Total	177.0	182.8	177.0	179.3	178.2	181.6	179.8

2003-04 PROJECTIONS

Total All Funds alcoholic beverage tax receipts are projected to be $179.8 million, a decrease of $1.8 million, or 1 percent, from 2002-03.



Based on recent trends, the consumption of beer and wine is expected to grow modestly, while liquor consumption is expected to be flat in 2003-04. The September 1, 2003, excise tax reduction on beer is expected to reduce beer tax collections by $2.5 million.

Of the total projected alcoholic beverage tax receipts of $179.8 million, $131.6 million is derived from liquor, $39.4 million from beer, and $8.8 million from wine and other specialty beverages.

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						
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
2001-02	178,146	1	178,146	0	0	0	178,146
	Estimated						
2002-03	182,500	900	181,600	0	0	0	181,600
2003-04	179,900	100	179,800	0	0	0	179,800

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 a seating capacity of 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.

2002-03 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 $31.7 million, up 2.9 percent, or $0.9 million from the comparable period of the prior fiscal year. Based on collections to date, the continuing rebound from the World Trade Center (WTC) disaster, and the timing of certain payments, auto rental tax All Funds receipts for 2002-03 are estimated at $41.3 million, up $3.4 million, or 8.9 percent from 2001-02.

2003-04 Projections

Projected auto rental tax All Funds receipts in 2003-04 are projected to be $43.7 million, or $2.4 million above 2002-03.

OTHER FUNDS

Legislation enacted in 2002 dedicated all receipts from the auto rental tax to the Dedicated Highway and Bridge Trust Fund, effective April 1, 2002.

GENERAL FUND

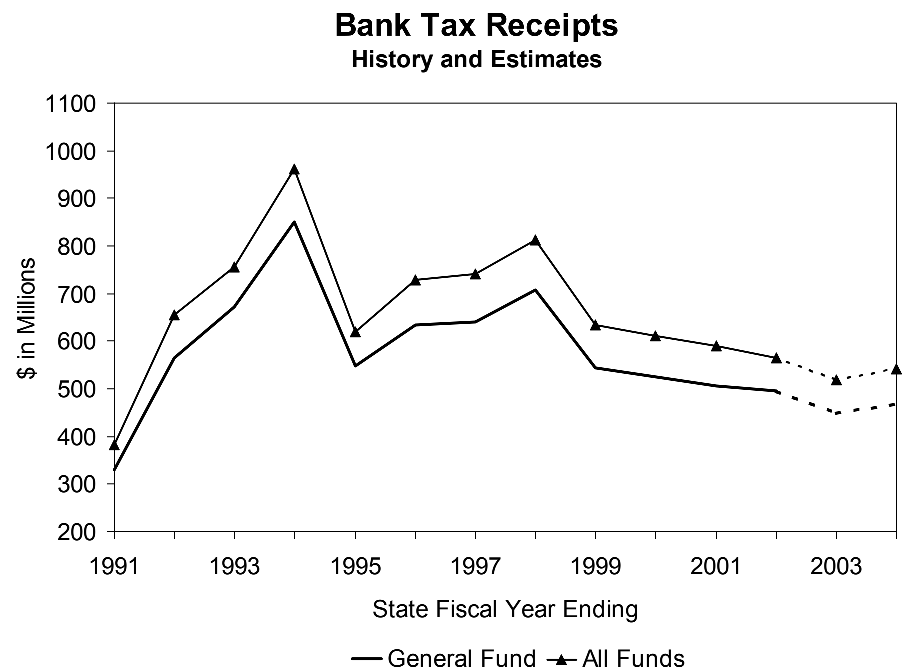
No auto rental tax receipts received on or after April 1, 2002, will be deposited in the General Fund.

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				
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
2001-02	37,914	0	37,914	0	0	0	0	0	37,914
					Estimated				
2002-03	0	0	0	0	41,300	0	41,300	0	41,300
2003-04	0	0	0	0	43,700	0	43,700	0	43,700

[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

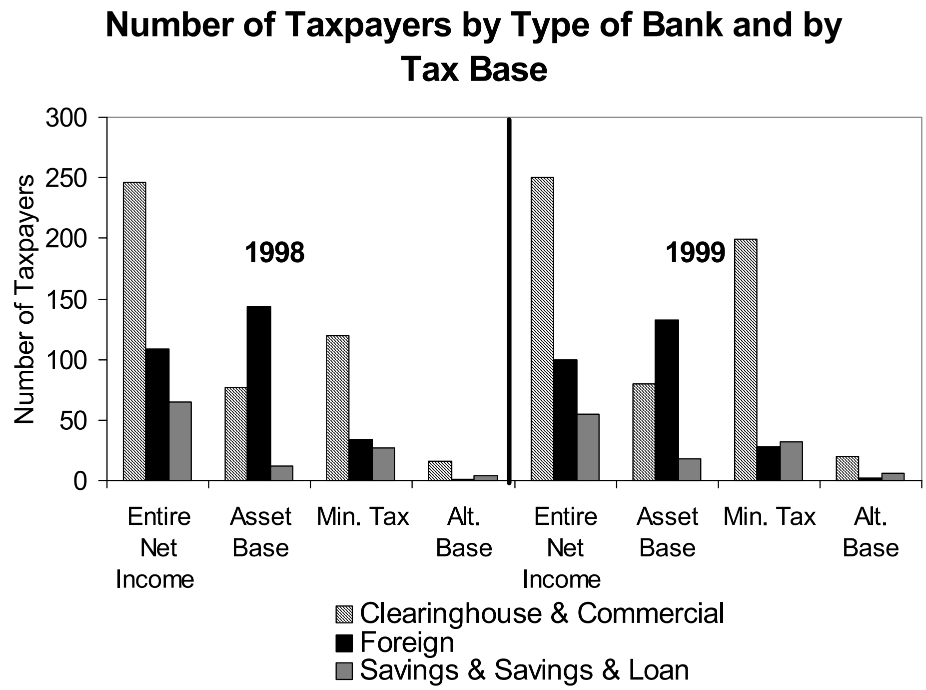
Article 32 bank tax liability is the highest of the following four computations:

1. 7.5 percent of allocated entire net Income (ENI);
2. 3 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.

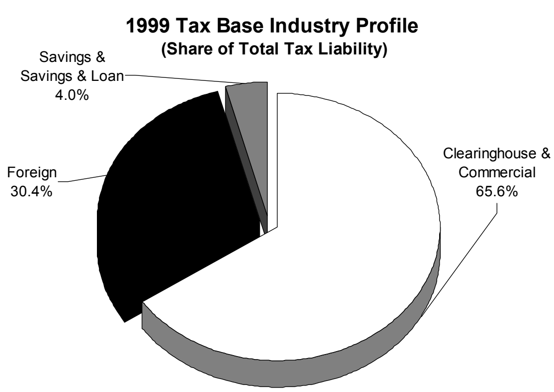
Additionally, corporations doing business in the Metropolitan Commuter Transportation District (MCTD) are subject to a 17 percent surcharge on the portion of the total tax liability allocable in the MCTD.

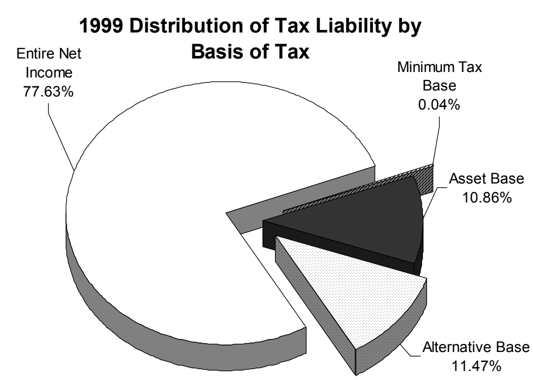
Tax Base

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 1998 and 1999 (1999 representing the most recent liability data available), total tax liability decreased by roughly 1 percent, from $533 million to $529 million, while the number of taxpayers increased by 8 percent, with the majority of the increase in clearinghouse and commercial banking institutions. The following graph illustrates that, between 1998 and 1999, the number of clearinghouse and commercial taxpayers paying under the fixed dollar minimum tax base increased by roughly 65 percent.



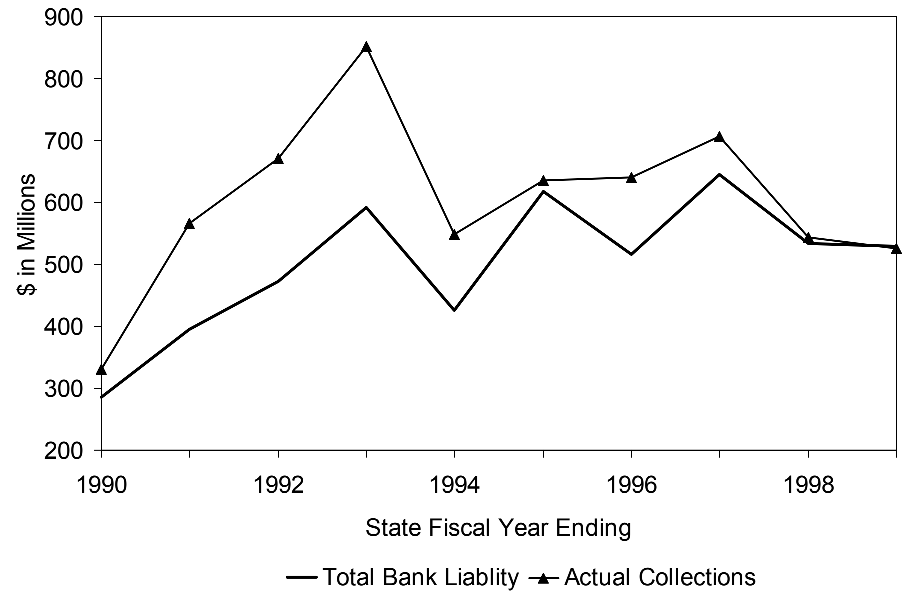
The following pie charts illustrate that clearinghouse and commercial banking institutions accounted for 65.6 percent of total tax liability in 1999, while foreign banking institutions and savings and savings and loan institutions accounted for 30.4 percent and 4 percent of liability respectively. Additionally, payments under the ENI base comprised roughly 77.6 percent of total tax liability under Article 32 in 1999.





The following graph compares total bank tax liability and collections over a ten-year period. This shows that, while liability and collections generally followed the same pattern from 1990 to 1997, these components began to merge in 1998 and 1999. Because taxpayers must pay estimated taxes months in advance, it is difficult for taxpayers to gauge how much is owed at the end of the tax year. This is especially true if business or economic conditions change. In many cases, taxpayers overpay throughout the year and then make adjustments to liability to reconcile tax due. Beginning in 1998, taxpayers have made adjustments to current year payments, which bring these payments closer to underlying liability.

Total Bank Liability and Collections
General Fund (1990-1999)



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 measures 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

Subject	Description	Effective Date
Legislation Enacted in 2000		
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
Legislation Enacted in 2001		
Bank Tax Extension	Provided an extension of the bank tax that had expired for commercial banks. The tax did not apply to tax years beginning on or after January 1, 2001. Sunsets for tax years beginning on or after January 1, 2003.	January 1, 2001
Legislation Enacted in 2002		
Estimated Payment Requirement	Increased the first quarterly payment of estimated tax from 25 percent to 30 percent of the prior year's liability for those corporate taxpayers whose prior year's liability exceeds $100,000.	January 1, 2003
Empire Zones Program	Amended to clarify certain provisions and implement new components for several credit calculations. Extended the program from July 31, 2004 to December 31, 2020.	Various

PROPOSED LEGISLATION

Proposed legislation would make the Bank tax permanent, and extend the transitional provisions related to Gramm-Leach-Bliley Act until 2004. There is no estimated fiscal impact associated with this proposal as it preserves an existing revenue base.

2002-03 RECEIPTS

Based on collections to date, net All Funds collections for the year are estimated to be $518 million, representing a $48 million decrease from the 2001-2002 level. This decrease of 8.5 percent is the result of several factors.

The most significant factor is the continued weakness in the national and State economies. (See Economic Backdrop section.) Weakness in the economy has led to an increase in the bad debt and credit risks carried by banks in both the personal and commercial areas — in the U.S. as well as throughout the world — resulting in a deterioration of their financial condition. This is true despite the positive effect lower interest rates have had on mortgage investments and refinancing. However, banks that are asset sensitive have been hard hit by the fall in interest rates. A growing number of large banks face legal challenges regarding their role in the financial excesses and corporate disclosure scandals uncovered during the past two years. This can be expected to drive down earnings. Investment banking has suffered from lower underwriting and advisory activity and by the continued write downs of their investments in telecommunications companies. As a result of these losses, many investment banks have cut staff by significant numbers. Large major banks are continuing to shed poor performing consumer financing operations as well as other high-risk businesses.

The decrease in collections is partially offset by $24 million as a result of the change in the required first installment from 25 percent to 30 percent of prior year payments due in March for calendar year filers, effective January 1, 2003.

2003-04 PROJECTIONS

Net bank tax All Funds collections are expected to be $543 million in 2003-04, which is $25 million above the amount estimated for 2002-03.

The bank tax projection is based, in part, on the underlying relationship between tax liability and expected bank profitability. Bank profitability is measured using corporate profitability as a proxy. Corporate profits, which have remained depressed over the course of the 2002-03 State fiscal year, are expected to improve modestly during 2003-04.

Already scheduled tax reductions are expected to reduce bank tax receipts in both the 2002-03 and 2003-04 State fiscal years. Specifically, receipts will decline by an additional $38 million in 2002-03, and $32 million in 2003-04 due to previously enacted legislation, including the reduction of the entire net income tax rate, and the prospective net operating loss deduction.

OTHER FUNDS

Under current law, a business tax surcharge is imposed at a rate of 17 percent of the portion of the statewide tax liability allocated to the MCTD and is the principal revenue source of the Mass Transportation Operating Assistance Fund (MTOAF). Based on collections to date, the bank tax contribution to MTOAF for 2002-03 is projected to reach approximately $69 million. MTOAF bank tax receipts are affected by the same factors impacting overall bank tax receipts, and are expected to increase by approximately 8.6 percent to $75 million in 2003-04.

GENERAL FUND

Based on collections to date, General Fund net collections for State fiscal year 2002-03 are projected to reach $449 million, a decrease of $46.8 million or 9.4 percent from State fiscal year 2001-2002 levels, primarily driven by large adjustments to payments on 2000 and 2001 liability. This has resulted in both increased refunds and credit carry forwards, which has decreased collections in the current fiscal year.

Bank tax receipts for State fiscal year 2003-04 are expected to increase by roughly 4 percent, primarily driven by improved profitability and economic conditions overall.

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

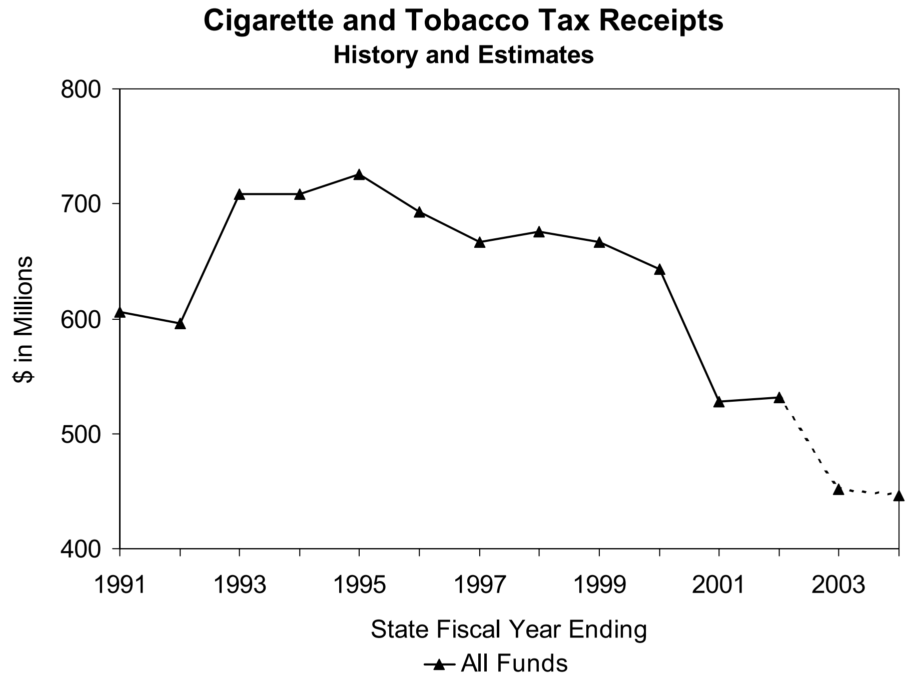
	State Banks, Trust Companies and National Banks	Savings Banks	Savings and Loan Associations	Total
	Actual			
1994-95	486,102	50,965	10,885	547,952
1995-96	611,513	24,455	(1,305)	634,663
1996-97	637,448	(3,003)	5,492	639,937
1997-98	700,344	1,183	5,796	707,323
1998-99	527,485	11,706	4,866	544,058
1999-2000	515,528	5,186	4,795	525,509
2000-01	495,896	5,188	4,392	505,476
2001-02	486,577	4,557	4,627	495,762
	Estimated			
2002-03	440,000	4,500	4,500	449,000
2003-04	458,600	4,700	4,700	468,000

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								
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
2001-02	565	69	496	80	10	70	0	0	566
	Estimated								
2002-03	544	95	449	78	9	69	0	0	518
2003-04	558	90	468	84	9	75	0	0	543

[1] MCTD 17 percent surcharge deposited in 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 $1.50 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 cents to 34 cents per pack on January 1, 2000, and again to 39 cents per pack on January 1, 2002. Effective March 1, 2000, New York raised its tax by 55 cents to $1.11 per pack and effective April 3, 2002, by 39 cents to $1.50 per pack. New York City also levies a separate cigarette excise tax of $1.50 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	July 2, 2002	150
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 37 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 directly to the Department of Taxation and Finance when they purchase more than two cartons.

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 reduces the income of 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. Further legislation enacted in 2002 increased the number of enforcement agents.

The positive effects of the 1996 enforcement legislation were realized later that year, 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)

	2002	2001	2000	1999	1998	1997
Connecticut	111	50	50	50	50	50
Massachusetts	76	76	76	76	76	76
New Jersey	150	80	80	80	80	40
New York	150	111	111	56	56	56
Pennsylvania	31	31	31	31	31	31
Vermont	93	44	44	44	44	44
NYS and NYC	300	119	119	64	64	64

* Highest rate in effect during calendar year.

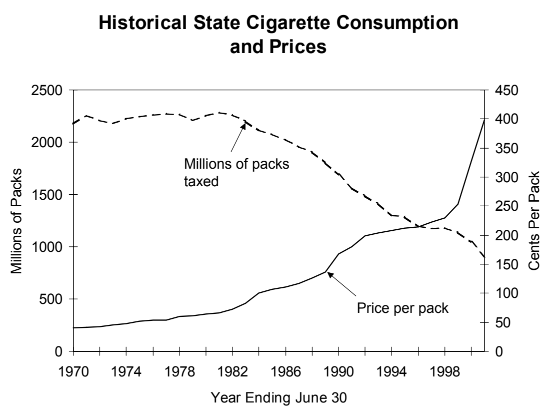
In 2000, the Governor signed comprehensive legislation targeted at combating cigarette bootlegging and reducing youth and adult smoking by banning Internet sales. This legislation was ruled unconstitutional by the U.S. District Court of the Southern District of New York and enjoined from going into effect. The State's appeal was heard in June 2002 and is currently under review. Significant legislative changes since 1994 are summarized in the following table.

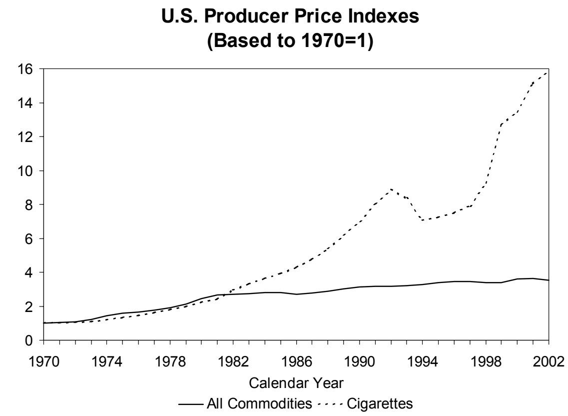
SIGNIFICANT LEGISLATION

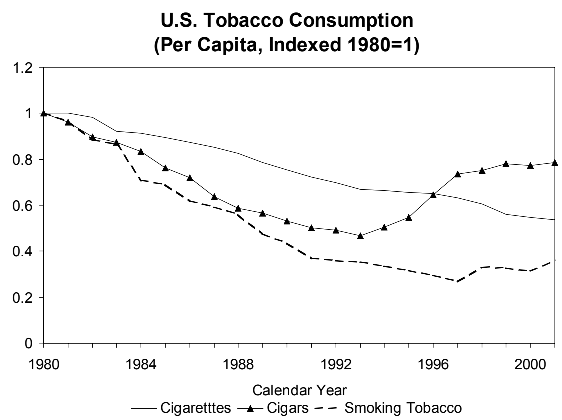
Subject	Description	Effective Date
Legislation Enacted in 1996		
Enforcement Provisions	Increased penalties and fines for selling unstamped cigarettes, violation of retail dealer and vending machine registration provisions, and providing inaccurate registration information.	December 3, 1996
Legislation 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
Tobacco Tax Increase	Increased the other tobacco products tax from 20 percent of the wholesale price to 37 percent.	July 3, 2002
Enforcement Provisions	Increased the number of enforcement agents.	May 29, 2002

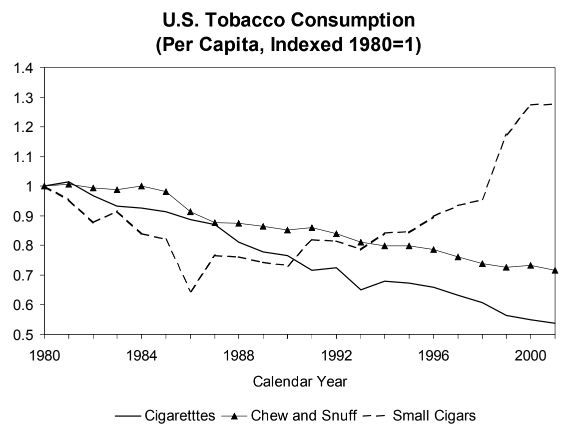
BRIEF REVIEW OF RECEIPTS HISTORY

Taxable cigarette consumption in New York has declined by nearly 60 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.









TOBACCO MSA PAYMENTS

Under the Tobacco Master Settlement Agreement (MSA) reached between states and manufacturers in 1998, manufacturers are required to make payments to New York. The amounts of these payments are subject to various adjustments. The volume adjustment is based on national consumption, not consumption in New York.

2002-03 RECEIPTS

Total cigarette and tobacco receipts are estimated at $1,132.2 million (including $35 million in one time floor tax revenue), an increase of $119.1 million, or 11.8 percent from 2001-02. The increase is due to the cigarette and tobacco tax increases that took effect April 3, 2002, and July 2, 2002, respectively. To date, total cigarette and tobacco tax receipts are $889.4 million, an increase of $109.5 million, or 14 percent above comparable receipts in 2001-02.

Underlying taxable cigarette consumption continued its secular decline in 2002-03. The decline in consumption is partially attributable to an estimated statewide retail price increase of 22.7 percent. The combined effects of the State and City tax increases were the predominant factor in this increase. In addition, manufacturers raised prices again. Since the MSA was signed in November 1998, the producer price index (which does not include taxes) for cigarettes has increased 70 percent (see graph above), as tobacco companies have attempted to recoup normal increases in operating costs and the cost of the MSA through price increases. Also, restrictions on cigarette advertising contained in the MSA and a general increase in the awareness of the health consequences of smoking have contributed to long-term declining trends in cigarette consumption.

2003-04 PROJECTIONS

Total cigarette and tobacco tax revenue is projected to be $1,078.4 million, a decrease of $53.8 million, or 4.8 percent from State fiscal year 2002-03. The decline is inflated due to the inclusion of a one time floor tax revenue in the prior fiscal year.

Legislation enacted in 2000 required the Department of State to promulgate standards for fire safe cigarettes by January 1, 2003 and required sales of such cigarettes to commence no more than 180 days after promulgation. Legislation submitted with this Budget proposes to delay implementation of the 2000 legislation for two years. This delay is estimated to increase total receipts by $15.7 million in 2003-04.

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 2003-04. Wholesale prices are expected to rise 12.8 percent, and retail prices are expected to rise 6.2 percent. Since cigarette prices are high in New York relative to the surrounding states, there remains an added incentive for smokers to avoid paying the tax by purchasing retail cigarettes in surrounding states, bootlegged cigarettes, or cigarettes sold through mail order or on the Internet.

HCRA

More than 60 percent of the proceeds from the State cigarette tax of $1.50 is 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 April 1, 2002, and March 31, 2003 (see table below), the pool will receive an estimated $680.9 million in 2002-03. Based on the percentage distribution in effect beginning April 1, 2003 (see table below), receipts deposited in the pool in 2003-04 will total a projected $632.4 million.

Legislation passed in 2002 established the percentage distribution of cigarette tax revenue shown in the following table.

Cigarette Tax Distribution (percent)
Current Law

April 1, 2002, to April 30, 2002	
General Fund	56.30
HCRA	43.70
May 1, 2002, to March 31, 2003	
General Fund	35.45
HCRA	64.55
Beginning April 1, 2003	
General Fund	38.78
HCRA	61.22

CIGARETTE AND TOBACCO TAX REVENUE
($ millions)

	General Fund				HCRA
Fiscal Year	Cigarette Tax	Tobacco Tax	Other	Total	Cigarette Tax
1999-2000	619.8	20.1	3.4	643.4	28.4
2000-01	504.4	20.5	3.5	528.4	495.4
2001-02	507.6	21.9	2.2	531.7	481.4
2002-03*	407.8	38.8	4.7	451.4	680.9
2003-04*	400.6	42.0	3.4	445.9	632.4

Note: Components may not add to total due to rounding.
*Estimated

GENERAL FUND

General Fund cigarette and tobacco tax receipts for 2002-03 are estimated at $451.4 million, a decline of $80.3 million, or 15.1 percent, from 2001-02. To date, General Fund cigarette and tobacco tax receipts are an estimated $358.3 million, a decline of $44.6 million, or 11 percent. The large decline from 2001-02 is due to the decline in the percentage of receipts directed to the General Fund beginning May 1, 2002, prebuying which pushed some purchases from 2002-03 into 2001-02, and consumption declines resulting from the New York City tax increase.

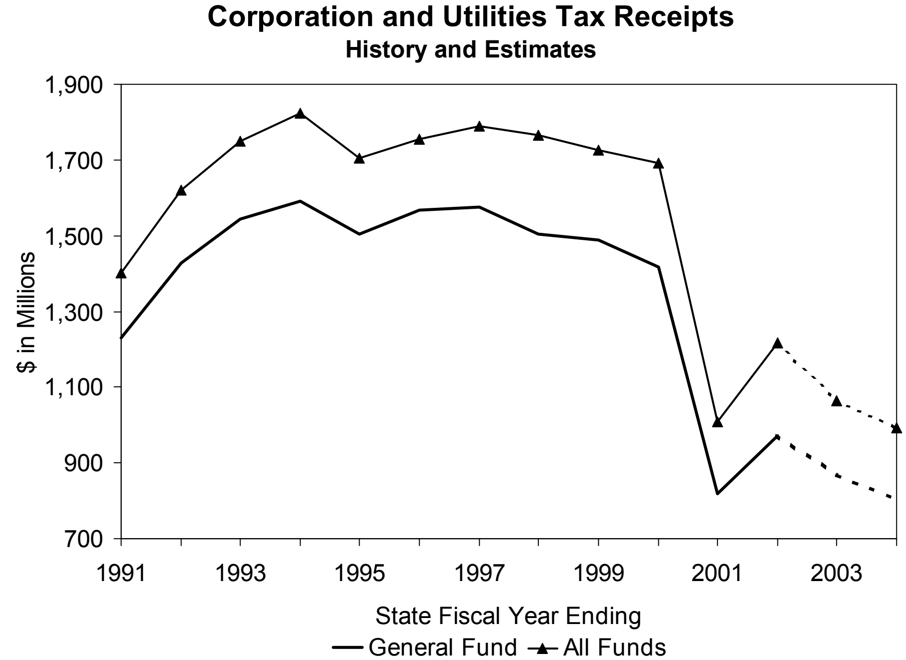
For 2003-04, General Fund cigarette tax receipts are projected to be $400.6 million. The tax on tobacco products and license fees are expected to total $45.4 million, an increase of $1.9 million from 2002-03. This increase is largely due to the full year impact of the July 2002 tax increase, a continuation of 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			
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
2001-02	538,848	7,143	531,705	0	0	0	531,705
				Estimated			
2002-03*	459,600	8,200	451,400	0	0	0	451,400
2003-04*							
(current law)	447,800	8,000	439,800	0	0	0	439,800
(proposed law)	453,900	8,000	445,900	0	0	0	445,900

* Note: In 2002-03 an estimated $680.9 million will be deposited in the Tobacco Control and Insurance Initiatives Pool, and in 2003-04 a projected $632.4 million will be deposited therein.

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. In recent years, the telecommunications industry has become the primary source of these receipts.

Tax Rates and Base

The pie chart in the Receipts History section depicts the share of total 2001-02 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 at 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 stipulates an additional franchise tax on the transportation and telecommunication corporation in the State. The tax rate on telephone companies subject to this section is 0.375 percent of gross earnings, 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. Railroad and trucking companies that elect to remain subject to Article 9 taxes pay the tax at a rate of 0.375 percent of gross earning, including an allocated portion of receipts from interstate transportation-related transactions.

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 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 transmission and distribution tax imposed on the gross income of utilities and other entities that sell or furnish fuel, such as gas or electricity, through pipes or mains under the supervision of the Department of Public Service. Legislation enacted in 2000-01 imposes a separate tax rate 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

The portion 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 consumption. The amount of tax is determined by multiplying the number of thousand cubic feet of gas services delivered during the taxable period, the national average wellhead annual gas price published by the United State Department of Energy and the tax rate described in the table below. Recent reforms phase down the rate over a five-year period and eliminate the tax effective January 1, 2005. Gas services sold to a co-generation facility and gas services used to generate electricity for sale are exempted from the tax.

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. Legislation enacted in 2002 requires companies to pay 30 percent as a first installment, rather than 25 percent. For taxable years beginning in 1994, large businesses must 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
Legislation Enacted in 2002		
Power for Jobs	Provided low cost power for economic development through phase five of the Power for Jobs Program and provided an energy service company option for recipients under the program	July 30, 2002
Estimated Payments	Increased the first quarterly payment of estimated tax, for taxpayers paying under sections 182, 182-a, 184, 186-a, and 186-e, from 25 percent to 30 percent of the prior year's liability. Taxpayers whose prior year's liability exceeds $100,000 are affected. Taxpayers whose prior year's liability is between $1,000 and $100,000 will continue to make a first quarterly payment of 25 percent of the prior year's liability. Within Article 9, only taxpayers under sections 182, 182-a, 184, 186-a, and 186-e are affected. Sunsets for tax years beginning on or after January 1, 2006, and expires January 1, 2007.	January 1, 2003
Empire Zones Program	Amended to clarify certain provisions and implement new components for several credit calculations. Extended the program from July 31, 2004 to December 31, 2020.	Various

Proposed Legislation

Legislation proposed with this Budget would redirect the remaining General Fund portion of the section 183 and 184 taxes to the Dedicated Highway and Bridge Trust Fund, beginning in State fiscal year 2004-05.

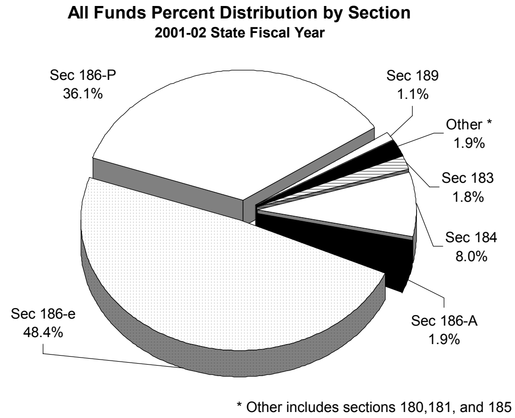
BRIEF REVIEW OF RECEIPTS HISTORY

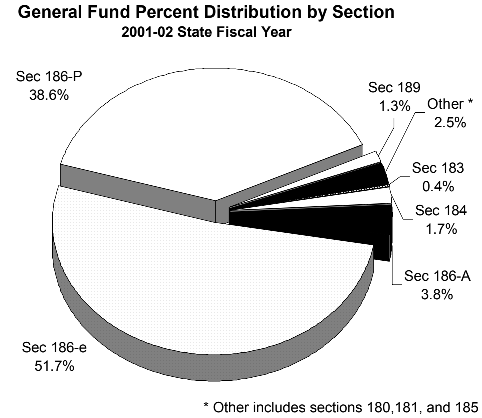
For State fiscal years 1990-91 through 2001-02, Article 9 receipts growth has been highly variable. To a large extent, this volatility is due to the numerous statutory changes reported in the prior section. Additionally, the fluctuations in energy prices and telecommunications demand have led to uneven growth over this period. In recent years, the presence of the evolving wireless industry has also contributed to the volatility of collections.

History of General Fund

The pie charts below show the breakdown of Article 9 collections, by section of law, for All Funds and the General Fund. For State fiscal years 1990-91 through 2001-02, the General

Fund received more than 80 percent of All Funds. These percentages are expected to remain relatively constant in 2002-03 and 2003-04. Small reductions in the estimated fund shares over the forecast can be attributed to statutory changes enacted in recent years.





History of Other Funds

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

Effective Date	General Fund	MTOAF	DHBTF
July 1, 1982	60.0	40.0	0.0
April 1, 1996	52.0	48.0	0.0
January 1, 1997	50.5	49.5	0.0
January 1, 1998	46.0	54.0	0.0
January 1, 2000	36.0	64.0	0.0
January 1, 2001	20.0	80.0	0.0
April 1, 2004[1]	0.0	80.0	20.0

[1] Proposed Legislation

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.

A proposal included in the Executive Budget would set aside the remainder of sections 183 and 184 receipts to the Dedicated Highway and Bridge Trust Fund beginning in State fiscal year 2004-05.

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. These funds are deposited in the MTOAF.

2002-03 RECEIPTS

Corporations and utilities taxes for 2002-03 are expected to yield total All Funds receipts of $1,063 million. This is a decrease of 12.7 percent compared with 2001-02.

Total All Funds receipts for 2002-03 include an estimated $21.8 million in audit collections. After adjusting for refunds, year-to-year cash collections are expected to decrease by approximately $155 million.

All of section 186-e receipts and more than half of section 184 receipts in recent years have come from telecommunications companies. Wireless communication services have taken a larger role in the industry, creating an increased call and message volume. Competition and deregulation have held down prices for these services, forcing the telecommunications companies to provide more services to their consumers at a lower cost, and thereby adversely affecting companies' gross receipts. The recent economic downturn and the saturation of the market have begun to slow the growth in collections from this industry.

The primary factors affecting the estimate of the remainder of Article 9 collections include the quantity consumed of electricity and natural gas, and the associated price of each commodity. Consumption is expected to increase this winter as a result of more severe weather. Receipts are expected to reflect higher winter levels of usage in the upcoming months.

The tables below report annual consumption and price data for electricity and natural gas. The information shown for the years 1992 to 2000 is based on published reports of the Public Service Commission. The 2000 report reflects the most recent data available. The quantities in the table report sales to ultimate consumers and include sales for resale.

CALENDAR YEAR HISTORY OF ELECTRICITY AND NATURAL GAS SALES
1992 TO 2000
(quantity in millions)

	Electricity Sales (kilowatt hours)	Percent Change	Gas Sales (M cubic feet)	Percent Change
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
1992 TO 2000

	Electricity Price (kilowatt hours)	Percent Change	Gas Price (M cubic feet)	Percent Change
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

Legislation enacted in 1996 to lower section 184 taxes on rail and trucking companies is estimated to reduce collections by nearly $13 million in 2002-03. The rate reductions enacted in 1997 for sections 184, 186-a and 186-e are estimated to reduce collections in 2002-03 by $396 million. The rate reductions enacted in 2000 for sections 186, 186-a, and 189 are estimated to reduce collections by more than $300 million in 2002-03. The Power for Jobs tax credit program, first enacted in 1997, accelerated in 1998, and expanded in 2000, 2001, and 2002 legislation, will reduce receipts by an estimated $65 million.

2003-04 PROJECTIONS

Corporation and utilities taxes for 2003-04 are expected to yield total All Fund receipts of $993 million. This is a decrease of 6.6 percent compared with 2002-03.

For 2003, the consumption of electricity is projected to grow 1.4 percent, while natural gas consumption is expected to increase by 2.0 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 decline by approximately 5.9 percent.

Reports filed by major telecommunication services providers with the SEC for the quarter ending September 30, 2002 indicate a significant drop in revenues for telephone services. The average monthly revenue per customer has dropped from $74 in 1995 to $61 in 2002. The average per minute cost has also dropped from $0.56 to $0.11 over the same time period. The telecommunications forecast assumes the continued slow growth in the industry, especially within the information technology, wireless, and Internet markets. This slowed growth is the result of market saturation, deregulation, over investment and product feature bundling.

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 2003-04. The rate reductions enacted in 1997 and 2000 are estimated to reduce collections in 2003-04 by almost $700 million. Collections of prior-year liabilities, after audit, are projected at approximately $22 million in 2003-04.

OTHER FUNDS

As mentioned previously, a portion of Article 9 receipts are deposited into three special revenue funds. The section 183 and 184 collections deposited in the MTOAF will total an estimated $73.0 million for 2002-03 and $83 million for 2003-04. Under the Executive Budget proposal, the remaining portion of sections 183 and 184 would be used to support the Dedicated Highway and Bridge Trust Fund beginning in State fiscal year 2004-05.

The MTCD business tax surcharge will result in deposits of an estimated $122 million for 2002-03 and $105 million for 2003-04 into the MTOAF.

GENERAL FUND

General Fund collections for 2002-03 are estimated to be $868.0 million, a decrease of more that $100 million from last year. These receipts include an estimated $21.8 million in audit collections.

For 2003-04, the General Fund collections are estimated at $805 million. This includes an estimated $22 million in audit receipts, offset by $35 million in refunds.

Risks

The forecast assumes average temperature ranges during 2002 and 2003. If the winter proves to be harsher than average, heating demand could increase and greater energy consumption could result. 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.

As market saturation in wireless telecommunications continues, demand could fall, resulting in a level of consumption below the current forecast. However, recent company offerings suggest that companies in the wireless market are introducing new technology and more services, which could create a surge of demand in the industry. 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] 2001-02 Actual	2002-03 Estimated	2003-04 Projected
180	Organizations and reorganizations	4.0	4.3	4.3
181	Foreign corporations and maintenance fees	24.1	25.5	25.5
183	Transportation and transmission companies	19.3	30.8	30.0
184	Additional tax on transportation and transmission companies	84.3	61.0	73.5
185	Agricultural cooperatives	0.1	0.2	0.0
186	Water, steam, gas, electric, light and power companies	(4.1)	0.0	0.0
186a & e	Public utilities/telecommunication	915.0	806.1	748.9
189	Natural gas importers	12.5	13.1	5.7
	Subtotal	1,055.2	941.0	887.8
		Special Revenue Funds		
	Less Other Funds[2]			
	MTOAF	82.9	73.0	82.8
	Net General Fund	972.3	868.0	805.0

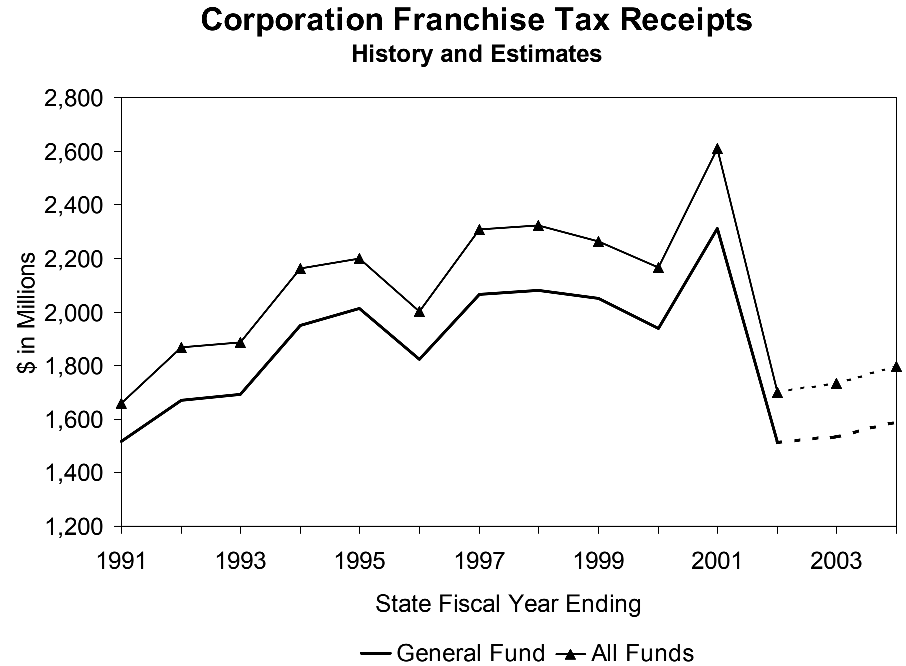
[1] Receipts from the regional business tax surcharge are excluded.
[2] Per statute, 80 percent of sections 183 and 184 receipts in 2001 and thereafter, are dedicated to the MTOAF.

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									
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
2001-02	999	27	972	247	1	246	0	0	1,218
Estimated									
2002-03	914	46	868	196	1	195	0	0	1,063
2003-04	840	35	805	189	1	188	0	0	993

[1] Receipts from the MTA business tax surcharge and funds dedicated to MTOAF from 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 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 are attributed to several factors, such as variations in the rate of corporate profit growth; changes in the profit performance of important New York industries including financial service companies; and tax law and administrative changes.

Tax Rate

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

1. An allocated entire net income (ENI) base, which begins with Federal taxable income before net operating loss deductions and special deductions. For C corporations, 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. S corporations pay an entity level tax based on a differential. This represents the difference between the Article 9-A franchise tax rate at 7.5 percent and the personal income tax rate for S corporations at 7.45 percent. The S corporation rate under the personal income tax increases to 7.4725 percent as of June 30, 2003, reducing the differential by 45 percent.
2. An alternative minimum tax (AMT) 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.

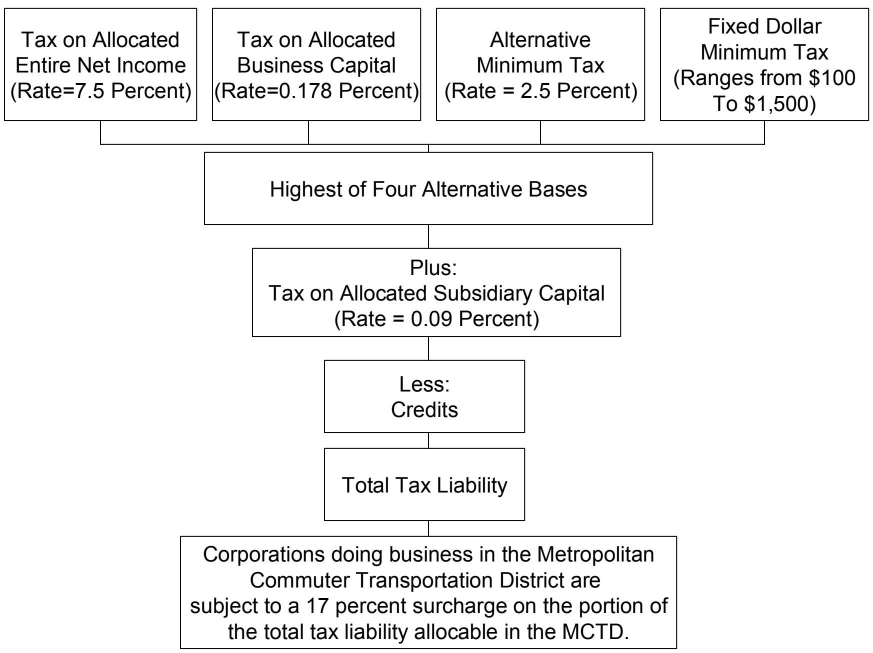
4. A fixed dollar minimum, which ranges from $100 to $1,500, depending on the size of the corporation's gross payroll, including general executive officers, during the applicable tax period.

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, corporations doing business in the Metropolitan Commuter Transportation District (MCTD) are subject to a 17 percent surcharge on the portion of the total tax liability allocable in the MCTD. The collections from the surcharge are deposited into the Mass Transportation Operating Assistance Fund (MTOAF).

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

Article 9-A Flowchart



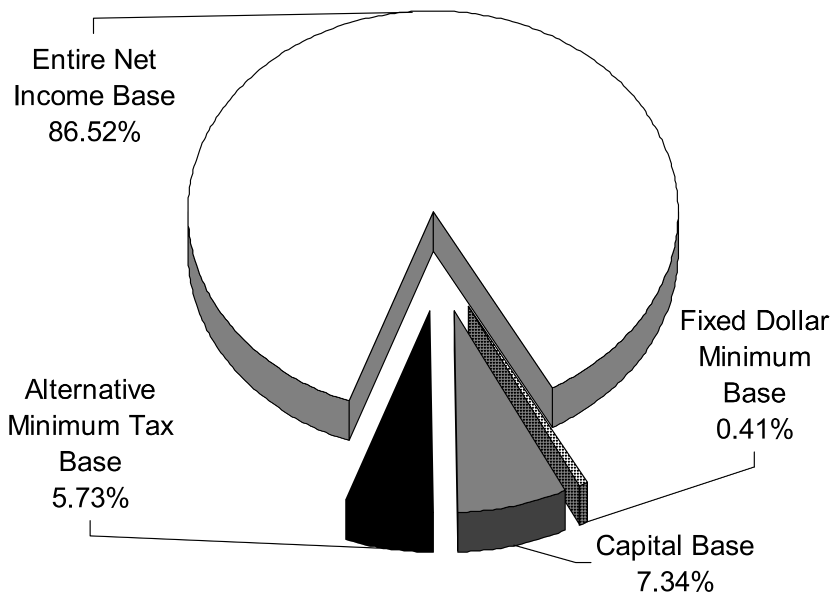
TAX BASE

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 *1998 New York State Corporation Tax Statistical Report* indicates that 259,093 taxpayers filed as C corporations, while 280,051 taxpayers filed as S corporations. This report contains the most recent available data on C and S corporations. The number of C corporations increased by roughly 2 percent from the prior year, while the number of S corporations increased by nearly 6 percent.

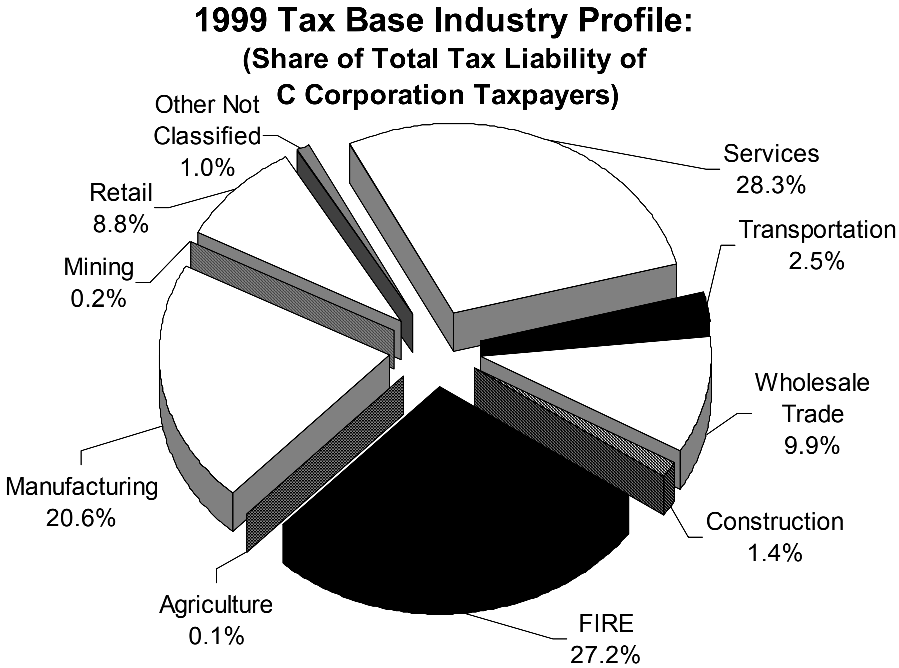
The OTPA's Corporate Franchise Tax Study File contains the most recent data available on Article 9-A liability. The study file includes all corporations filing under Article 9-A, except fixed dollar minimum tax filers and S corporations. The most current liability information is for the 1999 tax year.

As noted above, C corporations pay under the highest of four bases. In 1999, nearly 87 percent of liability was paid under the entire net income base. The capital base was the second largest base, at 7.3 percent of liability. The AMT base has begun to diminish over time due to tax law changes, including a drop in the tax rate from 3.5 percent in 1995 to 2.5 percent currently. (See following chart.)

1999 Distribution of Tax Liability by Basis of Tax

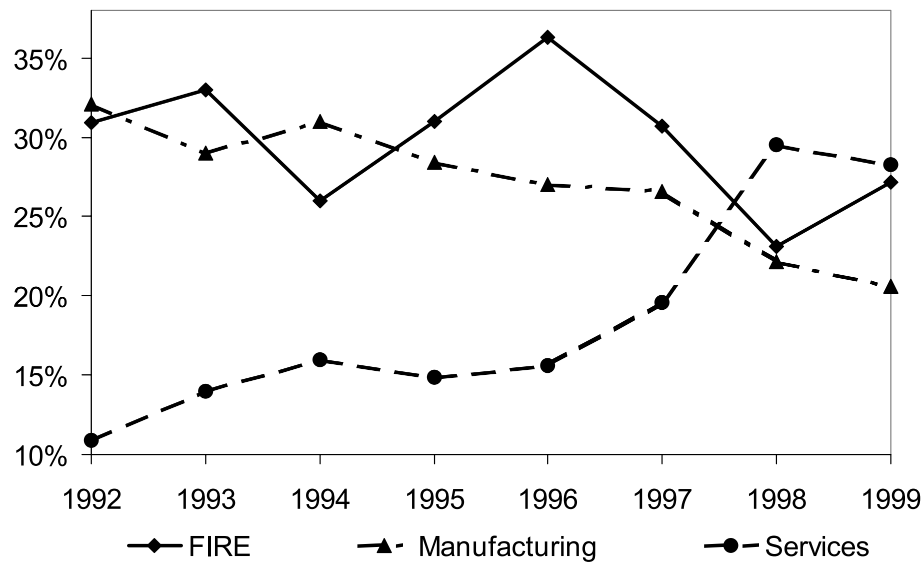


The next chart shows the distribution of tax liability by major industry sector. Liability paid by the finance, insurance, and real estate sector (FIRE) made up approximately 27.2 percent of total tax liability paid by C corporation taxpayers in 1999, with the manufacturing sector accounting for 20.6 percent of liability. The service industry has grown quite significantly throughout the 1990's and, in 1999, represented over 28.3 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 for the period 1992 to 1999: 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 tends to be very volatile over time. Liability rose, for example, to 36 percent in 1996 and then dropped to as low as 23 percent in 1998. In comparison, the service industry has exhibited steady growth in recent years. The manufacturing industry's share of total liability has declined steadily. The chart illustrates that New York's corporate tax base has followed the national trend in shifting from manufacturing to services.

Industry Profile: Percent of Total Liability
(1992-1999)



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

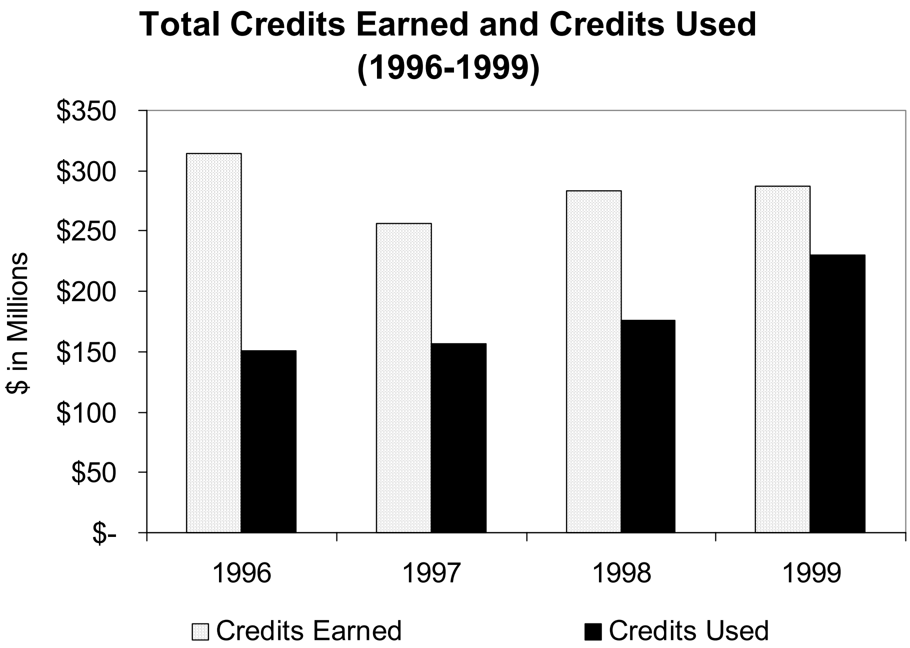
Subject	Description	Effective Date
Legislation Enacted in 1994		
Exclusion of Income for Foreign Airlines	Allowed foreign airlines to exclude the following items from entire net income: all income from international operations of aircraft effectively connected to the United States; foreign passive income, and income earned overseas.	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

Subject	Description	Effective Date
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 vehicles 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
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
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
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

Subject	Description	Effective Date
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
Legislation Enacted in 2002		
Low-Income Housing Tax Credit	Doubled the statewide, aggregate credit limit for the low-income housing tax credit from $2 million to $4 million.	May 29, 2002
Estimated Payment Requirement	Increased the first quarterly payment of estimated tax from 25 percent to 30 percent of the prior year's liability for those corporate taxpayers whose prior year's liability exceeds $100,000.	January 1, 2003
Empire Zones Program	Amended to clarify certain provisions and implement new components for several credit calculations. Extended the program from July 31, 2004 to December 31, 2020.	Various

Proposed Legislation

This year the Governor is proposing a change to the Empire Zones program. The Empire Zones program provides significant tax savings for businesses by designating virtually tax free zones, including a full rebate of local property taxes. This proposal provides that the cost of the property tax credit be equally shared between the State and localities benefiting from the economic benefits accruing to the zone. This proposal would require the County Director of Real Property Taxes to provide a refund equal to half the cost of the credit for qualified Empire Zones businesses. First, the Tax Department, after reviewing the taxpayer's tax return, would allow a tax credit equal to half the allowable credit. Second, the Tax Department would then issue to the taxpayer a QEZE property tax refund voucher for the other half. The taxpayer would then present this document to the County Director, with a refund application. The county pays the refund and then charges the city, town, school district and special district their share of the refund. The proposal would be for tax years beginning on or after January 1, 2004, for property taxes paid or incurred on or after January 1, 2004. This proposal is prospective, and has no expected fiscal impact in 2003-04. It would only be for taxpayers that had not previously claimed an Empire Zones real property tax credit.



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. A credit 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 earned in or carried over from any prior years. In 1999, the ITC accounted for about 90 percent of all tax credits earned and about 87 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, by construction, limits the amount of certain 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 1999, nearly $1.8 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. 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. In addition, the Empire Zone property tax credit is refundable, whereby taxpayers use the credit against liability, but receive a refund of any remaining credit. It is expected that these tax relief measures will result in somewhat fewer tax credits being carried forward to future years.

2002-03 RECEIPTS

Based on collections to date, total net All Funds collections for State fiscal year 2002-03 are estimated to reach $1,734 million, a $31 million dollar increase from the 2001-02 level. This follows a decline of nearly 35 percent from 2000-01 to 2001-02. Cash collections to date indicate 2002-03 receipts will remain depressed from 2000-01 levels, due to a number of factors related to tax law changes; taxpayer behavior, including adjustments on payments; continued weakness in the economy; and the continued impact of the World Trade Center disaster.

A number of tax law changes at both the State and Federal levels have contributed to reduced collections in the current fiscal year. At the State level, tax reductions valued at over $400 million became effective during the 2001-02 and 2002-03 State fiscal years. The most significant of these were the ENI and AMT rate reductions and the tax benefits available under the Empire Zones program. Additionally, following the September 11 attacks, the Federal government amended the Tax Code as part of the Job Creation and Worker Assistance Act of 2002. A new Federal bonus depreciation provision was enacted that allows taxpayers to elect to deduct 30 percent of the cost of most new capital assets placed in service between September 10, 2001, and September 11, 2004. Since the New York corporate tax structure follows the Federal structure, the additional deduction has reduced New York tax liability under both the ENI and AMT bases. The fiscal impact of this legislation is estimated to be $105 million in 2002-03.

Several legislative actions are expected to increase receipts during the 2002-03. A Tax Amnesty program authorized as part of the 2002-03 Enacted Budget is expected to increase receipts by $32 million in 2002-03. Additionally, receipts are expected to increase by $40 million as a result of the change in the required first installment from 25 to 30 percent of prior year payments, due in March for calendar year filers, effective January 1, 2003. Calendar year filers tax years end December 31.

Another factor influencing collections is taxpayer behavior. As in 2001-02, taxpayers have continued to make large adjustments to prior year payments. These adjustments, which can be taken as a refund or applied against the current year's liability, will reduce cash collections during the State fiscal year. Last year, calendar year filers made adjustments to prior years' liability, totaling over $600 million. This year, adjustments are expected to reach $554 million.

The economy continues to be a negative factor impinging on corporate franchise tax receipts. Payments on 2002 liability have been depressed by continued weakness in the economy and, in particular, the securities markets. Corporate profitability remains approximately 11 percent below levels achieved during the 2000-01 fiscal year. Profits from financial services firms continue to suffer from declines in both stock values, trading activity and the collapse of the Merger and Acquisition (M & A) and Initial Public Offering (IPO) markets.

Corporate tax receipts show signs of continued pressure resulting from the September 11 attacks. The tourism and airline industries continue to suffer from reduced travel by both business and leisure passengers. In addition, as a result of preliminary SEC recommendations regarding practices to strengthen the resilience of the U.S. financial system, it is expected that companies will decentralize operations to ensure they will have backup arrangements with sufficient out-of-region staff and equipment to recover critical activities in the event of another terrorist attack or other disaster.

2003-04 PROJECTIONS

Corporate franchise tax All Funds receipts are expected to increase by 3.6 percent from estimated 2002-03 levels to $1,796 million. The projection is driven by several factors. Corporate profitability is expected to improve during the 2003-04 fiscal year. In addition, the direct impact of the September 11 attacks continues to diminish. In contrast, the impact of the "Job Creation and Worker Assistance Act of 2002" will continue to reduce receipts. In addition, credits under the Empire Zones program are expected to grow as more businesses enter the program.

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 and 2002-03 State fiscal years, are expected to improve during 2003-04.

OTHER FUNDS

Under current law, corporations doing business in the MCTD are subject to a 17 percent surcharge on the portion of the total tax liability allocable to the region. In addition, the MTOAF was held harmless from the ENI rate reduction, which began in 1999. As a result, MTOAF collections will not be diminished by the corresponding reduction in General Fund receipts. Based on collections to date, the Article 9-A MTOAF contribution for 2002-03 is projected to reach approximately $199 million, a 5.8 percent increase from 2001-02. 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 MTOAF is protected from the corporate franchise tax reduction, 2003-04 State fiscal year collections are expected to increase by roughly 3 percent.

GENERAL FUND

Based on collections to date, General Fund net collections for State fiscal year 2002-03 are projected to increase by $20 million, a 1.4 percent increase from State fiscal year 2001-2002 levels.

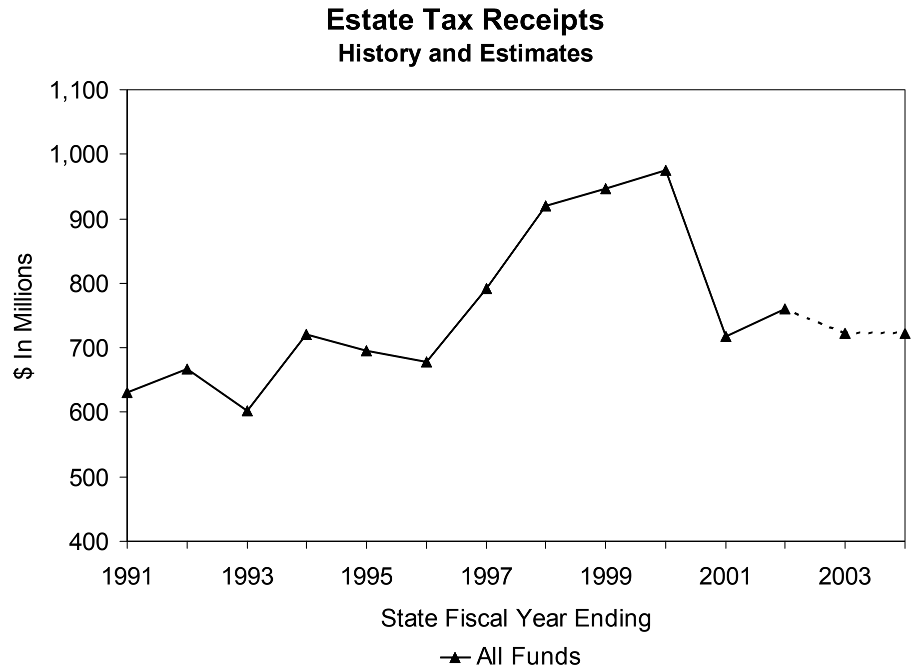
General Fund receipts for State fiscal year 2003-04 are expected to increase by 3.6 percent over 2002-03 levels to $1,591 million. This increase is the result of increasing corporate profitability, offset by the continuing impact of previously enacted tax cuts.

CORPORATION 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									
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
2001-02	2,012	497	1,515	236	48	188	0	0	1,703
Estimated									
2002-03	1,999	464	1,535	244	45	199	0	0	1,734
2003-04	1,978	387	1,591	255	50	205	0	0	1,796

[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.

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 maximum Federal credit for state death taxes paid, commonly called the pick-up tax. New York also automatically conformed State law to the unified credit provisions specified in Federal law, but capped the maximum credit to exempt the first $1,000,000. 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.

Federal Legislation

The current Federal law converts the unified credit to an exemption and accelerates the phase-in schedule to effectively exempt the first $1 million of the value of an estate in 2002. (See table below.) Because New York conforms to the unified credit portion of Federal law, the $1 million exemption in New York law was also accelerated from 2006 to 2002.

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

State Unified Credit/Exemption Amounts

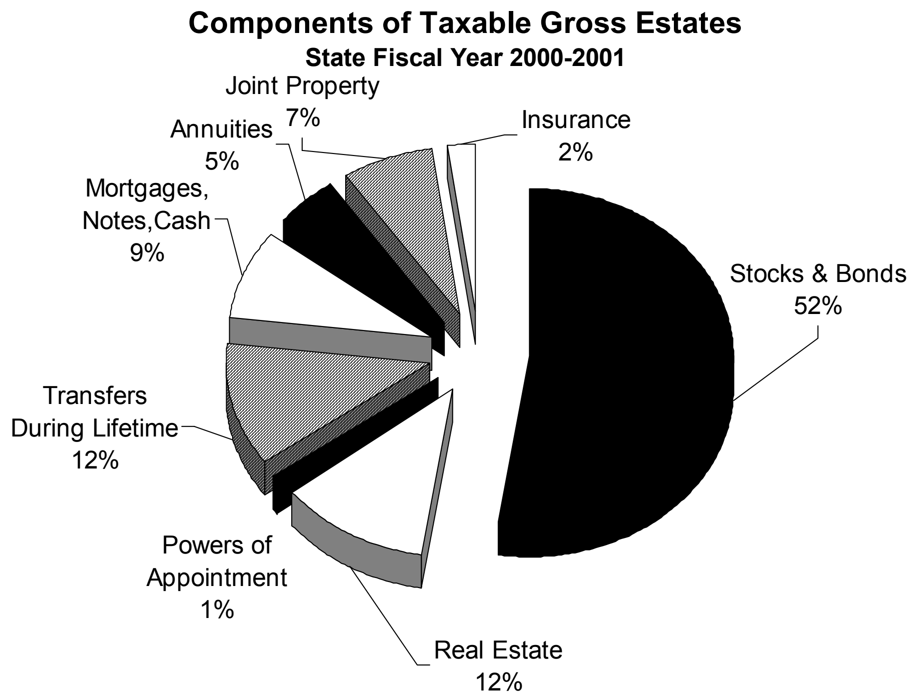
Year	Prior to 2001 Federal Tax Reduction Program	After 2001 Federal Tax Reduction Program
2000, 2001	$675,000	$675,000
2002, 2003	700,000	1,000,000
2004	850,000	1,000,000*
2005	950,000	1,000,000*
2006 and thereafter	1,000,000	1,000,000*

* New York State law caps the Unified Exemption set in Federal law 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 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 across the board and thousands of the smallest estates have been eliminated from the tax rolls. As a result, volatility in receipts is expected to increase due to the more random nature of collections from large estates.



SIGNIFICANT LEGISLATION

The major statutory changes since 1994 are summarized in the following table.

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	Increased credit from $2,950 to $10,000, thereby eliminating the tax on taxable estates of $300,000 or below.	October 1, 1998
	Increased credit from $2,950 to $10,000, thereby eliminating the tax on taxable gifts of $300,000 or below.	January 1, 1999
	Set the States' unified credit to equal the Federal credit, but capped the maximum credit to exempt the first $1,000,000 of the estate.	February 1, 2000
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		
Federal Conformity	Conforms New York State law to Federal law as of July 22, 1998, except for the unified credit provisions.	August 9, 1999
Family-Owned Business Deduction	Family-owned business exclusion repealed and replaced with family-owned business deduction, conforming to Federal law changes.	December 31, 1997

Subject	Description	Effective Date
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 of the return disclosing the cause of action if filed.	July 13, 1999

2002-03 RECEIPTS

For the 2002-03 fiscal year, estate tax receipts are estimated at $723.0 million, after subtracting estimated refunds of $40 million. This is composed of $77.8 million from super large estates with payments of over $25 million, $115.8 million from extra large estates with payments between $4 million and $25 million, $234.9 million from large estates with payments between $500,000 and $4 million, and $334.5 million from small estates with payments of less than $500,000. These receipts include Case and Resource Tracking System (CARTS) collections estimated at $30 million. The total estimate represents a decrease of 5 percent from the $761.4 million collected in 2001-02. It is estimated that the full year effects of the tax reductions enacted in 1997 have reduced total receipts by $428.4 million, or 46.4 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 $550.9 million for 2002-03 are 0.3 percent lower than collections during the comparable period in 2001-02. Receipts are expected to decline over the rest of the fiscal year, reflecting estimated declines in the value of household net worth of 1.5 percent in 2002-03.

Year-to-date collections from super large estates are $77.8 million, an increase of $29.5 million, or 61 percent from the comparable period in 2001-02. Extra large estate collections in the first 9 months are $73.9 million, a decrease of $47 million, or 39 percent from the comparable period in 2001-02. Collections from large estates have increased by $32.6 million, or 23 percent, to $176.2 million from the comparable period in 2001-02. Small estate payments have experienced a decrease of $16.8 million, down 7 percent to $222.9 million from the similar period of 2001-02.

CARTS collections through nine months of 2002-03 were $25.8 million, a decrease of 20 percent from the same period of 2001-02. The previous year had a large audit payment in the first half of the fiscal year. Year-to-date refunds for 2002-03 are $21.8 million, 12 percent below the same period of 2001-02.

2003-04 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 4.5 percent increase in the base of the tax. Including estimated CARTS collections of $31.5 million and refunds of $40 million, net estate tax receipts are projected to be $736.7 million in 2003-04.

Super large estate payments are projected to decline by $12.8 million or 16.5 percent to $65 million. The payments from extra large estates are expected to increase to $190 million. The results for the super large and extra large estates are based upon a distributional analysis that evaluates historical experience and predicts values for the future years. Large estate payments are estimated to decline by 11 percent to $209.2 million and small estates are expected to decline by 7.5 percent to $272.5 million. The results for the large and small estate payments are based on the projected value of household net worth which is expected to grow by 3.3 percent in 2003-04. The reduction in the estimate for large and small estates also reflect the effect of the recent tax cuts.

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

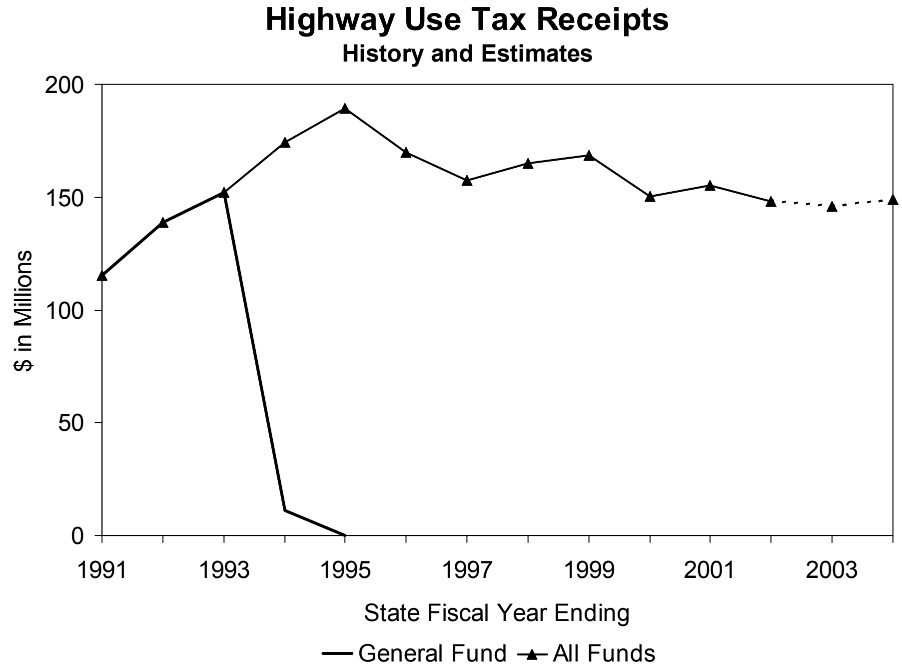
	Super Large Estates[1]		Extra Large Estates[2]		Large Estates[3]		Small Estates[4]	Grand Total
	Number	Taxes	Number	Taxes	Number	Taxes	Taxes	Taxes
1994-95	1	31.4	12	110.0	140	152.8	401.3	695.5
1995-96	1	37.5	8	67.5	132	158.2	415.4	678.6
1996-97	1	48.1	23	194.9	123	151.3	397.2	791.5
1997-98	5	176.7	18	140.7	160	195.5	406.4	919.3
1998-99	2	93.7	17	128.1	215	259.5	465.1	946.4
1999-2000	2	108.0	22	177.0	192	229.6	460.6	975.2
2000-01	0	0	22	160.0	179	224.7	332.4	717.1
2001-02	2	75.4	19	164.7	167	208.8	312.5	761.4
	Estimated							
2002-03	3	77.8	15	115.8	200	234.9	294.5	723.0
2003-04	2	65.0	20	190.0	185	209.2	272.5	736.7

[1] Liability of at least $25.0 million.
[2] Liability of at least $4.0 million, but less than $25.0 million.
[3] Liability of at least $0.5 million but less than $4.0 million.
[4] Liability less than $0.5 million. (Small estates include CARTS, but all refunds are subtracted.)

ESTATE 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						
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
1998-1999	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
2001-02	791,014	29,614	761,400	0	0	0	761,400
	Estimated						
2002-03	763,000	40,000	723,000	0	0	0	723,000
2003-04	776,700	40,000	736,700	0	0	0	736,700

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. Under the gross weight method, 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

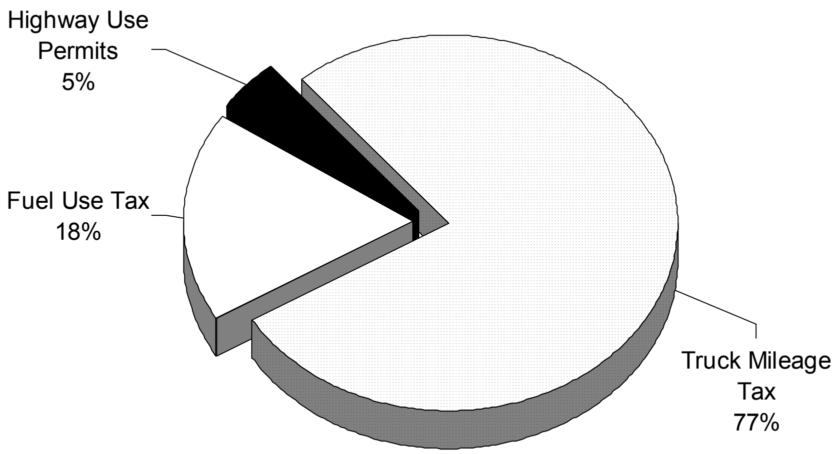
Highway Use Permits

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 2002-03



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.

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

2002-03 RECEIPTS

In the current fiscal year, the weak economy contributed to a decline in trucking demand. In fact, truck mileage tax receipts to date in 2002-03 are 3.6 percent below the comparable 2001-02 period. This decline was partly due to the cut in the supplemental tax rate and reduced audit collections. Fuel use tax receipts to date in 2002-03 are 8.7 percent below the comparable 2001-02 period.

Based on collection experience to date, and the weak economic outlook (see Economic Backdrop section), highway use taxes will continue to decline. Net truck mileage tax receipts are projected at $113.4 million and fuel use tax receipts at $26.1 million. Permit fees of $6.6 million reflect a peak triennial renewal year. Total highway use tax All Funds receipts for 2002-03 are estimated at $146.1 million.

2003-04 PROJECTIONS

Total highway use tax All Fund receipts are projected at $149 million. The base of the truck mileage tax (demand for trucking) is expected to increase by 4 percent as a result of the improving economy. Net truck mileage tax receipts are estimated at $117.6 million. Due to the effect of increased fuel prices, the sales tax component of the fuel use tax is estimated to increase by 3.4 percent. As a result, fuel use tax receipts are expected to grow to $26.9 million. Permit fees of $4.5 million reflect a non-peak triennial renewal year.

OTHER FUNDS

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

GENERAL FUNDS

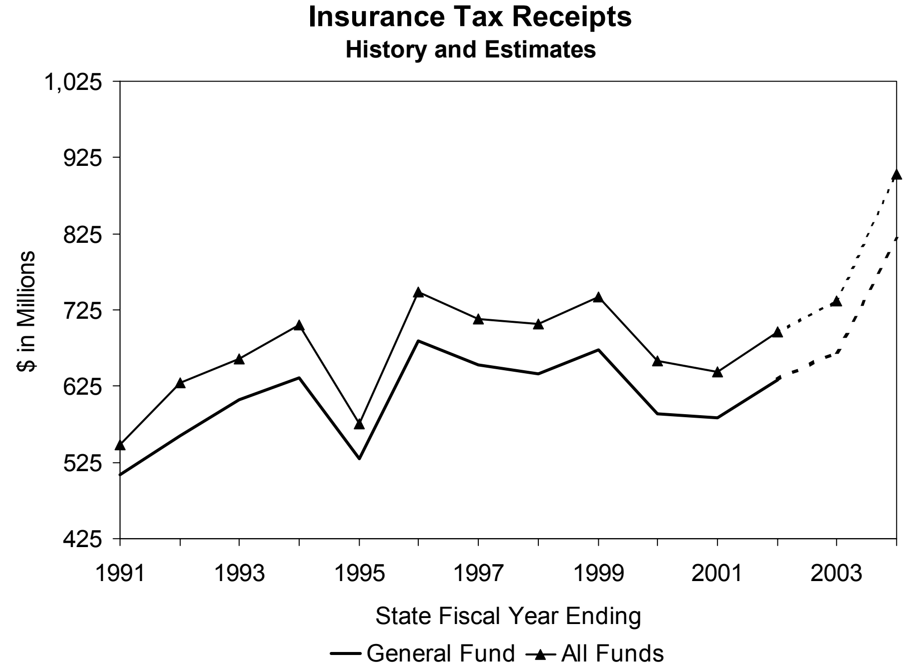
Since 1994-95, no highway use tax receipts have been deposited in the General Fund.

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				
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
2001-02	0	0	0	0	150,480	3,200	148,280	0	148,280
					Estimated				
2002-03	0	0	0	0	148,100	2,000	146,100	0	146,100
2003-04	0	0	0	0	151,000	2,000	149,000	0	149,000

[1] Dedicated Highway and Bridge Trust Fund

INSURANCE TAXES

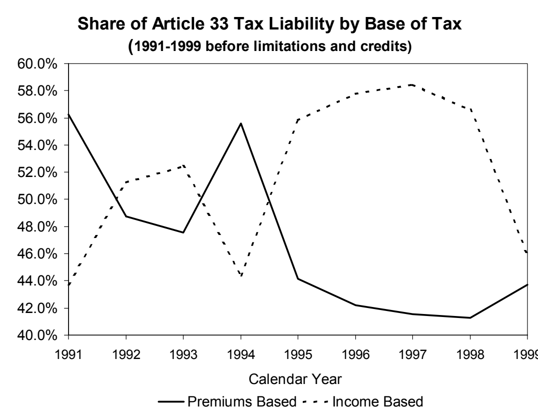


DESCRIPTION

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

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

Base	Rate
Allocated entire net income	7.5 percent
Allocated business and investment capital	1.6 mills for each dollar
Allocated income and officers' salaries	9.0 percent
Minimum tax	$250

Tax is allocated to New York under the entire net income base (ENI) by a formula, which apportions ENI 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 is an 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 type of insurance covered and the type of insurer determines the rate of the premiums tax. 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. As of July 1, 2002, both life and nonlife insurers determine their limitation by multiplying net premiums by 2.0 percent. Prior to this time, the cap differed according to the type of insurer. In 1999, approximately 50 percent of insurance taxpayers benefited from the cap.

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 (MTOAF), dedicated to mass transit assistance in the New York metropolitan region.

SIGNIFICANT LEGISLATION

Credits

Article 33 taxpayers are eligible for several targeted tax credits, including the certified capital companies (CAPCOs) credit, the investment tax credit (ITC), the long-term care insurance credit, and the Empire Zones credits. 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.
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 that 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 that 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) 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
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

Subject	Description	Effective Date
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
Legislation Enacted in 2002		
Estimated Payments	Increased the first quarterly payment of estimated tax from 25 percent to 30 percent of the prior year's liability for non-life insurance companies under Article 33. Life insurance companies, which currently pay a first quarterly payment of 40 percent, are not affected. Taxpayers whose prior year's liability exceeds $100,000 are affected. Taxpayers whose prior year's liability is between $1,000 and $100,000 will continue to make a first quarterly payment of 25 percent of the prior year's liability. Sunsets for tax years beginning on or after January 1, 2006, and expires January 1, 2007.	January 1, 2003
Empire Zones Program	Amended to clarify certain provisions and implement new components for several credit calculations. Extended the program from July 31, 2004 to December 31, 2020.	Various

Proposed Legislation

This year, the Governor has proposed two changes to the Insurance Tax law to simplify the structure.

- **Insurance Tax Restructuring:** This proposal would change the current tax structure for all insurers by eliminating the income base, and other non-premium bases with the exception of the fixed dollar minimum, and raising the premiums base tax to 2.0 percent. In addition, the legislation would change the first installment payment for all insurance taxpayers to 30 percent of estimated liability. This proposal puts New York in conformity with 37 other states that impose only a premiums based tax on insurance companies. The national average premiums rate is 2.1 percent.
- **CAPCO Program:** Another proposed change would create a fourth phase of the CAPCO program with a statewide cap of $250 million. The credit would become available after January 1, 2005, for investment in State supported research centers.

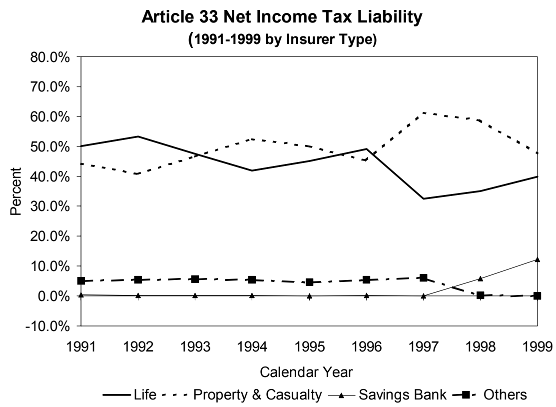
Federal Legislative Changes

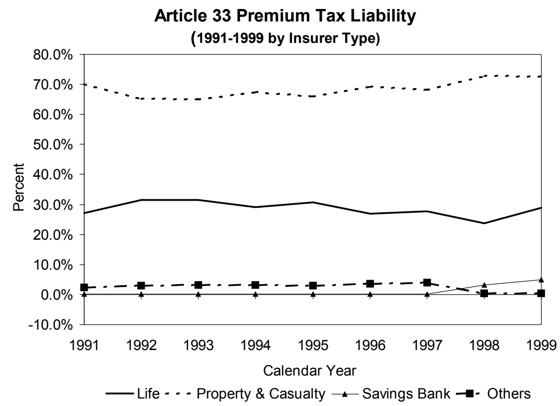
At the Federal level, the Terrorism Risk Insurance Act of 2002 (TIRA) will help to mitigate some industry risk by having private insurers and the federal government share the risk of future losses from terrorism. The legislation helps to make coverage available to owners of high profile structures or businesses with large concentrations of employees that could be exposed to chemical, biological, nuclear or radiological attacks.

2002-03 RECEIPTS

The estimate of All Funds receipts for State fiscal year 2002-03 is $737 million, an increase of 5.9 percent over the prior year. This primarily reflects an increase in premiums rates and premiums written in the 2002 calendar year.

The following graphs illustrate, for the 1991-1999 period that the Property/Casualty and Life/Health sectors combined have historically accounted for over 90 percent of tax liability.





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 were adversely affected by the WTC disaster in 2001. In the five months following the terrorist attacks, insurers paid approximately $16 billion in claims. Payouts on these claims slowed drastically in 2002, mainly because the claims that remain are more complicated. The insurance industry currently estimates direct industry losses from the disaster to be approximately $40 billion. This estimate includes all lines of insurance, including workers' compensation, property, casualty, and reinsurance.

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 sector 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 1995 through 2001 for New York State.

Lines of Insurance	1995	1996	1997	1998	1999	2000	2001
Automobile	8,913	9,466	9,490	9,631	9,594	9,664	10,773
percent change	*3.98*	*6.20*	*0.26*	*1.49*	*(0.38)*	*.73*	*11.48*
Workers' Compensation	3,650	3,121	2,725	2,686	2,725	3,154	3,282
percent change	*(3.15)*	*(14.49)*	*(12.70)*	*(1.41)*	*1.44*	*15.74*	*4.06*
Commercial Multi-Peril	2,139	2,097	2,031	2,071	2,002	2,085	2,178
percent change	*4.70*	*(1.96)*	*(3.15)*	*1.99*	*(3.33)*	*4.15*	*4.46*
General Liability	1,853	1,851	2,091	2,734	1,825	2,148	2,455
percent change	*(6.45)*	*(0.11)*	*12.99*	*30.90*	*(33.25)*	*17.70*	*14.29*
Homeowners' Multi-Peril	1,966	2,053	2,133	2,181	2,230	2,326	2,469
percent change	*5.27*	*4.43*	*3.91*	*2.33*	*2.25*	*4.30*	*6.15*
Other	3,567	3,574	3,620	3,641	3,635	3,720	4,476
percent change	*(3.31)*	*0.20*	*1.29*	*0.61*	*(1.53)*	*2.34*	*20.32*
TOTAL P/C PREMIUMS	22,088	22,162	22,090	22,945	22,011	23,098	25,808
Annual Increase/Decrease							
percent change	*0.75*	*0.34*	*(0.32)*	*3.87*	*(4.07)*	*4.94*	*11.73*

As a result of the WTC disaster, the premiums tax collections have slightly increased as rates for commercial insurers have gone up. Net premiums for property and casualty companies overall grew by 11.7 percent in 2001 but are expected to return to average growth in 2002 and 2003.

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. Tax collections on premiums for life and health companies are expected to grow by approximately 2.8 percent throughout the forecast period. Overall, the estimate reflects continued growth at historical averages for this industry.

2003-04 PROJECTIONS

All Funds collections for 2003-04 are projected at $903 million, an increase of approximately 22.5 percent. The State fiscal year 2003-04 receipt gains are due to the proposed removal of the net income and other bases portion of the tax and the imposition of a 2.0 percent premiums rate for all types of insurance taxpayers. Absent the law change, it is expected that the net income base would increase minimally, primarily due to weak investment results for the industry.

The forecast of receipts from property and casualty insurers is based on an increase in premium liability of 5.0 percent, primarily resulting from modest growth in the automobile and homeowners sectors. It should be noted that many of these taxpayers are already paying at the 2.0 percent cap and will see no increase in tax paid under the proposed legislation. An increase in premiums, therefore, may not equate to a corresponding increase in revenue from all companies.

A significant downside risk to the forecast would be a continuation of the current economic slowdown. Given industry and economic conditions, some companies have withdrawn from certain lines of business, such as homeowners and private passenger automobile. Consolidations in this industry have continued over the past year, which reduced some competition and price pressure, allowing companies to increase premium rates. We expect that the supply on the property and casualty industry will remain below pre-September 11 levels.

The forecast assumes that the life and health sector will grow modestly through the 2003 tax year. Net income tax liability for this sector is projected to grow by 2.8 percent. Sales of variable annuities have fallen with the stock market in recent quarters. A major risk to the forecast would be the continued decline in investment income, affected by investment portfolios and annuity sales.

The Federal tax law changes, such as 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, does not appear to be materially affecting the industry at this time.

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. The MTOAF is estimated at $67 million for 2002-03 and $85 million for 2003-04.

GENERAL FUND

Based on collections to date, net collections for the year are estimated to be $670 million. This represents an increase of approximately $37 million from the prior year. The receipts estimate for 2002-03 includes an estimated $40 million in audit collections.

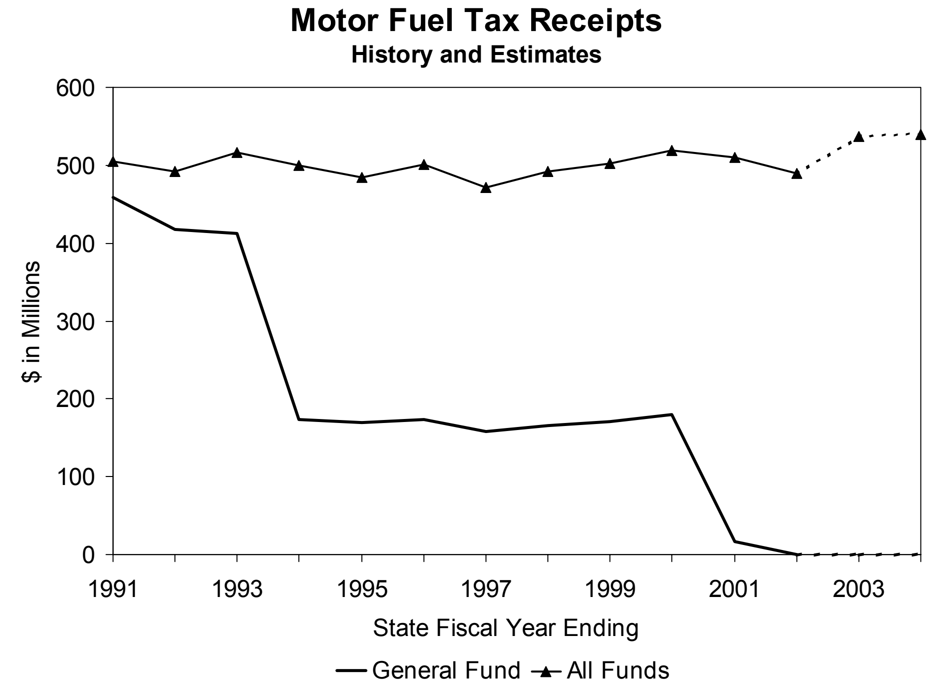
For 2003-04, General Fund collections are estimated at $818 million. The majority of the increase is attributable to the proposed tax law change. This includes an estimated $40 million in audits, offset by $35 million in refunds. The following table provides the receipts estimate for 2002-03 and the forecast for 2003-04, as well as a history of receipts for 1994-95 through 2001-02.

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					
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	66	6	60	0	0	644
2001-02	708	34	41	633	81	18	63	0	0	696
					Estimated					
2002-03	745	35	40	670	77	10	67	0	0	737
2003-04[2]	893	35	40	818	95	10	85	0	0	903

[1] Mass Transportation Operating Assistance Fund
[2] Proposed Law

MOTOR FUEL TAX



DESCRIPTION

Motor fuel and diesel motor fuel taxes are imposed 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 for 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.

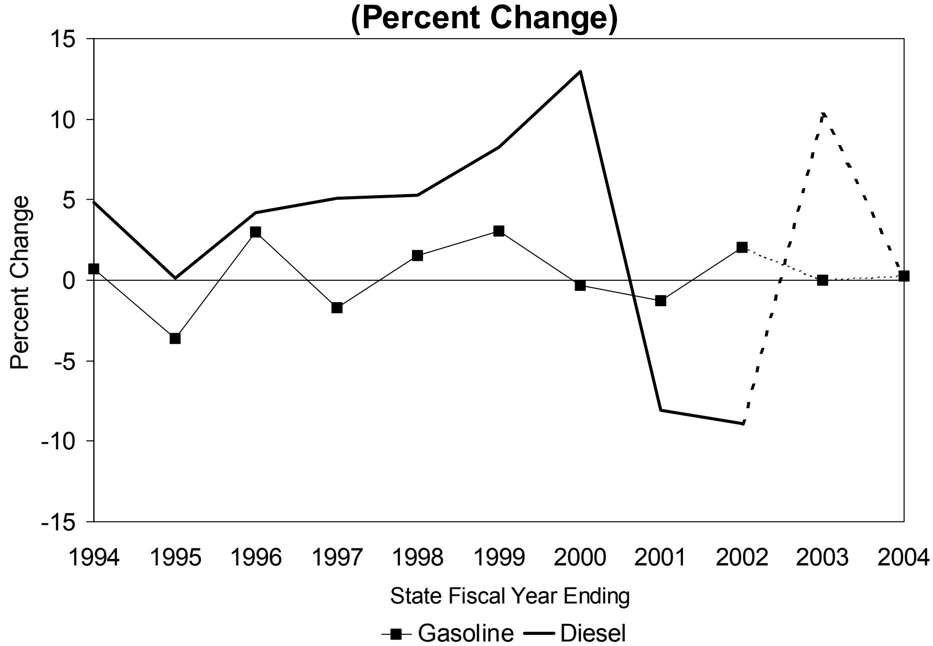
Since 1988, taxes on diesel motor fuel have been collected upon the first non-exempt sale in the State. Prior to that time, the diesel motor fuel tax was collected at the time of retail sale or use by a bulk user.

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. These taxpayers should remit taxes electronically or by certified check by the third business day following the first 22 days of each month. 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 first 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 1995-96 and 1999-2000, reflecting robust demand for diesel fuel resulting from strong economic growth. The sharp decline in 2000-01 and the decline in 2001-02 diesel gallonage reflects, in part, higher prices for diesel fuel and the economic slowdown. 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 again in 2000-01, and increased in 2001-02, due in part to price changes.

Gasoline and Diesel Reported Gallons (Percent Change)



SIGNIFICANT LEGISLATION

Statutory changes since 1994 are summarized in the following table.

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

2002-03 RECEIPTS

All Funds receipts to date are $418.3 million, which is $6.2 million, or 1.5 percent, above the comparable period in 2001-02. Gasoline receipts to date are unchanged. Diesel receipts to date have increased by $6.2 million (13.5 percent) as the economy recovers from the adverse impact of the 2002 terrorist attacks and the national recession.

For the year as a whole, total motor fuel tax receipts are estimated at $534.8 million, an increase of $45.4 million, or 9.3 percent, from 2001-02. Due to a large negative accounting correction for gasoline receipts in March 2002, gasoline receipts for the remainder of the year are expected to be far above 2001-02 receipts for the same period. Accordingly, gasoline receipts for the year are estimated to increase by $36.4 million (8.4 percent). Diesel receipts are estimated to increase by $9 million (15.4 percent).

2003-04 PROJECTIONS

The gasoline and diesel consumption projections for 2003-04 reflect a slow recovery from recession and estimated fuel prices that continue to increase in 2003. All Funds receipts are projected to be $537.3 million, an increase of $2.5 million (0.5 percent). Gasoline receipts are projected to increase by $1.1 million. Diesel receipts are projected to increase $1.4 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)

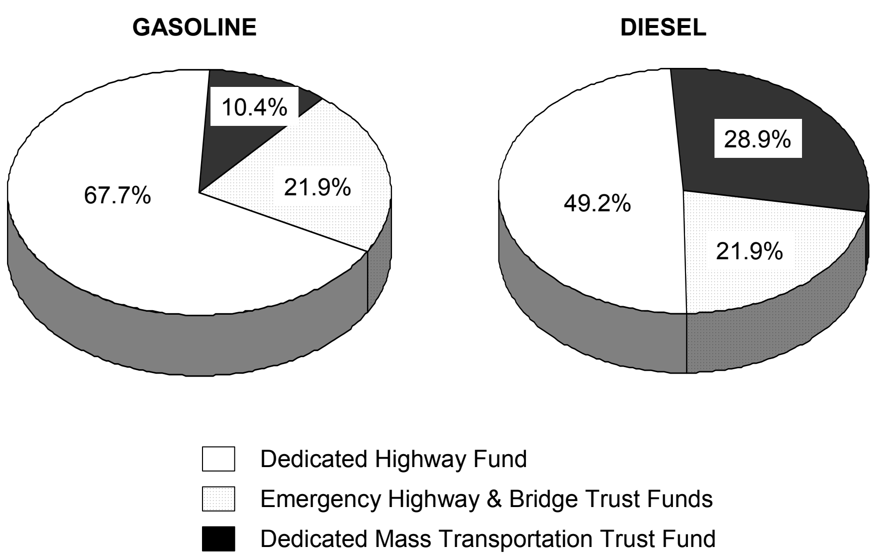
Effective Date	General Fund	DHBTF[1]	EHF[2]	DMTTF[3]
Prior to April 1, 1993				
Gasoline	78.1	0.0	21.9	0.0
Diesel	78.1	0.0	21.9	0.0
Prior to April 1, 2000				
Gasoline	28.1	50.0	21.9	0.0
Diesel	78.1	0.0	21.9	0.0
Prior to April 1, 2001				
Gasoline	0.0	67.7	21.9	10.4
Diesel	28.1	31.5	21.9	18.5
Prior to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

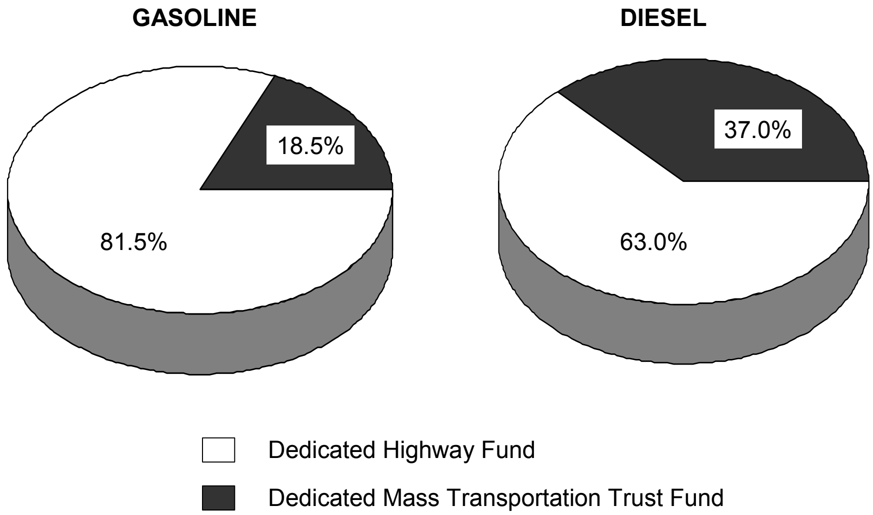
The percentage distributions of motor fuel tax revenue by fund and fuel type for State fiscal years 2002-03 and 2003-04, are displayed in the following pie charts.

Motor Fuel Tax Distributions by Fund

State Fiscal Year 2002-03



Motor Fuel Tax Distributions by Fund
State Fiscal Year 2003-04



GENERAL FUND

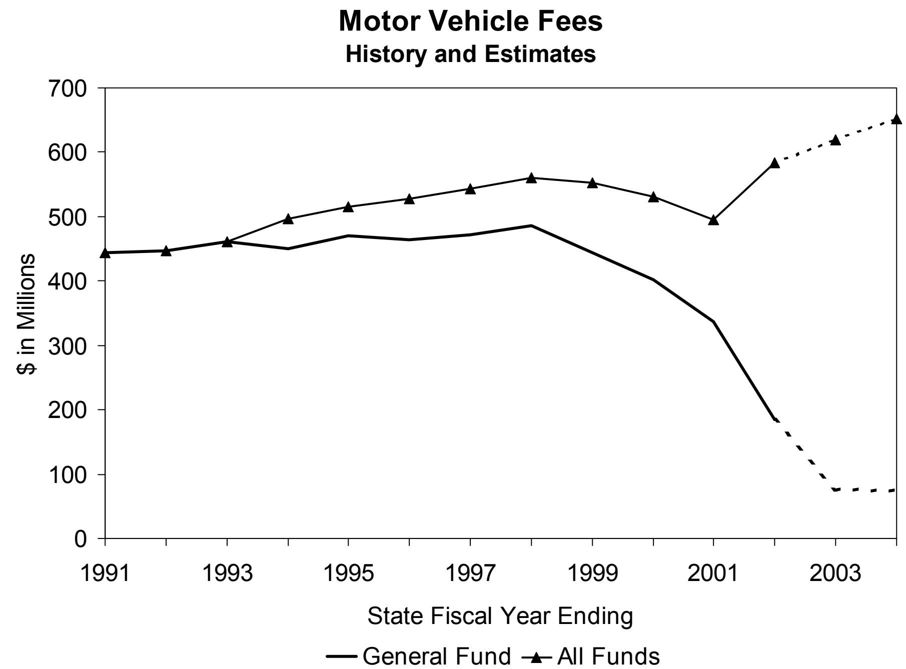
Motor fuel tax revenues are no longer deposited in the General Fund effective April 1, 2001.

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						
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
2001-02	502,686	0	61,759	320,581	107,055	13,291	489,395
	Estimated						
2002-03	547,800	0	68,500	349,300	117,000	13,000	534,800
2003-04	550,300	0	112,500	424,800	0	13,000	537,300

[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 societies 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 charged at 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 licensing 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 registrations 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 either in person or by mail at the central and district offices of the Department of Motor Vehicles, and 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

2002-03 RECEIPTS

Gross receipts for fiscal year 2002-03 are estimated at $664 million. The estimate for receipts from registrations is $434 million and the estimate for receipts from licenses and other fees is $230 million. An estimated $45 million in refunds and county clerk retentions will result in estimated net All Funds receipts from motor vehicle fees of $619 million. The estimate reflects the continuing reissuance of new registration plates and the extension of a driver's license renewal to eight years.

2003-04 PROJECTIONS

Consistent with historical trends, gross receipts for fiscal year 2003-04 are estimated at $692 million. The estimate for receipts from registrations is $431 million and $261 million for receipts from licenses and other fees. An estimated $41 million in refunds and county clerk retentions will result in estimated net All Funds receipts from motor vehicle fees of $651 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 is 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, amounts 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 2002-03, the Dedicated Highway and Bridge Trust Fund will receive an estimated $465 million and the Dedicated Mass Transportation Trust Fund will receive an estimated $78 million.

In fiscal year 2003-04, the Dedicated Highway and Bridge Trust Fund will receive a projected $481 million and the Dedicated Mass Transportation Trust Fund will receive a projected $95 million.

PROPOSED LEGISLATION

Legislation submitted with the Budget proposes to: (1) double current boat registration fees; (2) increase the fee for certificate of vehicle sale from $1 to $5; (3) increase the fee for original title application from $5 to $10; and (4) increase the charge for license plates from $5.50 to $15 per set. The increases are valued in 2003-04, respectively, at $1.3 million, $6 million, $7.3 million and $21.7 million.

In addition to increasing the fees listed above, the proposed legislation would dedicate the additional moneys from the certificate of sale fee and the original title application fee to the Dedicated Highway and Bridge Trust Fund beginning April 1, 2004. These two fees are valued in 2004-05, respectively, at $12 million and $14.7 million. Finally, the proposed legislation would dedicate $59.9 million from non-registration fees to the Dedicated Highway and Bridge Trust Fund in 2004-05.

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
January 1, 1995	83.0	17.0	0.0
January 1, 1996	80.0	20.0	0.0
April 1, 1998	72.0	28.0	0.0
July 1, 1998	66.0	34.0	0.0
February 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

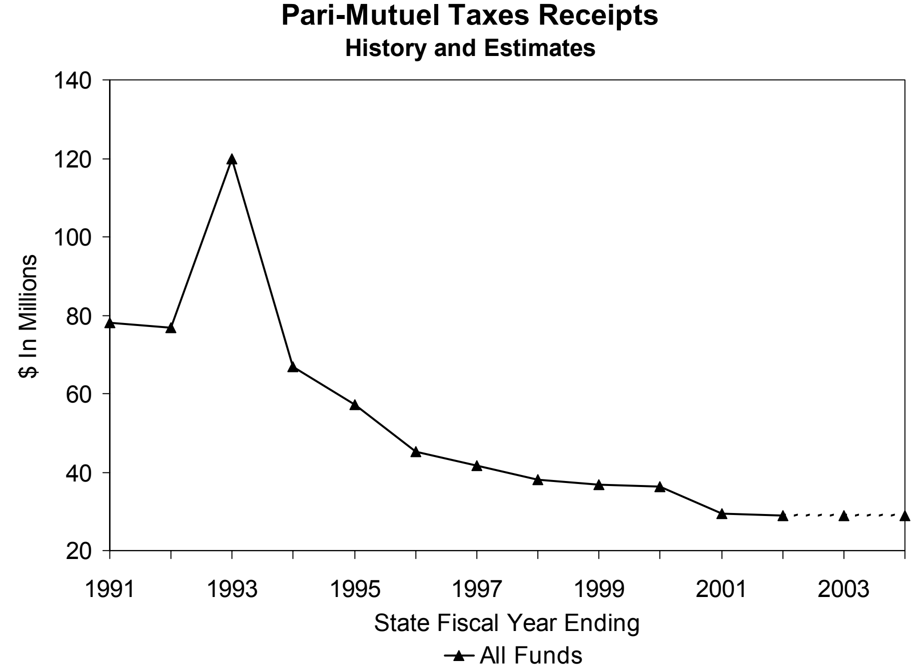
In fiscal year 2002-03, the General Fund will receive an estimated $76 million in motor vehicle fees. In fiscal year 2003-04, the General Fund will receive a projected $75 million based on proposed law.

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							
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
2001-02	230,867	23,391	22,437	185,039	27,803	370,593	0	583,435
	Estimated							
2002-03	120,941	22,400	22,500	76,041	77,901	464,990	0	618,932
2003-04 current	79,360	21,000	20,000	38,360	95,092	481,492	0	614,944
2003-04 proposed	115,698	21,000	20,000	74,698	95,092	481,492	0	651,282

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

PARI-MUTUEL TAXES

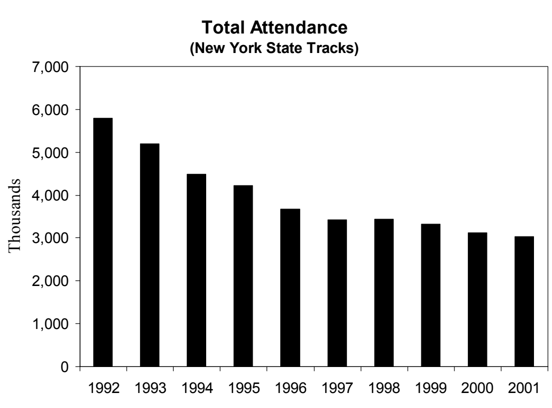


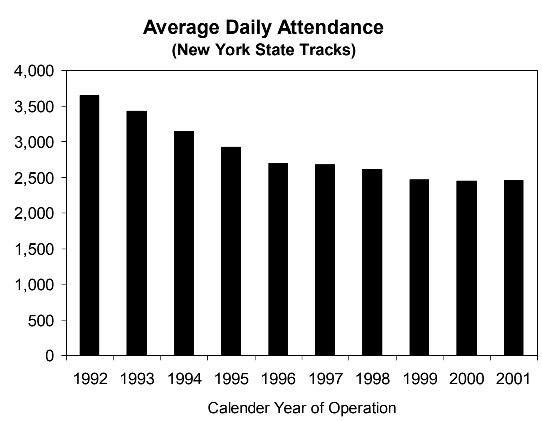
DESCRIPTION

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 agricultural 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 2001-02, $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.

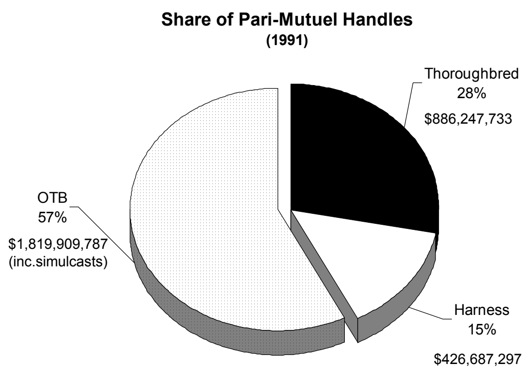
More recently, the State authorized telephone betting, in-home simulcasting experiments, expansion of simulcasting at both race tracks and OTB facilities. Also, the State lowered the tax rates on simulcast wagering, eliminated the State franchise fee on nonprofit racing associations, and reduced tax rates on NYRA bets.

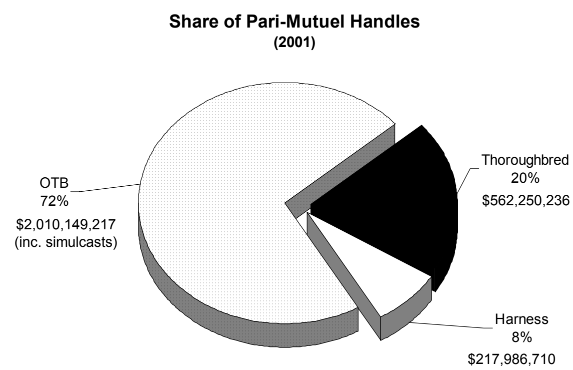
SIGNIFICANT LEGISLATION

The following table summarizes significant pari-mutual tax legislation enacted since 1994.

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.	January 1, 1998
	Extended authorizations for lower tax rates for on-track and off-track bets on NYRA through June 30, 2002.	
Franchise Fee	Eliminated NYRA franchise fee.	January 1, 1998
Legislation Enacted in 1999		
Tax Rates	Cut the tax rate on 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

Subject	Description	Effective Date
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
Legislation Enacted in 2002		
Extended Expiring Laws	Extended to July 1, 2007, simulcasts for thoroughbred and harness racing, in-home simulcasts, telephone accounts and telephone wagering, simulcasts of out-of-State races, and current tax rates for off-track betting corporations.	June 17, 2002
	Extended the NYRA franchise to December 31, 2012, provided that Aqueduct racetrack commences video lottery gaming on April 1, 2003.	January 28, 2002





2002-03 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 2002-03 statewide betting handle (both on- and off-track) is expected to remain largely unchanged at approximately $2.8 billion.

The total thoroughbred on-track handle, including simulcasts, is estimated at $583 million, down 5 percent from the prior year. The continuing decline in wagering on live harness races is being offset, in part, by increased simulcasting. Total harness handle is estimated at $195 million. The handle at off-track betting corporations is estimated to increase to $2 billion, up 1.3 percent from the 2001-02 level.

Thoroughbred revenues, including simulcast receipts, are expected to decline by 6 percent from 2001-02 to $9.9 million, largely as the result of prior reductions in tax rates. OTB receipts are estimated to increase by 4 percent to $19 million. Receipts from harness tracks are expected to decrease 13 percent from $0.8 million to $0.7 million. Total pari-mutuel tax receipts are estimated to be $29.6 million.

2003-04 PROJECTIONS

Current Law

The pari-mutuel projections for 2003-04 assume a full racing season. In total, State pari-mutuel tax receipts are projected at $29.4 million for 2003-04.

Total on-track thoroughbred receipts are projected to decline by 2 percent as a result of a continuation of the downward trend in handle and attendance. A projected thoroughbred handle of $561.8 million, including betting on out-of-State races, will produce $9.7 million in tax receipts.

The harness racing handle is projected to decrease to $188.6 million, generating tax receipts of $0.7 million, including $0.3 million in revenue from on-track wagers and $0.4 million from simulcasting.

The OTB handle is projected at $2 billion, producing tax receipts of $19 million.

Proposed Law

Legislation submitted with this budget provides that:

- The racing industry beginning in State fiscal year 2003-04, directly fund the State's regulation of its activities. The tracks and OTBs would pay a separate regulating fee equivalent to 0.5 percent of all handle wagered on their races and/or at their facilities;
- The tracks would be authorized to set the takeout rate within a specified range;
- Unlimited simulcasting would be allowed; and,
- Mandatory fund balances for telephone accounts would be eliminated.

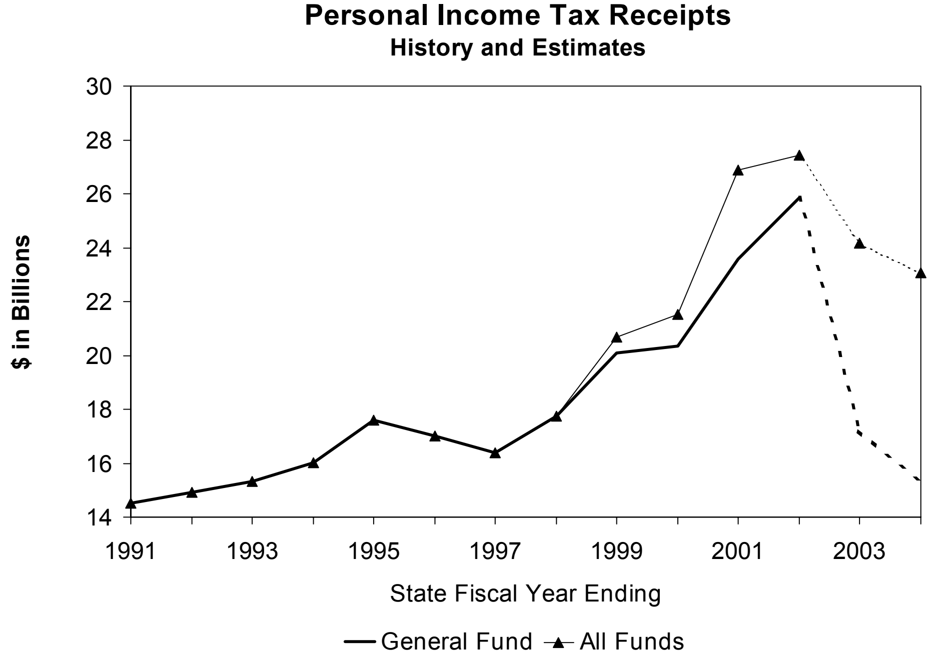
The passage of this proposed legislation will eliminate $12.2 million of General Fund support for the regulation of the racing industry in fiscal year 2003-04.

The increase in simulcasting and the elimination of minimum balances on telephone betting accounts are expected to increase the handle and generate approximately $2.3 million in additional State revenues in 2003-04.

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						
1994-95	34,306	2,817	20,189	0	0	0	57,312
1995-96	23,985	1,220	19,906	0	0	0	45,111
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
2001-02	10,500	800	18,300	0	0	0	29,600
	Estimated						
2002-03	9,900	700	19,000	0	0	0	29,600
2003-04							
(current law)	9,700	700	19,000	0	0	0	29,400
(proposed law)	10,447	754	20,464	16,060	0	0	47,725

PERSONAL INCOME TAX



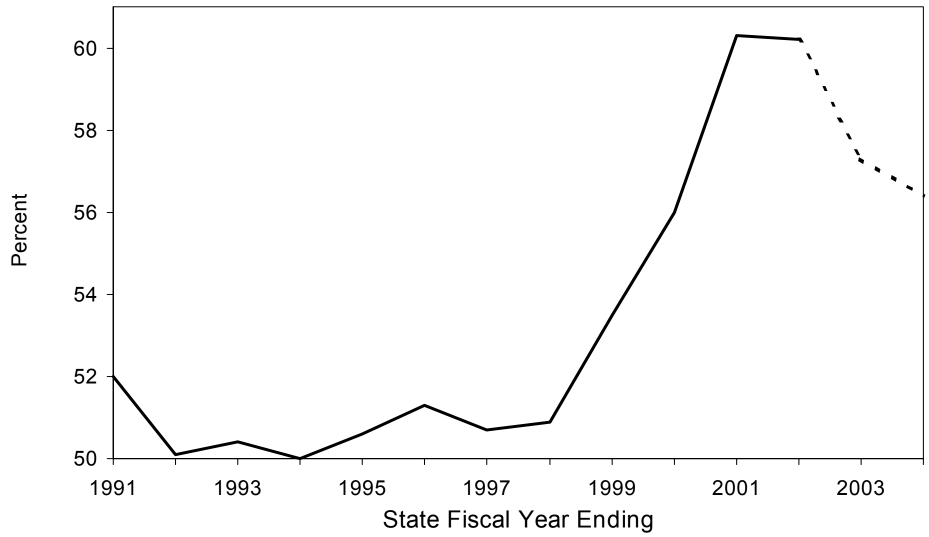
DESCRIPTION

The personal income tax is New York State's largest source of tax revenue. It is estimated that, during State fiscal years 2002-03 and 2003-04, the personal income tax will account for more than one-half of total General Fund tax 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

PIT Receipts as Share of All Funds Tax Receipts



Note: Personal Income Tax (PIT) is defined as gross receipts less refunds; 2000-01 receipts reflect an adjustment for the timely payment of refunds.

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 2002, the threshold is $137,300 ($68,650 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 stipulates that the limitation on itemized deductions will be phased out over four years beginning in 2006. The limitation will be 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 that was phased in over the three years 1995 through 1997, as shown below:

TABLE 1
PERSONAL INCOME TAX
TOP RATE, STANDARD DEDUCTIONS AND DEPENDENT EXEMPTIONS
1994 - 2003
(dollars)

	1994	1995	1996	1997-2000	2001	2002	2003
Top Rate	7.875%	7.59375%	7.125%	6.85%	6.85%	6.85%	6.85%
Thresholds							
Married Filing Jointly	26,000	25,000	26,000	40,000	40,000	40,000	40,000
Single	13,000	12,500	13,000	20,000	20,000	20,000	20,000
Head of Household	17,000	19,000	17,000	30,000	30,000	30,000	30,000
Standard Deduction							
Married Filing Jointly	9,500	10,800	12,350	13,000	13,400	14,200	14,600
Single	6,000	6,600	7,400	7,500	7,500	7,500	7,500
Head of Household	7,000	8,150	10,000	10,500	10,500	10,500	10,500
Dependent Exemption	1,000	1,000	1,000	1,000	1,000	1,000	1,000

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

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, 25 percent in 2001, and 27.5 percent in 2002. It is scheduled to increase 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.
College Tuition Tax Credit	Available as an alternative to the college tuition deduction, this refundable credit equals the applicable percentage of allowed tuition expenses multiplied by 4 percent. The credit will be at least the lesser of tuition paid or $200. It is being phased in over a four-year period with applicable percentages of allowed tuition expenses beginning at 25 percent in tax year 2001, 50 percent in 2002, 75 percent in tax year 2003, and 100 percent in 2004 and thereafter.
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).

SIGNIFICANT LEGISLATION

The following major tax law changes enacted since 1994 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

Subject	Description	Effective Date
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
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
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

Subject	Description	Effective Date
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
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

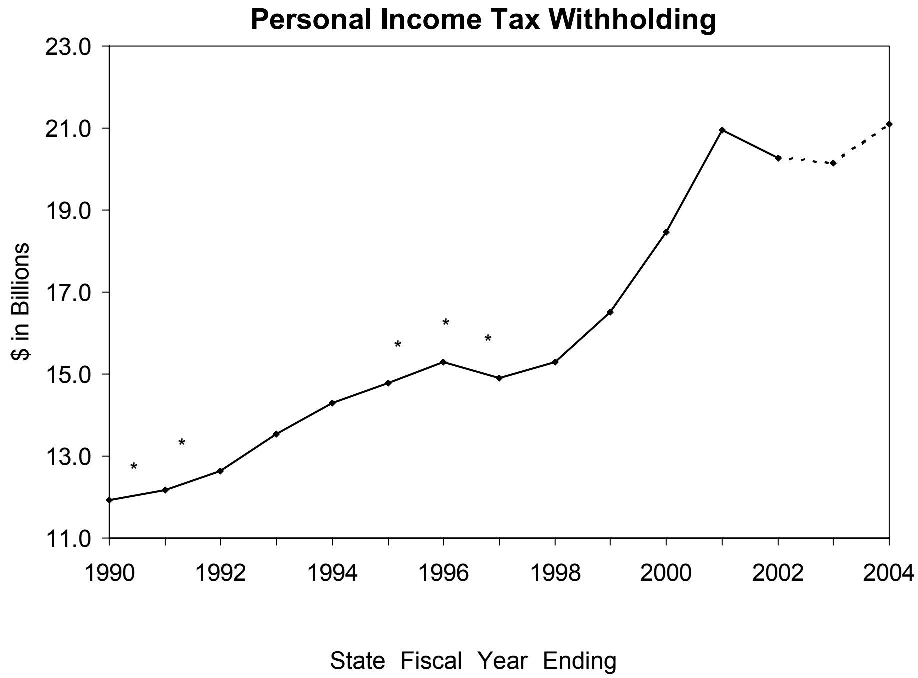
PROPOSED LEGISLATION

Legislation proposed with this Budget will include an historic homes credit, a limited liability company filing fee increase, withholding for certain partnerships, and decoupling from certain Federal vehicle expensing. Deposits into the STAR fund in 2003-04 assume passage of the proposal to freeze STAR benefits for non-seniors at 2002-03 levels.

Withholding Changes

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

Effective Date	Feature	Changes
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 beginning 1989-90. The symbol "*" indicates the date 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
2002	1,677.4	(1,840.0)	Increased receipts by 1,840.0
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

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. Thereafter, no additional LGAC funds were deposited in the refund reserve account. At the end of 2002-03, these funds are available to finance refunds issued in the spring of 2003, but will be restored to the reserve by March 31, 2004.

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 provided reserves that were used to pay additional refunds during April and May. As part of multi-year strategy, these reserves were used to address the fiscal deficiencies caused by the September 11 attack and the national recession.

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 [1]	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	521	95	1,061	1,677
2003 est.	521	156	(250) [2]	427

[1] 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, and the long-term care insurance and petroleum tank credits starting in 2003.

[2] The 2002-03 Budget Agreement reduced the end of the year reserves by $250 million.

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 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. As has been administrative practice since 2001, refunds of $960 million will be paid during the period January through March 2003.

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.

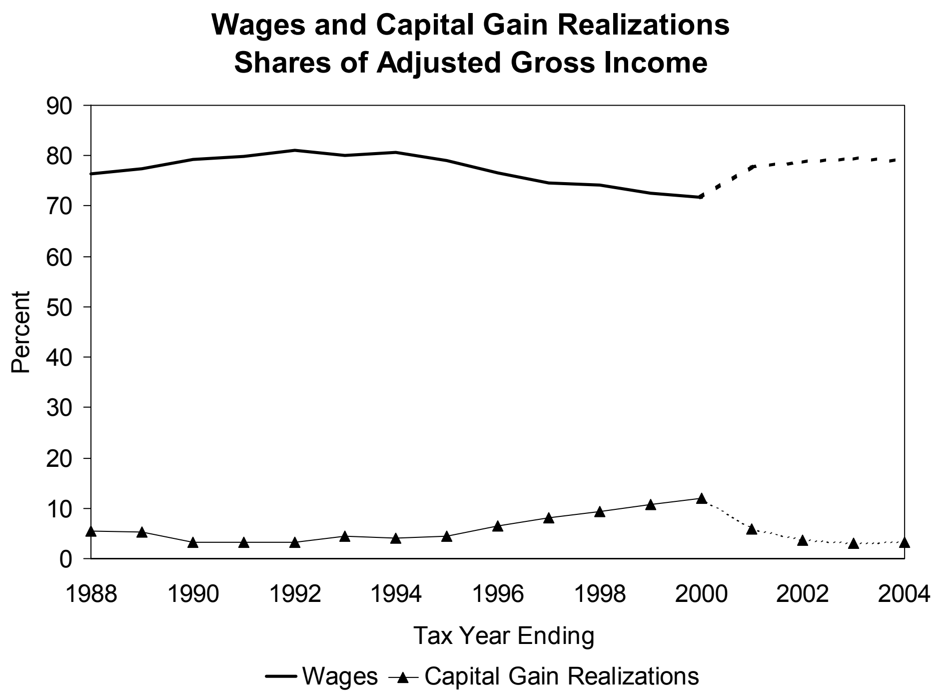
TABLE 5
DISTRIBUTION OF THE MAJOR COMPONENTS OF NEW YORK ADJUSTED GROSS INCOME (AGI)
(millions of dollars)

Component of Income	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
NYSAGI										
Amount	301,362	321,124	347,981	383,179	417,996	453,130	519,501	489,413	467,784	475,182
% Change	1.4	6.6	8.4	10.1	9.1	8.4	14.6	(5.8)	(4.4)	1.6
Wages										
Amount	242,771	253,551	266,334	285,919	309,614	328,851	373,177	381,152	368,829	377,289
% Change	2.0	4.4	5.0	7.4	8.3	6.2	13.5	2.1	(3.2)	2.3
Share of NYSAGI	80.6	79.0	76.5	74.6	74.1	72.6	71.8	77.9	78.8	79.4
Net Capital Gains										
Amount	12,032	14,086	22,441	31,563	38,929	48,330	62,302	28,449	17,111	14,649
% Change	(10.0)	17.1	59.3	40.7	23.3	24.1	28.9	(54.3)	(39.9)	(14.4)
Share of NYSAGI	4.0	4.4	6.4	8.2	9.3	10.7	12.0	5.8	3.7	3.1
Interest and Dividends										
Amount	19,630	22,680	23,534	24,652	24,807	25,299	30,290	26,284	25,955	26,133
% Change	5.7	15.5	3.8	4.8	0.6	2.0	19.7	(13.2)	(1.3)	0.7
Share of NYSAGI	6.5	7.1	6.8	6.4	5.9	5.6	5.8	5.4	5.5	5.5
Taxable Pension										
Amount	15,694	16,620	17,391	18,953	18,891	20,854	22,121	22,263	23,464	24,618
% Change	20.0	5.9	4.6	9.0	(0.3)	10.4	6.1	0.6	5.4	4.9
Share of NYSAGI	5.2	5.2	5.0	4.9	4.5	4.6	4.3	4.5	5.0	5.2
Net Business and Partnership Income										
Amount	19,666	25,868	31,425	35,288	37,142	42,035	44,004	43,653	44,322	45,803
% Change	(4.7)	31.5	21.5	12.3	5.3	13.2	4.7	(0.8)	1.5	3.3
Share of NYSAGI	6.5	8.1	9.0	9.2	8.9	9.3	8.5	8.9	9.5	9.6
All Other Incomes/ Adjustments [1]										
Amount	(8,430)	(11,680)	(13,142)	(13,195)	(11,387)	(12,239)	(12,392)	(12,388)	(11,897)	(13,311)
% Change	29.5	38.6	12.5	0.4	(13.7)	7.5	1.2	(0.0)	(4.0)	11.9

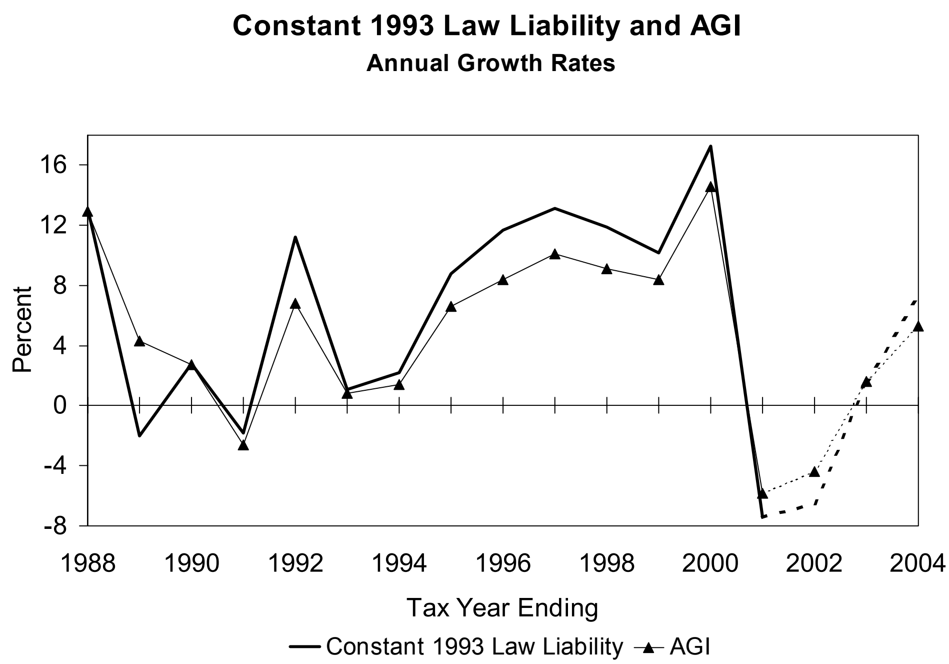
[1] Include alimony received, unemployment income, IRA income, and other incomes. This number is negative due to the Federal and New York adjustments to income, which together reduce final NYSAGI.

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 tripled, from 4.0 percent to 12.0 percent. Over the same period, the share of wages in AGI decreased from 80.6 percent to 71.8 percent. Business and partnership income also posted strong growth between 1994 and 2000 and accounted for 8.5 percent of AGI in 2000. The AGI data demonstrate that much of the rapid growth in liability in the years before 2001 can be attributed to the large increases in realized capital gains and business income.

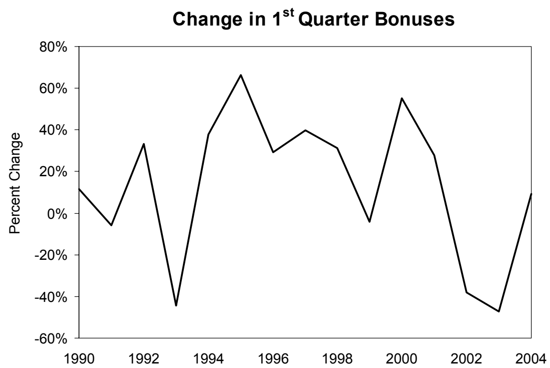
With the bursting of the stock market bubble and national recession, there has been a precipitous decline in investment related incomes. As the accompanying chart illustrates, it is expected that realized capital gains will decline as a share of taxable income.

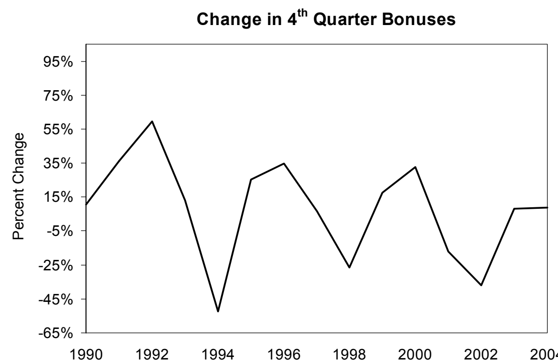


The following graph illustrates the relationship between the growth rates of liability, measured over time on a constant law basis, and AGI. A change in AGI typically results in a larger relative change in liability (see Economic Backdrop section titled Sources of Volatility in the Income Base). This discrepancy is due, in part, to the volatility of net capital gains and partnership income (which tends to be concentrated among high-income taxpayers) and the interaction of income changes with a progressive rate schedule.



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 in the pre-1992-93 period, 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 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. It is estimated that approximately 30 percent of financial and insurance bonuses for 1994 and after, were paid at the end of the calendar year, while 70 percent were paid early in the following year, a distribution pattern closer to pre-1992-93 experience.





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. New York State was more severely affected than the nation as a whole. (See Economic Backdrop section.) After an impressive growth rate of 14.6 percent in 2000, AGI is estimated to have declined close to 6 percent in 2001, with an additional decrease of more than 4 percent forecasted for 2002, due in large part to the recession. Such back-to-back AGI decreases are unprecedented in the history of the present State personal income tax system which was established in 1960. The last time the State experienced a drop in AGI was in 1991 with a 2.6 percent decline. This decline was followed by a 6.8 percent increase in 1992.

The State economy is expected to improve slowly, with an AGI growth rate of 1.6 percent projected for 2003 (see Economic Backdrop section).

2000 and 2001 Liability

Based on tax collections, total liability for 2000 was approximately $25.8 billion. Of this amount, $24.7 billion was accounted for by the 9 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 2000 was $520 billion, yielding an average effective tax rate of 4.8 percent.

Reversing several years of tremendous expansion in the State, AGI in 2001 is estimated to have declined drastically to $489 billion, compared to $520 billion in 2000, a 5.8 percent loss in the personal income tax revenue base. Wages and salaries are estimated to have increased a modest 2.1 percent in 2001, compared to 13.5 percent in the previous year. Following 41 percent growth in 1997, 23 percent in 1998, 24 percent in 1999, and 29 percent in 2000, capital gains are estimated to have dropped more than 50 percent in 2001 as a result of poor performances in the financial sector. Interest and dividend income is estimated to have decreased 13 percent, following a 20 percent gain in 2000. This decline reflects the several cuts in the federal fund rates by the Federal Reserve, and poor corporate dividend earnings. Business net income and income derived from partnerships and S corporations are expected to have experienced a 1 percent decline after growing 13 percent in 1999 and 5 percent in 2000.

2002 AGI and Liability

In 2002, AGI is estimated to have declined 4.4 percent to $468 billion, reflecting the weak economic recovery and the continuing impact of the equity market decline. Wages and salaries are estimated to have decreased 3.2 percent. The drop in wages reflects the drastic cuts in financial sector bonuses as a result of the weak investment banking performance in 2001 and 2002, as well as slow growth in non-bonus average wages, and a decline in employment. See the Economic Backdrop section for a detailed account of the recent declines in the taxable income base.

Interest and dividend income is estimated to have continued its decline for a second year, with a 1.3 percent drop. Capital gains realizations are also projected to have dropped another 40 percent.

Business net income and income derived from partnerships and S corporations are expected to have recovered modestly with a 1.5 percent increase.

As a result, estimated liability is projected to have decreased 7.9 percent to $20.8 billion, an estimated loss of $1.8 billion in revenues compared to 2001, and $3.9 billion compared to 2000.

2003 AGI and Liability

In 2003, the State economy is expected to begin a slow recovery, with an associated AGI increase of 1.6 percent. This increase represents a total AGI of $475 billion, considerably below the 2000 peak of $520 billion.

Wages and salaries are projected to grow a modest 2.3 percent. Capital gains realizations are expected to be 14.4 percent below the 2002 level, reflecting the fact that individuals are allowed to carry indefinitely into future tax years unclaimed capital losses from previous years.

Incomes from businesses, partnerships and S corporations are expected to grow 3.3 percent.

Under current law, estimated liability is projected to grow 0.8 percent to $21 billion, $200 million more than 2002, signaling the turnaround in the State economy.

Tax Changes and Liability

The 1997 tax year was the final phase of the three-year personal income tax cut enacted in June 1995. This 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 2001 liability, as extrapolated from the 2000 study file, is estimated to be $22.6 billion, representing an 8.6 percent decline compared to 2000. The effective tax rate is estimated to be 4.6 percent. Without the tax cuts enacted since 1995, it is estimated that liability would have been approximately $27.8 billion, more than $5 billion higher than under current law.

Under current law, liability is estimated at $20.8 billion and $21.0 billion in 2002 and 2003, respectively. Without the tax changes enacted since 1995, liability would be estimated at $25.9 billion in 2002 and $26.3 billion in 2003. Under both current law and constant law, effective tax rates are estimated to be significantly lower in the 2001 through 2003 tax years than in 2000. (See Table 6.)

TABLE 6
LIABILITY AND EFFECTIVE TAX RATES*
Current Law and Constant Law
1994 - 2003
(millions of dollars)

	Current Law			Constant (1994) Law		
	Liability		Effective Tax Rate	Liability		Effective Tax Rate
	Amount	Growth Rate	(percent)	Amount	Growth Rate	(percent)
1994	15,241	1.7	5.06	15,241	1.7	5.06
1995	16,011	5.1	4.99	16,541	8.5	5.15
1996	16,319	1.9	4.69	18,390	11.2	5.28
1997	16,950	3.9	4.42	20,711	12.6	5.40
1998	18,986	12.0	4.54	23,201	12.0	5.55
1999	20,977	10.5	4.63	25,595	10.3	5.65
2000	24,733	17.9	4.76	30,084	17.5	5.79
2001**	22,601	(8.6)	4.62	27,760	(7.7)	5.67
2002**	20,807	(7.9)	4.45	25,893	(6.7)	5.54
2003**	20,975	0.8	4.41	26,311	1.6	5.54

* Liability divided by AGI
**Estimated

Risks in Liability Estimates

The estimates are subject to significant risks. The national economy is slowly emerging from recession and thereby vulnerable to any significant shock. The rate of economic growth could be faster or slower than expected. The stock market and financial services industry may do much better or worse than envisioned. In addition, capital gains exhibit a high degree of volatility. (See Economic Backdrop section titled Sources of Volatility in the Income Base.)

2002-03 RECEIPTS

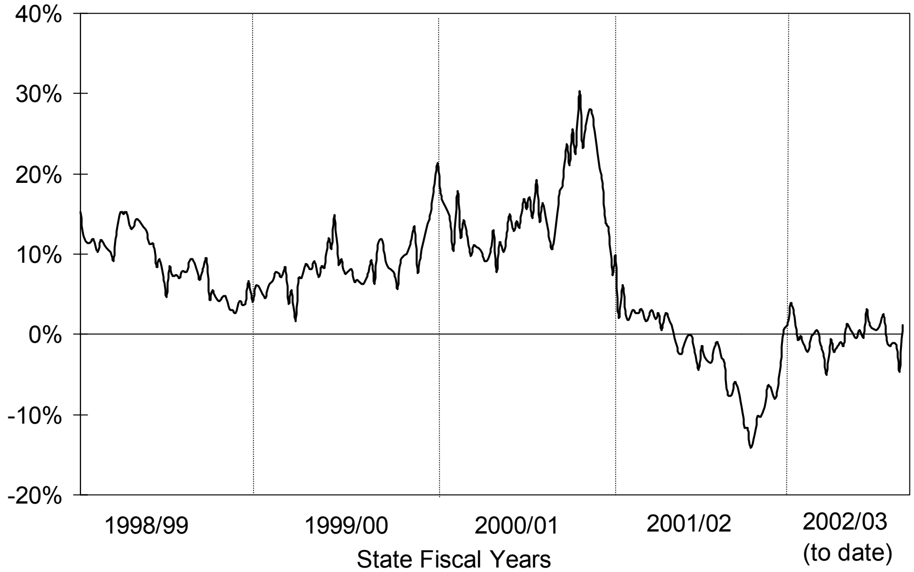
Based on current economic conditions, All Funds net personal income tax receipts for the 2002-03 fiscal year are estimated at $24,155 million.

Key risks for the remainder of the fiscal year include the amount of withholding tax collections to be received in the first quarter of 2003, the balance of estimated payments to be received on 2002 liability, and delinquency collections received for the remainder of the year from the amnesty program and other programmatic initiatives.

The current forecast assumes that estimated payments on 2002 liability will be 19.0 percent lower than comparable payments on 2001 liability.

Compared with the same period a year ago, withholding collections decreased 0.6 percent through the first nine months of the fiscal year. It is expected that withholding collections will decrease 0.6 percent for the remainder of 2002-03, largely reflecting continued weakness in bonus payments growth in the December to March period.

Weekly Withholding
Growth Rates Over 12 Weeks
4/1/98-1/10/03



Prior refunds are expected to return to normal levels following the high refund payments due to filing delays and victims' relief legislation following the World Trade Center attacks.

Without refund reserve transactions, All Funds net receipts are estimated at $22,905 million, a decrease of 10.4 percent from comparable 2001-02 receipts. The components of the estimate are detailed in Table 7, and are based on actual collections of $16.1 billion through December.

TABLE 7
PROJECTED FISCAL-YEAR COLLECTION COMPONENTS
ALL FUNDS
(millions of dollars)

	2000-01 (Actual)	2001-02 (Actual)	2002-03 (Estimated)	2003-04 (Projected)
Receipts				
Withholdings	20,955	20,261	20,145	21,105
Estimated Payments	6,874	6,353	4,815	4,485
Current Year	5,621	4,685	3,795	3,645
Prior Year*	1,253	1,668	1,020	840
Final Returns	1,684	1,874	1,335	1,140
Current Year	118	101	102	125
Prior Year*	1,566	1,773	1,233	1,015
Delinquent Collections	558	601	905	720
Gross Receipts	30,071	29,089	27,200	27,450
Refunds				
Prior Year*	2,313	2,165	2,770	2,925
Previous Years	187	165	265	170
Current Year	960	960	960	960
State-City Offset*	169	225	300	300
Total Refunds	3,629	3,515	4,295	4,355
Net Receipts	26,442	25,574	22,905	23,095
Reserve Transactions	450	1,840	1,250	-41
Net Reported	26,892	27,414	24,155	23,054

* 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, 2003, is $427 million.

An added risk to the estimate of 2002-03 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. Consequently, information about such payments was not available when the 2002-03 estimates were constructed.

2003-04 PROJECTIONS

Based on current law, net personal income tax receipts would have been expected to decrease by 4.7 percent, to $23,014 million, in 2003-04. Reported receipts include the net decrease to collections of $41 million from transactions in the refund reserve account.

Under current law, withholding receipts would have been projected to rise by 4.8 percent. Final payments related to 2002 returns would have been expected to decrease by $218 million from 2001 returns, reflecting the 2002 liability decrease.

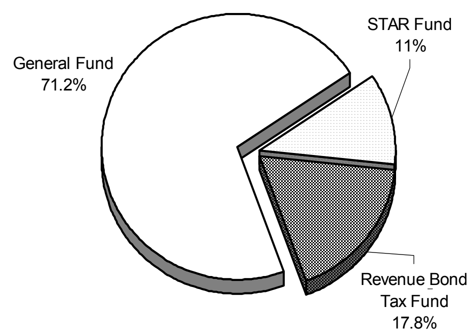
The other major component of collections, estimated payments on 2003 income, would have been projected to decrease by 4.3 percent. This is consistent with the expected slight decrease in total non-wage income in 2003, and a continued decline in capital gains realizations following the strong increases in 1997 through 2000.

Based on proposed law, withholding receipts are projected to rise 4.8 percent, estimated tax payments are projected to decrease 4.0 percent, and final payments are projected to decrease by $195 million from 2002-03 collections. As a result, net personal income tax receipts are expected to decrease by 4.6 percent, to $23,054 million, in 2003-04.

OTHER FUNDS

Legislation enacted in 1998 created the School Tax Relief (STAR) Fund to help provide school tax reductions under the STAR program. The same legislation 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 2002-03 and 2003-04, respectively, dedicated personal income tax receipts of $2,667 million and $2,707 million will be deposited into the School Tax Relief Fund.

Fund Shares of Net Receipts
2002-03



Personal income tax receipts of $250 million were deposited into the Debt Reduction Reserve Fund in the 2001-02 fiscal year.

Chapter 383, Laws of 2001, provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds. Since May 2002, a portion of personal income tax receipts has been deposited in the Revenue Bond Tax Fund (RBTF), a State debt service fund under the joint custody of the Commissioner of Taxation and Finance and the State Comptroller. Chapter 383 requires the State Comptroller to deposit an amount equal to 25 percent of estimated monthly State personal income tax receipts (after payment of refunds and STAR deposits, but before any contribution from the refund reserve account) into the RBTF each month. These large deposits into the RBTF significantly reduce the amount reported as General Fund personal income tax receipts. Each month, RBTF moneys in excess of the amount needed for debt service payments are transferred back to the General Fund. Personal income tax receipts of $4,306 million and $5,097 million will be deposited in the Revenue Bond Trust Fund in 2002-03 and 2003-04, respectively.

GENERAL FUND

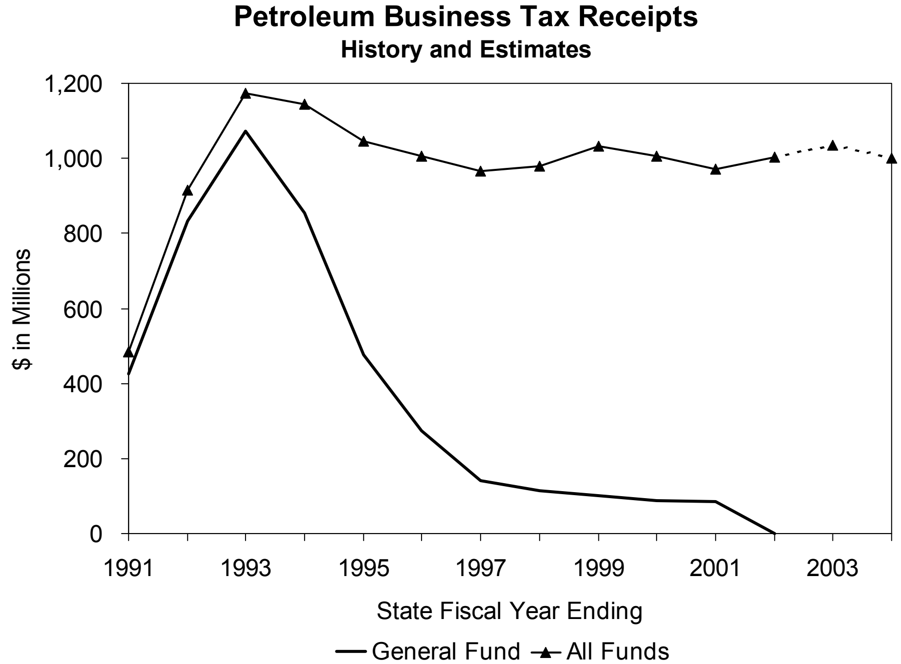
Under current law, General Fund net personal income tax receipts are estimated at $17,182 million in 2002-03 and would have been estimated at $15,220 million in 2003-04. Under proposed law, General Fund net personal income tax receipts are projected at $15,250 million in 2003-04.

TABLE 8
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				
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
2001-02	27,529	3,515	24,014	(1,840)	25,854	1,310	0	250	27,414
					Estimated				
2002-03	20,227	4,295	15,932	(1,250)	17,182	2,667	0	4,306	24,155
2003-04									
current law	19,616	4,355	15,261	41	15,220	2,707	0	5,087	23,014
proposed law	19,646	4,355	15,291	41	15,250	2,707	0	5,097	23,054

[1] STAR Fund.
[2] Debt Reduction Reserve Fund and Revenue Bond Trust Fund.

PETROLEUM BUSINESS TAXES



DESCRIPTION

Article 13-A of the Tax Law imposes a tax on petroleum businesses for the privilege of 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 subject to 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. These indexed rates reflect petroleum price changes. (See Table 3.) Table 1 displays the per gallon PBT rates for 2002, while Table 2 displays the scheduled rates for 2003 and the projected rates for 2004. The 2004 rates reflect changes due to indexing.

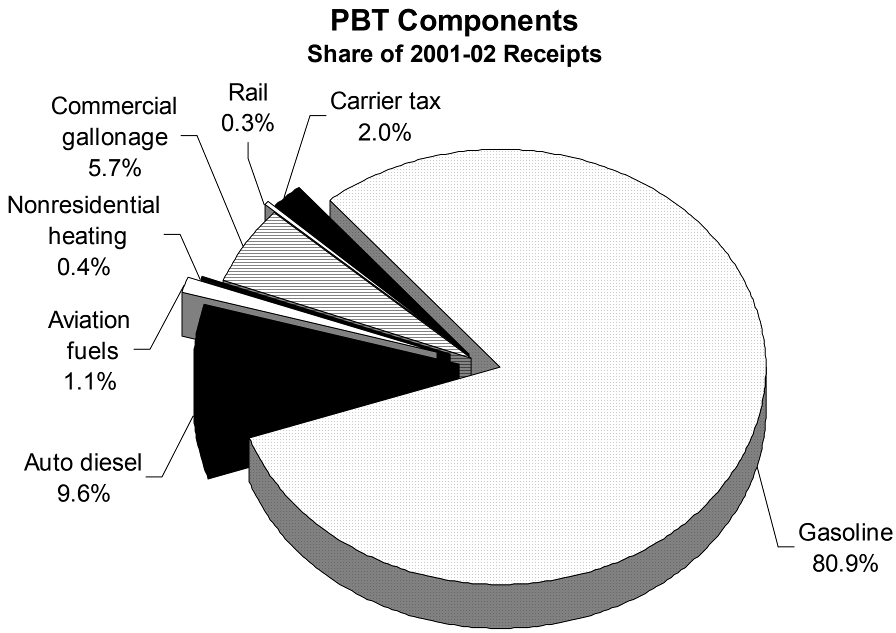
TABLE 1
PETROLEUM BUSINESS TAX RATES FOR 2002
(cents per gallon)

Petroleum Products	Jan.-Aug. 2002 Base	Supp	Total	Sep.-Dec. 2002 Base	Supp	Total
Automotive fuel						
Gasoline and other non-diesel	8.80	5.80	**14.60**	8.80	5.80	**14.60**
Diesel	8.80	4.05	**12.85**	8.80	4.05	**12.85**
Aviation gasoline	8.80	5.80	**14.60**	8.80	5.80	**14.60**
Net rate after credit	5.80	0.0	**5.80**	5.80	0.0	**5.80**
Kero-jet fuel	5.80	0.0	**5.80**	5.80	0.0	**5.80**
Non-automotive diesel fuels	7.90	5.80	**13.70**	7.90	5.80	**13.70**
Commercial gallonage after credit	7.90	0.0	**7.90**	7.90	0.0	**7.90**
Nonresidential heating after credit	6.30	0.0	**6.30**	4.30	0.0	**4.30**
Residual petroleum products	6.10	5.80	**11.90**	6.10	5.80	**11.90**
Commercial gallonage after credit	6.10	0.0	**6.10**	6.10	0.0	**6.10**
Nonresidential heating after credit	4.90	0.0	**4.90**	3.30	0.0	**3.30**
Railroad diesel fuel	8.80	4.05	**12.85**	8.80	4.05	**12.85**
Net rate after exemption/refund	7.50	0.0	**7.50**	7.50	0.0	**7.50**

TABLE 2
PETROLEUM BUSINESS TAX RATES FOR 2003 AND 2004
(cents per gallon)

Petroleum Products	2003 Base	Supp	Total	2004* Base	Supp	Total
Automotive fuel						
Gasoline and other non-diesel	8.40	5.60	**14.00**	8.80	5.80	**14.60**
Diesel	8.40	3.85	**12.25**	8.80	4.05	**12.85**
Aviation gasoline	8.40	5.60	**14.00**	8.80	5.80	**14.60**
Net rate after credit	5.60	0.0	**5.60**	5.80	0.0	**5.80**
Kero-jet fuel	5.60	0.0	**5.60**	5.80	0.0	**5.80**
Non-automotive diesel fuels	7.60	5.60	**13.20**	7.90	5.80	**13.70**
Commercial gallonage after credit	7.60	0.0	**7.60**	7.90	0.0	**7.90**
Nonresidential heating after credit	4.10	0.0	**4.10**	4.30	0.0	**4.30**
Residual petroleum products	5.80	5.60	**11.40**	6.10	5.80	**11.90**
Commercial gallonage after credit	5.80	0.0	**5.80**	6.00	0.0	**6.00**
Nonresidential heating after credit	3.10	0.0	**3.10**	3.20	0.0	**3.20**
Railroad diesel fuel	8.40	3.85	**12.25**	8.80	4.05	**12.85**
Net rate after exemption/refund	7.10	0.0	**7.10**	7.50	0.0	**7.50**

* Projected — A fuel price increase of 14.8 percent through August 2003 will result in an increase of 5 percent in the PBT tax rates on January 1, 2004.



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 changed through 1995.

Legislation in 1994 provided that beginning January 1, 1996, and annually thereafter, tax rates would be indexed using a new methodology. 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 each 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 changes in the index, PBT rates for 2002 increased by 5 percent, and then decreased by 5 percent beginning in 2003. The index for January 1, 2004, is projected to increase by more than 5 percent, triggering a tax rate increase of 5 percent for 2004. (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	13.08	5.00
2003	(19.51)	(5.00)
2004*	14.80	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

The following table summarizes the major petroleum business tax legislation 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
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 effective 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 remaining 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).

2002-03 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 remain flat.

All Funds collections to date, including audit receipts, surcharges and the carrier tax, are $781.2 million, 6.6 percent above comparable receipts in 2001-02. Based on these collection trends, petroleum business tax All Funds receipts for the year are estimated at $1,034 million, an increase of $31.4 million or 3.1 percent from the prior year. The estimate for 2002-03 reflects the 5 percent increase in PBT rates that took effect on January 1, 2002, and the scheduled 5 percent decrease effective January 1, 2003. The estimate also reflects 2000 legislation that reduced taxes on commercial heating by 33 percent and eliminated PBT minimum taxes.

2003-04 PROJECTIONS

The forecast assumes a small increase in gasoline consumption and 2 percent growth in diesel consumption. The demand for residual fuels consumed by utilities is projected to be the same as 2002-03.

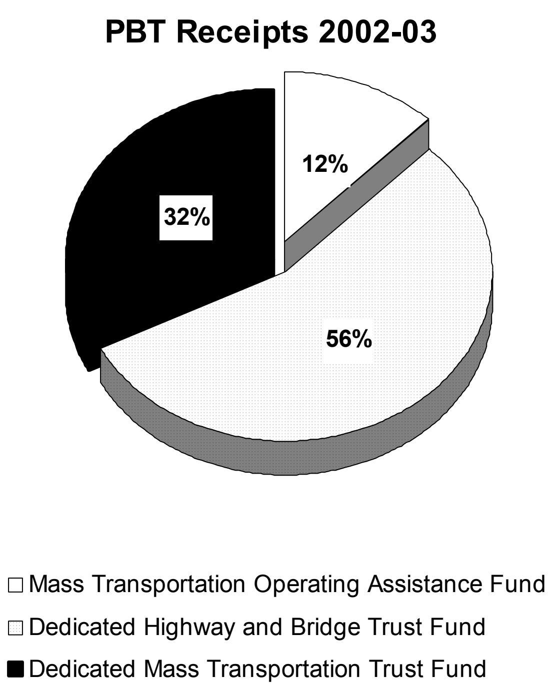
Projected 2003-04 All Funds receipts of $1,001 million assume that fuel inventories will remain stable. The estimate reflects the first full year impact of the 2000 legislation that reduced taxes on commercial heating by 33 percent. In addition, receipts for 2003-04 are based on an anticipated increase in January 2004 of 5 percent in the index used to set PBT tax rates.

OTHER FUNDS

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.

Petroleum business tax receipts in 2002-03 are estimated to be $125.9 million for MTOAF, $572.1 million for the Dedicated Highway and Bridge Trust Fund, and $336.0 million for the Dedicated Mass Transportation Trust Fund.

Petroleum business taxes in 2003-04 are projected to provide MTOAF receipts of $121.5 million, Dedicated Highway and Bridge Trust Fund receipts of $554.1 million, and Dedicated Mass Transportation Trust Fund receipts of $325.4 million.



GENERAL FUND

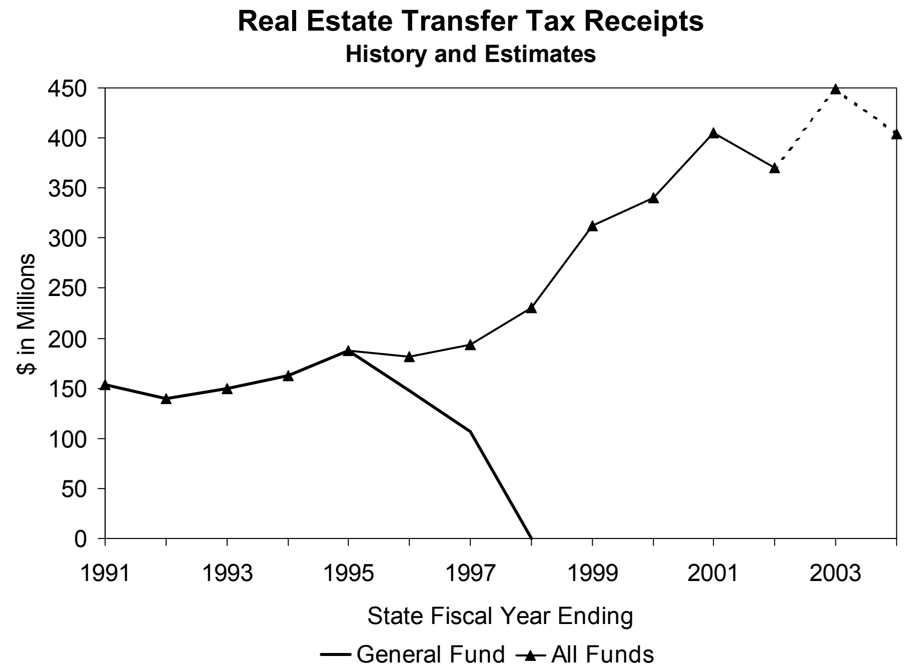
Legislation enacted in 2000 provided that all remaining PBT receipts deposited in the General Fund be deposited in the Dedicated Funds Pool, effective April 1, 2001. As a result, no PBT receipts will be deposited in the General Fund in 2002-03 and 2003-04.

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									
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
2001-02	94	0	94	458,714	9,807	448,907	565,661	12,094	553,567	1,002,568
	Estimated									
2002-03	0	0	0	469,200	7,300	461,900	581,200	9,100	572,100	1,034,000
2003-04	0	0	0	455,800	8,900	446,900	565,200	11,100	554,100	1,001,000

[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. The tax became effective August 1, 1968. Prior to May 1983, the rate was $1.10 per $1,000 of consideration. 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 approaches 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

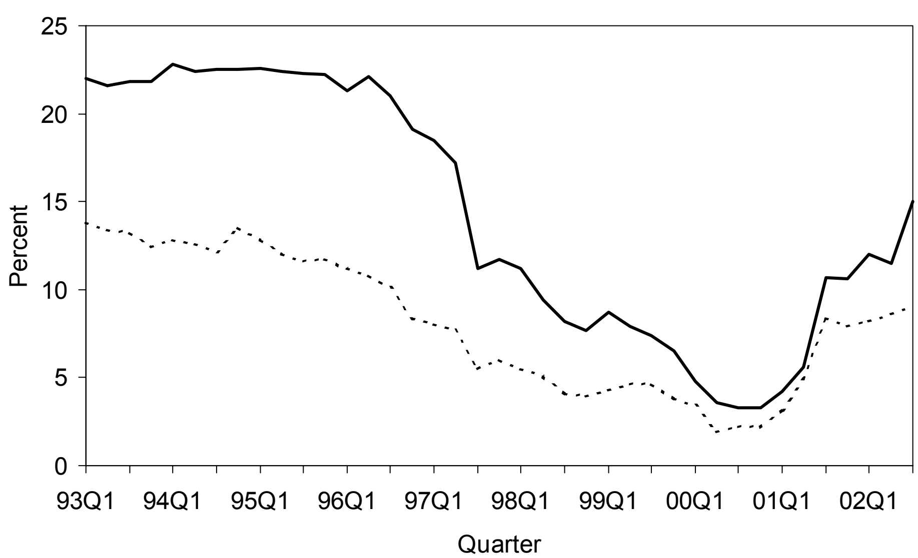
For deeded transfers, the tax is paid to a recording agent (generally the county clerk). For non-deeded transactions, payments are made directly to the Commissioner of Taxation and Finance. All payments are due to the recording agent within 15 days of the transfer. For counties with more than $1.2 million 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.

2002-03 RECEIPTS

Reported All Funds collections to date are $359.2 million, an increase of 21.1 percent from 2001-02 collections for the comparable period.

The large increase in receipts is due to a surge in residential conveyances and prices caused by record-low mortgage rates and a booming housing market. During the first seven months of the fiscal year, the total number of conveyances (including non-residential) jumped 10.3 percent, while average prices increased 9.1 percent compared with the first seven months of 2001-02. The Manhattan commercial market is expected to account for fewer receipts in 2002-03. The decline in demand for office space, which began in 2001-02 with the exit of unprofitable companies from the commercial real estate market, continued in 2002-03 with established companies subletting unneeded space. Despite the loss of a significant amount of office space in downtown Manhattan due to the World Trade Center disaster, the vacancy rate continued to rise in 2002-03. The vacancy rate downtown was 15 percent during the third quarter of 2002, up from 10.7 percent during the same period in 2001. In midtown, the rate increased from 8.4 percent to 9 percent during the same period. However, prices remained relatively strong at least partially due to investors moving from declining equity markets into real estate.

Vacancy Rates in Manhattan



Source: C.B. Richard Ellis

Downtown - - - - Midtown

FISCAL YEAR LIABILITY THROUGH OCTOBER
(millions of dollars)

Region	2001-02 Liability	2002-03 Liability	Percent Change
Manhattan	53.7	56.1	4.4
Other Four Boroughs	30.2	39.8	31.9
Long Island	45.0	61.4	36.5
Rest of State	63.3	76.4	20.8
Central Office*	49.6	57.6	16.1

* Through November

Collections for the remainder of the fiscal year are expected to be $89.6 million, an increase of 21.1 percent from 2001-02 collections for the same period. Net All Funds receipts are estimated at $448.8 million, up 78.2 million, or 21.1 percent from the prior fiscal year.

2003-04 PROJECTIONS

Mortgage rates are expected to rise and the unprecedented number of residential transfers that took place in 2002-03 is unlikely to be repeated in 2003-04. Also, Manhattan commercial vacancy rates are projected to rise further in 2003-04. Accordingly, taxable conveyances are expected to decline. Residential prices are expected to continue to rise but at a slower rate reflecting a cooling in the residential housing market. Net All Funds receipts are expected to decrease $44.4 million, or 9.9 percent, to $404.4 million.

OTHER FUNDS

During 2002-03 and 2003-04, 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 $336.8 million in 2002-03 and $292.4 million in 2003-04, 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 2002-03 or 2003-04. 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								
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	229,269	1,039	228,230	340,230
2000-01	0	0	0	0	112,000	293,181	436	292,745	404,745
2001-02	0	0	0	0	112,000	258,677	55	258,622	370,622
	Estimated								
2002-03	0	0	0	0	112,000	336,860	60	336,800	448,800
2003-04	0	0	0	0	112,000	292,460	60	292,400	404,400

[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.

2002-03 Receipts and 2003-04 Projections

All Funds net gift tax collections to date are $3.4 million. Net collections for 2002-03 are expected to be $3.8 million, consisting of $4.4 million in gross receipts and $0.6 million in refunds. No receipts are expected for 2003-04, 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.

2002-03 Receipts and 2003-04 Projections

Container tax receipts for State fiscal year 2002-03 are estimated to be zero. This reflects the repeal of the tax effective October 1, 1998, and the net effect of audit collections and refunds. Receipts for 2003-04 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.

2002-03 Receipts and 2003-04 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, All Funds collections are $3.6 million, with an additional $0.2 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 2002-03 are estimated to be $3.8 million.

All Funds collections from outstanding installments and CARTS will produce a projected $2.1 million in 2003-04. 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.

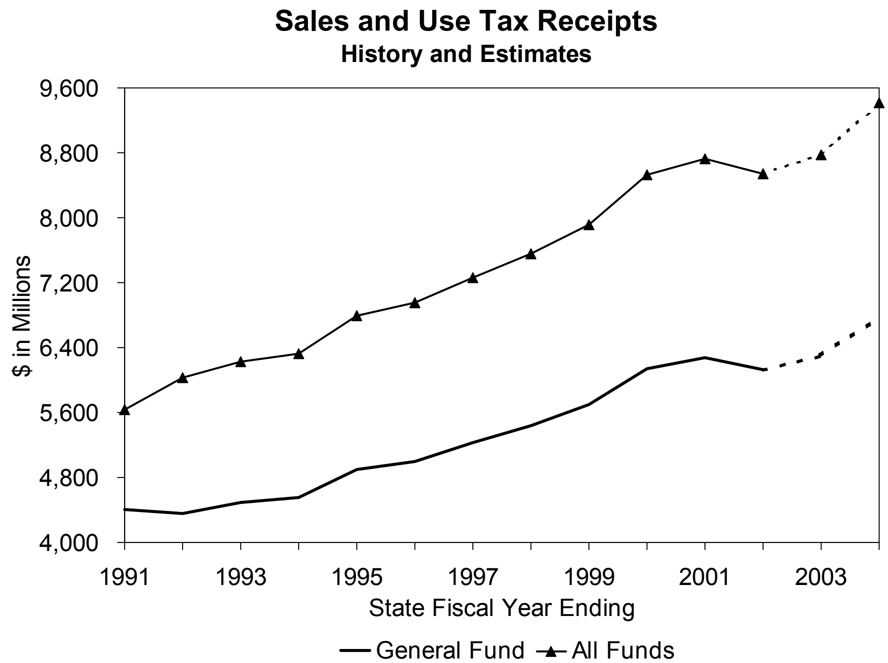
2002-03 Receipts and 2003-04 Projections

Hotel occupancy tax receipts for State fiscal year 2002-03 are expected to be zero. Net residual payments for 2003-04 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			
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
2001-02	11,120	1,120	10,000	0	0	0	10,000
				Estimated			
2002-03	8,200	600	7,600	0	0	0	7,600
2003-04	2,100	0	2,100	0	0	0	2,100

SALES AND USE TAX



DESCRIPTION

The sales and compensating use tax, which accounted for over 16.4 percent of 2001-02 General Fund tax 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, 28 counties and 15 cities (including New York City) have sought and received temporary legislative authority to impose 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;

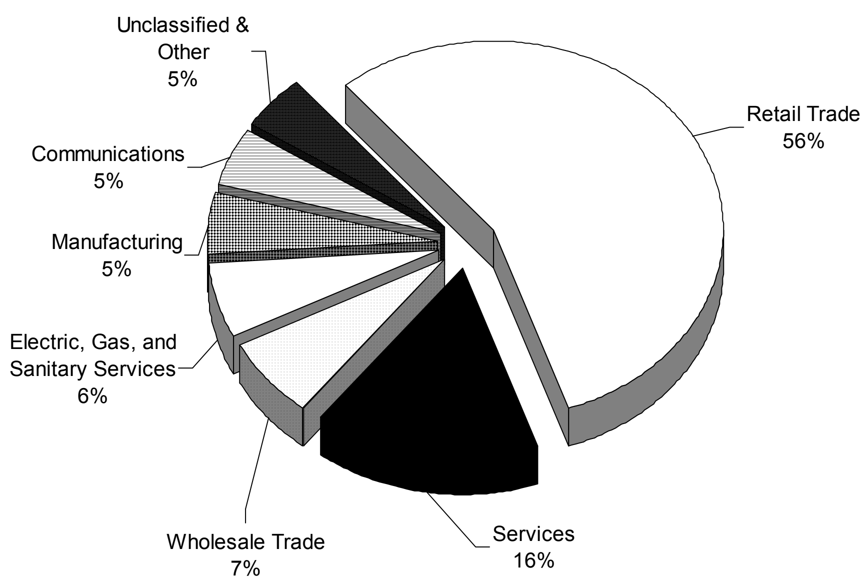
- food and beverages sold by restaurants, taverns and caterers;
- hotel occupancy; and
- certain admission charges and dues.

Examples of taxable services include installing or maintaining tangible personal property, and protective and detective services. An additional 5 percent sales tax is imposed on the receipts from the sale of telephone entertainment services that are exclusively delivered aurally.

Although numerous exemptions from tax on the sales of tangible personal property have been enacted (see discussion below), 56 percent of total taxable sales and purchases subject to the sales and 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.

Industry Shares of Taxable Sales and Purchases

September 1999 to February 2000



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 $500,000 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, 1995, and 2002 reduced the threshold to $4 million, $1 million and to the current $500,000 threshold, respectively. Approximately 54 percent of the tax is remitted via EFT.

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 that 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

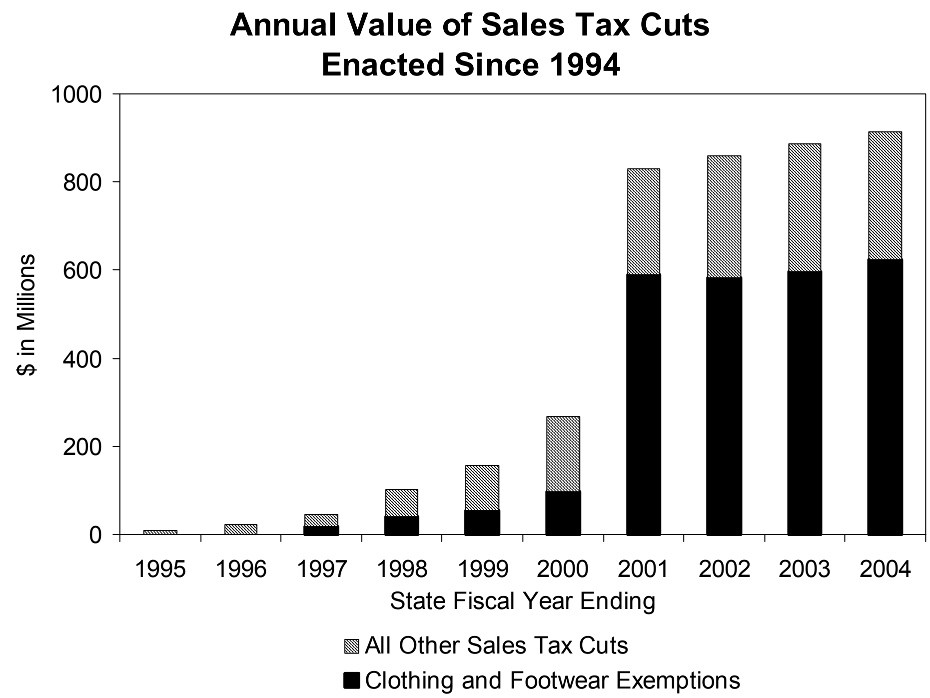
Numerous statutory changes have been made to the sales tax since its inception. The following table summarizes the major sales tax legislation enacted since 1994.

[1] A tax on goods or services is regressive if lower-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	Exempted 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	Exempted manufacturing and industrial pollution control equipment and machinery.	March 1, 2001
Transmission and Distribution of Electricity and Gas	Phased out and eliminates over three years, the sales tax on the separately purchased transmission of electricity and gas.	September 1, 2000
Empire Zones	Exempted 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 became effective immediately.	October 29, 2001
Legislation Enacted in 2002		
Temporary Exemption in Liberty Zone	Temporarily exempted most tangible personal property priced under $500 sold in the Liberty and Resurgence Zones in New York City for the periods of June 9-11, July 9-11 and August 20-22, 2002.	June 1, 2002
EFT Threshold Change	Lowered the Electronic Fund Transfer threshold from $1 million to $500,000.	September 1, 2002

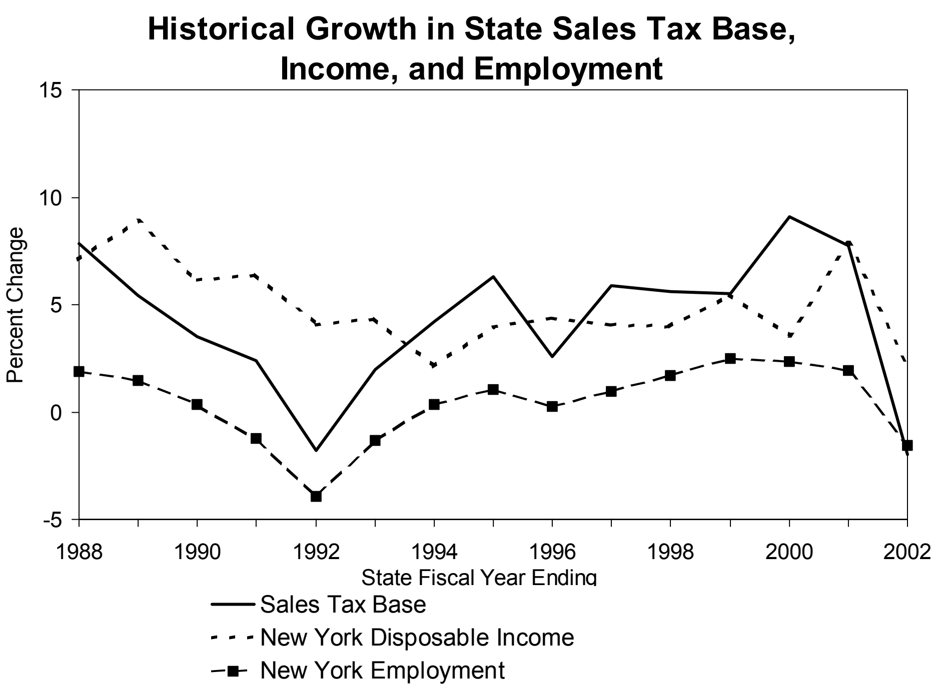
The tax cuts enacted since 1994-95 have had a substantial impact on sales tax receipts. The graph below depicts the estimated annual value of sales tax cuts enacted since 1994.



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 7 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 than the nation and employment and personal income grew more modestly than for the nation as a whole. This resulted in growth in the sales tax base that, although improved from the recessionary period of the early 1990s, was moderate compared to the late 1980's. Between State fiscal year 1997-98 and 2000-01, base sales tax receipts grew over 5 percent per year, reflecting the robust economy and strong growth in taxable consumption, State employment, and disposable income. Collections declined in 2001-02, due to the World Trade Center attack and a faltering economy.


Historical Growth in State Sales Tax Base
and Taxable Consumption
Percent Change
10
8
6
4
2
0
-2
1988
1990
1992
1994
1996
1998
2000
2002
State Fiscal Year Ending
Sales Tax Base
Consumption of Taxable Goods in New York
Consumption of Taxable Services in New York


Historical Growth in State Sales Tax Base,
Income, and Employment
Percent Change
15
10
5
0
-5
1988
1990
1992
1994
1996
1998
2000
2002
State Fiscal Year Ending
Sales Tax Base
New York Disposable Income
New York Employment

Major Economic Factors Affecting Sales Tax Receipts
State Fiscal Years 1994-95 to 2003-04
Percent Change

	94-95	95-96	96-97	97-98	98-99	99-2000	2000-01	01-02	Estimated 02-03	Projected 03-04
Consumption of Taxable Goods in NY	5.9	4.7	5.1	4.7	6.2	8.6	6.0	3.4	3.7	2.9
Consumption of Taxable Services in NY	8.1	7.2	7.8	8.1	6.7	6.5	5.0	2.4	3.6	5.4
NY Employment	1.1	0.2	1.0	1.7	2.5	2.3	1.9	(1.5)	(0.8)	0.8
NY Disposable Income	4.0	4.4	4.1	4.0	5.5	3.6	7.9	2.1	3.1	4.5
NY Nominal Value of New Auto and Light Truck Registrations	16.3	(0.6)	12.1	3.5	14.2	12.6	(5.2)	0.9	(1.6)	3.9
Sales Tax Base	6.3	2.6	5.9	5.6	5.5	9.1	7.8	(2.0)	2.6	4.3

2002-03 RECEIPTS

State fiscal year 2002-03 receipts from the State's 4 percent sales tax are estimated at $8,401.3 million, an increase of $226.3 million, or 2.8 percent, above 2001-02. The underlying sales tax base is estimated to increase 2.6 percent. Year-to-date sales and use tax receipts are $6,358.9 million, 3.9 percent, or $237.7 million above the comparable period in 2001-02.

Taxable sales were depressed early in the fiscal year due to the continued effects of the World Trade Center attacks, financial industry woes, and declines in overall employment. The surge in mortgage refinancing, which allowed consumers to tap increased home equity, provided support for increased growth in receipts. Receipts during the summer and fall were bolstered by the sharp increase in automobile sales that resulted from low-rate auto financing. Legislation enacted in 2002 to lower the EFT filing threshold to $500,000 generated an estimated $32.5 million in additional receipts in 2002-03. Additional legislation specified a suitable price index to calculate the pre-paid sales tax on cigarettes. This legislation generated an estimated $5.8 million in receipts in 2002-03. However, legislation enacted in May 2002 provided three tax exempt weeks in lower Manhattan during the summer of 2002, which reduced receipts by $10.0 million. Also, the third phase of the exemption for the transmission and distribution of gas and electricity reduced receipts by an additional $2.3 million.

2003-04 PROJECTIONS

Receipts from the State's 4 percent sales tax in 2003-04 are projected to be $9,019.3 million or $618 million (7.4 percent) above 2002-03 levels.

The increase is largely due to expected moderate national and State economic growth as well as to previously enacted and proposed tax law changes. Disposable income growth is expected to rebound somewhat in 2003-04 and cause a corresponding jump in the growth rate for receipts. New York's employment is projected to grow in 2003-04 for the first time in three years. Taken together, these factors result in projected growth in the sales tax base of 4.3 percent. Legislation submitted with this Budget proposes to eliminate the exemption on clothing and footwear priced under $110 and replace it with a $500 exemption effective during four separate weeks during the year. This proposal is expected to generate an estimated $363.4 million in 2003-04.

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 thereby 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 $2,043.7 million in 2001-02 and are estimated at $2,098.3 million in 2002-03 and $2,254.3 million in 2003-04. 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 $364.7 million in sales and use tax receipts in 2001-02, will receive an estimated $371.9 million in 2002-03 and $393.3 million in 2003-04.

GENERAL FUND

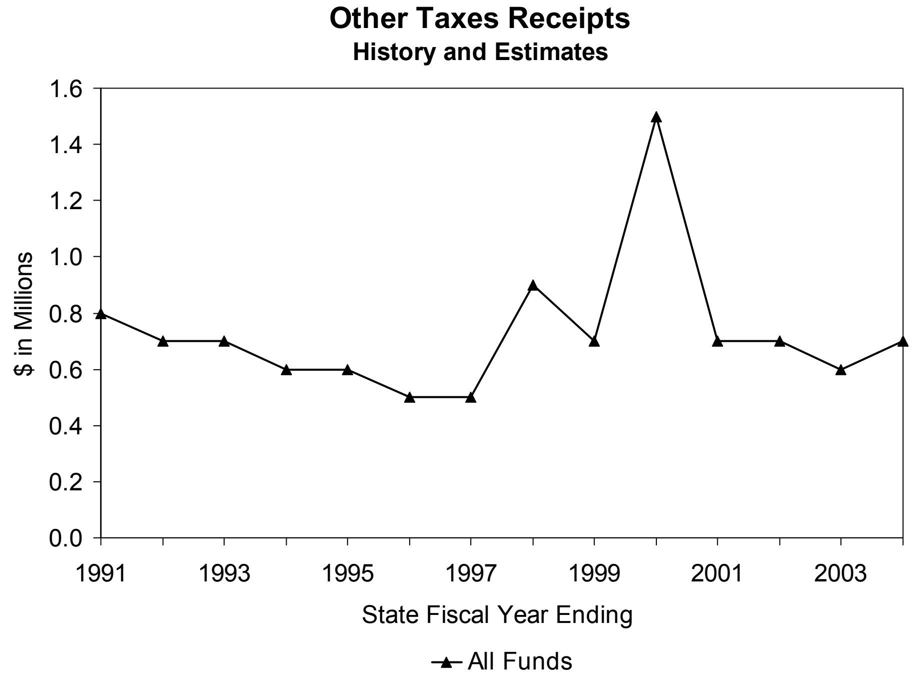
Direct deposits to the General Fund for 2002-03 are estimated to be $6,303 million, an increase of $172.7 million, or 2.8 percent, from 2001-02 receipts. General Fund receipts in 2003-04 are projected to be $6,764.9 million, a 7.3 percent increase from the current year.

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			
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	293,199	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
2001-02	6,173,782	42,521	6,131,261	364,737	0	2,043,676	8,539,674
				Estimated			
2002-03	6,343,000	40,000	6,303,000	371,900	0	2,098,300	8,773,200
2003-04							
(current law)	6,532,400	40,000	6,492,400	381,700	0	2,163,500	9,037,600
(proposed law)	6,804,900	40,000	6,764,900	393,300	0	2,254,400	9,412,600

[1] Mass Transportation Operating Assistance Fund
[2] Local Government Assistance Tax Fund

OTHER TAXES



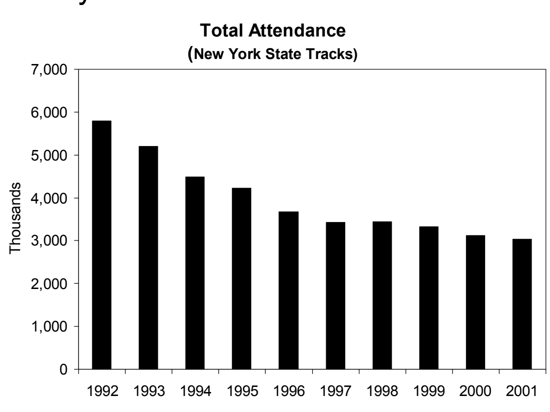
RACING ADMISSIONS TAX

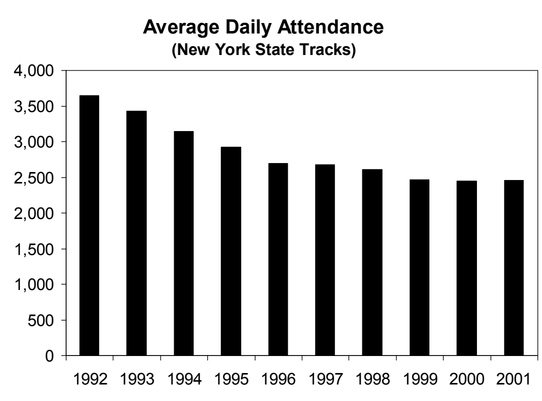
A 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters throughout the State. Expanded interstate competition and growth in off-track betting activity within New York, as well as the proliferation of casinos in close proximity to New York residents, has led to declines in total paid attendance at tracks (see charts below) and in receipts from this source.

2002-03 Receipts and 2003-04 Projections

Given the successful extended racing season at Saratoga Race Course during the summer of 2002, 2002-03 General Fund receipts are estimated at $300,000.

General Fund receipts for 2003-04 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.

2002-03 Receipts and 2003-04 Projections

Based on year-to-date collections of the current fiscal year, receipts are expected to reach $300,000. There has been a decline in the number of major wrestling exhibitions in New York City since the terrorist attack on September 11, 2001. The reduction of New York City exhibitions and a lack of big name wrestlers has contributed to a small revenue reduction for this tax in State fiscal year 2002-03.

Receipts for the boxing and wrestling exhibitions tax are expected to increase to $400,000 for State fiscal year 2003-04, largely due to the expected return to more normal levels of boxing and wrestling exhibitions in New York City.

OTHER TAXES RECEIPTS
(thousands of dollars)

	General Fund		Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Collections
	Admissions	Exhibitions				
	Actual					
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
2001-02	300	400	0	0	0	700
	Estimated					
2002-03	300	300	0	0	0	600
2003-04	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.

SIGNIFICANT LEGISLATION

The following table summarizes significant legislative provisions that impacted miscellaneous receipts since 1994.

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
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

Subject	Description	Effective Date
Legislation Enacted in 2002		
Supplemental Wireless Service Surcharge	Increased from $0.70 to $1.20 monthly the State wireless communication service surcharge.	August 1, 2002

2001-02 RECEIPTS

In State fiscal year 2001-02, miscellaneous receipts totaled $1,625 million. Major revenue sources in that year included: $439 million in unclaimed and abandoned property; $328 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); $528 million in fees, licenses, fines, royalties, and rents; $132 million in medical provider assessments; $160 million in reimbursements; and $4 million in Federal grants. In addition, the receipts included $32 million from the Thruway Authority, reflecting the early payment of bonds, and $2 million from revenue maximization.

2002-03 RECEIPTS

Miscellaneous receipts are estimated at $4,085 million for fiscal year 2002-03, including $1.9 billion in Tobacco Bond proceeds. With Tobacco proceeds excluded, miscellaneous receipts are estimated to increase $560 million from the prior year. The estimate includes receipts of $443 million in unclaimed and abandoned property; $42 million in net investment earnings; $520 million in fees, licenses, fines, royalties and rents; $144 million in medical provider assessments; $153 million in reimbursements; $5 million in Federal grants; $2 million from the Thruway Authority, reflecting the early payment of bonds; $67 million from PASNY for the Power for Jobs program; $158 million in additional bond issuance charges; $38 million from the supplemental wireless service charge; $2.5 million from the Energy Research and Development Authority; $5.4 million from revenue maximization; $48 million in a settlement recovery from Merrill Lynch; $30.5 million from a settlement recovery from various Wall Street firms; $8.6 million from a fine imposed on Western Union; and $300 million in abandoned property from the sales of securities received in prior years. 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) $17.6 million from the Port Authority of New York and New Jersey.

2003-04 PROJECTIONS

Miscellaneous receipts are projected at $3,538 million in fiscal year 2003-04, including $1.9 billion in Tobacco Bond proceeds; a decrease of $547 million from the amount estimated for 2002-03, if we exclude the Tobacco Bond proceeds. This projection includes receipts of $526 million in unclaimed and abandoned property; $46 million in net investment earnings; $163 million in reimbursements; $553 million in fees, licenses, fines, royalties and rents; $153 million in continuing medical provider assessments; $4 million in Federal grants; $58 million from PASNY for the Power for Jobs program; $71 million from bond issuance charges and cost recovery assessments; and $63 million from the supplemental wireless service charge.

Proposed Legislation

Legislation submitted with the Executive Budget proposes to add new charges and fees and to raise the amount of some existing charges and fees. The following is a table and summary of the proposals impacting General Fund Miscellaneous Receipts.

DESCRIPTION	CHANGE	VALUE IN 2003-04 (millions of dollars)
Background check for holders of HAZMAT license endorsement	New: $75	2.0
Various fees on sex offenders	New: Various	0.8
Data search fees (DMV) [1]	From: Manual - $5 to $6 Electronic - $4 to $5	5.5
Oil and gas depth fees	Double	0.2
Fee on new tire sales	New: $2.25 per tire	22.5
Appellate Court motion fee	New: $35	0.6
Supreme Court motion fee	New: $35	4.2
Civil Court fees	Increase by 25 percent	18.1
Lobbyist registration fee	From: $50 to $100	0.2
Justice Court Fund - criminal fines	Various	6.2
Heavy weight truck fines	Increase by $500	1.5
Surcharge on DWI or DWAI convictions	New: $25	0.5
Parking surcharges	From: $5 to $15	16.0

[1] Note: The additional moneys from the proposal to raise DMV data search fees would be deposited in the General Fund until March 31, 2004, and thereafter would be deposited in the Dedicated Highway and Bridge Trust Fund.

Other legislative proposals impacting General Fund Miscellaneous Receipts include:

DESCRIPTION	CHANGE	VALUE IN 2003-04 (millions of dollars)
Reduce dormancy period for uncashed checks	From: 3 years to 1 year	38.0
Extend the base for cost recovery assessments	Double the base	15.0
Deposit indirect costs from DOT Dedicated Funds	New	5.1
Direct Data Search fees to the Dedicated Highway and Bridge Trust Fund from April 1, 2003	From: General Fund to the Dedicated Highway and Bridge Trust Fund	-50.0

MISCELLANEOUS RECEIPTS
GENERAL FUND
(millions of dollars)

	1999-2000	2000-01	2001-02	2002-03	2003-04
	Actual			-- Estimated --	-- Proposed --
License, Fees, Etc.	556	509	528	520	553
Federal Grants	4	4	4	5	4
Abandoned Property	316	333	439	743	526
Reimbursements	150	141	160	153	163
Investment Income	232	411	328	42	46
Other Transactions*	389	155	166	2,622	2,246
Total	1,647	1,553	1,625	4,085	3,538

*Includes proceeds from Tobacco securitization.

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, insurance companies, 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

Receipts from the sale of lottery tickets support public 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 insurance companies and hospitals.

HCRA TRANSFER FUND

This fund is supported by transfers from the Tobacco Control and Insurance Initiatives Pool and is used primarily to finance a portion of the State's Medicaid program, including expansion of programs such as Family Health Plus.

PROVIDER ASSESSMENTS

The provider assessment account receives moneys from a 6.0 percent assessment on nursing homes. The 2003-04 Executive Budget projects the receipt of additional moneys from a new 0.7 percent assessment on hospital revenues and 0.6 percent assessment on home care revenues.

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)

	1999-2000	2000-01	2001-02	2002-03	2003-04
	Actual			Estimated	
State University income	1,622	1,656	1,824	1,897	2,138
Lottery	1,496	1,587	1,713	1,965	1,996
Indigent care	763	873	836	1,020	911
HCRA transfer fund	0	246	335	1,159	1,510
Provider assessments	0	0	0	441	652
EPIC	40	178	278	535	597
Child Health Plus	183	259	303	398	367
All other	1,977	1,847	1,840	2,332	2,033
Total	6,081	6,646	7,129	9,747	10,204

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 an upper 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 (Mega Millions). For the Lotto 59 game and the Mega Millions (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 where players select either a three-digit number (Daily Numbers), a four-digit number (Win 4), and Instant Win, an add-on game to Daily Numbers and 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 and a new Instant Win game is 45 percent of ticket sales; for the Mega Millions, Take-5, Win 4, Numbers and Pick 10 games, 35 percent; for Instant Games, 20 percent with three games authorized at 10 percent; for Quick Draw, 25 percent; and for Video Lottery Terminals (VLTs), 60 percent of net machine income. After the earmarking for prizes, the Division has available 15 percent of net sales for its administrative expenses, of which any unused portion is used to support education.

SIGNIFICANT LEGISLATION

The following table summarizes significant lottery legislation enacted since 1994.

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 offered no more than once daily.	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

Subject	Description	Effective Date
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
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	Allowed 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	Allowed the Lottery Division to license the operation of video lottery machines at selected New York State racetracks.	October 29, 2001
Legislation Enacted in 2002		
Instant Games	Three 75 percent prize payout Instant ticket games may be offered during the fiscal year.	January 28, 2002

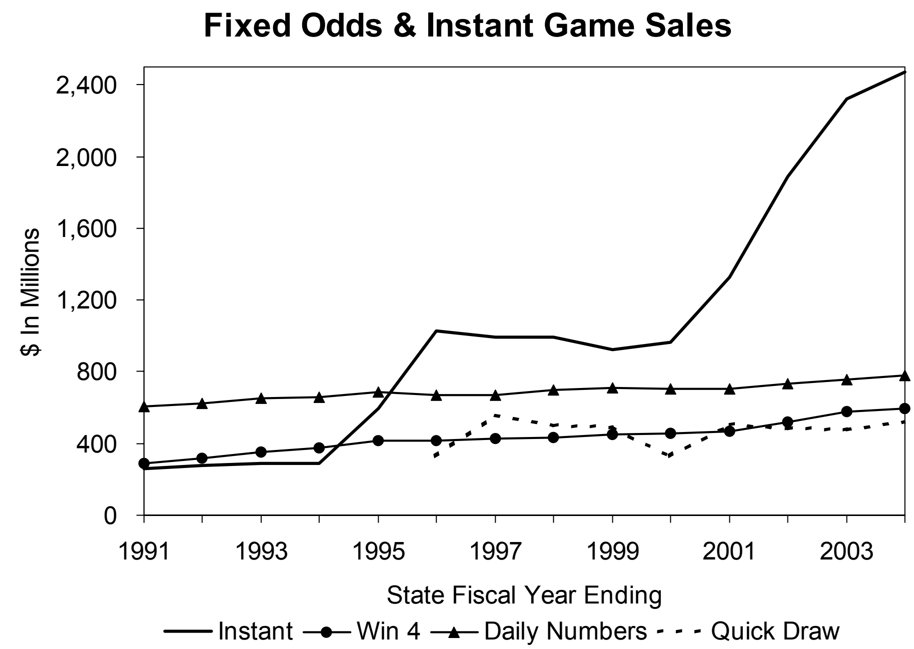
2002-03 RECEIPTS

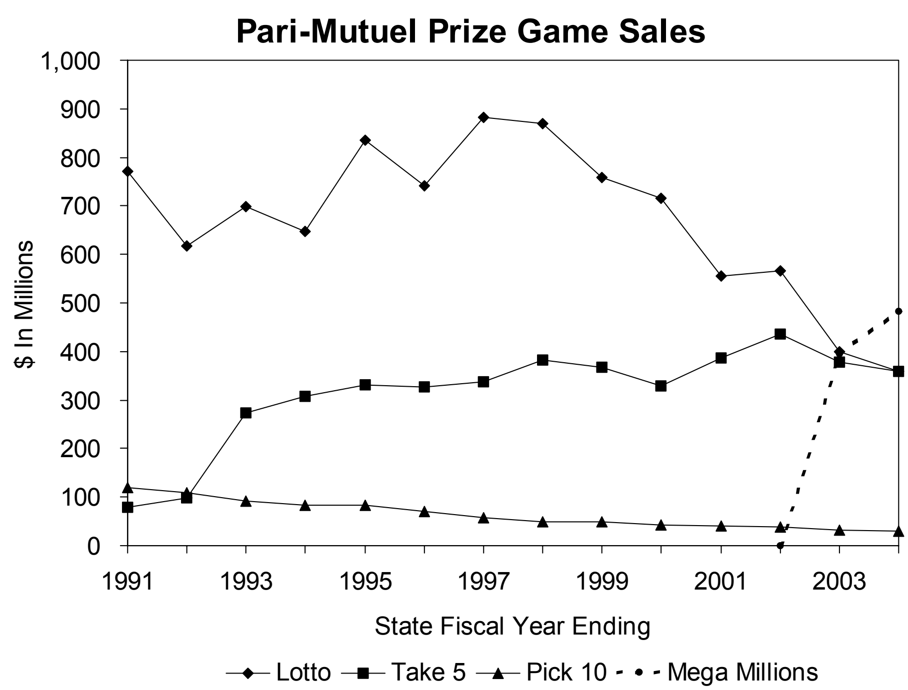
Total sales of all lottery games are estimated at $5.4 billion that in turn provide $1,522.1 million in receipts for education. This is an increase of $164 million or 12 percent from 2001-02. After including $269.6 million from unspent administrative allowances, a $37.2 million carry-in from 2001-02, and miscellaneous income, lottery receipts for education in 2002-03 are expected to total $1,828.9 million (see Table 1). The 2002-03 supplemental lottery appropriation sets disbursements to education at $1,843.1 million.

Current year receipts reflect a significant increase in revenue from Instant Game sales. This increase can be attributed to legislation increasing the prize payout on instant ticket games; the addition of up to three games each year with a 75 percent prize payout; and the introduction of new more popular game formats. The implementation of a two week call cycle program, in which Lottery marketing employees visit large agents every two weeks, also has contributed to sales growth. Total Instant Game sales are expected to increase 25.4 percent in 2002-03. In total, revenue from instant ticket sales is expected to increase from $377.1 million in 2001-02 to $469.5 million in 2002-03.

A gradual weakening in Lotto sales has developed over the past several years, stemming from several factors: (1) a general dilution of interest in ordinary jackpots, given raised expectations of exceptionally large jackpots from multi-state games; (2) increased competition from competing gambling outlets in and around New York; (3) reduced consumer interest, based on the maturity of the game; (4) a decline in the number of very large jackpots — a reflection of reduced participation, which contributes to an increase in the number of rolls required to achieve large jackpots; and (5) low interest rates which limits the size of jackpots at every prize level.

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 game offers two plays for $1 and changed the payout matrix to 6 of 59. The September 11, 2001, World Trade Center terrorist attack and competition from the subsequent introduction of the Mega Millions game in May 2002 has contributed to a 26 percent year-to-date decline in Lotto sales.





Year-to-date sales of Mega Millions are $280 million, which equates to average weekly per capita sales of approximately 44 cents. This is consistent with demand in other states with similar demographics. The sales for mid-level to high-level jackpots have been improving in recent weeks, and average weekly per capita sales are expected to improve to approximately 50 cents by the end of the fiscal year.

Quick Draw sales in 2002-03 are expected to be down 1.4 percent compared with 2001-02. The Division has recently upgraded the computer graphics for this game, and has been promoting the Quick Draw Extra add-on game to combat the current erosion in sales.

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 $256.8 million in 2001-02 to $266.2 million in 2002-03. In December of 2001, a second daily drawing for the Numbers game and the Win 4 game was added by the Division. The estimated combined revenue effect for State fiscal year 2002-03 is an additional $61 million. Number sales are expected to increase by 3.7 percent and Win 4 sales are estimated to increase by 12 percent due, in large part, to the second draw per day and to stronger than expected growth in base sales.

The Division introduced a new Instant Win game in October of 2002. Instant Win is a terminal game that offers Daily Number and Win 4 players the opportunity to win prizes up to $500 for an additional $1 wager.

The increase in weekly draws for the Take-5 game from four to seven days in September of 2000 contributed an estimated $62.7 million in revenues for State fiscal year 2001-02. The degradation in sales from a maturing game life cycle and competition from the introduction of the Mega Millions game in May 2002 has dissipated sales gains from the additional draws, and has resulted in the 12 percent decline in comparative year-to-date sales.

Pick 10 is continuing the downtrend exhibited in recent years. Revenue from sales is expected to fall from $13.2 million to $11.7 million.

TABLE 1
COMPONENTS OF LOTTERY RECEIPTS
(millions of dollars)

	1998-99 Actual	1999-2000 Actual	2000-01 Actual	2001-02 Actual	2002-03 Estimated	2003-04 Projected
Instant Game	283.2	272.7	283.0	377.1	469.5	482.4
Lotto Games[1]	338.3	339.5	304.6	254.8	318.4	330.8
Take-5 Games	128.9	114.8	135.0	152.2	132.4	125.5
Daily Numbers Games[2]	249.2	246.7	247.4	256.8	266.2	275.4
Win-4 Games[2]	157.0	159.6	164.5	182.4	203.7	212.4
Pick 10 Games	17.0	15.1	14.5	13.2	11.7	10.7
Quick Draw	123.4	82.2	126.7	121.8	120.2	132.0
Subtotal	1,297.0	1,230.6	1,275.7	1,358.3	1,522.1	1,569.2
Administrative Surplus[3]	145.4	119.1	159.8	193.2	269.6	265.9
Current Receipts Subtotal	1,442.4	1,349.7	1,435.5	1,551.5	1,791.7	1,835.1
Carry-In from Prior Year	0.0	0.0	4.7	47.2	37.2	0.0
Net Receipts for Education	1,442.4	1,349.7	1,440.2	1,598.7	1,828.9	1,835.1
Carry-Out from Current Year	0.0	(4.7)	(47.2)	(37.2)	0.0	0.0
Disbursements for Education	1,442.4	1,345.0	1,393.0	1,561.5	1,828.9	1,835.1

[1]Includes receipts from Lotto, Millennium Millions and the Mega Millions games.

[2]Includes Instant Win

[3]Reflects miscellaneous income and the balance of the 15 percent administrative allowance, after deduction of actual expenses, vendor allowances, and agent commissions.

2003-04 PROJECTIONS

Lottery sales for 2003-04 are projected to be $5.6 billion, and associated receipts for the support of education at $1,835.1 million (see Table 1), including $265.9 million in administrative surplus and miscellaneous receipts.

The net revenues for the Mega Millions game are estimated to increase by 16 percent to $145 million in 2003-04. The increase reflects a full year of sales at per capita sales levels consistent with other similar states.

Sales of the Lotto game are projected to decline by $41.2 million from State fiscal year 2002-03. Increased competition from other gambling options and continued cannibalization from the Mega Millions game are expected to continue to contribute to weakening Lotto sales.

The Quick Draw game is projected to attain a $4.3 million increase in sales. The increase will be affected, in part, by the extra week of collections in 2003-04. Base sales are expected to drop by 1 percent from 2002-03 because of competition from other games, restrictions on locations that can operate Quick Draw games, and a maturing sales cycle.

Instant Game sales are expected to increase by $63 million in 2003-04. As the higher payout games become more mature, sales and revenue growth are expected to slow.

Sales of Take-5 games are projected to drop by $20 million from State fiscal year 2002-03. The continued competition from Mega Millions and the maturation of the game are expected to cause the declines in sales.

Daily Numbers and Win 4 are expected to continue to reap additional combined revenues of $17.9 million from State fiscal year 2002-03, due to the noon draw. Numbers sales are expected to increase by 3 percent and Win 4 sales are estimated to increase by 4 percent.

Sales from Pick 10 are expected to decrease by $2.8 million, due to the substitution of the more popular Take-5 and Instant games, and revenues will drop by $1 million. The Instant Win game revenues are projected to increase by $2.5 million in fiscal year 2003-04, reflecting a full year of operation.

The Division will make an administrative change on February 23, 2003, and reduce the time frame for draws of the Quick Draw game from five minutes to four minutes. An additional $12 million in revenues is estimated for fiscal year 2003-04.

Currently, there are no participants for the VLT program. This is primarily due to concerns about existing program parameters. Legislation submitted with this Budget addresses these issues by increasing hours of operation, altering the distribution of receipts, and eliminating the sunset. Given the lead time for implementing a VLT operation, the 2003-04 Financial Plan assumes no net revenue from this source.

With the continuation of Quick Draw, the full year effect of the Mega Millions, continued strength in Instant Game sales, and the above mentioned initiatives, total sales of all lottery games are estimated to be $5.6 billion. This will provide net lottery receipts of $1,569.2 million. After including $265.9 million from surplus administrative funds and miscellaneous receipts, net lottery receipts for education are estimated at $1,835.1 million.

TABLE 2
NET LOTTERY RECEIPTS FOR EDUCATION
(thousands of dollars)

Actual	
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	1,349,700
2000-01	1,440,200
2001-02	1,598,700
Estimated	
2002-03	1,828,900
2003-04	1,835,100

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 93 percent of all miscellaneous receipts flowing to capital project funds in 2002-03 and 92 percent in 2003-04.

STATE PARKS REVENUES

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 2003-04, will be used to finance improvements in the State's park system.

ENVIRONMENTAL REVENUES

Miscellaneous receipts from environmental revenues are projected to increase from $56 million in 2002-03 to $91 million in 2003-04. The $35 million net increase is primarily attributable to 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.

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)

	1999-2000	2000-01	2001-02	2002-03	2003-04
	Actual			Estimated	
Authority Bond Proceeds					
Transportation	859	875	710	929	965
Public protection	245	197	140	188	188
Education	280	413	266	375	349
Mental hygiene	118	40	63	179	130
Housing	66	12	124	102	102
Other	45	42	57	532	822
State Park Fees	25	16	23	22	22
Environmental Revenues	40	28	20	56	91
All Other	97	51	41	104	121
Total	1,775	1,674	1,444	2,487	2,790

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 20 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 (DA) 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 DA 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 DA for the construction and improvement of Health Department facilities.

ALL OTHER

The all other miscellaneous receipts category primarily includes receipts from local housing agencies to finance the debt service costs on general obligation bonds. All other receipts for 2003-04 also include receipts to the Debt Reduction Reserve Fund (DRRF).

MISCELLANEOUS RECEIPTS
DEBT SERVICE FUNDS
(millions of dollars)

	1999-2000	2000-01	2001-02	2002-03	2003-04
	Actual			Estimated	
Mental hygiene patient receipts	267	258	248	231	232
SUNY dormitory fees	221	224	247	284	292
Health patient receipts	90	87	91	85	93
All other	33	291	28	26	85
Total	611	860	614	626	702

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 $32.44 billion in 2002-03 and $32.06 billion in 2003-04. These revenues represent approximately 36 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 include the flow-through of Federal aid to localities for World Trade Center disaster costs which amount to $1.70 billion and $861 million in 2002-03 and 2003-04, respectively.

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. 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	12,391	1,743	4,871	19,005	1,043	0	20,048
1997-98	0	13,118	2,219	5,174	20,511	1,132	0	21,643
1998-99	0	13,552	1,488	6,382	21,422	1,219	0	22,641
1999-2000	0	14,432	1,017	6,735	22,184	1,381	0	23,565
2000-01	0	15,203	1,450	7,620	24,273	1,509	0	25,782
2001-02	0	16,324	1,975	8,399	26,698	1,423	0	28,121
Estimated								
2002-03	0	17,935	2,258	10,762	30,955	1,482	0	32,437
2003-04	0	18,844	1,962	9,584	30,390	1,668	0	32,058

PART III

CAPITAL PROGRAM AND FINANCING PLAN

CAPITAL PROGRAM AND FINANCING PLAN

OVERVIEW OF FIVE-YEAR CAPITAL PROGRAM AND FINANCING PLAN

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 2003-04 through 2007-08. The recommendations reflected in the Plan include capital disbursements, debt issuances, State-supported debt levels, and debt service costs. These amounts are based on Article VII legislation which provides specific bonding authorizations and the Executive Budget bills which provide required capital and 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 and agency basis. In addition, the Financing Plan provides detailed information on the State's bonded obligations, including the level of State-supported debt outstanding, debt issuances, retirements, and 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. The Capital Program Plan provides a discussion of the recommended methods for financing 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.

HIGHLIGHTS

The Five-Year Capital Program and Financing Plan continues to reflect the State's commitment to finance essential capital spending. The Plan incorporates targeted capital investments that continue to encourage economic growth and job creation, educate the next workforce, preserve the environment, and protect the health and safety of all New Yorkers. Capital spending recommendations focus on projects that achieve the core missions of each agency's program, while continuing to renovate and maintain State facilities. These critical investments are financed while maintaining Governor Pataki's commitment to recently enacted statutory initiatives that have successfully reformed the State's debt management practices. In addition, administrative actions facilitated by the enactment of those statutory measures have reduced the State's debt service costs. Those initiatives include the following:

- Enactment of legislation in 2002 to authorize the State and its issuing authorities to prudently use a limited amount of variable rate obligations and interest rate exchange and similar agreements to reduce costs and diversify the State-supported debt portfolio;
- Issuance of lower cost State Personal Income Tax Revenue Bonds by the State's authorized issuers to improve the marketability and creditworthiness of State-supported bonds, expand the investor base, consolidate the issuance of multiple bonding programs and reduce borrowing costs;
- The refunding of State-supported bonds (including the use of variable rate bonds and interest rate exchange agreements) to generate significant net present value savings;

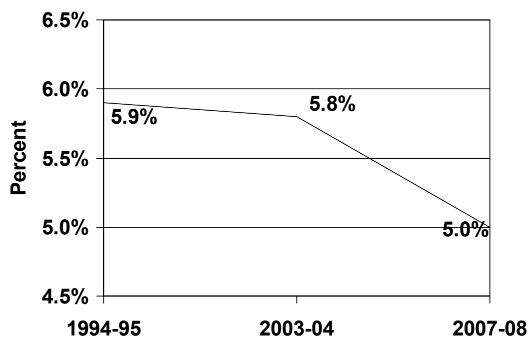
- The use of $1 billion in deposits to the Debt Reduction Reserve Fund in 2000-01 and 2001-02 to eliminate high cost debt and increase pay-as-you-go spending and reduce taxpayer costs by over $1.5 billion; and
- Implementation of the Debt Reform Act of 2000 to ensure that State-supported debt levels and debt service costs remain affordable.

ENSURING DEBT LEVELS REMAIN AFFORDABLE

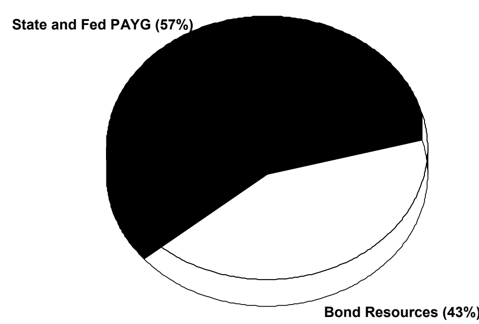
Executive Budget recommendations included in the Five-Year Capital Program and Financing Plan are financed by a responsible mix of pay-as-you-go resources and State-supported bonds while ensuring that State debt is prudently used and remains affordable. Over the Plan:

- The five-year average annual growth in total State-supported debt outstanding is projected to be 1.6 percent — less than the 4.2 percent average annual growth in personal income.
- Total State debt is projected to decline as a percent of personal income — from about 5.8 percent in 2003-04 to about 5 percent in 2007-08.
- Total debt service costs as a percent of All Funds receipts is projected to increase modestly from 3.8 percent in 2003-04 to about 4.7 percent in 2007-08.
- Like the previous five-year plan, the portion of capital spending for this five-year plan projected to be financed with State and Federal pay-as-you-go (PAYG) resources continues to average 57 percent from 2003-04 to 2007-08.

Debt as a Percent of Personal Income Declines



57 Percent of Capital Spending Financed with Cash Resources



As shown in the following table, the Capital Program and Financing Plan 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 phased-in caps which limit new debt outstanding to four percent of State personal income and new debt service costs to five percent of All Funds receipts.

New Debt Outstanding
(millions of dollars)

Year	Personal Income	Cap %	Actual / Capital Plan Recommendation	Recommendation Below Cap
2000-01 (Actual)	655,583	0.75	0.38%	0.37%
2001-02 (Actual)	682,206	1.25	0.67%	0.58%
2002-03	690,812	1.65	1.29%	0.36%
2003-04	712,209	1.98	1.65%	0.33%
2004-05	742,048	2.32	1.87%	0.45%
2005-06	775,678	2.65	2.05%	0.60%
2006-07	811,819	2.98	2.19%	0.79%
2007-08	850,239	3.32	2.31%	1.01%

New Debt Service Costs (millions of dollars)

Year	All Funds Receipts	Cap %	Actual / Capital Plan Recommendation	Recommendation Below Cap
2000-01 (Actual)	83,527	0.75	0.09%	0.66%
2001-02 (Actual)	84,312	1.25	0.36%	0.89%
2002-03	90,620	1.65	0.57%	1.08%
2003-04	90,219	1.98	1.02%	0.96%
2004-05	92,483	2.32	1.37%	0.95%
2005-06	93,897	2.65	1.66%	0.99%
2006-07	98,375	2.98	1.87%	1.11%
2007-08	103,239	3.32	2.01%	1.31%

To ensure that the statutory caps and other debt limitations imposed by the Debt Reform Act are made permanent, the Governor will again propose a Constitutional Debt Reform bill. The bill would:

- Constitutionally mandate the State-supported debt outstanding and debt service caps now imposed by the Debt Reform Act;
- Ban “back door” borrowing;
- Constitutionally authorize a limited amount of revenue-backed debt and require at least one-half of all new debt to be approved by the voters; and
- Authorize multiple general obligation bond act proposals.

Like many other states, New York State plans to sell (i.e., securitize) its tobacco payments (an asset) through an asset-backed securitization. Unlike other transactions, New York will utilize other revenues to distinguish the State’s tobacco bonds from those of other States. To securitize its tobacco payments, the Executive Budget recommends the sale of the tobacco payment stream to a statutorily created corporation that is a subsidiary of the Municipal Bond Bank Agency. In exchange for the sale of the asset, the State will receive upfront payments from the sale of tobacco bonds. Payments will be used as part of a multi-year plan to restore budget balance, providing a bridge to higher levels of recurring savings as New York’s finances adjust to slower economic growth. (Please see the “Financial Plan Overview” section of this Appendix for additional information). The debt service on the tobacco bonds will be paid by the corporation from its purchase of the State’s tobacco payments and other non-State receipts. Thus, the corporation’s tobacco bonds are not State-supported debt and are not reflected in the Capital Program and Financing Plan.

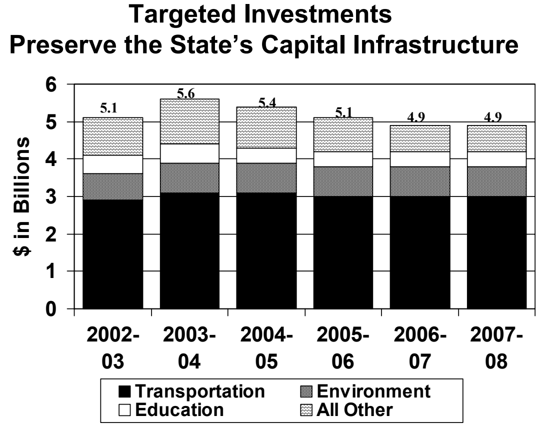
FINANCING PLAN

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 sources of funding. These include State and Federal pay-as-you-go resources, and proceeds from the issuance of general obligation and authority bonds.

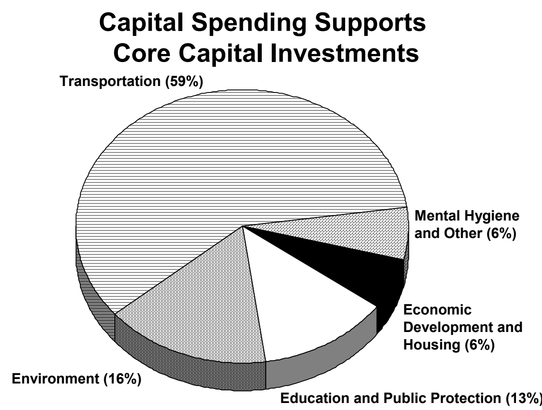
The Financing Plan section of the Capital Program and Financing Plan presents the State’s current assumptions about future Federal grants, general obligation bond authorizations, the use of State-supported debt, General Fund transfers, and support from other resources. The capital and debt service disbursements, as reflected in the financial plans for the Capital Projects Funds and the Debt Service Funds presented in this section, correspond to the Financial Plan projections contained in the Executive Budget. This section also includes schedules of bond issuances, retirements, debt outstanding and associated debt service costs for all State-supported debt.

SPENDING IS PRIORITIZED TO PRESERVE AND MAINTAIN ESSENTIAL CAPITAL INVESTMENTS

Spending over the five-year Capital Plan is primarily focused on investments that achieve the core missions of each agency's capital program and preserve and maintain the State's diverse capital infrastructure. To maintain support for these targeted 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 $44.2 billion (net of transfers). The recommended new appropriations and reappropriations continue to support disbursements under existing capital programs that are essential to promote and encourage economic development and job growth, educate our youth and develop the talents of the workforce, preserve the environment, and protect the health and safety of New Yorkers.



Transportation spending, primarily for improvements to the State's highways and bridges, continues to account for the largest share of total spending over the Five-Year Capital Plan — 59 percent. Another 16 percent is for environmental purposes, including projects supported by the voter-approved Clean Water/Clean Air Bond Act, approximately 13 percent is projected for education and public protection, and six percent is for economic development and housing. The remaining six percent will be spent in mental hygiene and other areas.



CAPITAL SPENDING BY FUNCTION
2002-2003 THROUGH 2007-2008
(thousands of dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Transportation	2,924,942	3,090,079	3,124,467	3,005,453	2,971,352	2,967,898
Environment and Recreation	699,188	825,857	829,135	828,216	826,402	828,967
Education	500,615	471,161	417,899	441,730	441,730	441,730
Public Protection	244,300	258,440	239,233	232,350	222,000	208,590
Mental Hygiene	171,985	202,842	192,742	193,491	201,843	196,581
Housing and Economic Development	413,728	592,950	410,790	237,200	112,200	112,200
Other	108,515	203,126	161,225	125,900	108,579	108,000
Total	5,063,273	5,644,455	5,375,491	5,064,340	4,884,106	4,863,966

Capital Projects Funds spending in 2003-04 is projected at $5.6 billion, or $581 million higher than the revised projection for 2002-03. The increase is attributable to higher spending associated with prior year commitments in the areas of economic development ($181 million), transportation ($165 million), and the environment ($127 million). In addition, spending from

Federal resources devoted to support the reconstruction of Route 9A in the wake of the World Trade Center disaster will increase by $67 million. Key spending recommendations included in 2003-04 and over the four remaining years of the Plan are discussed below.

- Transportation capital spending, which includes the last two years (2003-04 and 2004-05) of the five-year Department of Transportation (DOT) Capital Plan, provides for highway and bridge construction levels that will total $1.65 billion annually, or $100 million less than 2002-03 levels. When engineering costs and programs for other modes of transportation are added, capital spending for transportation will average $3.0 billion annually over the Five-Year Capital Plan. This level of funding reflects prioritized spending that will facilitate commerce and maintain and preserve important investments in the State's transportation infrastructure.
- The DOT Plan continues to help reduce the local costs associated with various transportation projects. Funding for local transportation programs, including the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program, will be over $320 million in 2003-04 and is projected to total over $1.5 billion over the Capital Plan.
- Environment capital appropriations and reappropriations of $5.4 billion will continue to focus on the clean up of environmental hazards. The Capital Plan, beginning in 2004-05, includes $105 million in annual disbursements from the Hazardous Waste Remedial Fund to support $138 million in spending recommended by the Governor's State Superfund Refinancing Bill. Average annual spending of $123 million from the Environmental Protection Fund will continue to finance an array of critical environmental and recreational activities, including the Hudson River Park project and other municipal park projects. In addition, Clean Water/Clean Air Bond Act reappropriations are recommended for air and water quality improvements and the restoration of industrial sites financed by the $1.75 billion Bond Act approved by the voters in 1996.
- Department of Correctional Services capital appropriations and reappropriations total over $1.8 billion. Public protection spending will average $232 million annually over the five years, and will focus on preserving and maintaining existing facilities.
- Education appropriations and reappropriations of $6.1 billion will finance a new $2.5 billion SUNY Multi-Year Capital Investment Program and a new $1.2 billion CUNY Multi-Year Capital Investment Program to continue to finance capital projects at various academic facilities, residence halls, community colleges, and at SUNY hospitals. Capital investments financed under the new Programs will focus on critical health and safety projects, technology projects, and the construction and renovation of existing facilities. Reappropriations of $105 million will also support the completion of the $195 million RESCUE program administered by the State Education Department and the J2K Universities program administered by the Office of Science, Technology and Academic Research (NYSTAR).
- Housing 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 over $110 million to maintain State support for low and moderate-income rental and home ownership, and homeless housing programs.
- Mental Hygiene appropriations and reappropriations total almost $2.3 billion. 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.
- Office of General Services appropriations and reappropriations of $574 million 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 a new appropriation of $19.5 million to provide spending authority to finance the balance of the $21 million Elk Street parking garage in Albany.

- Economic development reappropriations of $1.2 billion continue to support the Regional Economic Development Program authorized in 2002-03. This program provides support for projects financed under the Centers of Excellence, Empire Opportunity Fund, Gen*NY*sis, Community Capital Assistance, Multi-Modals and RESTORE Programs that were established to foster collaboration between the academic research community and the business sector in order to develop and commercialize new products and technologies, to promote critical private sector investment in emerging high technology fields, and to create and expand technology related businesses and employment. In addition, the Program also finances projects that create or retain jobs or increase business activity through the construction and rehabilitation of research and development facilities, incubators and industrial parks, downtown parks, downtown commercial revitalization, brownfield redevelopment, as well as other types of activities. The Capital Plan also continues to provide reappropriations for other previously authorized economic development programs to finance various environmental, higher education, and high technology initiatives throughout the State. Those programs include the Community Enhancement Facilities Assistance Program (CEFAP), the Strategic Investment Program, NYSTAR Capital Facilities Program, and the Economic Development and Natural Resources Preservation Program (EDNRP).
- Office of Children and Family Services appropriations and reappropriations of $129 million support preservation and health and safety projects at the State's residential and non-residential youth facilities.

ESSENTIAL CAPITAL SPENDING IS PRUDENTLY FINANCED

The State will continue its commitment to maintain and preserve its vast capital assets and responsibly manage the use of debt by financing essential capital investments with a prudent combination of State and Federal pay-as-you-go resources, State general obligation bonds, and public authority State-supported bonds.

Over the five-year Plan, 57 percent of total capital spending will be financed with cash resources — with 22 percent of total capital spending attributable to State pay-as-you-go resources and almost 35 percent attributable to Federal grants. The percentage of the Plan financed with authority bond proceeds and general obligation bonds is 39 percent and four percent, respectively.

CAPITAL SPENDING BY FINANCING SOURCES
2002-2003 THROUGH 2007-2008
(thousands of dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Financing Source						
State Pay-As-You-Go	1,134,503	1,168,874	1,305,855	1,183,668	1,090,923	1,014,751
Federal Pay-As-You-Go	1,471,885	1,656,795	1,792,575	1,843,029	1,837,872	1,837,771
General Obligation Bonds	266,013	265,542	233,574	218,984	166,235	111,800
Authority Bonds	2,190,872	2,553,244	2,043,487	1,818,659	1,789,076	1,899,644
Total	5,063,273	5,644,455	5,375,491	5,064,340	4,884,106	4,863,966

CAPITAL PROJECTS
PERCENTAGE MIX OF FINANCING SOURCES
2002-2003 THROUGH 2007-2008

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Financing Source						
State Pay-As-You-Go	23	21	24	23	22	21
Federal Pay-As-You-Go	29	29	34	36	38	38
General Obligation Bonds	5	5	4	4	3	2
Authority Bonds	43	45	38	37	37	39
Total	100	100	100	100	100	100

CAPITAL PROJECTS FINANCED BY
STATE AND FEDERAL PAY-AS-YOU-GO RESOURCES
2002-2003 THROUGH 2007-2008
(thousands of dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Transportation						
Department of Transportation	1,990,983	1,991,052	2,094,031	2,021,310	1,955,047	1,885,565
Department of Motor Vehicles	14,788	116,401	138,902	157,766	153,440	152,104
Thruway Authority	2,000	2,000	2,000	2,000	2,000	2,000
Environment and Recreation						
Department of Environmental Conservation	208,985	242,641	388,585	388,582	387,517	392,517
Environmental Facilities Corporation	0	0	0	0	0	0
Office of Parks, Recreation and Historic Preservation	10,248	14,400	14,400	14,400	14,400	14,400
Adirondack Park Agency	0	0	0	0	0	0
Hudson River Park Trust	35,000	40,000	18,326	0	0	0
Department of Agriculture and Markets	1,924	1,600	1,600	1,600	1,600	1,600
Energy Research and Development Authority	0	0	13,250	13,250	13,250	13,250
Public Protection						
Department of Correctional Services	1,500	0	0	0	0	0
Division of State Police	4,600	2,800	2,800	3,500	3,500	3,500
Office of Homeland Security	0	7,590	2,750	150	0	0
Division of Military and Naval Affairs	16,600	25,450	41,375	40,700	30,500	17,090
Education						
State Education Department	4,504	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	89,483	83,000	82,000	82,000	82,000	82,000
Community Colleges	1,217	5,000	6,000	6,000	6,000	6,000
Mental Hygiene						
Office of Mental Health	32,859	35,550	37,318	36,500	34,800	34,800
Office of Mental Retardation and Developmental Disabilities	38,342	41,215	41,725	43,070	44,166	45,400
Office of Alcoholism and Substance Abuse Services	5,061	5,679	6,633	7,864	8,991	8,991
Housing and Economic Development						
Division of Housing and Community Renewal	13,024	11,610	14,575	14,575	14,575	14,575
Office of Temporary and Disability Assistance	1,750	1,500	0	0	0	0
Urban Development Corporation	0	0	0	0	0	0
Office of Science, Technology, and Academic Research	0	2,000	0	0	0	0
Other						
All State Agencies World Trade Center	6,300	73,310	60,200	51,700	26,300	33,500
Office of General Services	40,200	32,200	43,200	56,000	65,479	60,000
Office of Children and Family Services	7,866	7,044	4,530	2,000	1,000	1,000
Judiciary	0	0	0	0	0	0
Department of State	0	0	0	0	0	0
Department of Health	70,054	69,897	70,500	70,000	70,500	70,500
Total State and Federal Pay-As-You-Go Financing	2,606,388	2,825,669	3,098,430	3,026,697	2,928,795	2,852,522

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 almost $5.8 billion will support 22 percent of total spending.

Approximately $3.1 billion of State pay-as-you-go financing over the Five-Year Plan is from the Dedicated Highway and Bridge Trust Fund (DHBTF). The DHBTF receives receipts from the petroleum business tax, motor fuel tax, highway use tax, auto rental tax, motor vehicle and other transportation-related fees. Receipts deposited to the DHBTF are used to finance projects on a pay-as-you-go basis, to pay debt service on DHBTF and CHIPS bonds, and to ensure that the debt service coverage requirements provided by the DHBTF bond convenants are satisfied.

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 $206 million in 2003-04 and will average $289 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. Annual General Fund transfers of $5 million in 2003-04 and $69 million in 2004-05 and thereafter to the new Hazardous Waste Remedial 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 $202 million annually. In addition to the $36 million in miscellaneous receipts from industry fees that are deposited into the Hazardous Waste Remedial Fund, the Environmental Protection Fund (EPF) will continue to receive annual deposits of real estate transfer taxes ($112 million) and other miscellaneous receipts (approximately $11 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
2002-2003 THROUGH 2007-2008
(thousands of dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Transportation						
Department of Transportation	754,938	643,286	611,831	480,831	386,475	310,884
Department of Motor Vehicles	14,788	116,401	138,902	157,766	153,440	152,104
Thruway Authority	2,000	2,000	2,000	2,000	2,000	2,000
Environment and Recreation						
Department of Environmental Conservation	66,485	100,141	246,085	246,082	245,017	250,017
Environmental Facilities Corporation	0	0	0	0	0	0
Office of Parks, Recreation and Historic Preservation	7,692	11,900	11,900	11,900	11,900	11,900
Adirondack Park Agency	0	0	0	0	0	0
Hudson River Park Trust	35,000	40,000	18,326	0	0	0
Department of Agriculture and Markets	1,924	1,600	1,600	1,600	1,600	1,600
Energy Research and Development Authority	0	0	13,250	13,250	13,250	13,250
Public Protection						
Department of Correctional Services	1,500	0	0	0	0	0
Division of State Police	4,600	2,800	2,800	3,500	3,500	3,500
Office of Homeland Security	0	7,590	2,750	150	0	0
Division of Military and Naval Affairs	6,600	9,150	11,200	9,850	7,500	7,500
Education						
State Education Department	4,504	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	89,483	83,000	82,000	82,000	82,000	82,000
Community Colleges	1,217	5,000	6,000	6,000	6,000	6,000
Mental Hygiene						
Office of Mental Health	32,859	35,550	37,318	36,500	34,800	34,800
Office of Mental Retardation and Developmental Disabilities	38,342	41,215	41,725	43,070	44,166	45,400
Office of Alcoholism and Substance Abuse Services	5,061	5,679	6,633	7,864	8,991	8,991
Housing and Economic Development						
Division of Housing and Community Renewal	3,540	1,610	4,575	4,575	4,575	4,575
Office of Temporary and Disability Assistance	1,750	1,500	0	0	0	0
Urban Development Corporation	0	0	0	0	0	0
Office of Science, Technology, and Academic Research	0	2,000	0	0	0	0
Other						
Office of General Services	40,200	32,200	43,200	56,000	65,479	60,000
Office of Children and Family Services	7,866	7,044	4,530	2,000	1,000	1,000
Judiciary	0	0	0	0	0	0
Department of Health	5,054	5,478	5,500	5,000	5,500	5,500
Total State Pay-As-You-Go Financing	1,134,503	1,168,874	1,305,855	1,183,668	1,090,923	1,014,751

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 almost 35 percent of total capital spending. In 2002-03 and over the five-year Capital Plan Federal disbursements of more than $245 million will support the reconstruction of Route 9A as the result of 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 $236 million annually.

CAPITAL PROJECTS FINANCED BY
FEDERAL GRANTS PAY-AS-YOU-GO RESOURCES
2002-2003 THROUGH 2007-2008
(Thousands of Dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Transportation						
Department of Transportation	1,236,045	1,347,766	1,482,200	1,540,479	1,568,572	1,574,681
Environment and Recreation						
Department of Environmental Conservation	142,500	142,500	142,500	142,500	142,500	142,500
Office of Parks, Recreation and Historic Preservation	2,556	2,500	2,500	2,500	2,500	2,500
Department of Health	65,000	64,419	65,000	65,000	65,000	65,000
Public Protection						
Division of Military and Naval Affairs	10,000	16,300	30,175	30,850	23,000	9,590
Housing and Economic Development						
Division of Housing and Community Renewal	9,484	10,000	10,000	10,000	10,000	10,000
Other						
All State Agencies World Trade Center	6,300	73,310	60,200	51,700	26,300	33,500
Total Federal Grants Pay-As-You-Go Financing	1,471,885	1,656,795	1,792,575	1,843,029	1,837,872	1,837,771

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 ($681 million), supports environmental protection projects approved by the 1996 Clean Water/Clean Air Bond Act. Spending from the 1988 ACTION bonds for highways and bridges and the 1986 Environmental Quality Bond Act for hazardous waste remediation will average $53 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 almost five percent in 2003-04, primarily from the 1996 Clean Water/Clean Air Bond Act and 1986 Environmental Quality Bond Act. Capital spending supported by general obligation bonds declines to about two percent of total spending 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 total capital spending.

CAPITAL PROJECTS FINANCED BY
GENERAL OBLIGATION BONDS
2002-2003 THROUGH 2007-2008
(Thousands of Dollars)

Transportation	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Department of Transportation						
Action -1988	12,000	10,000	8,000	6,000	4,000	2,000
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	800	400	400	400	400	400
Environment and Recreation						
Department of Environmental Conservation						
Clean Water/Clean Air 1996	120,963	141,590	141,590	141,590	125,000	100,000
EQBA 1986	70,000	70,000	70,000	60,000	27,154	0
EQBA 1972	2,130	3,000	3,000	3,000	3,000	3,000
Pure Waters 1965	2,400	1,600	1,200	1,200	1,200	1,200
Office of Parks, Recreation and Historic Preservation						
EQBA 1986	1,711	3,343	3,775	1,185	281	0
EQBA 1972	400	0	0	0	0	0
Environmental Facilities Corporation						
Clean Water/Clean Air 1996	292	292	292	292	0	0
Energy Research and Development Authority						
Clean Water/Clean Air 1996	117	117	117	117	0	0
Other						
Department of Health						
Clean Water/Clean Air 1996	50,000	30,000	0	0	0	0
Total General Obligation Bond Financing	266,013	265,542	233,574	218,984	166,235	111,800

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 efforts to responsibly manage the use of the State-supported debt and control both the costs and levels of bonded obligations, approximately 39 percent of total spending will be prudently financed with authority bond proceeds.

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 School District Capital Outlays Program and the $1.2 billion Regional Development Program) are not counted by the State Comptroller as spending although they are counted as State-supported debt, since neither the capital disbursements nor the receipt of bond proceeds are reflected by the Comptroller as activity from State funds or accounts. However, to more accurately reflect the levels of Capital Plan spending that is financed by bond proceeds, the Capital Plan reflects disbursements for the School District Capital Outlays Program and the Regional Development Program.

The largest component of spending financed by authority bonds over the five-year Capital Plan is within the Dedicated Highway and Bridge Trust Fund (44 percent). Dedicated Highway and Bridge Trust Fund (DHBTF) bonds that are issued to support the last two years of the current five-year DOT Capital Plan are projected at $965 million in 2003-04 and $876 million in 2004-05. DHBTF bond issuances in 2005-06 through 2007-08 will support construction letting levels of $1.65 billion, and will average approximately $885 million over the Plan.

Authority bond-financed spending for non-transportation programs decreases from approximately $1.6 billion in 2003-04 to about $979 million in 2007-08. This change primarily reflects the "spend out" of certain education and economic development programs, including RESCUE, the Strategic Investment Program, and the $1.2 billion Regional Development Program.

CAPITAL PROJECTS FINANCED BY AUTHORITY BONDS RESOURCES 2002-2003 THROUGH 2007-2008 (thousands of dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Transportation						
Department of Transportation	899,171	965,026	875,934	812,777	851,265	920,629
Environment and Recreation						
Department of Environmental Conservation	115,000	190,000	58,000	88,000	138,000	188,000
Office of Parks, Recreation and Historic Preservation	0	0	0	0	0	0
Energy Research and Development Authority	13,250	13,250	0	0	0	0
Environmental Facilities Corporation	1,768	9,605	0	0	0	0
Public Protection						
Department of Correctional Services	188,000	188,000	188,000	188,000	188,000	188,000
Judiciary	18,600	18,600	308	0	0	0
Homeland Security	15,000	8,000	2,000	0	0	0
Education						
State University of New York	215,000	280,000	310,000	340,000	340,000	340,000
State Education Department	160,107	69,304	0	0	0	0
Office of Science, Technology and Academic Research	21,204	20,127	6,169	0	0	0
Mental Hygiene						
Office of Mental Health	62,438	90,611	79,494	79,506	87,218	79,530
Office of Mental Retardation and Developmental Disabilities	11,111	8,151	6,216	6,301	6,395	6,510
Office of Alcoholism and Substance Abuse Services	22,174	21,636	21,356	20,250	20,273	21,350
Housing and Economic Development						
Division of Housing and Community Renewal	77,910	77,840	70,875	69,625	69,625	69,625
Office of Temporary and Disability Assistance	23,000	23,000	28,000	28,000	28,000	28,000
Urban Development Corporation	14,300	40,000	25,000	0	0	0
All State Departments and Agencies						
Regional Economic Development	200,000	325,000	250,000	125,000	0	0
Strategic Investment Program	60,000	112,000	22,340	0	0	0
Economic Development and Natural Resource Preservation Program	23,744	0	0	0	0	0
Other						
Office of Children and Family Services	10,595	32,094	17,295	11,200	10,300	8,000
Department of Health	0	0	50,000	50,000	50,000	50,000
Office of General Services	38,500	61,000	32,500	0	0	0
Total Authority Bond Financing	2,190,872	2,553,244	2,043,487	1,818,659	1,789,076	1,899,644

CAPITAL PROJECTS FUNDS FINANCIAL PLAN

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 is expected to occur. Since capital disbursements have been discussed in previous sections of Appendix II, 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 29 percent of the total receipts supporting capital spending during the Plan. The Dedicated Highway and Bridge Trust Fund (DHBTF) receives receipts from the petroleum business tax, motor fuel tax, highway use tax, auto rental tax, motor vehicle and other transportation-related fees. Over the Five-Year Plan, total annual DHBTF taxes will average approximately $1.7 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 37 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 29 percent of capital projects receipts in this Plan.

The five percent balance of capital project financing, 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 Hazardous Waste Remedial Fund to support Superfund spending. 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
2002-2003 THROUGH 2007-2008

(Thousands of Dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Opening funds balances	(267,419)	(489,489)	(495,163)	(514,516)	(527,624)	(544,761)
Receipts:						
Taxes	1,685,800	1,765,100	1,810,675	1,773,875	1,778,275	1,798,875
Miscellaneous receipts	2,487,459	2,790,026	2,280,492	2,036,193	2,009,936	2,121,403
Federal grants	1,482,175	1,667,725	1,802,065	1,852,606	1,847,422	1,847,321
Total receipts	5,655,434	6,222,851	5,893,232	5,662,674	5,635,633	5,767,599
Disbursements:						
Grants to local governments	1,160,594	1,261,705	1,015,326	857,165	641,513	582,956
Capital projects	3,902,679	4,382,750	4,360,165	4,207,175	4,242,593	4,281,010
Total disbursements	5,063,273	5,644,455	5,375,491	5,064,340	4,884,106	4,863,966
Other financing sources (uses):						
Transfers from other funds	194,809	225,956	323,211	332,989	334,512	330,267
Transfers to other funds	(1,231,140)	(1,057,826)	(1,086,705)	(1,163,031)	(1,266,976)	(1,365,413)
Bond and note proceeds	222,100	247,800	226,400	218,600	163,800	111,200
Net other financing sources (uses)	(814,231)	(584,070)	(537,094)	(611,442)	(768,664)	(923,946)
Changes in funds balances	(222,070)	(5,674)	(19,353)	(13,108)	(17,137)	(20,313)
Closing funds balances	(489,489)	(495,163)	(514,516)	(527,624)	(544,761)	(565,074)

DEBT FINANCING

Financing the construction of and improvements to long-term capital assets through borrowing is an integral part of the State's Capital Program and Financing Plan. This section describes the affordability and 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

Statutorily 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 1.6 percent is significantly less than the projected average annual growth in personal income of 4.2 percent.
- Total debt outstanding as a percent of personal income will decline from 5.7 percent in 2002-03 to 5 percent in 2007-08.
- Total debt outstanding will increase from $39.4 billion in 2002-03 to $42.6 billion in 2007-08, or by an annual average of 1.6 percent.
- New debt outstanding as a percent of State personal income is projected to be well below the statutory debt reform caps.

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 the Governor's prudent debt management initiatives, debt service costs will continue to remain affordable over the Plan. Total debt service costs as a percent of All Funds receipts is projected to increase modestly from 3.8 percent in 2003-04 to about 4.7 percent in 2007-08. The increase is primarily due to debt management actions in 2002-03 and 2003-04 that have significantly reduced debt service costs. Those debt management actions include numerous statutory and administrative initiatives that have lowered the State's cost of borrowing by:

- Refunding State-supported bonds (including the use of variable rate bonds and interest rate exchange agreements) to generate significant net present value savings. Refunded bonds include correctional and youth facilities bonds, LGAC bonds, and SUNY higher educational facilities bonds.
- Modernizing the financing structure of State-supported bonds to eliminate unnecessary debt service reserve funds to lower debt levels; and
- Issuing lower cost State Personal Income Tax Revenue Bonds to improve the marketability and creditworthiness of State-supported bonds and lower debt service costs.

Debt service costs also reflect the prudent diversification of the State-supported debt portfolio by responsibly using variable rate bonds and interest rate exchange agreements within the limitations and guidelines imposed by legislation enacted in 2002. That legislation provides that issuers of State-supported bonds may enter into variable rate debt instruments that result in a maximum total net variable rate exposure of 15 percent of State-supported debt. Subject to various criteria established in the legislation to effectively manage risk, such issuers may also enter into interest rate exchange agreements in a total notional amount that does not exceed 15 percent of State-supported debt.

Over the Capital Program and Financing Plan period, the State's authorized issuers will have or are expected to enter into variable rate debt instruments that increase the State's net variable rate exposure and exposure to interest rate exchange agreements (e.g., swaps) as a percent of debt outstanding that is within prudent limits acceptable to the rating agencies. A portion of the interest rate exchange agreements are projected to be synthetic fixed rate LIBOR swaps (i.e., the State or authorized issuer receives a variable rate (i.e., 65 percent of LIBOR) that is roughly equivalent to the rate it pays on its variable rate bonds and pays a below-the-bond-market fixed swap rate).

As shown in the following table, after adjusting the net variable rate exposure to account for the possibility that the 65 percent of LIBOR rate the State receives is not roughly equivalent to the rate it pays on its variable rate bonds, the State's net variable rate exposure is 8.1 percent in 2002-03 and 10.6 percent in 2007-08 — an amount that remains within the State's 15 percent maximum exposure to net variable rate debt instruments. In addition, the total notional amount of existing and projected interest rate exchange and similar agreements as a percentage of debt outstanding is projected to increase from 9.2 percent in 2002-03 to 11.2 percent in 2007-08.

	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Net Variable Rate Cap	5,912	6,150	6,226	6,296	6,346	6,384
Statutory Outstanding Net Variable Rate Obligations	1,939	2,243	2,472	2,632	2,745	2,838
Policy Reserve for LIBOR Swaps	1,263	1,667	1,667	1,667	1,667	1,667
Percent of Net Variable Rate Exposure to Debt Outstanding	8.1	9.5	10.0	10.2	10.4	10.6
	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Interest Rate Exchange Cap	5,912	6,150	6,226	6,296	6,346	6,384
Notional Amount of Interest Rate Exchange Agreements	3,609	4,763	4,763	4,763	4,763	4,763
Percent of Interest Rate Exchange Agreements to Debt Outstanding	9.2	11.6	11.5	11.4	11.3	11.2

DEBT ISSUANCES

Projected debt issuances will finance strategic capital investments that 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 $3.3 billion in 2003-04 to $2.8 billion in 2007-08, or by an annual average of about four percent.

Over the Five-Year Plan, annual issuances will average approximately $2.8 billion. Lower cost State Personal Income Tax Revenue bonds, which are supported by a pledge of 25 percent of State personal income receipts, will account for 51 percent of total issuances over the Five-Year Plan. State Personal Income Tax Revenue Bonds have effectively reduced 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, State Personal Income Tax Revenue Bonds will be issued under five functional purposes, as shown below:

- **Education Revenue Bonds Issued by the Dormitory Authority:** To support SUNY and CUNY, RESCUE and J2K Universities (2003-04 issuance of $134 million). To improve the administration of the SUNY and CUNY higher educational facilities bonding programs and reduce annual debt service costs, annual bond sales will be sized to more closely correspond with projected disbursements. This change will eliminate the need for a CUNY higher educational facilities bond sale in 2003-04 and reduce the size of the SUNY and CUNY sales required in 2004-05. This administrative change will not adversely impact the advancement of projects or the new SUNY and CUNY Multi-Year Capital Investment Plans.
- **Environmental Revenue Bonds Issued by the Environmental Facilities Corporation:** To support the State Revolving Fund and Pipeline for Jobs and other environmental programs (2003-04 issuance of $181 million).
- **Transportation Revenue Bonds Issued by the Thruway Authority:** To support CHIPs and other non-Dedicated Highway transportation purposes (2003-04 issuance of $335 million).
- **Economic Development and Housing Revenue Bonds Issued by the Empire State Development Corporation, the Dormitory Authority and Housing Finance Agency:** To support Housing, the Strategic Investment Program (SIP), Stadia, economic development projects in the Buffalo area, the Community Enhancement Facilities Assistance Program (CEFAP), and the $1.2 billion Regional Economic Development Program (2003-04 issuances of $632 million).
- **State Facilities and Equipment Revenue Bonds Issued by the Empire State Development Corporation and the Dormitory Authority:** To support Correctional Facilities, Youth Facilities, State Office Buildings, Elk Street Parking Garage, Homeland Security, and equipment bonds. (2003-04 issuance of $371 million).

State Personal Income Tax Revenue Bond issuances reflect one-time bonding authorization in 2003-04 to finance approximately $202 million of capital disbursements, including $141 million for environment projects, $24 million in local transportation projects, and $37 million for renovation of various State and judicial facilities and homeland security capital projects. The remaining four years of the Capital Plan assume disbursements to finance these programs will continue to be financed with cash.

Remaining issuances in 2003-04 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 $938 million annually. In conjunction with additional State and Federal pay-as-you-go resources, these issuances will support construction letting levels of $1.65 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 33 percent.

SUNY Dormitory Facilities bonds, which are issued by the Dormitory Authority and supported by dormitory fees and rents charged to the residing population, will average $55 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 under the new SUNY Multi-Year Capital Investment Program.

Mental Hygiene bonds, which are issued by the Dormitory Authority and supported by patient revenues, will average $191 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.

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 5.5 percent to 6.5 percent throughout the Capital Plan period. Short-term tax-exempt rates and taxable rates are expected to average about 2.6 percent and 3.8 percent, respectively. Projected debt issuances also reflect debt management strategies that reduce borrowing costs, including the use of shorter-term maturities.

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, SIP and the $1.2 billion Regional Economic Development Program. 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. 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 caps included in the Executive Budget reflect recommended bonding authorizations for the:

- Dormitory Authority to support the new SUNY and CUNY Multi-Year Capital Investment Programs that will continue to finance capital projects at various educational facilities, dormitory facilities and community colleges; and for the renovation and expansion of the Court of Appeals building and improvements to the Albany Justice Building;
- Empire State Development Corporation for capital projects that will preserve and maintain the State's correctional facilities; provide for Homeland Security; improve and maintain State Facilities; promote downtown and inner harbor economic development in the Buffalo area; and finance equipment needs essential to the delivery of services by various State agencies;
- Environmental Facilities Corporation to support various environmental and recreational projects, including safe drinking water projects, and capital projects at the West Valley Nuclear Service Center;
- Housing Financing Agency to support various low and moderate-income housing programs; and
- Thruway Authority to support local transportation projects.

Bond Authorizations
(thousands of dollars)

Issuer	Program	Current Cap	Recommended Cap	Type of Cap
Dormitory Authority	CUNY Senior Community Colleges	3,415,000	4,200,000	Gross
Dormitory Authority	SUNY Senior Colleges	3,200,000	4,700,000	Gross
Dormitory Authority	SUNY Community Colleges	405,000	420,000	Net
Dormitory Authority	SUNY Dormitory Facilities	175,000	210,000	Net
Dormitory Authority	Courthouse Improvements	20,800	37,600	Net
Empire State Development Corporation	Correctional Facilities	4,550,693	5,167,793	Gross
Empire State Development Corporation	Homeland Security	15,000	25,000	Net
Empire State Development Corporation	State Office Building Improvements	12,000	22,000	Net
Empire State Development Corporation	Downtown and Inner Harbor Economic Development	N/A	50,000	Net
Empire State Development Corporation	Agency Equipment Needs	N/A	70,000	Net
Environmental Facilities Corporation	Environmental Infrastructure Projects	135,000	277,000	Net
Housing Finance Agency	Various Housing Programs	1,410,000	1,526,000	Net
Thruway Authority	Local Transportation Projects (CHIPS)	3,811,440	3,835,330	Net

DEBT SERVICE FUNDS FINANCIAL PLAN

PROJECTED STATE-SUPPORTED DEBT OUTSTANDING
2002-2003 THROUGH 2007-2008
(thousands of dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
GENERAL OBLIGATION	3,973,918	3,876,095	3,773,650	3,662,697	3,484,163	3,251,387
LOCAL GOVERNMENT ASSISTANCE						
CORPORATION	4,527,340	4,428,200	4,292,940	4,149,853	4,016,406	3,877,297
OTHER LEASE-PURCHASE AND						
CONTRACTUAL-OBLIGATION						
FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	2,395,205	2,395,205	2,353,925	2,310,930	2,265,955	2,218,820
Dormitory Authority						
Albany County Airport	35,595	33,965	32,255	30,465	28,585	26,600
Thruway Authority:						
Consolidated Local Highway						
Improvement	2,599,700	2,779,880	2,944,362	3,088,225	3,212,438	3,319,414
Dedicated Highway & Bridge	5,292,021	5,956,467	6,451,869	6,843,245	7,251,117	7,651,209
Education						
Dormitory Authority:						
SUNY Educational Facilities	4,353,092	4,252,597	4,177,649	4,390,737	4,587,030	4,734,916
SUNY Dormitory Facilities	560,110	644,803	666,047	685,861	706,035	725,927
SUNY Upstate Community Colleges	480,468	503,320	525,095	545,307	564,172	581,352
CUNY Educational Facilities	3,262,292	3,139,925	3,113,016	3,149,694	3,223,931	3,290,156
State Education Department	69,820	67,990	66,065	64,045	61,920	59,685
Library for the Blind	16,670	16,030	15,360	14,655	13,915	13,140
SUNY Athletic Facilities	25,200	25,200	24,270	23,305	22,300	21,250
RESCUE	133,596	173,555	160,606	147,177	133,217	118,663
University Facilities (Jobs 2000)	24,630	41,268	40,003	35,462	30,724	25,772
Judicial Training Institute	15,165	14,630	14,070	13,485	12,870	12,225
School District Capital Outlays	94,449	85,621	76,531	67,108	57,323	47,166
Health						
Dormitory Authority/DOH	428,195	417,155	405,490	393,155	380,110	365,943
Mental Hygiene						
Dormitory Authority/MCFFA:	3,513,237	3,684,834	3,710,653	3,724,127	3,720,667	3,708,429
Public Protection						
ESDC:						
Prison Facilities	3,764,998	3,929,343	4,022,537	4,077,122	4,121,402	4,175,008
Youth Facilities	186,085	201,095	205,678	199,630	195,099	186,924
Homeland Security	14,445	24,200	23,320	22,417	21,481	20,510
Environment						
Environmental Facilities Corp/ERDA:						
Riverbank Park	59,520	57,840	56,085	54,240	52,305	50,250
Water Pollution Control	149,154	170,445	160,821	159,001	155,590	162,454
Pilgrim Sewage Treatment	8,600	8,200	7,800	7,300	6,700	6,100
State Park Infrastructure	11,235	10,370	9,460	8,495	7,475	6,395
Fuel Tanks	9,915	7,515	5,060	2,550	0	0
Pipeline for Jobs (Jobs 2000)	12,705	20,159	18,223	16,185	14,039	11,781
Environmental Infrastructure	118,370	245,005	267,598	315,859	409,118	545,658
West Valley	68,685	68,950	54,010	38,330	28,104	19,775
ESDC:						
Pine Barrens	13,370	12,755	12,110	11,435	10,725	9,980
State Building/Equipment						
ESDC:						
Empire State Plaza	65,912	55,108	45,120	36,032	27,638	19,886
State Buildings	14,005	13,416	12,782	12,098	11,361	10,568
State Capital Projects	228,260	220,780	212,835	204,395	195,430	185,900
ESDC / DA						
State Buildings	145,415	222,182	224,939	217,405	209,664	201,655
Certificates of Participation	185,420	182,569	253,845	297,426	309,079	309,166
Housing						
Housing Finance Agency	1,164,056	1,241,066	1,286,996	1,327,086	1,365,930	1,405,077
Economic Development						
Triborough Bridge and Tunnel						
Authority/Javits Center	292,220	268,040	242,100	214,280	184,445	152,445
ESDC/DA						
University Technology Centers	167,412	156,813	145,806	134,317	123,197	111,585
Onondaga Convention Center	41,505	40,060	38,525	36,895	35,170	33,340
Sports Facilities	122,795	133,700	128,559	123,119	117,224	110,997
Community Enhancement Facilities	253,335	279,141	214,200	155,966	105,806	88,130
Natural Resources Preservation	19,790	15,195	10,375	5,320	0	0
Child Care Facilities	29,465	28,525	27,440	26,330	25,190	24,010
Buffalo Inner Harbor	0	25,500	49,037	45,064	40,851	36,384
Strategic Investment Program	148,135	178,550	151,805	107,713	61,926	18,270
Regional Eonomic Development Program	306,000	638,785	764,360	771,778	693,199	610,159
JOBS Now	13,795	11,240	8,600	5,860	3,000	0
Total Other Financing Arrangements	30,914,047	32,698,993	33,437,293	34,160,635	34,803,458	35,433,077
TOTAL STATE-SUPPORTED DEBT	39,415,305	41,003,288	41,503,884	41,973,185	42,304,028	42,561,761

* Excludes bonds that were both legally and economically defeased.

PROJECTED STATE-SUPPORTED DEBT SERVICE
2002-03 THROUGH 2007-08
(Thousands of Dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
GENERAL OBLIGATION	572,212	526,896	509,341	507,502	516,037	510,414
LOCAL GOVERNMENT ASSISTANCE CORPORATION	244,679	251,572	303,513	308,275	351,209	362,818
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	10,686	124,120	165,093	165,097	165,091	165,092
Dormitory Authority						
Albany County Airport	3,512	3,510	3,510	3,510	3,512	3,508
Thruway Authority:						
Consolidated Local Highway Improvement	246,075	161,335	306,244	333,274	360,432	387,723
Dedicated Highway & Bridge	586,299	693,085	749,498	798,704	875,528	946,664
Education						
Dormitory Authority:						
SUNY Educational Facilities	295,549	389,852	404,457	418,101	439,938	474,198
SUNY Dormitory Facilities	40,015	51,481	62,483	66,987	68,520	70,602
SUNY Upstate Community Colleges	34,117	40,401	42,451	45,153	47,856	50,188
CUNY Educational Facilities	217,321	333,870	337,417	341,654	348,713	360,492
State Education Department	7,917	7,570	7,551	7,552	7,549	7,549
Library for the Blind	1,635	1,723	1,719	1,722	1,722	1,722
SUNY Athletic Facilities	1,206	1,772	2,228	2,228	2,231	2,229
RESCUE	8,998	19,929	21,285	21,291	21,287	21,288
University Facilities (Jobs 2000)	170	5,422	6,427	6,538	6,542	6,541
Judicial Training Institute	1,399	1,489	1,481	1,483	1,483	1,482
School District Capital Outlays	785	13,112	13,109	13,111	13,112	13,112
Health						
Dormitory Authority/DOH	36,084	36,068	35,364	35,368	35,367	35,368
Mental Hygiene						
Dormitory Authority/MCFFA:	324,965	157,931	352,993	363,231	388,441	383,340
Public Protection						
ESDC:						
Prison Facilities	167,835	233,481	292,216	329,666	339,108	348,651
Youth Facilities	7,435	18,041	19,549	21,190	21,928	22,555
Homeland Security	191	1,234	1,808	1,805	1,809	1,809
Environment						
Environmental Facilities Corp/ERDA:						
Riverbank Park	4,842	4,835	4,839	4,837	4,836	4,837
Water Pollution Control	25,593	15,659	47,717	43,350	40,171	30,674
Pilgrim Sewage Treatment	695	685	663	737	806	768
State Park Infrastructure	1,476	1,476	1,473	1,476	1,476	1,477
Fuel Tanks	2,625	2,631	2,583	2,530	2,457	0
Pipeline for Jobs (Jobs 2000)	1,521	1,906	3,104	3,069	3,066	3,064
Environmental Infrastructure	0	9,454	20,816	30,351	43,045	60,430
West Valley	14,749	16,453	18,333	12,009	9,570	5,132
ESDC:						
Pine Barrens	1,281	1,282	1,280	1,281	1,280	1,282
State Building/Equipment						
ESDC:						
Empire State Plaza	34,431	34,437	34,432	34,436	34,435	34,432
State Buildings	20,557	20,663	20,778	20,826	20,482	18,468
State Capital Projects	20,377	20,374	20,373	20,370	20,375	20,371
ESDC/DA:						
State Buildings	6,815	11,204	15,773	16,310	16,315	16,400
Certificates of Participation	101,107	56,660	33,008	62,705	96,081	108,204
Housing						
Housing Finance Agency	73,962	82,612	116,309	124,815	129,506	132,926
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	41,881	41,959	41,966	41,965	41,963	41,966
ESDC/DA:						
University Technology Centers	20,059	20,343	20,340	20,340	19,416	19,417
Onondaga Convention Center	3,767	3,863	3,866	3,869	3,866	3,863
Sports Facilities	8,876	11,193	12,495	12,545	12,524	12,549
Community Enhancement Facilities	36,814	50,193	68,046	67,867	38,665	23,096
Natural Resource Preservation	5,284	5,399	5,408	5,430	0	0
Child Care Facilities	2,397	2,600	2,600	2,599	2,603	2,601
Buffalo Inner Harbor	0	0	3,536	7,080	6,945	6,945
Strategic Investment Program	3,943	33,884	47,210	50,083	50,042	46,100
Regional Econ. Dev. Programs	0	38,521	89,322	113,287	123,473	123,050
JOBS Now	0	3,141	3,144	3,142	3,139	3,143
Other State Purposes						
Debt Reduction	0	53,000	0	0	0	0
Variable Rate and Other Savings Actions	(50,000)	(200,000)	(25,000)	(25,000)	0	0
Total Other Financing Arrangements	2,375,245	2,639,850	3,441,297	3,659,977	3,876,703	4,025,304
TOTAL STATE-SUPPORTED DEBT SERVICE*	3,192,137	3,418,319	4,254,151	4,475,754	4,743,950	4,898,536

* Excludes bonds that were both legally and economically defeased.

PROJECTED STATE-SUPPORTED BOND ISSUANCES
2002-2003 THROUGH 2007-2008
(thousands of dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
GENERAL OBLIGATION	222,100	247,800	226,400	218,600	163,800	111,200
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	679,450	0	0	0	0	0
Thruway Authority:						
Consolidated Local Highway Improvement	250,915	334,905	315,083	310,112	306,990	306,990
Dedicated Highway & Bridge	919,346	1,022,701	928,490	861,544	902,342	975,867
Education						
Dormitory Authority:						
SUNY Educational Facilities	264,240	25,518	77,520	374,340	359,040	313,140
SUNY Dormitory Facilities	154,520	106,000	42,400	42,400	42,400	42,400
SUNY Upstate Community Colleges	16,300	35,700	35,700	35,700	35,700	35,700
CUNY Educational Facilities	155,475	0	102,000	175,440	222,972	222,972
RESCUE	73,916	52,439	0	0	0	0
University Facilities (Jobs 2000)	24,630	20,642	3,111	0	0	0
School District Capital Outlays	94,449	0	0	0	0	0
Mental Hygiene						
Dormitory Authority/MCFFA:	123,172	234,011	201,703	184,900	168,608	165,780
Public Protection						
ESDC:						
Prison Facilities	466,690	191,760	191,760	191,760	191,760	191,760
Youth Facilities	35,880	22,440	15,606	11,475	9,588	8,160
Homeland Security	14,445	10,200	0	0	0	0
Environment						
Environmental Facilities Corp/ERDA:						
Water Pollution Control	28,580	28,560	28,560	28,560	28,560	28,560
Pipeline for Jobs (Jobs 2000)	3,060	8,670	0	0	0	0
West Valley	13,525	13,515	0	0	0	0
Environmental Infrastructure	118,370	130,560	30,600	61,200	112,200	163,200
State Building/Equipment						
ESDC / DA						
State Facilities	58,260	80,282	9,690	0	0	0
Certificates of Participation	0	66,624	102,000	102,000	102,000	102,000
Housing						
Housing Finance Agency	237,660	104,499	101,439	100,164	100,164	100,164
Economic Development						
ESDC/DA						
Sports Facilities	0	15,300	0	0	0	0
Community Enhancement Facilities	51,460	71,342	0	0	0	0
Buffalo Inner Harbor	0	25,500	25,500	0	0	0
Strategic Investment Program	151,775	58,772	13,433	0	0	0
Regional Econ. Dev. Programs	306,000	357,000	178,500	76,500	0	0
JOBS Now	13,795	0	0	0	0	0
Total Other Financing Arrangements	4,255,914	3,016,940	2,403,096	2,556,094	2,582,324	2,656,693
TOTAL STATE-SUPPORTED BOND ISSUANCES	4,478,014	3,264,740	2,629,496	2,774,694	2,746,124	2,767,893

PROJECTED STATE-SUPPORTED DEBT RETIREMENTS
2002-2003 THROUGH 2007-2008
(thousands of dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
GENERAL OBLIGATION	390,399	345,623	328,845	329,553	342,334	343,977
LOCAL GOVERNMENT ASSISTANCE CORPORATION	93,555	99,140	135,260	143,087	133,446	139,109
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	0	0	41,280	42,995	44,975	47,135
Dormitory Authority						
Albany County Airport	1,550	1,630	1,710	1,790	1,880	1,985
Thruway Authority:						
Consolidated Local Highway Improvement	104,775	154,725	150,601	166,249	182,778	200,014
Dedicated Highway & Bridge	312,410	358,255	433,088	470,168	494,470	575,775
Education						
Dormitory Authority:						
SUNY Educational Facilities	126,582	126,014	152,468	161,252	162,747	165,254
SUNY Dormitory Facilities	20,935	21,307	21,156	22,585	22,226	22,508
SUNY Upstate Community Colleges	12,380	12,848	13,925	15,488	16,835	18,520
CUNY Educational Facilities	121,427	122,367	128,908	138,763	148,735	156,746
State Education Department	1,755	1,830	1,925	2,020	2,125	2,235
Library for the Blind	620	640	670	705	740	775
SUNY Athletic Facilities	0	0	930	965	1,005	1,050
RESCUE	5,200	12,480	12,948	13,430	13,960	14,554
University Facilities (Jobs 2000)	0	4,004	4,376	4,541	4,738	4,952
Judicial Training Institute	510	535	560	585	615	645
School District Capital Outlays	0	8,828	9,090	9,423	9,785	10,158
Health						
Dormitory Authority/DOH	10,480	11,040	11,665	12,335	13,045	14,167
Mental Hygiene						
Dormitory Authority/MCFFA:	139,387	62,413	175,885	171,426	172,068	178,018
Public Protection						
ESDC:						
Prison Facilities	70,173	27,415	98,566	137,175	147,480	138,155
Youth Facilities	7,645	7,430	11,023	17,523	14,119	16,336
Homeland Security	0	445	880	903	937	970
Environment						
Environmental Facilities Corp/ERDA:						
Riverbank Park	1,600	1,680	1,755	1,845	1,935	2,055
Water Pollution Control	17,535	7,269	38,184	30,380	31,970	21,697
Pilgrim Sewage Treatment	400	400	400	500	600	600
State Park Infrastructure	820	865	910	965	1,020	1,080
Fuel Tanks	2,350	2,400	2,455	2,510	2,550	0
Pipeline for Jobs (Jobs 2000)	910	1,216	1,936	2,037	2,146	2,258
Environmental Infrastructure	0	3,925	8,007	12,939	18,941	26,660
West Valley	11,530	13,250	14,940	15,679	10,227	8,328
ESDC:						
Pine Barrens	585	615	645	675	710	745
State Building/Equipment						
ESDC:						
Empire State Plaza	11,762	10,804	9,988	9,088	8,394	7,752
State Buildings	546	589	634	684	737	793
State Capital Projects	7,035	7,480	7,945	8,440	8,965	9,530
Housing						
Housing Finance Agency	31,326	27,489	55,509	60,075	61,320	61,016
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	24,185	24,180	25,940	27,820	29,835	32,000
ESDC/DA						
University Technology Centers	10,264	10,599	11,007	11,489	11,120	11,612
Onondaga Convention Center	1,375	1,445	1,535	1,630	1,725	1,830
Sports Facilities	4,135	4,395	5,141	5,440	5,895	6,227
Community Enhancement Facilities	41,895	45,536	64,941	58,234	50,160	17,676
Natural Resources Preservation	4,380	4,595	4,820	5,055	5,320	0
Child Care Facilities	0	940	1,085	1,110	1,140	1,180
Buffalo Inner Harbor	0	0	1,963	3,973	4,213	4,467
Strategic Investment Program	3,640	28,357	40,179	44,091	45,788	43,655
Regional Econ. Dev. Programs	0	24,215	52,925	69,081	78,580	83,040
JOBS Now	0	2,555	2,640	2,740	2,860	3,000
Total Other Financing Arrangements	1,225,597	1,231,995	1,664,795	1,832,753	1,939,501	2,027,074
TOTAL STATE-SUPPORTED RETIREMENTS	1,709,551	1,676,758	2,128,900	2,305,393	2,415,281	2,510,160

* Includes bonds that were both legally and economically defeased.

DEBT SERVICE FUNDS FINANCIAL PLAN
PREPARED ON THE CASH BASIS OF ACCOUNTING
2002-2003 THROUGH 2007-2008
(Thousands of Dollars)

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Opening Fund Balances	168,969	176,697	179,845	178,250	165,591	180,946
Receipts						
Taxes	6,858,100	7,643,800	8,061,600	8,597,200	9,225,500	9,890,900
Miscellaneous Receipts	626,381	701,650	649,576	658,236	662,116	679,445
Subtotal Receipts	7,484,481	8,345,450	8,711,176	9,255,436	9,887,616	10,570,345
Disbursements						
Debt Service	3,091,029	3,361,993	4,244,883	4,472,547	4,743,221	4,898,518
State Operations	7,000	7,500	7,500	7,500	7,500	7,500
Subtotal Disbursements	3,098,029	3,369,493	4,252,383	4,480,047	4,750,721	4,906,018
Other Financing Sources (Uses)						
Transfers From Other Funds	4,584,945	4,831,016	5,279,770	5,358,211	5,500,339	5,590,292
Transfers To Other Funds	(8,963,669)	(9,803,825)	(9,740,158)	(10,146,259)	(10,621,879)	(11,239,671)
Net Other Financing Sources (Uses)	(4,378,724)	(4,972,809)	(4,460,388)	(4,788,048)	(5,121,540)	(5,649,379)
Changes in Fund Balances	7,728	3,148	(1,595)	(12,659)	15,355	14,948
Closing Fund Balances	176,697	179,845	178,250	165,591	180,946	195,894

CAPITAL PROGRAM

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 capital plan includes $14.5 billion for 2003-04 through 2007-08 that will improve our transportation facilities and spur our economy with job-producing investments. Additional funds are also included 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 $2.5 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 2003-04 through 2007-08 Capital Program Plan assumes highway and bridge construction levels totaling $1.65 billion in each year of the Plan period. This reflects an annual reduction of $100 million from previously planned levels. Supporting this construction level, the Plan also provides for engineering, planning and program management costs of more than $550 million annually, reflecting an average annual reduction of approximately $70 million.

The Capital Program Plan also provides:

- More than $1.3 billion for local capital programs, including the CHIPS and Marchiselli programs;
- $20 million annually for a rail freight and passenger program that will preserve and improve the State's rail system;
- $9 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 activities such 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 313 sites around the State which encompass over 700 building types, including 60 maintenance headquarters, 125 maintenance sub-headquarters, 236 salt storage areas, 34 bridge crew facilities, two special crew facilities, a sign shop and 70 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.

The Executive Budget enhances the revenue flow into the Dedicated Highway and Bridge Trust Fund in order to maintain the revenue-to-debt-service coverage ratio that is required to sell bonds for the highway program. In addition to revenues previously dedicated to the Trust Fund, the Executive Budget will move approximately $50 million of transportation-related revenues and expenses from the General Fund to the Trust Fund in 2003-04 and $190 million in 2004-05. The revenues include certain Department of Motor Vehicle (DMV) fee revenues and a portion of the State's taxes on transportation and transmission companies. The expenses include operating expenses of DOT and DMV.

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 $2.7 billion of State support for the capital programs of transit systems throughout New York. This State assistance includes:

- Over $2.5 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 $157 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 $718.6 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
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Aviation	74,771	8,000	8,000	8,000	8,000	8,000	40,000
Highway Facilities	9,114,312	3,264,121	3,267,079	3,176,464	3,194,095	3,205,684	16,107,443
Maintenance Facilities	53,818	31,000	31,000	31,000	31,000	31,000	155,000
Mass Transportation and Rail Freight	254,922	69,115	69,815	69,815	69,815	69,815	348,375
Ports and Waterways	1,496	0	0	0	0	0	0
Total	9,499,319	3,372,236	3,375,894	3,285,279	3,302,910	3,314,499	16,650,818
Fund Summary							
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	69,478	0	0	0	0	0	0
Capital Projects Fund - Advances	22,777	0	0	0	0	0	0
Capital Projects Fund - Aviation (Bondable)	4,097	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)	45,617	0	0	0	0	0	0
Dedicated Highway and Bridge Trust Fund	3,139,228	1,565,809	1,563,515	1,472,900	1,490,531	1,502,120	7,594,875
Dedicated Mass Transportation Fund	157,433	49,115	49,815	49,815	49,815	49,815	248,375
Engineering Services Fund	859,620	0	0	0	0	0	0
Federal Capital Projects Fund	5,018,377	1,697,000	1,700,000	1,700,000	1,700,000	1,700,000	8,497,000
Miscellaneous New York State Agency Fund	136,400	50,000	52,000	52,000	52,000	52,000	258,000
NY Metro Transportation Council Account	23,044	10,312	10,564	10,564	10,564	10,564	52,568
Regional Aviation Fund	21,212	0	0	0	0	0	0
Total	9,499,319	3,372,236	3,375,894	3,285,279	3,302,910	3,314,499	16,650,818

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Aviation	8,000	8,000	8,000	8,000	8,000
Highway Facilities	3,252,974	3,250,707	3,160,092	3,177,723	3,189,312
Maintenance Facilities	31,000	31,000	31,000	31,000	31,000
Mass Transportation and Rail Freight	67,815	69,815	69,815	69,815	69,815
Total	3,359,789	3,359,522	3,268,907	3,286,538	3,298,127
Fund Summary					
Dedicated Highway and Bridge Trust Fund	1,554,662	1,547,143	1,456,528	1,474,159	1,485,748
Dedicated Mass Transportation Fund	47,815	49,815	49,815	49,815	49,815
Federal Capital Projects Fund	1,697,000	1,700,000	1,700,000	1,700,000	1,700,000
Miscellaneous New York State Agency Fund	50,000	52,000	52,000	52,000	52,000
NY Metro Transportation Council Account	10,312	10,564	10,564	10,564	10,564
Total	3,359,789	3,359,522	3,268,907	3,286,538	3,298,127

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Aviation	17,135	20,338	9,239	7,600	20,800	1,400	59,377
Highway Facilities	3,503,968	3,269,926	3,250,697	3,086,273	2,964,772	3,083,801	15,655,469
Maintenance Facilities	25,184	27,544	26,400	28,824	59,801	13,700	156,269
Mass Transportation and Rail Freight	50,847	64,203	61,194	77,691	118,817	59,486	381,391
Total	3,597,134	3,382,011	3,347,530	3,200,388	3,164,190	3,158,387	16,252,506
Fund Summary							
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	12,000	10,000	8,000	6,000	4,000	2,000	30,000
Capital Projects Fund - Advances	500	500	500	500	500	500	2,500
Capital Projects Fund - Aviation (Bondable)	800	400	400	400	400	400	2,000
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	1,647,609	1,724,107	1,703,034	1,547,035	1,499,742	1,497,003	7,970,921
Dedicated Mass Transportation Fund	42,100	45,908	46,917	49,485	50,400	52,286	244,996
Engineering Services Fund	624,927	219,086	80,528	30,303	15,420	6,360	351,697
Federal Capital Projects Fund	1,246,335	1,358,696	1,491,690	1,550,056	1,578,121	1,584,231	7,562,794
NY Metro Transportation Council Account	11,663	13,057	11,261	11,409	10,407	10,407	56,541
Regional Aviation Fund	6,000	5,057	0	0	0	0	5,057
Total	3,597,134	3,382,011	3,347,530	3,200,388	3,164,190	3,158,387	16,252,506

THRUWAY AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Canal Development Program	1,631	2,000	2,000	2,000	2,000	2,000	10,000
Total	1,631	2,000	2,000	2,000	2,000	2,000	10,000
Fund Summary							
New York State Canal System Development Fund	1,631	2,000	2,000	2,000	2,000	2,000	10,000
Total	1,631	2,000	2,000	2,000	2,000	2,000	10,000

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
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 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
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
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
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
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Transportation Support	0	120,468	141,900	160,100	155,400	154,100	731,968
Total	0	120,468	141,900	160,100	155,400	154,100	731,968
Fund Summary							
Dedicated Highway and Bridge Trust Fund	0	120,468	141,900	160,100	155,400	154,100	731,968
Total	0	120,468	141,900	160,100	155,400	154,100	731,968

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Transportation Support	120,468	141,900	160,100	155,400	154,100
Total	120,468	141,900	160,100	155,400	154,100
Fund Summary					
Dedicated Highway and Bridge Trust Fund	120,468	141,900	160,100	155,400	154,100
Total	120,468	141,900	160,100	155,400	154,100

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Transportation Support	14,788	116,401	138,902	157,766	153,440	152,104	718,613
Total	14,788	116,401	138,902	157,766	153,440	152,104	718,613
Fund Summary							
Dedicated Highway and Bridge Trust Fund	14,788	116,401	138,902	157,766	153,440	152,104	718,613
Total	14,788	116,401	138,902	157,766	153,440	152,104	718,613

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 $654 million in capital disbursements will support these activities in 2003-04. DEC's Capital Plan directs resources to projects to ensure compliance with health and safety requirements and State and Federal environmental mandates. In 2003-04, new General Fund appropriations of $29.6 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. Recommendations also include $10 million for remediation of Onondaga Lake.

The 2003-04 Executive Budget recommends new disbursements totaling $142 million from the 1996 Clean Water Clean Air Bond Act (CWCA) for projects to be administered by DEC. Another $30 million is planned to be disbursed by 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. The total authorization of $1.75 billion has been made available from the Bond Act.

Another key element of DEC's capital program is the Environmental Protection Fund (EPF), a dedicated fund supported by revenues of approximately $125 million annually. The Executive Budget includes new appropriations of $125 million for 2003-04 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; the restoration and preservation of historic barns; and stewardship projects on State-owned parks and lands. Additional EPF appropriations of $500 million through 2007-08 will continue funding these important activities.

The Department's Capital Plan also fully supports the Governor's State Superfund Refinancing Bill that provides for 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 2003, since the existing 1986 Environmental Quality Bond Act hazardous waste funds of $1.1 billion are fully committed.

In 2003-04, the level of contract commitments projected in the Department's capital plan is $494.1million. This is consistent with the completion of appropriations for the CWCA Bond Act which was fully authorized in 2002-03. 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 167 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, 53 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 2003-04, the capital plan supports approximately $22.2 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 and Federal resources. In addition, funding will be available from the Environmental Protection Fund to improve park facilities and protect the fragile natural resources at State parks. These funds are included in the Department of Environmental conservation capital budget.

The Office's five-year capital plan reflects the priority needs of the various parks and historic sites. A total of $90 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 2003-04 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 2003-04 maintenance efforts primarily on site restoration, roof repair, and exterior construction projects.

Ongoing redevelopment of the Niagara Reservation will continue with the opening of facilities initiated in 2002-03, including improved restroom facilities, enhanced handicap accessibility and the historic restoration of Goat Island.

The level of contract commitments projected in OPRHP's capital plan is approximately $37 million in 2003-04. 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 the Department of Environmental Conservation (DEC), administers low-interest financings to recipients for water pollution control facilities via the CWSRF. As of December 9, 2002, the CWSRF has made 1,016 loans for approximately $7.8 billion to 415 recipients across the State. The Capital Plan for DEC estimates commitments of $850 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 258 loans, 66 State Assistance Payments and 30 Federal Assistance Payments worth approximately $856 million to 204 recipients across the State as of December 9, 2002. DOH's Five-Year Capital Plan anticipates commitments for the DWSRF of $485 million in Federal and State funding, including $30 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 $11.4 million for the Pipeline for Jobs program with commitments through 2003-04. 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 2003-04, 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 2003-04 Executive Budget recommends $31 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 Environmental Protection Fund (EPF) within the Department of Environmental Conservation (DEC). In addition, the Budget provides a State-funded advance appropriation of $16 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 $16 million. Additional commitments of $15 million are reflected in the EPF.

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Administration	2,206	1,000	0	0	0	0	1,000
Air Resources	103,390	0	0	0	0	0	0
Clean Water Clean Air Implementation	7,925	2,527	1,176	0	0	0	3,703
Clean Water/Clean Air 96	184,979	0	0	0	0	0	0
Design and Construction Supervision	14	0	0	0	0	0	0
Environment and Recreation	291,369	125,000	125,000	125,000	125,000	125,000	625,000
Environmental Protection and Enhancements	124,310	0	0	0	0	0	0
Fish and Wildlife	9,645	1,700	1,000	1,000	1,000	1,000	5,700
Lands and Forests	17,509	4,175	1,000	1,000	1,000	1,000	8,175
Marine Resources	9,386	3,000	0	0	0	0	3,000
Operations	49,452	26,264	10,000	35,000	60,000	60,000	191,264
Recreation	2,368	2,500	700	700	700	700	5,300
Solid and Hazardous Waste Management	284,957	0	0	0	0	0	0
Solid Waste Management	242,240	130,845	105,650	105,650	105,675	105,675	553,495
Water Resources	934,015	208,143	219,000	249,000	299,000	349,000	1,324,143
Total	2,263,765	505,154	463,526	517,350	592,375	642,375	2,720,780
Fund Summary							
Capital Projects Fund	115,941	29,629	21,350	46,350	71,375	71,375	240,079
Capital Projects Fund - 1996 CWA (Bondable)	801,441	0	0	0	0	0	0
Capital Projects Fund - Advances	91,179	25,895	1,000	1,000	1,000	1,000	29,895
Capital Projects Fund - Authority Bonds	69,137	51,174	60,000	90,000	140,000	190,000	531,174
Capital Projects Fund - EQBA (Bondable)	67,584	991	0	0	0	0	991
Capital Projects Fund - EQBA 86 (Bondable)	284,963	0	0	0	0	0	0
Capital Projects Fund - PWBA (Bondable)	25,709	8,168	0	0	0	0	8,168
Clean Air Fund	11,384	0	0	0	0	0	0
Clean Water Clean Air Implementation Fund	7,925	2,527	1,176	0	0	0	3,703
Enterprise Fund	175	0	0	0	0	0	0
Environmental Protection Fund	415,679	125,000	125,000	125,000	125,000	125,000	625,000
Federal Capital Projects Fund	360,459	156,770	150,000	150,000	150,000	150,000	756,770
Financial Security Fund	1,884	0	0	0	0	0	0
Forest Preserve Expansion Fund	118	0	0	0	0	0	0
Hazardous Waste Remedial Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Hudson River Habitat Restor. Fund	351	0	0	0	0	0	0
Natural Resource Damages Fund	9,836	0	0	0	0	0	0
Total	2,263,765	505,154	463,526	517,350	592,375	642,375	2,720,780

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Administration	500	500	500	500	500
Air Resources	2,500	3,150	500	500	500
Clean Water Clean Air Implementation	2,527	2,527	0	0	0
Environment and Recreation	125,000	125,000	125,000	125,000	125,000
Fish and Wildlife	1,000	1,000	1,000	1,000	1,000
Lands and Forests	1,000	1,000	1,000	1,000	1,000
Marine Resources	200	200	200	200	200
Operations	10,000	10,000	35,000	60,000	60,000
Recreation	700	700	700	700	700
Solid and Hazardous Waste Management	105,991	105,000	105,000	105,000	105,000
Solid Waste Management	650	650	650	650	650
Water Resources	244,016	211,500	241,500	291,525	341,525
Total	494,084	461,227	511,050	586,075	636,075
Fund Summary					
Capital Projects Fund	29,629	21,350	46,350	71,375	71,375
Capital Projects Fund - Advances	25,895	1,000	1,000	1,000	1,000
Capital Projects Fund - Authority Bonds	51,174	60,000	90,000	140,000	190,000
Capital Projects Fund - EQBA (Bondable)	991	0	0	0	0
Capital Projects Fund - PWBA (Bondable)	8,168	0	0	0	0
Clean Air Fund	2,000	2,650	0	0	0
Clean Water Clean Air Implementation Fund	2,527	2,527	0	0	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
Hazardous Waste Remedial Fund	105,000	105,000	105,000	105,000	105,000
Natural Resource Damages Fund	1,000	1,000	1,000	1,000	1,000
Total	494,084	461,227	511,050	586,075	636,075

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Administration	650	0	0	0	0	0	0
Air Resources	22,584	14,405	15,658	17,274	5,745	2,550	55,632
Clean Water Clean Air Implementation	3,219	2,527	2,527	2,527	0	0	7,581
Clean Water/Clean Air 96	18,250	33,817	31,250	31,486	30,056	33,709	160,318
Environment and Recreation	79,769	106,000	104,944	105,000	104,071	115,670	535,685
Environmental Protection and Enhancements	35,231	21,000	16,056	16,000	15,929	9,330	78,315
Fish and Wildlife	1,309	900	900	1,200	1,450	1,600	6,050
Lands and Forests	1,098	25	120	417	667	967	2,196
Marine Resources	700	450	500	450	450	550	2,400
Operations	12,130	12,600	12,500	11,250	10,464	9,750	56,564
Recreation	762	0	0	100	200	300	600
Solid and Hazardous Waste Management	69,994	70,000	70,000	60,000	27,154	0	227,154
Solid Waste Management	40,656	128,642	123,731	122,873	124,550	128,750	628,546
Water Resources	238,754	263,335	289,710	316,666	361,135	381,541	1,612,387
Total	525,106	653,701	667,896	685,243	681,871	684,717	3,373,428
Fund Summary							
Capital Projects Fund	19,499	400	11,400	11,400	11,400	11,400	46,000
Capital Projects Fund - 1996 CWA (Bondable)	121,372	141,999	141,999	141,999	125,000	100,000	650,997
Capital Projects Fund - Advances	7,152	7,450	7,400	7,400	7,400	7,400	37,050
Capital Projects Fund - Authority Bonds	38,000	49,000	58,000	88,000	138,000	188,000	521,000
Capital Projects Fund - EQBA (Bondable)	2,130	3,000	3,000	3,000	3,000	3,000	15,000
Capital Projects Fund - EQBA 86 (Bondable)	70,000	70,000	70,000	60,000	27,154	0	227,154
Capital Projects Fund - PWBA (Bondable)	2,400	1,600	1,200	1,200	1,200	1,200	6,400
Clean Air Fund	2,000	2,000	2,650	0	0	0	4,650
Clean Water Clean Air Implementation Fund	3,219	2,527	2,527	2,527	0	0	7,581
Environmental Protection Fund	115,000	127,000	121,000	121,000	120,000	125,000	614,000
Federal Capital Projects Fund	142,500	142,500	142,500	142,500	142,500	142,500	712,500
Financial Security Fund	500	200	200	200	200	200	1,000
Forest Preserve Expansion Fund	20	25	20	17	17	17	96
Hazardous Waste Remedial Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Natural Resource Damages Fund	1,314	1,000	1,000	1,000	1,000	1,000	5,000
Total	525,106	653,701	667,896	685,243	681,871	684,717	3,373,428

PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Federal Capital Projects Fund	8,352	7,500	5,000	5,000	5,000	5,000	27,500
Maintenance and Improvement of Existing Facilities	78,275	35,805	35,250	35,250	35,250	35,805	177,360
Natural Heritage Trust	300	0	0	0	0	0	0
Outdoor Recreation	1,013	0	0	0	0	0	0
Parks EQBA	9,725	0	0	0	0	0	0
Total	97,665	43,305	40,250	40,250	40,250	40,805	204,860
Fund Summary							
Capital Projects Fund	1,248	0	0	0	0	0	0
Capital Projects Fund - EQBA 86 (Bondable)	9,725	0	0	0	0	0	0
Federal Capital Projects Fund	8,352	7,500	5,000	5,000	5,000	5,000	27,500
Fiduciary Funds - Misc. Combined Expendable Trust Fund	14,720	5,000	5,000	5,000	5,000	5,000	25,000
Misc. Capital Projects	3,449	1,200	1,200	1,200	1,200	1,200	6,000
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	59,158	29,605	29,050	29,050	29,050	29,605	146,360
Total	97,665	43,305	40,250	40,250	40,250	40,805	204,860

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Federal Capital Projects Fund	2,500	2,500	2,500	2,500	2,500
Maintenance and Improvement of Existing Facilities	34,490	32,050	31,050	31,050	31,605
Total	36,990	34,550	33,550	33,550	34,105
Fund Summary					
Federal Capital Projects Fund	2,500	2,500	2,500	2,500	2,500
Fiduciary Funds - Misc. Combined Expendable Trust Fund	4,425	2,000	1,000	1,000	1,000
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000
State Parks Infrastructure Fund	29,065	29,050	29,050	29,050	29,605
Total	36,990	34,550	33,550	33,550	34,105

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Federal Capital Projects Fund	2,556	2,500	2,500	2,500	2,500	2,500	12,500
Maintenance and Improvement of Existing Facilities	23,692	16,325	13,900	12,900	12,900	12,900	68,925
Parks EQBA	2,111	3,343	3,775	1,185	281	0	8,584
Total	28,359	22,168	20,175	16,585	15,681	15,400	90,009
Fund Summary							
Capital Projects Fund	1,100	0	0	0	0	0	0
Capital Projects Fund - EQBA (Bondable)	400	0	0	0	0	0	0
Capital Projects Fund - EQBA 86 (Bondable)	1,711	3,343	3,775	1,185	281	0	8,584
Federal Capital Projects Fund	2,556	2,500	2,500	2,500	2,500	2,500	12,500
Fiduciary Funds - Misc. Combined Expendable Trust Fund	16,000	4,425	2,000	1,000	1,000	1,000	9,425
Misc. Capital Projects	2,209	1,000	1,000	1,000	1,000	1,000	5,000
State Parks Infrastructure Fund	4,383	10,900	10,900	10,900	10,900	10,900	54,500
Total	28,359	22,168	20,175	16,585	15,681	15,400	90,009

ENVIRONMENTAL FACILITIES CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Clean Water - Clean Air Implementation	0	292	292	292	0	0	876
Pipeline for Jobs Program	11,373	0	0	0	0	0	0
Total	11,373	292	292	292	0	0	876
Fund Summary							
Capital Projects Fund - Authority Bonds	11,373	0	0	0	0	0	0
Clean Water Clean Air Implementation Fund	0	292	292	292	0	0	876
Total	11,373	292	292	292	0	0	876

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Clean Water - Clean Air Implementation	292	292	292	0	0
Pipeline for Jobs Program	9,605	0	0	0	0
Total	9,897	292	292	0	0
Fund Summary					
Capital Projects Fund - Authority Bonds	9,605	0	0	0	0
Clean Water Clean Air Implementation Fund	292	292	292	0	0
Total	9,897	292	292	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Clean Water - Clean Air Implementation	292	292	292	292	0	0	876
Pipeline for Jobs Program	1,768	9,605	0	0	0	0	9,605
Total	2,060	9,897	292	292	0	0	10,481
Fund Summary							
Capital Projects Fund - Authority Bonds	1,768	9,605	0	0	0	0	9,605
Clean Water Clean Air Implementation Fund	292	292	292	292	0	0	876
Total	2,060	9,897	292	292	0	0	10,481

HUDSON RIVER PARK TRUST
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Regional Development	69,656	16,000	0	0	0	0	16,000
Total	69,656	16,000	0	0	0	0	16,000
Fund Summary							
Capital Projects Fund - Advances	69,656	16,000	0	0	0	0	16,000
Total	69,656	16,000	0	0	0	0	16,000

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Regional Development	16,000	0	0	0	0
Total	16,000	0	0	0	0
Fund Summary					
Capital Projects Fund - Advances	16,000	0	0	0	0
Total	16,000	0	0	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Regional Development	35,000	40,000	18,326	0	0	0	58,326
Total	35,000	40,000	18,326	0	0	0	58,326
Fund Summary							
Capital Projects Fund - Advances	35,000	40,000	18,326	0	0	0	58,326
Total	35,000	40,000	18,326	0	0	0	58,326

PUBLIC PROTECTION

The capital planning process provides the Department of Correctional Services (DOCS) with the means to ensure adequate bed capacity and to maintain a safe and secure environment in 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 2003-04 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	1	0	16
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	8	0	72

The program, consistent with the above objectives, recommends new capital project appropriations of approximately $1 billion over the next five years, and $762 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 is $940 million for the Maintenance and Improvement Program.

DIVISION OF MILITARY AND NAVAL AFFAIRS

The Division of Military and Naval Affairs operates more than 120 facilities statewide, including: more than 60 Army National Guard Armories, 28 operations and maintenance facilities, 6 Air Guard bases, 3 aviation support facilities, 4 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 approximately 74 years. According to the National Guard Bureau, New York's infrastructure is the oldest in the nation and its overall condition is fair.

The highlight of the Division's 2003-08 Five Year Comprehensive Capital Maintenance Plan is the continuation of the Federal Military Construction program, which began in 2002-03. Under this program, the Federal government will fund more than 90 percent of the estimated $100 million cost of replacing or expanding armories, recruitment centers and equipment maintenance facilities across New York State over the next five to seven years.

The Division's traditional capital program will also continue with 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, as this will 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 (DSP) 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 $16.1 million and will accommodate ongoing maintenance and improvement of State Police facilities.

The Capital Asset Maintenance Plan for the facilities of the Division of State Police is designed to preserve the useful life of the facilities and infrastructure. Over the past several years capital initiatives have been focused on the repair and replacement of roofs, windows, access roadways, heating and ventilation systems, electrical systems and necessary improvements to facilities to meet health and safety needs. The plan for the next five years maintains the same focus.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Forensic Investigation Center	5 years	1	0	0	1
Troop Headquarters	24-45 years	9	0	0	9
Zone Headquarters	28-52 years	0	2	0	2
Stations	2-35 years	2	0	1	3
	Total	12	2	1	15

The commitments for 2002-03 totaled $4.6 million which will return to $2.8 million in 2003-04. The 2003-04 Capital Plan assumes entering into commitments for new projects needed to rehabilitate State Police facilities to ensure their safety.

CORRECTIONAL SERVICES, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Maintenance and Improvement of Existing Facilities	500,091	205,000	205,000	205,000	205,000	205,000	1,025,000
Medical Facilities	18,406	0	0	0	0	0	0
UDC Financed and Other New Facility Capacity Expansion	244,164	0	0	0	0	0	0
Total	762,661	205,000	205,000	205,000	205,000	205,000	1,025,000
Fund Summary							
Capital Projects Fund	932	0	0	0	0	0	0
Correctional Facilities Capital Improvement Fund	751,571	205,000	205,000	205,000	205,000	205,000	1,025,000
Federal Capital Projects Fund	10,158	0	0	0	0	0	0
Total	762,661	205,000	205,000	205,000	205,000	205,000	1,025,000

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
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 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Maintenance and Improvement of Existing Facilities	174,500	188,000	188,000	188,000	188,000	188,000	940,000
Medical Facilities	15,000	0	0	0	0	0	0
Total	189,500	188,000	188,000	188,000	188,000	188,000	940,000
Fund Summary							
Capital Projects Fund	1,500	0	0	0	0	0	0
Correctional Facilities Capital Improvement Fund	188,000	188,000	188,000	188,000	188,000	188,000	940,000
Total	189,500	188,000	188,000	188,000	188,000	188,000	940,000

MILITARY AND NAVAL AFFAIRS, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Design and Construction Supervision	4,600	9,100	3,100	1,400	1,400	1,700	16,700
Maintenance and Improvement of Existing Facilities	18,200	31,500	75,300	10,300	10,300	10,000	137,400
Total	22,800	40,600	78,400	11,700	11,700	11,700	154,100
Fund Summary							
Capital Projects Fund	10,100	16,600	7,000	7,000	7,000	7,000	44,600
Federal Capital Projects Fund	12,700	24,000	71,400	4,700	4,700	4,700	109,500
Total	22,800	40,600	78,400	11,700	11,700	11,700	154,100

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Design and Construction Supervision	5,900	4,400	1,400	1,400	1,400
Maintenance and Improvement of Existing Facilities	31,500	74,000	10,300	10,300	10,300
Total	37,400	78,400	11,700	11,700	11,700
Fund Summary					
Capital Projects Fund	16,600	7,000	7,000	7,000	7,000
Federal Capital Projects Fund	20,800	71,400	4,700	4,700	4,700
Total	37,400	78,400	11,700	11,700	11,700

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Design and Construction Supervision	5,326	5,750	4,375	3,100	2,200	1,290	16,715
Maintenance and Improvement of Existing Facilities	11,274	19,700	37,000	37,600	28,300	15,900	138,500
Total	16,600	25,450	41,375	40,700	30,500	17,190	155,215
Fund Summary							
Capital Projects Fund	6,600	9,150	11,200	9,850	7,500	7,600	45,300
Federal Capital Projects Fund	10,000	16,300	30,175	30,850	23,000	9,590	109,915
Total	16,600	25,450	41,375	40,700	30,500	17,190	155,215

STATE POLICE, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Maintenance and Improvement of Existing Facilities	7,681	2,800	2,800	3,500	3,500	3,500	16,100
New Facilities	333	0	0	0	0	0	0
Total	8,014	2,800	2,800	3,500	3,500	3,500	16,100
Fund Summary							
Capital Projects Fund	8,014	2,800	2,800	3,500	3,500	3,500	16,100
Total	8,014	2,800	2,800	3,500	3,500	3,500	16,100

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Maintenance and Improvement of Existing Facilities	2,800	2,800	3,500	3,500	3,500
Total	2,800	2,800	3,500	3,500	3,500
Fund Summary					
Capital Projects Fund	2,800	2,800	3,500	3,500	3,500
Total	2,800	2,800	3,500	3,500	3,500

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Maintenance and Improvement of Existing Facilities	4,504	2,722	2,545	3,500	3,500	3,500	15,767
New Facilities	96	78	255	0	0	0	333
Total	4,600	2,800	2,800	3,500	3,500	3,500	16,100
Fund Summary							
Capital Projects Fund	4,600	2,800	2,800	3,500	3,500	3,500	16,100
Total	4,600	2,800	2,800	3,500	3,500	3,500	16,100

EDUCATION

Capital planning is vital to the teaching, research and public service missions of both the State University (SUNY) and the City University (CUNY) systems. Capital Plans ensure that facilities are appropriately designed and developed to meet current and future needs and provide a safe and healthy environment for students, faculty, and staff. The State Education Department's (SED) capital programs encompass the rehabilitation of schools for the deaf, the blind, 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 over 402,000 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 approximately 3,000 classroom, dormitory, library, laboratory, athletic, student activity and hospital 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 formal capital budget request.

The 2003-04 Executive Budget recommends a new Multi-Year Capital Investment Program that will provide $2.5 billion over the next five years to respond to the needs and priorities of SUNY campuses. The $2.5 billion program includes $224 million in remaining educational facility appropriation authority available from the previous Multi-Year Capital Improvement Program and $335 million for SUNY Residence Halls.

The new $2.5 billion Multi-Year Capital Investment Program includes:
- $1,640 million for academic facilities;
- $350 million for hospitals;
- $210 million for community colleges; and
- $335 million for residence halls.

The $2.5 billion Multi-Year Capital Investment Program includes $1.7 billion in State-supported bonding, $150 million in new State-supported hard dollar projects, and $685 million that is funded through non-State sources such as hospital and dormitory revenues. This new capital initiative will enable the University to continue its plan for revitalizing campuses through: the rehabilitation of existing buildings; construction and adaptation of facilities to meet current academic needs; and the use of technology for instruction, research, and community service.

Major components of the capital program for 2003-04 through 2007-08 include:
- Hospital projects to enable the three SUNY hospitals to undertake revenue-generating initiatives recommended in the hospitals' strategic plans, to address accreditation deficiencies, and to meet critical rehabilitation and repair needs.

- Campus core projects to meet critical health, safety, and preservation needs, and to respond to new and changing academic requirements.
- Technology and campus development projects to promote innovative 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 including replacement of heating and cooling systems as well as construction of new academic facilities.
- Residence hall projects for both new and renovated facilities.

SUNY's Multi-Year Capital Investment Program continues to emphasize projects that address health and safety, rehabilitation, and preservation needs. These include projects to address code violations, meet accreditation standards, provide access for the disabled, preserve the integrity of SUNY's capital plant, and address deferred maintenance needs. Given the age of SUNY's physical plant, capital funding for senior colleges will be spent primarily on preservation and rehabilitation needs. The "remaining useful life" of SUNY buildings is based on the actual condition of the asset or building components, rather than age. As part of SUNY's capital planning process, building condition surveys have been performed on all SUNY-owned buildings.

For 2003-04, contract commitments are projected to reach $330 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 $368 million in 2003-04, and are expected to increase to approximately $428 million in 2005-06 to reflect current commitment levels. Future disbursements are expected to remain relatively flat.

SUNY's bond cap will be increased by $1.5 billion, for a total bonding authorization of $4.7 billion to cover SUNY's planned bond sales for the new Multi-Year Capital Investment Program. The bond cap also reflects efforts to improve the administration of the SUNY higher educational facilities bonding program and to reduce annual debt service costs by ensuring that the size of annual bonds sales corresponds more closely with projected disbursements. This administrative change will not adversely impact the advancement of projects or the new SUNY Multi-Year Capital Investment Program.

CITY UNIVERSITY OF NEW YORK

The City University of New York's physical plant is comprised of 11 senior colleges, 6 community colleges, a graduate center, law school and Central Administration, serving more than 200,000 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

Major projects at CUNY senior and community colleges are supported by bonds issued by the Dormitory Authority. The State pays the debt service on senior college projects other than Medgar Evers College. For community colleges and Medgar Evers College, debt service costs are shared with the City of New York. CUNY's minor rehabilitation projects for health and safety and preservation purposes are primarily supported by State General Fund appropriations.

The 2003-04 Executive Budget's capital recommendations include a new $1.2 billion Multi-Year Capital Investment Program for CUNY, which provides for 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 the completion of ongoing projects at John Jay College and the construction of a new academic building for Medgar Evers College. CUNY's bond cap will be increased by $800 million, for a total bonding authorization of $4.2 billion to cover CUNY's planned bond sales for the new Multi-Year Capital Investment Program. The bond cap also reflects efforts to improve the administration of the CUNY higher educational facilities bonding program and to reduce annual debt service costs by ensuring that the size of annual bonds sales corresponds more closely with projected disbursements. This administrative change will not adversely impact the advancement of projects or the new CUNY Multi-Year Capital Investment Plan.

CUNY's capital program for 2003-04 provides $250.7 million to support the first year of the new 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 2003-04 Executive Budget includes Capital Projects Fund appropriations of $3.75 million with disbursements projected to total $4.6 million. These appropriations include $1.5 million for various rehabilitation and renovation projects at the St. Regis Mohawk and the Tuscarora Elementary Schools. No new Capital Advance Funds are recommended.

For fiscal year 2003-04, the projected level of contract commitments is $4.6 million. Projects previously funded are being designed and awarded as anticipated.

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
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Maintenance and Improvements	1,736,551	2,561,000	0	0	0	0	2,561,000
New Facilities	19,666	0	0	0	0	0	0
Total	1,756,217	2,561,000	0	0	0	0	2,561,000
Fund Summary							
Capital Projects Fund	97,469	150,000	0	0	0	0	150,000
Capital Projects Fund - Advances	1,176,411	1,826,000	0	0	0	0	1,826,000
State University Capital Projects Fund	121,870	250,000	0	0	0	0	250,000
State University Residence Hall Rehabilitation Fund	360,467	335,000	0	0	0	0	335,000
Total	1,756,217	2,561,000	0	0	0	0	2,561,000

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Maintenance and Improvements	330,000	350,000	370,000	390,000	410,000
Total	330,000	350,000	370,000	390,000	410,000
Fund Summary					
Capital Projects Fund	30,000	30,000	30,000	30,000	30,000
Capital Projects Fund - Advances	250,000	270,000	290,000	310,000	330,000
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	330,000	350,000	370,000	390,000	410,000

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Maintenance and Improvements	305,700	368,000	398,000	428,000	428,000	428,000	2,050,000
Total	305,700	368,000	398,000	428,000	428,000	428,000	2,050,000
Fund Summary							
Capital Projects Fund	36,700	39,000	39,000	39,000	39,000	39,000	195,000
Capital Projects Fund - Advances	215,000	280,000	310,000	340,000	340,000	340,000	1,610,000
State University Capital Projects Fund	24,000	24,000	24,000	24,000	24,000	24,000	120,000
State University Residence Hall Rehabilitation Fund	30,000	25,000	25,000	25,000	25,000	25,000	125,000
Total	305,700	368,000	398,000	428,000	428,000	428,000	2,050,000

CITY UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Maintenance and Improvements	173,856	1,056,500	0	0	0	0	1,056,500
New Facilities	352,459	0	0	0	0	0	0
Program Changes and Expansion	3,745	0	0	0	0	0	0
Total	530,060	1,056,500	0	0	0	0	1,056,500
Fund Summary							
Capital Projects Fund	55,143	25,000	0	0	0	0	25,000
Capital Projects Fund - Advances	472,946	1,031,500	0	0	0	0	1,031,500
City University of New York Capital Projects Fund	1,971	0	0	0	0	0	0
Total	530,060	1,056,500	0	0	0	0	1,056,500

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Maintenance and Improvements	250,680	250,680	250,680	250,680	250,680
Total	250,680	250,680	250,680	250,680	250,680
Fund Summary					
Capital Projects Fund	10,000	10,000	10,000	10,000	10,000
Capital Projects Fund - Advances	240,680	240,680	240,680	240,680	240,680
Total	250,680	250,680	250,680	250,680	250,680

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Maintenance and Improvements	8,600	8,351	9,100	9,100	9,100	9,100	44,751
Program Changes and Expansion	500	749	0	0	0	0	749
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
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Administration	3,656	2,000	3,630	3,630	3,630	3,630	16,520
Cultural Education Center	16,830	0	0	0	0	0	0
Education Building	2,836	0	0	0	0	0	0
Rebuild Schools to Uphold Education Program	57,000	0	0	0	0	0	0
School for the Blind	3,910	0	0	0	0	0	0
School for the Deaf	501	250	0	0	0	0	250
Schools For Native American Reservations	0	1,500	0	0	0	0	1,500
Washington Avenue Armory	300	0	0	0	0	0	0
Total	85,033	3,750	3,630	3,630	3,630	3,630	18,270
Fund Summary							
Capital Projects Fund	14,003	3,750	3,630	3,630	3,630	3,630	18,270
Capital Projects Fund - Advances	14,030	0	0	0	0	0	0
Capital Projects Fund - Authority Bonds	57,000	0	0	0	0	0	0
Total	85,033	3,750	3,630	3,630	3,630	3,630	18,270

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Administration	2,000	2,000	0	0	0
Cultural Education Center	0	0	0	1,000	1,000
Education Building	1,630	1,630	3,630	3,630	3,630
School for the Blind	0	250	500	0	0
School for the Deaf	250	0	500	0	0
Schools For Native American Reservations	750	750	0	0	0
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 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Administration	1,629	2,412	2,708	3,630	3,052	3,630	15,432
Capital Outlay Transition Grants	100,107	0	0	0	0	0	0
Cultural Education Center	1,350	340	1,030	500	195	0	2,065
Design and Construction Supervision	100	0	0	0	0	0	0
Education Building	650	240	22	300	1,023	0	1,585
Rebuild Schools to Uphold Education Program	60,000	69,304	0	0	0	0	69,304
School for the Blind	400	388	282	200	100	1,000	1,970
School for the Deaf	375	250	88	0	260	0	598
Schools For Native American Reservations	0	1,000	500	0	0	0	1,500
Total	164,611	73,934	4,630	4,630	4,630	4,630	92,454
Fund Summary							
Capital Projects Fund	4,504	4,630	4,630	4,630	4,630	4,630	23,150
Capital Projects Fund - Advances	100,107	0	0	0	0	0	0
Capital Projects Fund - Authority Bonds	60,000	69,304	0	0	0	0	69,304
Total	164,611	73,934	4,630	4,630	4,630	4,630	92,454

SCIENCE, TECHNOLOGY AND ACADEMIC RESEARCH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
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	2,000	0	0	0	0	0	0
Capital Projects Fund - Authority Bonds	47,500	0	0	0	0	0	0
Total	49,500	0	0	0	0	0	0

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Research Facilities	22,127	6,169	0	0	0
Total	22,127	6,169	0	0	0
Fund Summary					
Capital Projects Fund	2,000	0	0	0	0
Capital Projects Fund - Authority Bonds	20,127	6,169	0	0	0
Total	22,127	6,169	0	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Research Facilities	21,204	22,127	6,169	0	0	0	28,296
Total	21,204	22,127	6,169	0	0	0	28,296
Fund Summary							
Capital Projects Fund	0	2,000	0	0	0	0	2,000
Capital Projects Fund - Authority Bonds	21,204	20,127	6,169	0	0	0	26,296
Total	21,204	22,127	6,169	0	0	0	28,296

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, most bonded State capital projects have, since 1999, been funded directly from bond proceeds held at 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 inpatient population of approximately 5,400 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 2003-04 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 2003-04 appropriations of $137 million and reappropriations of $402 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. The 2003-04 State Operations capital budget reflects the proposed closure of three adult facilities: Hutchings PC, Middletown PC and Elmira PC.

OMH's capital maintenance plan ensures that the investments in the OMH infrastructure are preserved, both to realize its maximum useful life and to prevent costly repairs in the future. A recent assessment report identifies OMH's capital assets by group, age, and condition:

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Residential/Hospital Buildings	1-100+	66	39	1	106
Psychiatric Rehabilitation Buildings	1-100+	47	47	0	94
Administrative Support Buildings	1-100+	131	160	0	291
	Total	244	246	1	*491

* excludes 725 vacant buildings and those with non-OMH tenants.

Aid to Localities

For OMH community programs, new 2003-04 appropriations of $78 million and reappropriations of $153 million will fund the development of new residential beds and the preservation and maintenance of the community infrastructure. Specifically, $65 million in new appropriations will support the State's contribution towards 1,000 of the new 2,000 bed pipeline announced in the 2003-04 Executive Budget, whereas recommended reappropriations continue previously authorized bed initiatives, including New York/New York II, Community Mental Health Reinvestment and the 1999-00 $50 million capital initiative. A total of $53 million in disbursements, including $6 million financed from the General Fund, is recommended for 2003-04. This local capital funding will support the development of over 1,600 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. As in the past, the Five-Year Capital Plan for OMRDD continues to focus 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 $458 million in new appropriations over the five-year period. For 2003-04, the Capital Plan recommends new appropriations of $90 million and reappropriations of $166 million, funding 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 existing State- and voluntary-operated community facilities;
- Environmental modifications to existing State- and voluntary-operated residential and day program space to improve accessibility for individuals with disabilities;
- Completion of 100 State-operated beds authorized in 2001-02, in accordance with OMRDD's NYS-CARES development plan; and
- Improvements to secure or specialized treatment units which provide services to persons with severe behavioral challenges.

The bulk of the OMRDD Capital Plan — 75 percent — is dedicated to the preservation of State facilities, to ensure both quality care for consumers, and continued Federal accreditation. Based on a recent assessment of OMRDD facilities by the Dormitory Authority of the State of New York, the following table identifies the capital asset group, age and condition of OMRDD assets:

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Institutional	1-75	62	216	99*	377
Community	1-55	977	52**	0	1,029
	Total	1,039	268	99	1,406

* All 99 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 55 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 $184 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, approximately $34 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 2003-04 provide authorization necessary to complete the development of 100 residential treatment beds for either women with children or adolescents, as provided for in the 2000-01 enacted budget. Moreover, sufficient amounts are included in the Plan to continue the 213 bed treatment initiative enacted as part of the 1997-98 Budget.

In addition, approximately $1.5 million is appropriated annually to support critical maintenance projects in the State ATCs. While twelve of the thirteen State-operated facilities are considered fixed assets of other agencies, OASAS is nevertheless responsible for their maintenance. Eleven of the thirteen facilities are located on the grounds of Office of Mental Health Psychiatric Centers while another facility is located at the Department of Corrections' Willard Drug Treatment Campus. The following table presents the age and condition of the single Office of Alcoholism and Substance Abuse Services capital asset.

		Condition		
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**
Kingsboro ATC	7		X	

MENTAL HEALTH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Administration	6,625	3,300	3,300	3,300	3,300	3,300	16,500
Design and Construction Supervision	9,837	10,000	8,500	8,500	8,500	8,500	44,000
Maintenance and Improvements of State Facilities	377,317	123,700	103,200	103,200	103,200	103,200	536,500
Non-Bondable Projects	8,000	1,000	1,000	1,000	1,000	1,000	5,000
Voluntary Facilities	153,326	77,482	12,494	86,506	11,518	11,530	199,530
Total	555,105	215,482	128,494	202,506	127,518	127,530	801,530
Fund Summary							
Capital Projects Fund	68,081	42,000	44,000	43,000	43,000	43,000	215,000
Mental Hygiene Capital Improvement Fund	487,024	173,482	84,494	159,506	84,518	84,530	586,530
Total	555,105	215,482	128,494	202,506	127,518	127,530	801,530

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Administration	3,300	3,300	3,300	3,300	3,300
Design and Construction Supervision	9,500	8,500	8,500	8,500	8,500
Maintenance and Improvements of State Facilities	124,200	103,200	103,200	103,200	103,200
Non-Bondable Projects	1,000	1,000	1,000	1,000	1,000
Voluntary Facilities	49,000	38,000	38,000	38,000	35,000
Total	187,000	154,000	154,000	154,000	151,000
Fund Summary					
Capital Projects Fund	40,500	40,500	44,000	44,000	41,000
Mental Hygiene Capital Improvement Fund	146,500	113,500	110,000	110,000	110,000
Total	187,000	154,000	154,000	154,000	151,000

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Administration	2,977	3,300	3,300	3,300	3,300	2,500	15,700
Design and Construction Supervision	1,324	1,500	1,500	1,500	1,500	3,200	9,200
Maintenance and Improvements of State Facilities	67,458	69,282	70,700	70,700	76,700	68,100	355,482
Non-Bondable Projects	2,000	1,000	1,000	1,000	1,000	1,000	5,000
Voluntary Facilities	23,538	52,079	41,312	40,506	40,518	40,530	214,945
Total	97,297	127,161	117,812	117,006	123,018	115,330	600,327
Fund Summary							
Capital Projects Fund	32,859	35,550	37,318	36,500	34,800	34,800	178,968
Mental Hygiene Capital Improvement Fund	64,438	91,611	80,494	80,506	88,218	80,530	421,359
Total	97,297	127,161	117,812	117,006	123,018	115,330	600,327

MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Community Services Program	23,700	18,886	18,973	19,063	19,164	19,279	95,365
Design and Construction Supervision	0	5,000	5,000	5,000	5,000	5,000	25,000
Institutional Services Program	125,112	43,454	44,078	45,140	46,112	47,089	225,873
Non-Bondable Projects	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Voluntary Facilities	15,877	21,741	20,085	20,952	21,726	22,595	107,099
Total	165,689	90,081	89,136	91,155	93,002	94,963	458,337
Fund Summary							
Capital Projects Fund	51,804	49,151	49,864	51,132	51,933	53,326	255,406
Mental Hygiene Capital Improvement Fund	113,885	40,930	39,272	40,023	41,069	41,637	202,931
Total	165,689	90,081	89,136	91,155	93,002	94,963	458,337

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Community Services Program	16,613	16,700	16,790	16,876	16,908
Design and Construction Supervision	5,000	5,000	5,000	5,000	5,000
Institutional Services Program	42,454	43,078	44,140	45,239	46,003
Non-Bondable Projects	1,000	1,000	1,000	1,000	1,000
Voluntary Facilities	14,841	15,185	16,052	17,249	18,011
Total	79,908	80,963	82,982	85,364	86,922
Fund Summary					
Capital Projects Fund	42,878	43,591	44,859	46,249	46,798
Mental Hygiene Capital Improvement Fund	37,030	37,372	38,123	39,115	40,124
Total	79,908	80,963	82,982	85,364	86,922

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Community Services Program	8,773	11,000	11,000	12,000	12,400	13,100	59,500
Design and Construction Supervision	8,000	5,000	5,000	5,000	5,000	5,000	25,000
Institutional Services Program	19,082	19,200	19,081	18,800	19,080	19,200	95,361
Voluntary Facilities	13,598	14,166	12,860	13,571	14,081	14,610	69,288
Total	49,453	49,366	47,941	49,371	50,561	51,910	249,149
Fund Summary							
Capital Projects Fund	38,342	41,215	41,725	43,070	44,166	45,400	215,576
Mental Hygiene Capital Improvement Fund	11,111	8,151	6,216	6,301	6,395	6,510	33,573
Total	49,453	49,366	47,941	49,371	50,561	51,910	249,149

ALCOHOLISM AND SUBSTANCE ABUSE SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Administration	0	1,025	1,094	1,075	1,110	1,145	5,449
Community Alcoholism and Substance Abuse Facilities	102,822	31,560	31,560	31,560	31,560	31,560	157,800
Design and Construction Supervision	1,250	2,000	2,000	2,000	2,000	2,000	10,000
Institutional Services Program	14,092	1,500	1,500	1,500	1,500	1,500	7,500
Non-Bondable Projects	0	750	750	750	750	750	3,750
Total	118,164	36,835	36,904	36,885	36,920	36,955	184,499
Fund Summary							
Capital Projects Fund	15,882	9,085	9,154	9,135	9,170	9,205	45,749
Mental Hygiene Capital Improvement Fund	102,282	27,750	27,750	27,750	27,750	27,750	138,750
Total	118,164	36,835	36,904	36,885	36,920	36,955	184,499

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Administration	1,062	1,094	1,127	1,161	1,175
Community Alcoholism and Substance Abuse Facilities	22,002	21,897	21,587	20,775	20,870
Design and Construction Supervision	3,610	3,445	3,300	3,248	3,275
Institutional Services Program	500	475	350	559	600
Non-Bondable Projects	100	100	100	100	100
Total	27,274	27,011	26,464	25,843	26,020
Fund Summary					
Capital Projects Fund	6,367	6,633	6,864	8,991	9,107
Mental Hygiene Capital Improvement Fund	20,907	20,378	19,600	16,852	16,913
Total	27,274	27,011	26,464	25,843	26,020

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Administration	982	1,062	1,094	1,075	1,110	1,106	5,447
Community Alcoholism and Substance Abuse Facilities	23,053	21,914	24,691	24,389	26,431	27,135	124,560
Design and Construction Supervision	3,000	3,610	1,729	2,300	1,348	1,600	10,587
Institutional Services Program	200	729	475	350	375	500	2,429
Non-Bondable Projects	100	100	100	100	100	100	500
Total	27,335	27,415	28,089	28,214	29,364	30,441	143,523
Fund Summary							
Capital Projects Fund	5,061	5,679	6,633	7,864	8,991	8,991	38,158
Mental Hygiene Capital Improvement Fund	22,274	21,736	21,456	20,350	20,373	21,450	105,365
Total	27,335	27,415	28,089	28,214	29,364	30,441	143,523

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 2003-04 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 2003-04 funding levels for this program through 2007-08;
- $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 2003-04 funding levels for this program through 2007-08;
- $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 2003-04 funding levels for this program through 2007-08;
- $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 2003-04 funding levels for this program through 2007-08.

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 2003-04 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 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. To date, over $512 million in HHAP commitments have resulted in more than 490 capital projects statewide and a projected 9,500 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 toward greater self-determination and economic self-sufficiency.

The SFY 2003-04 Capital Plan maintains the HHAP commitment level at $30 million for each year of the Five-Year Plan. This includes $5 million for the development of housing for persons with HIV or AIDS. The Plan also continues the $14 million initiative begun in SFY 1997-98 to develop over 250 domestic violence shelter beds in New York City. The project is anticipated to be completed by the end of calendar year 2004.

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Affordable Housing Corporation	90,400	25,000	25,000	25,000	25,000	25,000	125,000
Homes for Working Families Program	10,000	7,000	7,000	7,000	7,000	7,000	35,000
Housing Assistance Fund	11,333	0	0	0	0	0	0
Housing Opportunity Program For Elderly	800	400	400	400	400	400	2,000
Housing Program Capital Improvement	19,720	0	0	0	0	0	0
Low Income Housing Trust Fund	121,175	29,000	29,000	29,000	29,000	29,000	145,000
Maintenance and Improvements of Existing Facilities	8,604	0	0	0	0	0	0
New Facilities	36,645	0	10,000	10,000	10,000	10,000	40,000
Public Housing Modernization Program	78,950	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	384,971	74,200	84,200	84,200	84,200	84,200	411,000
Fund Summary							
Capital Projects Fund	28,945	0	4,000	4,000	4,000	4,000	16,000
Federal Capital Projects Fund	35,420	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	301,929	74,200	70,200	70,200	70,200	70,200	355,000
State Housing Bond Fund	7,344	0	0	0	0	0	0
Total	384,971	74,200	84,200	84,200	84,200	84,200	411,000

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Affordable Housing Corporation	25,000	25,000	25,000	25,000	25,000
Homes for Working Families Program	7,000	7,000	7,000	7,000	7,000
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	84,200	84,200	84,200	84,200
Fund Summary					
Capital Projects Fund	0	4,000	4,000	4,000	4,000
Federal Capital Projects Fund	0	10,000	10,000	10,000	10,000
Housing Program Fund	74,200	70,200	70,200	70,200	70,200
Total	74,200	84,200	84,200	84,200	84,200

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Affordable Housing Corporation	25,700	25,000	25,000	25,000	25,000	25,000	125,000
Homes for Working Families Program	7,700	7,000	7,000	7,000	7,000	7,000	35,000
Housing Assistance Fund	4,000	4,000	0	0	0	0	4,000
Housing Opportunity Program For Elderly	400	400	400	400	400	400	2,000
Housing Program Capital Improvement	990	1,035	575	575	575	575	3,335
Low Income Housing Trust Fund	30,250	31,150	30,250	29,000	29,000	29,000	148,400
Maintenance and Improvements of Existing Facilities	1,900	0	0	0	0	0	0
New Facilities	10,034	10,575	10,000	10,000	10,000	10,000	50,575
Public Housing Modernization Program	11,500	11,900	12,800	12,800	12,800	12,800	63,100
Total	92,474	91,060	86,025	84,775	84,775	84,775	431,410
Fund Summary							
Capital Projects Fund	3,540	1,610	4,575	4,575	4,575	4,575	19,910
Federal Capital Projects Fund	9,484	10,000	10,000	10,000	10,000	10,000	50,000
Housing Assistance Fund	4,000	4,000	0	0	0	0	4,000
Housing Program Fund	75,450	75,450	71,450	70,200	70,200	70,200	357,500
Total	92,474	91,060	86,025	84,775	84,775	84,775	431,410

TEMPORARY AND DISABILITY ASSISTANCE, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Supported Housing Program	141,736	30,000	30,000	30,000	30,000	30,000	150,000
Total	141,736	30,000	30,000	30,000	30,000	30,000	150,000
Fund Summary							
Capital Projects Fund	1,500	0	0	0	0	0	0
Housing Program Fund	140,236	30,000	30,000	30,000	30,000	30,000	150,000
Total	141,736	30,000	30,000	30,000	30,000	30,000	150,000

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
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 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Supported Housing Program	24,750	24,500	28,000	28,000	28,000	28,000	136,500
Total	24,750	24,500	28,000	28,000	28,000	28,000	136,500
Fund Summary							
Capital Projects Fund	1,750	1,500	0	0	0	0	1,500
Housing Program Fund	23,000	23,000	28,000	28,000	28,000	28,000	135,000
Total	24,750	24,500	28,000	28,000	28,000	28,000	136,500

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 2003-04 Executive Budget 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 and prevent further deterioration of the infrastructure. The asset management program for 2003-04 will fund high priority projects that will preserve the integrity of buildings and maintain a safe and healthy environment for the State's employees and the public. The Office will also have the flexibility to address critical infrastructure needs, while accommodating significant customer-tenant issues.

The Office continues to make significant capital investments in office facilities in the Albany area and future projects include the modernization of the Alfred E. Smith Office Building, a new parking garage at Elk Street and continued critical repairs at the State Capitol.

The OGS preventive maintenance program plan 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, the Office 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 the Office, such as the State Capitol and the Executive Mansion, are historically significant, their useful life can be considered indefinite. Over the long-term, maintenance efforts will continue to enhance facilities by improving the building appearance and upgrading the overall condition as a capital asset. The program is estimated to require $8 million in capital funding in 2003-04 to maintain the current infrastructure.

In evaluating its assets, the Office has established the following rating categories: good (shows normal wear and tear); poor (displays definite deterioration and may have unusable portions); and scrap (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 the Office's assets.

		Condition			
	Age Range	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, the Office has developed a strategic plan that will provide for the orderly rehabilitation and renovation of facilities. That plan, coupled with on-going maintenance efforts, will ensure that the Office will achieve its long-term goals, while addressing the pressing needs of the State's infrastructure.

OFFICE OF CHILDREN AND FAMILY SERVICES

The Office of Children and Family Services (OCFS) operates 40 residential youth facilities and 8 non-residential programs which serve nearly 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. The agency's capital program focuses on the need to maintain the structural integrity of existing capital assets and to initiate facility modifications. This year's Capital Plan includes funding for health and safety, and environmental and facility preservation projects.

The Capital Plan also continues 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. In addition, Section 529 of the Social Services Law requires the Office of Children and Family Services to maintain the community house within the Tonowanda Indian Reservation. This year's plan provides additional funding necessary to maintain the community house that was built in 1936.

The Office of Children and Family Services 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 New York State Dormitory Authority.

Recommended disbursements of $94.5 million are projected to support the OCFS Five-Year Plan for capital maintenance and improvement activities including $69.3 million for facility rehabilitation and improvement projects; $3 million for facility security enhancements; $13.5 million for environmental compliance projects and $8.7 million for the Child Care Facilities Development Program. The capital plan also projects $20 million in fiscal year 2003-04 contract commitments, down $72.8 million from 2002-03 projected levels. This decrease reflects the elimination of plans to construct a new facility.

In 2003-04, the Office of Children and Family Services capital maintenance program will include ongoing and new projects aimed at preserving the useful life of its facilities and infrastructure. Many of the Office's youth facilities are more than 30 years old and in "fair" condition, indicating the need for repair and/or improvement. The chart below lists Office of Children and Family Services facilities and group homes with information regarding age, remaining useful life and condition.

Asset / Asset Group	Age	Remaining Useful Life	Condition			
			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 operation 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 2003-04, DOH's Capital Program includes both ongoing and new projects to address major capital needs with estimated total disbursements of $100 million. Planned projects will preclude potentially more costly future capital expenditures while minimizing interruptions in clinical care services and laboratory functions. In addition, the Department will continue its participation in implementing the Safe Drinking Water Program, which will be financed through a $65 million Federal appropriation in 2003-04.

Commitments are estimated at $515 million over the five-year plan, including $30 million from the Clean Water/Clean Air (CWCA) Bond Act, $255 million from Federal funds and $225 million from the Capital Projects Fund for the Safe Drinking Water Program. The balance reflects planned projects for DOH facilities.

The Capital Plan includes $27 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 and Research	4-55	6	18	0	24
Veteran's Nursing Homes:					
Oxford	3-100	3	2	2	7
St. Albans	10	1	0	0	1
Batavia	8	1	0	0	1
Montrose	2	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 100 other structures, the majority of which have a useful life of greater than 10 years and are in good overall condition.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Various Fair Buildings	5 to 93 yrs.	110	14	4	128

For 2003-04, the capital plan supports approximately $1.6 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 $6.4 million in disbursements will be made available for similar projects through 2007-08.

The 2003-04 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 2003-04, the level of commitments projected in the Capital Plan is $1.6 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 2003-04, the Capital Plan continues the $1.2 billion Centers of Excellence/Empire Opportunity Fund/Gen*NY*sis/RESTORE Program which is being administered by the Empire State Development Corporation (ESDC) and the Dormitory Authority of the State of New York (DA). This program was established to foster collaboration between the academic research community and the business sector in order to develop and commercialize new products and technologies; to promote critical private sector investment in emerging high technology fields; and to create and expand technology related businesses and employment. In addition, the Program also finances projects that create or retain jobs or increase business activity through the construction and rehabilitation of research and development facilities, incubators and industrial parks; downtown commercial revitalization; brownfield redevelopment; as well as other types of activities.

The Capital Plan includes reappropriations for previously authorized environmental, higher education, cultural and economic development projects including: $425 million for the Community Enhancement Facilities Assistance Program (CEFAP) authorized in 1997-98; $172.3 million for the Strategic Investment Program (SIP) authorized in 2000-01; $95 million for the Office of Science, Technology and Academic Research's (NYSTAR) Capital Facilities Program authorized in 1999-00; $50 million for economic development projects in the Buffalo area authorized in 2000-01; $23.7 million for the Economic Development and Natural Resources Preservation Program (EDNRP) authorized in 1999-00; and $15 million for the construction of a stadium to house the Rochester Rhinos Soccer franchise authorized in 2000-01. Public authority bonds support these programs.

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 35 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 2003-04 commitment level of $13.4 million also includes the anticipated cost for ERDA's role in the Clean Water/Clean Air Bond Act.

JUDICIARY

The 2003-04 Judiciary request includes reappropriations totaling $28.7 million. This includes $25 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.

GENERAL SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Design and Construction Supervision	20,322	13,000	9,071	11,760	12,600	12,600	59,031
Maintenance and Improvement of Real Property Facilities	208,480	112,500	34,129	44,240	47,400	47,400	285,669
Petroleum Storage Tank	500	0	0	0	0	0	0
Total	229,302	125,500	43,200	56,000	60,000	60,000	344,700
Fund Summary							
Capital Projects Fund	133,623	106,000	43,200	56,000	60,000	60,000	325,200
Capital Projects Fund - Advances	5,479	0	0	0	0	0	0
Capital Projects Fund - Authority Bonds	90,200	19,500	0	0	0	0	19,500
Total	229,302	125,500	43,200	56,000	60,000	60,000	344,700

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Design and Construction Supervision	11,413	7,500	5,600	3,771	1,000
Maintenance and Improvement of Real Property Facilities	30,787	35,700	50,400	56,229	59,000
Total	42,200	43,200	56,000	60,000	60,000
Fund Summary					
Capital Projects Fund	42,200	43,200	56,000	60,000	54,521
Capital Projects Fund - Advances	0	0	0	0	5,479
Total	42,200	43,200	56,000	60,000	60,000

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Design and Construction Supervision	6,800	11,413	7,500	5,600	3,771	1,000	29,284
Maintenance and Improvement of Real Property Facilities	71,900	81,787	68,200	50,400	56,229	59,000	315,616
Total	78,700	93,200	75,700	56,000	60,000	60,000	344,900
Fund Summary							
Capital Projects Fund	52,500	42,200	43,200	56,000	60,000	54,521	255,921
Capital Projects Fund - Advances	0	0	0	0	0	5,479	5,479
Capital Projects Fund - Authority Bonds	26,200	51,000	32,500	0	0	0	83,500
Total	78,700	93,200	75,700	56,000	60,000	60,000	344,900

CHILDREN AND FAMILY SERVICES OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Child Care Facilities Development Program	8,724	0	0	0	0	0	0
Design and Construction Supervision	4,000	4,000	2,000	2,000	2,000	2,000	12,000
Executive Direction and Administrative Services	7,498	0	0	0	0	0	0
Maintenance and Improvement of Facilities	29,185	13,930	6,000	5,000	5,000	5,000	34,930
Program Improvement or Program Change	11,686	2,100	3,000	3,000	3,000	3,000	14,100
Youth Center	6,600	0	0	0	0	0	0
Total	67,693	20,030	11,000	10,000	10,000	10,000	61,030
Fund Summary							
Capital Projects Fund	13,877	2,930	1,000	1,000	1,000	1,000	6,930
Capital Projects Fund - Authority Bonds	8,724	0	0	0	0	0	0
Misc. Capital Projects	7,000	0	0	0	0	0	0
Youth Facilities Improvement Fund	38,092	17,100	10,000	9,000	9,000	9,000	54,100
Total	67,693	20,030	11,000	10,000	10,000	10,000	61,030

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Design and Construction Supervision	4,000	2,000	2,000	2,000	2,000
Maintenance and Improvement of Facilities	11,900	6,000	5,000	5,000	5,000
Program Improvement or Program Change	4,100	3,000	3,000	3,000	3,000
Total	20,000	11,000	10,000	10,000	10,000
Fund Summary					
Capital Projects Fund	2,900	1,000	1,000	1,000	1,000
Youth Facilities Improvement Fund	17,100	10,000	9,000	9,000	9,000
Total	20,000	11,000	10,000	10,000	10,000

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Child Care Facilities Development Program	0	8,724	0	0	0	0	8,724
Design and Construction Supervision	3,312	5,200	2,300	2,000	2,000	2,000	13,500
Executive Direction and Administrative Services	3,300	2,400	1,500	0	0	0	3,900
Maintenance and Improvement of Facilities	11,303	16,843	10,855	8,600	8,000	6,000	50,298
Program Improvement or Program Change	330	5,971	7,170	2,600	1,300	1,000	18,041
Youth Center	216	0	0	0	0	0	0
Total	18,461	39,138	21,825	13,200	11,300	9,000	94,463
Fund Summary							
Capital Projects Fund	4,866	5,044	3,030	2,000	1,000	1,000	12,074
Capital Projects Fund - Authority Bonds	0	8,724	0	0	0	0	8,724
Misc. Capital Projects	3,000	2,000	1,500	0	0	0	3,500
Youth Facilities Improvement Fund	10,595	23,370	17,295	11,200	10,300	8,000	70,165
Total	18,461	39,138	21,825	13,200	11,300	9,000	94,463

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Design and Construction Supervision	452	0	0	0	0	0	0
Laboratories and Research	9,048	4,000	4,000	8,000	0	0	16,000
Maintenance and Improvements of Existing Institutions	21,908	7,600	7,600	15,200	0	0	30,400
New Institution Construction	20,000	0	0	0	0	0	0
Rehabilitation and Improvements	1,500	0	0	0	0	0	0
Safe Drinking Water - Clean Water/Clean Air 96	40,000	0	0	0	0	0	0
Water Resources	150,788	65,000	115,000	115,000	115,000	115,000	525,000
Total	243,696	76,600	126,600	138,200	115,000	115,000	571,400
Fund Summary							
Capital Projects Fund	32,908	11,600	11,600	23,200	0	0	46,400
Capital Projects Fund - 1996 CWA (Bondable)	40,000	0	0	0	0	0	0
Capital Projects Fund - Advances	20,000	0	0	0	0	0	0
Capital Projects Fund - Authority Bonds	0	0	50,000	50,000	50,000	50,000	200,000
Federal Capital Projects Fund	150,788	65,000	65,000	65,000	65,000	65,000	325,000
Total	243,696	76,600	126,600	138,200	115,000	115,000	571,400

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Laboratories and Research	2,370	1,500	1,200	1,500	1,500
Maintenance and Improvements of Existing Institutions	3,700	3,500	2,250	5,000	5,000
Rehabilitation and Improvements	4,000	4,000	2,150	0	0
Safe Drinking Water - Clean Water/Clean Air 96	30,000	0	0	0	0
Water Resources	60,408	113,555	114,900	79,000	79,000
Total	100,478	122,555	120,500	85,500	85,500
Fund Summary					
Batavia Rehabilitation and Improvement	0	1,000	0	0	0
Capital Projects Fund	5,478	53,555	55,500	55,500	55,500
Capital Projects Fund - 1996 CWA (Bondable)	30,000	0	0	0	0
Federal Capital Projects Fund	65,000	65,000	65,000	30,000	30,000
Helen Hayes Rehabilitation and Improvement	0	1,000	0	0	0
Oxford Rehabilitation and Improvement	0	1,000	0	0	0
St. Albans Rehabilitation and Improvement	0	1,000	0	0	0
Total	100,478	122,555	120,500	85,500	85,500

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Design and Construction Supervision	243	234	0	0	0	0	234
Laboratories and Research	1,252	1,900	1,695	2,250	1,500	500	7,845
Maintenance and Improvements of Existing Institutions	3,188	2,992	3,805	2,750	4,000	5,000	18,547
Rehabilitation and Improvements	371	352	0	0	0	0	352
Safe Drinking Water - Clean Water/Clean Air 96	50,000	30,000	0	0	0	0	30,000
Water Resources	65,000	64,419	115,000	115,000	115,000	115,000	524,419
Total	120,054	99,897	120,500	120,000	120,500	120,500	581,397
Fund Summary							
Capital Projects Fund	5,054	5,478	5,500	5,000	5,500	5,500	26,978
Capital Projects Fund - 1996 CWA (Bondable)	50,000	30,000	0	0	0	0	30,000
Capital Projects Fund - Authority Bonds	0	0	50,000	50,000	50,000	50,000	200,000
Federal Capital Projects Fund	65,000	64,419	65,000	65,000	65,000	65,000	324,419
Total	120,054	99,897	120,500	120,000	120,500	120,500	581,397

AGRICULTURE AND MARKETS, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro- priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
State Fair	2,451	2,600	2,600	2,600	2,600	2,600	13,000
Total	2,451	2,600	2,600	2,600	2,600	2,600	13,000
Fund Summary							
Capital Projects Fund	451	600	600	600	600	600	3,000
Misc. Capital Projects	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Total	2,451	2,600	2,600	2,600	2,600	2,600	13,000

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
State Fair	1,600	1,600	1,600	1,600	1,600
Total	1,600	1,600	1,600	1,600	1,600
Fund Summary					
Capital Projects Fund	600	600	600	600	600
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000
Total	1,600	1,600	1,600	1,600	1,600

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
State Fair	1,924	1,600	1,600	1,600	1,600	1,600	8,000
Total	1,924	1,600	1,600	1,600	1,600	1,600	8,000
Fund Summary							
Capital Projects Fund	924	600	600	600	600	600	3,000
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Total	1,924	1,600	1,600	1,600	1,600	1,600	8,000

EMPIRE STATE DEVELOPMENT CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Economic Development	65,050	0	0	0	0	0	0
Regional Development	425,000	0	0	0	0	0	0
Total	490,050	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Authority Bonds	65,050	0	0	0	0	0	0
Community Enhancement Facilities Assistance Fund	425,000	0	0	0	0	0	0
Total	490,050	0	0	0	0	0	0

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Economic Development	25,000	25,000	0	0	0
Regional Development	15,000	0	0	0	0
Total	40,000	25,000	0	0	0
Fund Summary					
Capital Projects Fund - Authority Bonds	40,000	25,000	0	0	0
Total	40,000	25,000	0	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Economic Development	14,300	40,000	25,000	0	0	0	65,000
Total	14,300	40,000	25,000	0	0	0	65,000
Fund Summary							
Capital Projects Fund - Authority Bonds	14,300	40,000	25,000	0	0	0	65,000
Total	14,300	40,000	25,000	0	0	0	65,000

STRATEGIC INVESTMENT PROGRAM
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Strategic Investment Program	172,319	0	0	0	0	0	0
Total	172,319	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Authority Bonds	172,319	0	0	0	0	0	0
Total	172,319	0	0	0	0	0	0

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Strategic Investment Program	112,000	22,340	0	0	0
Total	112,000	22,340	0	0	0
Fund Summary					
Capital Projects Fund - Authority Bonds	112,000	22,340	0	0	0
Total	112,000	22,340	0	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Strategic Investment Program	60,000	112,000	22,340	0	0	0	134,340
Total	60,000	112,000	22,340	0	0	0	134,340
Fund Summary							
Capital Projects Fund - Authority Bonds	60,000	112,000	22,340	0	0	0	134,340
Total	60,000	112,000	22,340	0	0	0	134,340

ECONOMIC DEVELOPMENT AND NATURAL RESOURCE PRESERVATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Economic Development	23,744	0	0	0	0	0	0
Total	23,744	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Authority Bonds	23,744	0	0	0	0	0	0
Total	23,744	0	0	0	0	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Economic Development	23,744	0	0	0	0	0	0
Total	23,744	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Authority Bonds	23,744	0	0	0	0	0	0
Total	23,744	0	0	0	0	0	0

ECONOMIC DEVELOPMENT CAPITAL
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Regional Development	1,200,000	0	0	0	0	0	0
Total	1,200,000	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Authority Bonds	1,200,000	0	0	0	0	0	0
Total	1,200,000	0	0	0	0	0	0

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Regional Development	325,000	250,000	125,000	0	0
Total	325,000	250,000	125,000	0	0
Fund Summary					
Capital Projects Fund - Authority Bonds	325,000	250,000	125,000	0	0
Total	325,000	250,000	125,000	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Regional Development	200,000	325,000	250,000	125,000	0	0	700,000
Total	200,000	325,000	250,000	125,000	0	0	700,000
Fund Summary							
Capital Projects Fund - Authority Bonds	200,000	325,000	250,000	125,000	0	0	700,000
Total	200,000	325,000	250,000	125,000	0	0	700,000

ENERGY RESEARCH AND DEVELOPMENT AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Clean Water - Clean Air Implementation	0	117	117	117	0	0	351
Western New York Nuclear Service Center Program	0	13,250	13,250	13,250	13,250	13,250	66,250
Total	0	13,367	13,367	13,367	13,250	13,250	66,601
Fund Summary							
Capital Projects Fund	0	13,250	13,250	13,250	13,250	13,250	66,250
Clean Water Clean Air Implementation Fund	0	117	117	117	0	0	351
Total	0	13,367	13,367	13,367	13,250	13,250	66,601

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Clean Water - Clean Air Implementation	117	117	117	0	0
Western New York Nuclear Service Center Program	13,250	13,250	13,250	13,250	13,250
Total	13,367	13,367	13,367	13,250	13,250
Fund Summary					
Capital Projects Fund	13,250	13,250	13,250	13,250	13,250
Clean Water Clean Air Implementation Fund	117	117	117	0	0
Total	13,367	13,367	13,367	13,250	13,250

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Clean Water - Clean Air Implementation	117	117	117	117	0	0	351
Western New York Nuclear Service Center Program	13,250	13,250	13,250	13,250	13,250	13,250	66,250
Total	13,367	13,367	13,367	13,367	13,250	13,250	66,601
Fund Summary							
Capital Projects Fund	13,250	13,250	13,250	13,250	13,250	13,250	66,250
Clean Water Clean Air Implementation Fund	117	117	117	117	0	0	351
Total	13,367	13,367	13,367	13,367	13,250	13,250	66,601

JUDICIARY
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Courthouse Improvements	28,700	0	0	0	0	0	0
Total	28,700	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	28,700	0	0	0	0	0	0
Total	28,700	0	0	0	0	0	0

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Courthouse Improvements	18,600	308	0	0	0
Total	18,600	308	0	0	0
Fund Summary					
Capital Projects Fund	18,600	308	0	0	0
Total	18,600	308	0	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Courthouse Improvements	18,600	18,600	308	0	0	0	18,908
Total	18,600	18,600	308	0	0	0	18,908
Fund Summary							
Capital Projects Fund	18,600	18,600	308	0	0	0	18,908
Total	18,600	18,600	308	0	0	0	18,908

HOMELAND SECURITY
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Homeland Security	23,500	12,500	0	0	0	0	12,500
Total	23,500	12,500	0	0	0	0	12,500
Fund Summary							
Capital Projects Fund	23,500	12,500	0	0	0	0	12,500
Total	23,500	12,500	0	0	0	0	12,500

COMMITMENTS

	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Program Summary					
Homeland Security	12,500	0	0	0	0
Total	12,500	0	0	0	0
Fund Summary					
Capital Projects Fund	12,500	0	0	0	0
Total	12,500	0	0	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
Homeland Security	15,000	15,590	4,750	150	0	0	20,490
Total	15,000	15,590	4,750	150	0	0	20,490
Fund Summary							
Capital Projects Fund	15,000	15,590	4,750	150	0	0	20,490
Total	15,000	15,590	4,750	150	0	0	20,490

WORLD TRADE CENTER
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2003-2004 THROUGH 2007-2008
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
World Trade Center	342,000	0	0	0	0	0	0
Total	342,000	0	0	0	0	0	0
Fund Summary							
Federal Capital Projects Fund	342,000	0	0	0	0	0	0
Total	342,000	0	0	0	0	0	0

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Program Summary							
World Trade Center	6,300	73,310	60,200	51,700	26,300	33,500	245,010
Total	6,300	73,310	60,200	51,700	26,300	33,500	245,010
Fund Summary							
Federal Capital Projects Fund	6,300	73,310	60,200	51,700	26,300	33,500	245,010
Total	6,300	73,310	60,200	51,700	26,300	33,500	245,010

SUMMARY OF
PROJECTED APPROPRIATIONS, ALL FUNDS, ALL PROGRAMS
BY FUND TYPE, AND MAJOR FUND, 2003-2004 THROUGH 2007-2008
(thousands of dollars)

	APPROPRIATIONS						
	Reappro-priations	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Capital Projects Funds Type							
Capital Projects Fund	704,121	474,895	211,448	261,797	268,458	269,886	1,486,484
Capital Projects Fund - Advances	1,908,478	2,899,395	1,000	1,000	1,000	1,000	2,903,395
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	69,478	0	0	0	0	0	0
Capital Projects Fund - EQBA (Bondable)	67,584	991	0	0	0	0	991
Capital Projects Fund - PWBA (Bondable)	25,709	8,168	0	0	0	0	8,168
Capital Projects Fund - Infrastructure Renewal (Bondable)	45,617	0	0	0	0	0	0
Capital Projects Fund - Aviation (Bondable)	4,097	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)	294,688	0	0	0	0	0	0
Capital Projects Fund - 1996 CWA (Bondable)	841,441	0	0	0	0	0	0
Capital Projects Fund - Authority Bonds	1,745,047	70,674	110,000	140,000	190,000	240,000	750,674
Dedicated Highway and Bridge Trust Fund	3,139,228	1,686,277	1,705,415	1,633,000	1,645,931	1,656,220	8,326,843
State University Residence Hall Rehabilitation Fund	360,467	335,000	0	0	0	0	335,000
New York State Canal System Development Fund	1,631	2,000	2,000	2,000	2,000	2,000	10,000
State Parks Infrastructure Fund	59,158	29,605	29,050	29,050	29,050	29,605	146,360
Environmental Protection Fund	415,679	125,000	125,000	125,000	125,000	125,000	625,000
Federal Capital Projects Fund	5,938,254	1,950,270	2,001,400	1,934,700	1,934,700	1,934,700	9,755,770
Youth Facilities Improvement Fund	38,092	17,100	10,000	9,000	9,000	9,000	54,100
Housing Program Fund	442,165	104,200	100,200	100,200	100,200	100,200	505,000
Engineering Services Fund	859,620	0	0	0	0	0	0
Mental Hygiene Capital Improvement Fund	703,191	242,162	151,516	227,279	153,337	153,917	928,211
Correctional Facilities Capital Improvement Fund	751,571	205,000	205,000	205,000	205,000	205,000	1,025,000
Hazardous Waste Remedial Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Other Funds	622,481	256,136	4,785	3,609	3,200	3,200	270,930
Eliminations*	(1,149,984)	(250,753)	(278,940)	(286,324)	(288,764)	(286,690)	(1,391,471)
Type Subtotal	17,889,849	8,261,120	4,482,874	4,490,311	4,483,112	4,548,038	26,265,455
Capital Projects Funds - Bond Proceeds	1,462,841	0	0	0	0	0	0
Fiduciary Fund Type	151,120	55,000	57,000	57,000	57,000	57,000	283,000
Special Revenue Fund Type	191,861	59,427	60,379	60,379	60,379	60,379	300,943
Eliminations*	(1,462,841)	(0)	(0)	(0)	(0)	(0)	(0)
Total (All Fund Types)	18,232,830	8,375,547	4,600,253	4,607,690	4,600,491	4,665,417	26,849,398

* 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, 2003-2004 THROUGH 2007-2008
(thousands of dollars)**

DISBURSEMENTS

	Estimated 2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	Total 2003-2008
Capital Projects Funds Type							
Capital Projects Fund	275,349	253,396	239,019	246,489	248,012	243,867	1,230,783
Capital Projects Fund - Advances	357,759	327,950	336,226	347,900	347,900	353,379	1,713,355
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	12,000	10,000	8,000	6,000	4,000	2,000	30,000
Capital Projects Fund - EQBA (Bondable)	2,530	3,000	3,000	3,000	3,000	3,000	15,000
Capital Projects Fund - PWBA (Bondable)	2,400	1,600	1,200	1,200	1,200	1,200	6,400
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)	800	400	400	400	400	400	2,000
Capital Projects Fund - Energy Conservation (Bondable)	200	200	200	200	200	200	1,000
Capital Projects Fund - EQBA 86 (Bondable)	71,711	73,343	73,775	61,185	27,435	0	235,738
Capital Projects Fund - 1996 CWA (Bondable)	171,372	171,999	141,999	141,999	125,000	100,000	680,997
Capital Projects Fund - Authority Bonds	445,216	684,760	444,009	263,000	188,000	238,000	1,817,769
Dedicated Highway and Bridge Trust Fund	1,662,397	1,840,508	1,841,936	1,704,801	1,653,182	1,649,107	8,689,534
State University Residence Hall Rehabilitation Fund	30,000	25,000	25,000	25,000	25,000	25,000	125,000
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	4,383	10,900	10,900	10,900	10,900	10,900	54,500
Environmental Protection Fund	115,000	127,000	121,000	121,000	120,000	125,000	614,000
Federal Capital Projects Fund	1,482,175	1,667,725	1,802,065	1,852,606	1,847,421	1,847,321	9,017,138
Youth Facilities Improvement Fund	10,595	23,370	17,295	11,200	10,300	8,000	70,165
Housing Program Fund	98,450	98,450	99,450	98,200	98,200	98,200	492,500
Engineering Services Fund	624,927	219,086	80,528	30,303	15,420	6,360	351,697
Mental Hygiene Capital Improvement Fund	97,823	121,498	108,166	107,157	114,986	108,490	560,297
Correctional Facilities Capital Improvement Fund	188,000	188,000	188,000	188,000	188,000	188,000	940,000
Hazardous Waste Remedial Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Other Funds	45,671	41,218	31,656	30,153	27,217	27,217	157,461
Eliminations*	(642,485)	(356,948)	(310,333)	(298,353)	(283,667)	(283,675)	(1,532,976)
Type Subtotal	5,063,273	5,644,455	5,375,491	5,064,340	4,884,106	4,863,966	25,832,358
Capital Projects Funds - Bond Proceeds	0	0	0	0	0	0	0
Fiduciary Fund Type	16,000	4,425	2,000	1,000	1,000	1,000	9,425
Special Revenue Fund Type	55,763	60,965	60,828	60,894	60,807	62,693	306,187
Eliminations*	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total (All Fund Types)	5,135,036	5,709,845	5,438,319	5,126,234	4,945,913	4,927,659	26,147,970

* Reflects eliminations for ‘netting out’ of transfers between funds which are not capital program disbursements.