EXECUTIVE BUDGET
APPENDIX II

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PART I

FINANCIAL PLAN OVERVIEW

FINANCIAL PLAN OVERVIEW

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INTRODUCTION

The 2005-06 Financial Plan Overview (the "Overview") summarizes the impact of the 2005-06 Executive Budget on the State's Four-Year Financial Plan. The Overview also provides a substantial amount of new information to supplement the extensive reporting enhancements undertaken in recent years. The Division of the Budget (DOB) believes the new information will aid the Legislature and public in fully understanding and evaluating the Financial Plan implications of the Governor's budget proposal. Information found in the 2005-06 Overview and elsewhere in this volume that goes beyond statutory requirements includes:

- A multi-year Financial Plan summary of every key budget recommendation.
- An explanation of DOB's "current services" forecasts for the State's major functions (e.g., Medicaid, education, welfare).
- A description of all financial activity related to the Health Care Reform Act (HCRA), including spending that formerly occurred "off budget."
- Detailed monthly cash flow projections by major revenue and category of spending, including projections by major local aid program.
- A detailed summary of the State workforce by agency and fund type.
- Debt affordability measures and comparisons.
- Long-term trends for key fiscal measures.

Information in the 2005-06 Overview is organized in five general sections:

- Executive Summary: Provides a brief high-level review of the key fiscal impacts of the 2005-06 Budget, including the size of the budget, the major sources of annual spending change, the causes of the initial 2005-06 gap, and the recommended solutions to close the gap.
- Current and Budget Year Financial Plans: Includes a summary of DOB's revised economic forecast, updated estimates for the 2004-05 fiscal year, in-depth explanations of the 2005-06 receipts and disbursements projections by major tax category and function.
- General Fund Outyear Projections: Describes the current General Fund Financial Plan projections for 2006-07 and 2007-08, including "current services" estimates and the projected impact of 2005-06 recommendations.
- Miscellaneous Reporting: Includes a range of technical Financial Plan information, including an analysis of potential risks to DOB's current estimates, and summaries of (a) the 2005-06 Financial Plan by Fund Type, (b) monthly General Fund cash flow projections for the remainder of 2004-05 and for 2005-06, (c) Financial Plan projections prepared in accordance with Generally Accepted Accounting Principles (GAAP), (d) receipts and disbursements estimates under the Health Care Reform Act, and (e) historical and comparative Financial Plan information.
- Financial Plan Tables: Summarizes the General Fund, State Funds, and All Governmental Funds cash-basis Financial Plans, the monthly General Fund cash flow, the General Fund Financial Plan on a GAAP basis, the quarterly HCRA cash flow, and General Fund, State Funds, and All Governmental Funds spending and workforce information presented by agency or function.

The 2005-06 Overview and all associated budget documents are available on-line at www.budget.state.ny.us or by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705.

EXECUTIVE SUMMARY

OVERVIEW

New York emerged from the national recession in September 2003, marking an important milestone in the State's recovery from the impact of September 11th. The State economy is experiencing sustained growth, and generating tax collections above the levels forecast by DOB in its most recent update to the 2004-05 Financial Plan issued November 1, 2004 (the "Mid-Year Update"). DOB now projects underlying annual receipts growth of 10.2 percent in 2004-05 and 6.5 percent in 2005-06, based on actual results to date and a revised economic forecast.

The improvement in tax collections, in combination with savings from the statewide Fiscal Management Plan (FMP), is expected to permit the State to end the 2004-05 fiscal year with a $170 million cash surplus in the General Fund and make the maximum possible contribution ($70 million) to the Rainy Day Fund[1], bringing the balance to $864 million, equal to its statutory cap of 2 percent of General Fund spending.

The revised revenue and spending projections also reduce the projected budget gaps to $4.2 billion in 2005-06 and $5.8 billion in 2006-07, at the lower end of the forecast range in the Mid-Year Update, as described in detail later in this report.

Revisions to Mid-Year Budget Gap Projections (millions of dollars)		
	2005-06	2006-07
Mid-Year Budget Gaps	(5,995)	(7,708)
Revenue Revisions	1,456	1,177
Spending Revisions	387	687
Revised Budget Gaps	(4,152)	(5,844)

The 2005-06 Executive Budget recommends closing the $4.2 billion gap primarily through permanent spending restraint, supplemented with limited levels of revenue enhancements and nonrecurring resources. DOB projects that the recommendations would produce net recurring savings of roughly $3 billion annually, reducing the 2006-07 and 2007-08 budget gaps to about $2.7 billion.

2005-06 Executive Budget Recommended Actions (millions of dollars)			
	2005-06	2006-07	2007-08
Revised Budget Gaps	(4,152)	(5,844)	(5,571)
Total Recommendations	4,152	3,143	2,786
Spending Actions (net of adds)	2,763	2,513	2,025
Revenue Actions (net of tax cuts)	533	724	791
Nonrecurring Resources	856	(94)	(30)
Remaining Budget Gaps	0	(2,701)	(2,785)

The most significant recommendations include:

- $2.8 billion in net initiatives to restrain spending. This reflects $3.1 billion in cost containment in high-growth programs, especially Medicaid, pensions, and debt service, and maximizes Federal aid and efficiencies in State Operations spending. These savings initiatives allow targeted new investments of $313 million, including increased State funding to cap the growth in local Medicaid costs and increased aid and incentives for municipalities.

[1] Formally known as the Tax Stabilization Reserve Fund.

- $533 million in net revenue actions. This reflects $779 million of increased resources including a sales tax exemption on clothing purchases under $250 that will run for two weeks (rather than reverting to a permanent exemption for purchases under $110), and elimination of tax loopholes to promote equity. The recommendations include new tax cuts of $246 million to accelerate the phase-out of the temporary 2003 personal income tax (PIT) surcharge, and provide targeted tax cuts intended to promote economic growth.
- $856 million of nonrecurring actions, including commencing the recent discretionary funding changes for the State and Local Retirement System only after independent review and public comment ($321 million), use of the 2004-05 surplus ($170 million), asset sales ($54 million), and fund sweeps.

The Executive Budget recommendations hold annual spending growth in the General Fund and All Governmental Funds (hereafter "All Funds") to below the rate of inflation.

Total Disbursements (millions of dollars)							
				Unadjusted		Adjusted [1]	
	2004-05 Revised	2004-05 Adjusted	2005-06 Proposed	Annual Change	Percent Change	Annual Change	Percent Change
General Fund	43,407	43,915	45,075	1,668	3.8%	1,160	2.6%
State Funds	64,137	65,570	69,088	4,951	7.7%	3,518	5.4%
All Funds	101,607	103,040	105,527	3,920	3.9%	2,487	2.4%

(1) To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted for the inclusion of all HCRA funded programs on-budget and additional Medicaid spending to comply with Federal policy changes related to certain county shares adjustments. The 2004-05 adjustment for HCRA is $925 million in State Funds and All Funds; Medicaid is $508 million in the General Fund, State Funds and All Funds.

In response to the Campaign for Fiscal Equity (CFE) litigation concerning the State's system for financing public schools, the 2005-06 Budget recommends a $526 million school aid increase for the 2005-06 school year comprised of $201 million in traditional school aid and $325 million in a new Sound Basic Education (SBE) Aid Program. Funding for statewide SBE grants to school districts is projected to grow to over $2 billion annually by 2009-10, financed with revenues generated from existing and future video lottery terminals (VLTs). New York City would receive approximately 60 percent of the annual SBE aid.

The 2005-06 budget advances several new initiatives intended to help localities reduce local property taxes, including:

- Capping annual growth in local Medicaid costs up to 2005 spending levels, adjusted by 3.5 percent in 2005-06, 3.25 percent in 2006-07, and 3 percent in 2007-08, with the State paying for all costs above this level. The local cap will convert to a full takeover of local costs effective January 1, 2008. The plan is projected to generate over $2 billion in local government savings over the next three years and will provide greater predictability to local government budgets.
- Accelerating the State takeover of Family Health Plus (FHP) costs from local governments, bringing the value of the takeover to $312 million in 2005-06, growing to $576 million in 2006-07.
- Providing increased aid and incentives to municipalities of $55 million in 2005-06, growing to $109 million in 2006-07, bringing annual funding to $671 million.
- New funding structures for family services in welfare and for the General Public Health Works program that are intended to enhance local discretion in efficiently targeting resources by eliminating State-level spending mandates.

DOB projects that the State will end 2005-06 in balance on a cash basis in the General Fund if the 2005-06 Executive Budget recommendations are enacted in their entirety. However, in any year, the Financial Plan is subject to risks that, if they were to materialize, could adversely or positively affect operating results. A full discussion of risks to the State Financial Plan appears in the section entitled "Reserves and Risks" later in this Overview.

SIZE OF THE 2005-06 BUDGET

General Fund spending is projected to total $45.1 billion in 2005-06, an increase of $1.2 billion (2.6 percent) over the adjusted current year forecast. State Funds spending, which includes both the General Fund and spending from other funds supported by State revenues, is projected to increase by $3.5 billion (5.4 percent) and total $69.1 billion in 2005-06. All Funds spending, the broadest measure of State spending, is projected to total $105.5 billion in 2005-06, an increase of $2.5 billion (2.4 percent).

The 2005-06 Financial Plan includes the roughly 25 percent of spending financed through the Health Care Reform Act (HCRA) that is currently "off budget" (i.e., outside the Financial Plan). The change does not affect the General Fund, since all HCRA spending is budgeted in State Special Revenue Funds (SRFs), but does increase both State Funds and All Funds totals in 2005-06. In addition, new General Fund Medicaid spending to comply with Federal policy changes related to county shares adjustments is reflected in 2005-06 projections but not in 2004-05 results. To provide a comparable basis for calculating annual growth, the 2004-05 estimates in this Overview are presented on both an "adjusted" (i.e., including the additional HCRA and Medicaid spending in 2004-05 to provide a comparable basis of comparison) and an "unadjusted" basis. The 2004-05 adjustment for HCRA is $925 million; the Medicaid adjustment is $508 million.

The major sources of annual spending from 2004-05 to 2005-06 are presented in the table below, and are explained in more detail later in this Overview. The estimates assume the Executive Budget recommendations are approved in their entirety.

Disbursement Projections -- After Recommended Savings
Major Sources of Annual Change
(millions of dollars)

	General Fund	State Funds	All Funds
2004-05 Revised Estimate	**43,407**	**64,137**	**101,607**
All HCRA On-budget	0	925	925
Discontinue County Shares Adjustment	508	508	508
2004-05 Adjusted Estimate	**43,915**	**65,570**	**103,040**
Local Assistance:			
Medicaid	(6)	1,278	1,034
School Aid	321	458	668
Social Services	97	88	263
Public Health	53	68	104
Transportation	(10)	188	188
STAR	0	130	130
Elections	0	0	118
Homeland Security	0	0	96
Higher Education	65	75	75
All Other Education Aid	(6)	(6)	64
Empire State Development Corp.	52	52	52
World Trade Center	0	0	(1,557)
Community Projects Fund/CSPAP	(77)	(102)	(102)
All Other Local Aid	(35)	(58)	123
State Operations	**448**	**756**	**569**
General State Charges	**224**	**298**	**320**
Debt Service	**(66)**	**34**	**34**
Capital Projects	**21**	**259**	**308**
All Other	**79**	**0**	**0**
2005-06 Executive Budget Estimate	**45,075**	**69,088**	**105,527**
Dollar Change	*1,160*	*3,518*	*2,487*
Percent Change	*2.6%*	*5.4%*	*2.4%*

2005-06 GAP-CLOSING SUMMARY

Sources of the 2005-06 gap

DOB projects General Fund budget gaps of $4.2 billion in 2005-06 and $5 billion to $6 billion in 2006-07 and 2007-08, before the savings that are projected to be achieved by the 2005-06 Executive Budget recommendations. In summary, the 2005-06 gap results from anticipated spending increases to support current service levels and the loss of nonrecurring resources used to help balance the budget in 2004-05, which together exceed annual growth in underlying revenues of $3.1 billion (6.5 percent). The following chart provides a "zero-based" look at the sources of the 2005-06 gap. It is followed by a brief summary of the assumptions behind the projections. For a detailed explanation of the specific assumptions supporting the revenue and spending projections, see the sections entitled "2005-06 Financial Plan" and "General Fund Financial Plan Outyear Projections" later in this Overview, and "Explanation of Receipt Estimates" later in this volume.

2005-06 Causes of Budget Gaps -- Before 2005-06 Recommended Savings (millions of dollars)		
Total Annual Revenue Growth		**197**
Underlying Growth (6.5 Percent)	3,127	
Loss of One-time Actions	(1,182)	
PIT/Sales Tax Temporary Surcharge Phase-out/Clothing Exemption	(1,080)	
Final Use of Tobacco Proceeds	(400)	
STAR Fund Transfer	(150)	
Transfer for Higher Debt Service Costs (RBTF)	(138)	
All Other Revenue Changes	20	
Total Annual Spending Growth		**(4,349)**
Loss of One-time Actions	(683)	
Medicaid	(1,069)	
State Takeover of FHP	(282)	
Loss of Enhanced Federal Medicaid Match Rate (Reverts to 50%)	(220)	
School Aid	(360)	
Welfare	(251)	
Pension/Health Insurance Costs	(650)	
Collective Bargaining Costs (including fringe benefits)	(387)	
All Other Spending Growth	(447)	
Total Projected 2005-06 Budget Gap		**(4,152)**

Based on the revised DOB forecast that predicts a sustained economic recovery in 2005 (described later in this Overview), underlying revenues are expected to grow by $3.1 billion in 2005-06, or 6.5 percent, following projected growth of 10.2 percent in 2004-05. However, this growth is nearly entirely absorbed by the loss of one-time and nonrecurring revenues ($1.6 billion, including tobacco proceeds), the phase-out of both the PIT surcharge ($149 million) and one-quarter percent increase in sales tax enacted in 2003 ($452 million), the reversion to a permanent sales tax exemption on clothing purchases under $110 ($479 million), and increasing costs for debt service and the School Tax Relief (STAR) Program ($288 million).

Prior to any Executive Budget proposals, General Fund disbursements are projected to increase by $4.3 billion in 2005-06. The main factors driving growth include (a) the loss of one-time and nonrecurring resources ($903 million, including FMAP), and (b) higher spending to maintain current service levels in Medicaid, school aid, and other programs ($2.1 billion), finance collective bargaining, pensions, and health insurance costs ($1.0 billion), and pay for the continued State takeover of local Family Health Plus costs ($282 million).

A full description of the one-time actions budgeted in 2004-05 appears in both the 2004-05 Enacted Budget Report for the State of New York and the 2004-05 Annual Information Statement of the State of New York.

2005-06 Gap-Closing Plan

The 2005-06 Financial Plan is balanced on a cash basis in the General Fund, with recommendations projected to close a $4.2 billion General Fund budget gap. Recurring actions are valued at roughly $3.1 billion in 2006-07 and $2.8 billion in 2007-08, leaving projected gaps of $2.7 billion in 2006-07 and $2.8 billion in 2007-08. The table below summarizes the 2005-06 gap-closing plan.

2005-06 Executive Budget
General Fund Gap Closing Actions
(millions of dollars)

	2005-06	2006-07	2007-08
Initial Budget Gaps	**(4,152)**	**(5,844)**	**(5,571)**
Spending Actions	**3,076**	**3,483**	**3,761**
Medicaid - Cost Containment	869	1,461	1,521
Medicaid - Provider Assesments	234	470	470
Medicaid - Other Financing Sources	795	203	351
Mental Hygiene	250	164	135
Transportation/Motor Vehicles	163	171	178
Debt Management	150	100	100
SUNY and CUNY	137	159	159
Restructure Tuition Assistance Program	135	265	337
State Operations Efficiencies (other than listed separately)	130	136	132
Social Services	104	153	156
All Other Spending Actions	109	201	222
Recommended Adds	**(313)**	**(970)**	**(1,736)**
Cap/Takeover Local MA Costs (State Costs/Local Savings)	(121)	(631)	(1,257)
Other Local Medicaid Relief	(45)	(10)	0
Aid and Incentives for Municipalities	(55)	(109)	(109)
County STAR	0	(67)	(146)
All Other Adds	(92)	(153)	(224)
Revenue Actions	**779**	**1,027**	**995**
Two Week Clothing Exemption at $250	456	584	605
Power Authority PILOT Payments	75	100	100
Corporation Franchise Taxes	51	101	51
Close "Thrift" Loophole on REIT (Same as Feds/NYC)	50	50	50
Eliminate Quick Draw Restrictions	39	57	57
Increase Wine Tax	38	44	45
All Other Revenue	70	91	87
Tax Cuts	**(246)**	**(303)**	**(204)**
PIT Top Tax Rate Decrease	(190)	(130)	0
Corp Franchise Tax Cuts (SPUR; Green buildings)	(30)	(48)	(49)
STAR Plus	(12)	(62)	(119)
Extend Power for Jobs credit	0	(25)	0
All Other Tax Cuts	(14)	(38)	(36)
One-Time Resources	**856**	**(94)**	**(30)**
Pensions (Delay Actuarial Funding Changes)	321	(96)	(25)
Use 2004-05 Surplus	170	0	0
Fund Sweeps	124	0	0
TANF Reprogramming	61	0	0
Proceeds from Sale of Property	54	(8)	(8)
Mortgage Insurance Fund (Excess Balances)	50	0	0
Federal Medicaid Participation for Aliens	42	0	0
All Other One-Timers	34	10	3
Total Recommendations	**4,152**	**3,143**	**2,786**
Proposed Budget Gaps	**0**	**(2,701)**	**(2,785)**

Spending Actions

Recommendations to restrain spending in the General Fund total $3.1 billion. They include a combination of cost containment, program restructuring, and the use of alternate funding sources. Highlights are summarized below, with specific details provided later in this Overview:

- Medicaid: Includes actions to restrain growth for nursing homes ($182 million), Family Health Plus ($227 million), hospitals ($201 million), prescription drug prices ($80 million), and managed care programs ($48 million); lower the cost of optional services; reimpose an assessment on hospital revenues; and increase an existing reimbursable nursing home revenue assessment to support health care programs.
- Mental Hygiene: Includes initiatives to increase Patient Income Account (PIA) and other revenues ($196 million) and cost containment actions, including audit recoveries, overtime controls, and local program reductions ($54 million);
- Transportation/Motor Vehicle Operations: Expands the use of non-General Fund resources to help support ongoing operations ($163 million);
- Debt Management: Continued use of swaps, refundings, and variable rate debt is projected to reduce the growth in debt service ($150 million);
- State University of New York (SUNY)/City University of New York (CUNY): Reduced State support for operations ($137 million) is coupled with flexibility for the universities to increase tuition revenues;
- Tuition Assistance Program (TAP): Award restructuring would provide prospective students with incentives for timely completion of studies ($135 million);
- State Operations: Reductions are projected to total roughly $230 million, of which $100 million is accounted for in the itemized listing of agencies that appears on the table above. The remaining $130 million of savings are spread across multiple agencies and are achieved through the continuation of the hiring freeze, expansion of operational hosting (in which one agency provides administrative functions for multiple agencies to improve efficiency), controls in non-personal service spending and centralized purchasing of certain commodities and services;
- Social Services: Maximizes the use of Federal resources ($49 million), imposes benefit and reimbursement penalties for non-compliance with work requirements ($24 million), TANF welfare spending realignment (net of OCFS) ($24 million), and redirection of funding for institutional-based programs ($7 million); and
- All other spending actions include lower funding for certain programs operated by the Empire State Development Corporation, reduced interest payments for Court of Claims settlements, elimination of supplemental financial aid under the opportunity program (in education), and alternate financing for certain environmental protection capital projects.

Revenue Actions

General Fund Revenue enhancements are expected to raise $779 million in 2005-06. Significant proposals include:

- Authorizing two sales-tax free weeks on clothing and footwear purchases under $250, instead of reverting to a permanent $110 exemption ($456 million);
- Eliminating double benefits for certain taxpayers, changing outdated provisions to promote fairness and updating caps on corporate taxes to reflect changes in inflation ($51 million); and
- Increasing the excise tax on wine from 5 cents per liter to 28 cents per liter, a level comparable with other states ($38 million).

Other tax and fee increases include new penalties for vehicle owners caught speeding, by automated cameras, in work zones and on dangerous stretches of highway; higher filing fees for limited liability partnerships; modification of certain operating restrictions for the Quick Draw lottery game; and higher fees to register all terrain vehicles.

One-Time Resources

The 2005-06 Financial Plan includes $856 million in one-time actions to support General Fund spending. The proposals, the majority of which do not result in new costs in later fiscal years, include:

- Seeking the Comptroller's approval to make discretionary funding revisions only after independent review and public comment, which would reduce annual pension costs for State and local governments in 2005-06 ($321 million);
- Using the 2004-05 surplus ($170 million);
- Using available resources from Federal Temporary Assistance for Needy Families (TANF) block grants to finance a portion of the Earned Income Tax Credit (EITC) and other programs that would otherwise be paid for in the General Fund ($61 million); and
- Routine sweeps of fund balances, increasing Federal aid, and projected asset sales account for the balance of the nonrecurring actions.

Recommended Adds

The combined total of spending, revenue, and nonrecurring actions described above is expected to be sufficient to provide funding for new investments, including tax reductions intended to improve the State's economic competitiveness, and enhanced State aid for local governments to help control the growth in local property taxes. Significant proposals include:

Spending Initiatives

The recommendations include over $300 million in new General Fund spending initiatives in 2005-06, including:

- A State cap on the growth in local Medicaid costs effective January 1, 2006 leading to a full takeover of local Medicaid costs beginning January 1, 2008 ($121 million in 2005-06 growing to $1.3 billion by 2007-08);
- Acceleration of the full State takeover of the Family Health Plus program, the cost of which is currently shared with counties ($25 million), with a full annual value for takeover of $576 million in 2006-07;
- Additional local aid related to Medicaid costs ($20 million in 2005-06 and $10 million in 2006-07);
- Enhanced aid for distressed municipalities and planning grants to improve local management ($55 million in 2005-06, growing to $109 million by 2006-07);
- A county tax rebate program for taxpayers who live in counties that hold the growth in their general fund budgets at or below the proposed Medicaid spending cap ($67 million - begins in 2006-07);
- A $10 million expansion of the Expanded In-Home Services for the Elderly Program (EISEP) in 2005-06, growing to $25 million in 2006-07, which will double the size of the current program funding;
- New spending for mental health clinics and programs ($8 million);
- More resources for Operation IMPACT, which directs State Police manpower and other State criminal justice resources to high-crime areas around the State ($5 million); and
- Other spending initiatives, including new capital spending for health care facilities under the Health Care System Improvement Capital Grant Program, debt service costs related to new capital projects primarily to promote economic development, and a new program to provide employment services to unemployed and under-employed non-custodial parents.

Tax Cuts

The recommendations include nearly $250 million in new, targeted tax cuts, including:

- Acceleration of the phase-out of the 2003 temporary tax increases ($190 million) by dropping temporary rates more rapidly in 2005;
- Tax credits to encourage economic development, including a targeted wage credit ($30 million);
- STAR Plus, which provides an income tax credit that increases the annual STAR benefit by the rate of inflation in school districts that comply with the school spending cap ($12 million growing to $119 million in 2007-08); and
- Expansion of the Earned Income Tax Credit (EITC) to encourage non-custodial parents to provide financial assistance to their children ($4 million growing to $22 million in 2007-08).

ECONOMIC FORECAST SUMMARY

The DOB economic forecast 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, including Gross Domestic Product (GDP), employment levels, inflation, wages, consumer spending, and other relevant economic indicators. DOB then projects the yield of the State's revenue structure against the backdrop of these forecasts.

DOB's economic forecast is described at length in the section "Explanation of Receipts Estimates — Economic Backdrop" later in this volume. The following is a brief summary of the major points.

U.S. ECONOMY

Following almost two years of growth well above the economy's long-term trend rate, the nation is entering the fourth year of economic expansion. The economy added an average of 185,000 jobs per month in 2004, almost returning total payroll employment to its pre-recession level. Despite lackluster growth in both employment and wages, the bedrock of the nation's economic recovery has to this point been household spending, fueled by two rounds of tax cuts and very low interest rates. However, those supports will begin to diminish as we enter 2005, bringing economic growth closer to its estimated long-term trend rate. DOB is projecting growth in real U.S. GDP to decelerate from 4.4 percent for 2004 to a solid 3.4 percent for the current year.

DOB projects steady trend growth throughout the forecast period, permitting the Federal Reserve to maintain its "measured" course of interest rate increases. Recent data indicates that employment growth may finally be rebounding to rates that are more typical of a maturing expansion. Total nonagricultural employment is projected to grow 1.8 percent in 2005, following an increase of 1.0 percent in 2004. The U.S. unemployment rate is expected to decline to 5.3 percent in 2005, from 5.5 percent in 2004. The inflation rate, measured by the Consumer Price Index (CPI), is forecast to be 2.5 percent in 2005, following a similar rate in 2004.

THE NEW YORK STATE ECONOMY

Recent above-trend national growth rates have helped to buttress the New York State economy as well. The State is estimated to have emerged from recession in the summer of 2003. The New York City economy is well on its way to a full recovery from the impact of the September 11th attack, reversing several years where the City's job base was in decline. The continued strengthening of the State economy will help to sustain the housing market, although not at the torrid pace of growth observed in 2004. Moreover, with the pickup in equity market activity toward the end of 2004, the profit outlook for the finance industry is brightening, though the level of profits for the year is not expected to match that of 2003. Bonus growth is expected to slow to 15 percent resulting in total New York wage growth of 4.9 percent for 2005, reduced modestly from 5.7 percent in 2004. State nonagricultural employment is projected to rise 1.1 percent in 2005, a significant improvement compared with 0.4 percent growth for 2004, but below projected growth of 1.8 percent for the nation.

2004-05 FINANCIAL PLAN UPDATE

DOB projects the State will end the 2004-05 fiscal year with a cash-basis surplus of $170 million in the General Fund, after making the maximum annual contribution of $70 million to the State's Rainy Day Fund. As described below, the projected surplus results primarily from recent positive revenue experience, which is driving projected underlying revenue growth of 10.2 percent in 2004-05.

General Fund receipts, including transfers from other funds, are now projected at $43.5 billion. DOB has revised the revenue estimate upward based on revenue collections to date and the strength of key economic indicators, both of which have exceeded expectations. Consistent with the experience in prior State economic expansions, personal income tax collections have shown robust growth, which DOB believes is due mainly to increases in non-wage income. Real estate related tax collections have also exceeded planned levels, reflecting strength in home sales and mortgage refinancings.

General Fund spending is expected to total $43.4 billion in 2004-05. A delay in the expected receipt of $200 million in Empire conversion proceeds that was budgeted to reduce General Fund Medicaid spending and cost overruns in correctional services account for most of the increase. Financial Management Plan savings and lower than expected claims from counties under the General Public Health Works program partially offset these costs. The revisions are based on a review of actual operating results through December 2005, and an updated analysis of economic, revenue, and spending trends.

2004-05 General Fund
Changes from Enacted Budget
(millions of dollars)

	Mid-Year Revisions	January Revisions	Total
Enacted Budget (Before FMP)	**(434)**		**(434)**
Revenues	**359**	**671**	**1,030**
New Costs	**(215)**	**(302)**	**(517)**
Delayed Empire Conversion Proceeds	0	(200)	(200)
Medicaid	(90)	(16)	(106)
DOCS	(75)	(45)	(120)
Lottery	(55)	(13)	(68)
General State Charges	0	(45)	(45)
Collective Bargaining	(43)		(43)
Health	0	55	55
All Other Changes	48	(38)	10
Fiscal Management Plan Savings	**290**	**(129)**	**161**
Use 2004-05 Surplus in 2005-06	**0**	**(170)**	**(170)**
Deposit to Rainy Day Fund	**0**	**(70)**	**(70)**
Revised Estimate	**0**	**0**	**0**

Based on actual results to date, State Funds spending is now projected to total $64.1 billion in the current year, a decrease of $136 million from the Mid-Year Update. Lower spending for the "wireless" emergency 911 capital project ($50 million), maximization of Patient Income Account revenues ($50 million), and the timing of other capital projects ($46 million) account for the majority of the decrease.

All Funds spending in 2004-05 is now projected to total $101.6 billion, an increase of $316 million from the Mid-Year Update. Federal aid for K-12 education programs, including special education, is expected to exceed the Mid-Year estimate ($600 million), but is partially offset by the State Funds spending reductions described above.

DOB projects the State will end the 2004-05 fiscal year with a balance of $1.2 billion in the General Fund. The balance consists of $864 million in the Rainy Day Fund, $301 million in the Community Projects Fund, and $21 million in the CRF.

The closing balance excludes $693 million projected to be on deposit in the tax refund reserve account at the end of 2004-05. The tax refund reserve account is used to reserve money for the payment of tax refunds that are owed as part of the 2004 tax year, but are not processed until early in the subsequent fiscal year, as well as to accomplish other Financial Plan objectives. The projected balance includes amounts for the payment of tax refunds and $170 million from the 2004-05 estimated surplus, which the Governor recommends using to help balance the 2005-06 Financial Plan, as described earlier in this Overview.

2005-06 FINANCIAL PLAN

INTRODUCTION

The State's Financial Plan projections consist of separate receipts and spending forecasts. The receipts forecast for the State's principal taxes, miscellaneous receipts, and transfers from other funds is described first, followed by the spending projections that summarize the annual growth in current services spending and impact of recommended actions for the State's major functions (e.g., Medicaid, school aid).

The 2005-06 Financial Plan projections are presented on an All Funds basis, which encompasses activity in both State Funds and Federal Funds, thus providing the most comprehensive view of the financial operations of the State. [State Funds includes the General Fund, which is the principal operating fund of the State, and other State-supported funds including State SRFs, Capital Projects Funds (CPFs) and Debt Service Funds (DSFs)]. For a fuller explanation of the State's fund structure, see the section entitled "Explanation of the Financial Plan Tables" later in this Overview.

2005-06 RECEIPTS FORECAST

Total Receipts (millions of dollars)

	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	43,516	45,091	1,575	3.6%
State Funds	63,593	68,871	5,278	8.3%
All Funds	101,129	105,520	4,391	4.3%

All Funds receipts are projected to total $105.5 billion, an increase of $4.4 billion (4.3 percent) over 2004-05 projections. The total comprises tax receipts ($50.7 billion), Federal grants ($36.6 billion) and miscellaneous receipts ($18.3 billion). The following table summarizes the receipts projections for 2004-05 and 2005-06.

2005-06 Executive Budget Receipts Projections (millions of dollars)	2004-05 Revised	Percent Share	2005-06 Projected	Percent Share	Percent Change
ALL FUNDS RECEIPTS					
Taxes	48,078	47.5%	50,657	48.0%	5.4%
Federal Grants	37,420	37.0%	36,560	34.6%	-2.3%
Miscellaneous Receipts	15,631	15.5%	18,303	17.3%	17.1%
Total All Funds Receipts	**101,129**		**105,520**		**4.3%**
STATE FUNDS RECEIPTS					
Personal Income Tax	28,138	44.2%	29,616	43.0%	5.3%
Net Change in Refund Reserve	531	0.8%	134	0.2%	-74.8%
User Taxes and Fees	13,003	20.4%	13,638	19.8%	4.9%
Business Taxes	5,473	8.6%	5,886	8.5%	7.5%
Other Taxes	1,464	2.3%	1,517	2.2%	3.6%
Total Taxes	**48,078**	**75.6%**	**50,657**	**73.6%**	**5.4%**
Total Taxes Adjusted (1)	**47,547**	**74.8%**	**50,523**	**73.4%**	**6.3%**
Miscellaneous Receipts & Federal Grants	**15,515**	**24.4%**	**18,214**	**26.4%**	**17.4%**
Lottery	2,074	3.3%	2,321	3.4%	11.9%
Other	13,441	21.1%	15,893	23.1%	18.2%
Total State Funds Receipts	**63,593**		**68,871**		**8.3%**
GENERAL FUND RECEIPTS					
Personal Income Tax	18,932	43.5%	19,844	44.0%	4.8%
User Taxes and Fees	8,752	20.1%	8,622	19.1%	-1.5%
Business Taxes	3,764	8.6%	4,066	9.0%	8.0%
Other Taxes	730	1.7%	778	1.7%	6.6%
Total Taxes	**32,178**	**73.9%**	**33,310**	**73.9%**	**3.5%**
Miscellaneous Receipts & Federal Grants	2,301	5.3%	2,455	5.4%	6.7%
Transfers	9,037	20.8%	9,326	20.7%	3.2%
Total General Fund Receipts	**43,516**		**45,091**		**3.6%**
GENERAL FUND TAXES					
Personal Income Tax	**18,932**	**58.8%**	**19,844**	**59.6%**	**4.8%**
Gross - Refunds	27,607	85.8%	29,482	-	6.8%
Net Change in Refund Reserve	531	1.7%	134	-	-74.8%
STAR	(3,072)	-9.5%	(3,202)	-	4.2%
RBTF	(6,134)	-19.1%	(6,570)	-	7.1%
User taxes and fees	**8,752**	**27.2%**	**8,622**	**25.9%**	**-1.5%**
Sales Tax	8,097	25.2%	7,951	23.9%	-1.8%
Other User Taxes and Fees	655	2.0%	671	2.0%	2.4%
Business Taxes	3,764	11.7%	4,066	12.2%	8.0%
Other Taxes	730	2.3%	778	2.3%	6.6%
Total General Fund Taxes	**32,178**	**100.0%**	**33,310**	**100.0%**	**3.5%**
Total General Fund Taxes Adjusted (2)	**31,647**		**33,176**		**4.8%**

1 Nets out impact of refund reserve.
2 Nets out impact of refund reserve, STAR and the RBTF on the personal income tax.

Tax Receipts

All Funds tax receipts are projected to be almost $51 billion in 2005-06, an increase of $2.6 billion (5.4 percent) from 2004-05. The increase is attributable to continued economic growth combined with the net impact of tax and other revenue actions proposed with this Budget. For an in-depth description of the sources and the factors affecting receipts growth for each tax and other revenue sources, see "Explanation of Receipt Estimates" later in this volume.

Personal Income Tax

All Funds PIT net receipts for 2005-06 are projected to reach $29.6 billion, an increase of $1.5 billion (5.3 percent) from 2004-05 due largely to an increase in underlying liability growth associated with improved economic conditions and the temporary three-year tax increase enacted in 2003. Excluding the Refund Reserve transaction, All Funds income tax receipts are projected to increase by 6.8 percent over 2004-05.

PIT General Fund receipts for 2005-06 (excluding the Refund Reserve transaction) are projected to reach $19.7 billion, an increase of $1.3 billion from 2004-05 offset by increased STAR deposits of $130 million. The 2005-06 estimate reflects the accelerated phase-out of the temporary tax surcharge and other tax actions reported in detail in the "Explanation of Receipt Estimates" section.

User Taxes and Fees

All Funds user taxes and fees net receipts for 2005-06 are projected to reach $13.6 billion, an increase of $636 million (4.9 percent) from 2004-05. The sales and use tax is projected to reach $11.0 billion, an increase $27 million or 0.2 percent from 2004-05. The sales tax base is expected to increase by a robust 5.8 percent due largely to increases in employment, income and overall consumption. The increased revenue from the expanding base will be augmented by the gain from eliminating the exemption for clothing and footwear costing less than $110 and replacing it with an exemption for two specified tax-free weeks for clothing and footwear costing less than $250 and a minor increase from the proposal to allow direct shipments of wine into New York. These gains will be largely offset by the loss of the temporary one-quarter percent sales tax surcharge and by providing a new exemption for specified "Energy Star" products.

The other user taxes and fees in this category are projected to increase $609 million (30.6 percent) from 2004-05. This change is also comprised of offsetting factors. First, the cigarette tax that is dedicated to HCRA and was formerly deposited directly into health related off budget accounts has been included as a special revenue fund and accounts for $561 million of the increase. This amount is offset by the normal decline in revenue due to the average annual decline in consumption. Second, motor vehicle fees would have declined due to the loss of revenue from the move to eight-year licenses in 2000. However, the Executive Budget recommends significant increases in several categories of fees which, while only effective for part of the 2005-06 fiscal year, will keep motor vehicle receipts roughly constant. Finally, revenue in this category is enhanced by the proposals to increase the excise tax on wine and to allow the direct shipment of wine to New York customers.

General Fund user taxes and fees receipts for 2005-06 are projected to reach $8.6 billion, a decrease of $130 million (1.5 percent) from 2004-05. The sales and use tax is projected to decrease by $146 million (1.8 percent) from 2004-05 due to the loss of the temporary one-quarter percent sales tax surcharge which is partially offset by growth in the sales tax base. The other user taxes and fees are projected to increase by $16 million (2.4 percent) from 2004-05, due mainly to the proposed increase in alcoholic beverage taxes partially offset by the increased dedication of motor vehicle fees to transportation funds.

Business Taxes

All Funds business tax receipts in 2005-06 are expected to be $5.9 billion, or $413 million (7.5 percent) above 2004-05. This is due primarily to strong growth in corporate and bank tax collections in the current fiscal year and estimated increases in profitability, accompanied by increases in petroleum business tax rates effective January 1, 2005, and projected increases in 2006.

General Fund business tax receipts in 2005-06 are projected to be $4.1 billion or $302 million (8.0 percent) over 2004-05. This reflects the continued strength of corporate and bank profitability.

Other Taxes

All Funds other taxes in 2005-06 are expected to be $1.5 billion, which is $52 million (3.6 percent) above 2004-05 estimates. The increase is the result of a projected increase in estate tax collections of $52 million and an increase in real estate transfer tax of $5 million slightly offset by projected decreases in the other revenue sources in this category.

The estimate for General Fund other taxes in 2005-06 is $778 million, which is $48 million (6.6 percent) above 2004-05. This estimate reflects an increase in estimated receipts from the estate tax, offset by minor losses in the other sources of revenue in this category.

Miscellaneous Receipts

General Fund miscellaneous receipts are projected to total $2.5 billion in 2005-06, an increase of $158 million (6.9 percent) from the current fiscal year. Recommended increases in various fines and penalties, property sales, local government reimbursements, the proposal to increase the Part D Medicare subsidy, the increased payments from the New York Power Authority, and the expected modest increase in abandoned property receipts. These are offset by losses of tobacco bond proceeds, the loss of the deposit of the wireless surcharge in the General Fund and the loss of the Local Government Assistance Corporation sales tax deposit.

Miscellaneous receipts in State Funds are projected at $18.2 billion in 2005-06, an increase of $2.7 billion (17.4 percent) over 2004-05. This increase is comprised of the increase in the General Fund of $158 million described above, augmented by an additional $2.5 billion in other State funds growth. The annual growth is primarily due to the additional HCRA financing, including Empire Conversion proceeds, to support State Medicaid costs and various public health programs ($1.6 billion), receipts that were formerly deposited directly into health related off budget accounts are now included in the special revenue fund ($364 million), increased receipts to the Provider Assessment SRF resulting from restoration of assessments on hospital, home care and nursing home revenues ($292 million), and higher lottery receipts, including VLT revenues.

All Governmental Funds miscellaneous receipts for 2005-06 are projected to reach $18.3 billion, an increase of $2.7 billion (17.1 percent) over the adjusted current year forecast. The adjusted annual growth is to growth of $2.7 billion in other State funds described above.

Federal Grants

Federal grants are projected to total $36.6 billion in 2005-06, a decrease of $860 million from the prior year. Changes to Federal grants generally correspond to changes in federally-reimbursed spending as described in the disbursements outlook section above. However, since Federal reimbursement was assumed to be received in the State fiscal year in which spending occurs, additional timing-related variances result. Major program areas projected to decline significantly from 2004-05 levels include World Trade Center ($1.6 billion), Children and Families ($195 million) and Medicaid ($145 million). These declines are partially offset by growth in welfare ($374 million), federally supported school aid costs ($210 million), elections ($148 million), homeland security ($96 million), and grants primarily to support capital projects for transportation and the environment ($50 million).

2005-06 DISBURSEMENTS FORECAST

Total Disbursements (millions of dollars)				Unadjusted		Adjusted (1)	
	2004-05 Revised	2004-05 Adjusted	2005-06 Proposed	Annual Change	Percent Change	Annual Change	Percent Change
General Fund	43,407	43,915	45,075	1,668	3.8%	1,160	2.6%
State Funds	64,137	65,570	69,088	4,951	7.7%	3,518	5.4%
All Funds	101,607	103,040	105,527	3,920	3.9%	2,487	2.4%

(1) To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted for the inclusion of all HCRA funded programs on-budget and additional Medicaid spending to comply with Federal policy changes related to certain county shares adjustments. The 2004-05 adjustment for HCRA is $925 million in State Funds and All Funds; Medicaid is $508 million in the General Fund, State Funds and All Funds.

General Fund spending is projected to total $45.1 billion in 2005-06, an increase of $1.2 billion (2.6 percent) over the adjusted current year forecast. State Funds spending, which includes both the General Fund and spending from other funds supported by State revenues, is projected to increase by $3.5 billion (5.4 percent) and total $69.1 billion in 2005-06. All Funds spending, the broadest measure of State spending, is projected to total $105.5 billion in 2005-06, an increase of $2.5 billion (2.4 percent). The Financial Plan projections assume that the 2005-06 Executive Budget recommendations are enacted in their entirety.

The major sources of annual spending change between 2004-05 and 2005-06 (after Executive Budget recommendations) are summarized in the table below.

Spending Projections -- After Recommended Savings Major Sources of Annual Change (millions of dollars)	General Fund	*Other State Funds*	State Funds	*Federal Funds*	All Funds
2004-05 Revised Estimate	**43,407**	***20,730***	**64,137**	***37,470***	**101,607**
All HCRA On-Budget	0	925	925	0	925
Discontinue County Shares Adjustment	508	0	508	0	508
2004-05 Adjusted Estimate	**43,915**	***21,655***	**65,570**	***37,470***	**103,040**
Major Functions					
Public Health:					
Medicaid	(6)	1,284	1,278	*(244)*	1,034
Public Health	54	*43*	97	*31*	128
K-12 Education:					
School Aid	321	*137*	458	*210*	668
All Other Education Aid	(11)	*44*	33	*76*	109
STAR	0	*130*	130	*0*	130
Higher Education	26	*369*	395	*6*	401
Social Services:					
Welfare	(72)	*0*	(72)	*374*	302
Children and Family Services	147	*(1)*	146	*(165)*	(19)
Mental Hygiene	16	*14*	30	*138*	168
General State Charges	224	*74*	298	*22*	320
Debt Service	(66)	*104*	38	*0*	38
Transportation	(10)	*237*	227	*19*	246
All Other Changes					
Empire State Development Corp	52	*175*	227	*0*	227
Judiciary	53	*5*	58	*2*	60
Local Government Aid	50	*0*	50	*0*	50
World Trade Center	0	*(1)*	(1)	*(1,538)*	(1,539)
All Other	382	*(256)*	126	*38*	164
2005-06 Executive Budget Estimate	**45,075**	***24,013***	**69,088**	***36,439***	**105,527**
Dollar Change	*1,160*	*2,358*	*3,518*	*(1,031)*	*2,487*
Percent Change	*2.6%*	*10.9%*	*5.4%*	*-2.8%*	*2.4%*

The spending forecast for each of the State's major functions follows. In general, the forecasts are described in two parts: the first describes the current services estimate for each functional area; the second summarizes the impact of the Executive Budget recommendations.

Projected disbursements are based on agency staffing levels, program caseloads, 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. Major assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the table below. For a discussion of the spending forecast by Financial Plan fund type (e.g., General Fund, SRFs), see the section entitled "2005-06 Governmental Funds Financial Plan (Fund Type)" later in this Overview.

Selected Program Measures	2004-05	2005-06	2006-07	2007-08
Economic Indicators				
Base Revenue Growth	10.2%	6.5%	6.6%	6.2%
Inflation Rate	3.1%	2.5%	2.3%	2.8%
Education				
K-12 Enrollment	2,864,037	2,848,713	n/a	n/a
Public Higher Education Enrollment (FTEs)	489,936	495,900	n/a	n/a
TAP-Annual Average TAP Recipients	345,000	345,000	n/a	n/a
Health				
Medicaid Coverage	3,622,184	3,748,627	3,868,627	3,988,627
Medicaid Inflation	4.1%	3.9%	3.8%	3.7%
Medicaid Utilization	2.3%	2.5%	2.6%	2.7%
State Takeover of FHP Costs ($ millions)	$49	$312	$576	$625
State Takeover of All Other Local Medicaid Costs (Net State Costs - $ millions)	n/a	$121	$631	$1,257
Social Services				
Family Assistance Caseload	499,400	503,100	519,500	537,700
Single Adult/No Children Caseload	142,300	152,800	165,300	179,000
Mental Hygiene Community Beds	**81,388**	**83,032**	**84,373**	**86,650**
Prison Population	**63,800**	**63,100**	**n/a**	**n/a**
State Operations				
Negotiated Salary Increases (1)	2.5%	2.75%	3.0%	0.0%
Personal Service Inflation	0.8%	0.8%	0.8%	0.8%
State Workforce	190,933	191,424	191,852	191,852
General State Charges				
Pension Contribution Rate	7.0%	7.0%	12.4%	11.5%
Employee Health Insurance Rate	14.0%	9.2%	11.6%	10.9%
State Debt				
Interest on Variable Rate Debt	1.5%	2.8%	3.0%	3.3%
Interest on 30-Year Bonds	5.0%	5.3%	5.8%	6.2%

(1) Negotiated salary increases also include a recurring $800 base salary adjustment effective April 1, 2007.

PUBLIC HEALTH

The Department of Health (DOH) is responsible for ensuring access to high quality health services for all New York residents. In fulfilling this responsibility DOH works closely with county health departments to promote and monitor statewide health activities, and reduce infectious diseases. In addition to the oversight and administration of various public health programs and services, including Medicaid, DOH operates one hospital, four nursing homes for veterans and three laboratory facilities.

Medicaid

Medicaid, the largest program budgeted in New York State, finances health care services for low-income individuals, long-term care for the elderly, and services for disabled individuals, primarily through payments to health care providers. New York's per capita Medicaid spending of over $2,300 is the highest in the nation.

The State share of Medicaid spending is budgeted principally in DOH ($11.3 billion), but also appears in the Office of Mental Health (OMH) ($290 million), the Office of Mental Retardation and Developmental Disabilities (OMRDD) ($1.1 billion), the Office of Alcoholism and Substance Abuse Services (OASAS) ($37 million), the Office of Children and Family Services (OCFS) ($33 million) and the State Education Department (SED) ($180 million). The major areas of DOH Medicaid spending in 2005-06 include long-term care, inpatient hospital care, prescription drugs, managed care, outpatient hospital and clinics, and Family Health Plus.

New York's Medicaid program is financed jointly by the Federal government, the State, and counties (including New York City). The Federal government matching rate on eligible Medicaid expenditures is 50 percent, the lowest matching rate possible. The county share is projected at $7.8 billion, or rough 17 percent of program spending, before Executive Budget recommendations. The Executive Budget proposes capping local government Medicaid costs at 2005 spending levels, adjusted by 3.5 percent in 2005-06, 3.25 percent in 2006-07 and 3.0 percent in 2007-08. Thus, effective January 1, 2006, the State will pay for any local costs above the cap. The projected local government share of Medicaid costs that the State will finance is $121 million in 2005-06, growing to $631 million in 2006-07, and $1.3 billion in 2007-08. In addition, the State will provide local governments with $20 million in new aid in 2005-06 related to growing Medicaid costs and $25 million by accelerating of the State takeover of FHP costs planned for January 1, 2006 up to October 1, 2005 for all local governments except New York City.

DEPARTMENT OF HEALTH -- MEDICAID SPENDING PROJECTIONS (millions of dollars)

				Unadjusted		Adjusted [1]	
	2004-05 Revised	2004-05 Adjusted	2005-06 Proposed	Annual Change	Percent Change	Annual Change	Percent Change
General Fund	**6,811**	**7,319**	**7,313**	**502**	**7.4%**	**(6)**	**-0.1%**
Other State Support	2,677	2,677	3,961	1,284	48.0%	1,284	48.0%
State Funds	**9,488**	**9,996**	**11,274**	**1,786**	**18.8%**	**1,278**	**12.8%**
Federal Funds	19,959	19,959	19,715	(244)	-1.2%	(244)	-1.2%
All Funds	**29,447**	**29,955**	**30,989**	**1,542**	**5.2%**	**1,034**	**3.5%**

(1) To provide a comparable basis for calculating the annual change, the 2004-05 amounts have been adjusted for additional Medicaid spending to comply with Federal policy changes related to certain county shares adjustments ($508 million in General Fund, State Funds and All Funds).

DOH General Fund Medicaid will decrease by $6 million on an adjusted year-to-year basis. Total DOH Medicaid spending in 2005-06 is projected to increase by $1.0 billion (3.5 percent) over the adjusted prior year, consisting of an increase in other State support of $1.3 billion offset by a decline in Federal funding of $244 million. The higher State spending is attributable primarily to projected growth in the cost of services and prescription drugs, the rising number of Medicaid recipients, increases in utilization, Federal law changes, and the State cost of the local Medicaid cap, offset by the 2005-06 Executive Budget recommendations to reduce costs. These changes are described in more detail below. The number of Medicaid recipients is projected to average 3.7 million (excluding Family Health Plus) in 2005-06, an increase of 3.5 percent over the current fiscal year.

State Funds DOH spending is projected to total $11.3 billion in 2005-06. The General Fund will support $7.3 billion of spending, with the balance of $4.0 billion financed through various SRFs. These SRFs include: (1) the HCRA Transfer account supported by HCRA pool resources and used to finance Medicaid pharmacy costs, a portion of the Family Health Plus Program, and various Medicaid related programs including the Workforce Recruitment and Retention Program; (2) the Provider Assessments Fund currently supported by a partially reimbursable 5 percent assessment on nursing home revenues; and (3) the Indigent Care account supported by taxes, assessments and surcharges on hospital revenues and third-party payers and used to finance payments to providers and municipalities for the cost of providing services to uninsured people.

DEPARTMENT OF HEALTH -- MEDICAID
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2004-05 TO 2005-06
(millions of dollars)

	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
Program Growth	619	7	914	1,540
Family Health Plus Takeover/Growth	282	146	270	698
2004-05 Medicaid Cycle Delay	190		270	460
HCRA Financing	302	56		358
Empire Conversion Proceeds	(200)	200		0
Federal Changes	568		(619)	(51)
Executive Budget Recommendations:				
Local Cap	121			121
Accelerate FHP Takeover	25			25
Local Medicaid Relief	20			20
Other Financing	(795)	642	18	(171)
Provider Assessments	(234)	264		30
Family Health Plus Cost Containment	(227)	(30)	(295)	(552)
Hospital Cost Containment	(201)		(312)	(513)
Nursing Home Cost Containment	(182)		(211)	(393)
Pharmacy Cost Containment	(80)		(127)	(207)
Restructure Dental/Other Benefits	(66)		(102)	(168)
Managed Care Cost Containment	(48)		(74)	(122)
All Other Cost Containment (Net)	(100)	(1)	24	(41)
Total Annual Change	**(6)**	**1,284**	**(244)**	**1,034**

Current Services

Program Growth: General Fund growth is attributable to the increasing cost of providing health care services ($398 million), the rising number of recipients and corresponding increases in medical service utilization of services in hospitals, nursing homes, managed care programs, and growth in prescription drug costs ($221 million). Other changes in the State share of costs include reductions in available funds collected in the existing Indigent Care Fund and modest growth in provider assessments used to finance a portion of Medicaid costs. The Federal share of underlying growth is projected at $914 million.

Family Health Plus (FHP) Takeover/Growth: The State pays for its share of FHP from the General Fund and the HCRA Transfer account. The 2004-05 Enacted Budget authorized a full State takeover of local FHP costs over two years. The State began paying 50 percent of the local share of FHP in January 2005, and was scheduled to pay for 100 percent in January 2006. Absent the 2005-06 budget recommendations to accelerate the takeover, the takeover is expected to cost $49 million in 2004-05, growing to $331 million in 2005-06 (up $282 million), and to $612 million in 2006-07. Growth in other State Funds and Federal Funds for FHP reflects rising enrollment and utilization.

Cycle Payment Delay: Medicaid payments to providers are made on a weekly basis. The 2004-05 Enacted Budget deferred the last weekly 2004-05 Medicaid cycle from March 31, 2004 into the 2005-06 fiscal year, producing an annual increase of $190 million in the General Fund and $270 million in Federal Funds for the payment of that extra cycle in 2005-06.

HCRA Financing: General Fund support for HCRA is projected to grow by $302 million including a partial repayment of a 2002-03 loan from HCRA ($143 million) and a “tobacco guarantee” payment pursuant to the tobacco guarantee legislation that requires the General Fund to finance any projected shortfall in HCRA up to the payment that would have been received by HCRA absent the securitization of tobacco proceeds ($120 million), and a decline in HCRA support of Medicaid pharmacy costs. Spending from the existing HCRA Transfer Fund increases are primarily for the Workforce Recruitment and Retention Program.

Empire Conversion Proceeds: The 2004-05 Budget planned on $200 million in Empire conversion proceeds that would pay for Medicaid spending that would otherwise occur in the General Fund. Ongoing litigation has resulted in the proceeds from a completed sale being held in escrow until a decision is reached. DOB expects a favorable ruling and budgets the funds in 2005-06. Thus, 2004-05 General Fund costs have been adjusted upward, while 2005-06 costs have been lowered.

Federal Changes: Federal policy changes impacting county shares adjustments are expected to result in an increase in General Fund costs. In addition, the Federal government authorized a temporary 15-month increase of 2.95 percent in Federal Medical Assistance Percentage (FMAP) for Medicaid (from 50 percent to 52.95 percent) in May 2003. The temporary FMAP increase, which expired in June 2004, reduced total General Fund costs in 2004-05 by $260 million ($220 million in DOH Medicaid spending and $40 million in mental hygiene spending) and $128 million for localities. Thus, with the expiration of the FMAP increase, the General Fund will incur higher DOH Medicaid costs in 2005-06 ($220 million) and Federal Funds spending will decline ($388 million).

Executive Budget Recommendations

Local Cap: The Budget proposes a cap on local Medicaid costs up to 2005 spending levels, adjusted by 3.5 percent in 2005-06, 3.25 percent in 2006-07 and 3.0 percent in 2007-08. Effective January 1, 2008, the Budget recommends a full takeover of Medicaid costs to be partially financed with local sales tax revenues and other local resources. Capping local Medicaid costs is expected to result in higher General Fund costs beginning on January 1, 2006. DOB estimates the State cost of this phased in takeover of local costs initiative at $121 million in 2005-06, growing to $631 million in 2006-07, and $1.3 billion in 2007-08.

FHP Takeover: The State will provide local governments with $25 million in additional aid in 2005-06 related to a proposed acceleration of the State takeover of FHP costs from January 1, 2006 to October 1, 2005 for all local governments except New York City. This will bring the total value of the takeover to $312 million in 2005-06 and $576 million in 2006-07 after revising prior enrollment projections downward. Average annual FHP enrollment is expected to grow to 553,044 in 2005-06, an increase of 24 percent over the current fiscal year.

Local Medicaid Relief: In addition to the local benefit provided by the cap and the FHP takeover acceleration, the State will provide local governments with $20 million in new aid in 2005-06 related to growing Medicaid costs.

Other Financing: Several cost containment initiatives to restrain spending on programs financed by HCRA, including Child Health Plus, FHP spending revisions, and other revisions to HCRA revenues will be used to partially finance General Fund health care costs and avoid the need for a “tobacco guarantee” payment. A detailed explanation of the HCRA revisions is presented later in this Overview. In addition, increased recoveries from audit activities ($25 million) and Federal reimbursement to support audit contracts ($18 million) are expected to generate additional Federal aid that will be used to support General Fund spending for these services.

Provider Assessments: The Executive Budget proposes an imposition of a 0.7 percent assessment on hospital revenues and an increase in the nursing home reimbursable assessment to 6.0 percent of revenues from 5.0 percent, which currently sunsets on March 31, 2006. This recommendation provides $234 million in funding for what otherwise would be General Fund health care costs, after accounting for $30 million in costs related to the reimbursable portion of the nursing home assessment.

FHP Cost Containment: Proposed FHP reforms are projected to reduce spending by $227 million in the General Fund and $30 million in the HCRA Transfer account. The proposals include conforming FHP benefits to those programs that provide less extensive coverage, higher co-payments, and closing eligibility loopholes.

Hospital Cost Containment: Proposals to reduce hospital costs include reducing reimbursement for inpatient detoxification services and Graduate Medical Education (GME) payments to certain facilities, continued management of high-cost specialty populations receiving mental health and substance abuse services through mental hygiene facilities, authorizing DOH to negotiate reimbursement rates for certain high-cost procedures, and the elimination of inflationary rate adjustments and the reconciliation of GME grant overpayments made in prior years. These actions are projected to save $201 million in the General Fund.

Nursing Home Cost Containment: Several proposals to control the rising costs of reimbursement to nursing homes are estimated to reduce 2005-06 spending growth in the General Fund ($182 million). They include an updated regional reimbursement methodology based on 2003 costs, revisions to the Medicaid case mix calculation that limits the use of Medicaid payments to subsidize other costs, and the elimination of inflationary rate adjustments.

Pharmacy Cost Containment: Several proposals to control the rising costs of prescription drugs would reduce spending growth in the General Fund ($80 million). These proposals include establishing a preferred drug program requiring prior authorization for certain high cost drugs and increasing pharmacy co-payments for both generic and brand-name prescription drugs.

Restructure Dental/Optional Benefits: Proposals include restricting adult dental benefits to clinical settings ($53 million) and eliminating various optional services provided to adult Medicaid recipients including private duty nursing, audiology, podiatry, and clinical psychology services ($13 million).

Managed Care Cost Containment: Projected savings include freezing managed care premium payments at current year levels, capping marketing expenses, and taking steps to ensure appropriate enrollment safeguards are in place.

All Other: All other recommended actions include General Fund reductions resulting from the application of recently approved one-time Federal credits for past emergency medical services provided to illegal immigrants ($42 million), the elimination of long-term care eligibility loopholes, realigning home care administrative reimbursement at more appropriate levels, and various other cost containment initiatives. These decreases are offset by new spending for enhanced home care rates for certain complex cases, for additional funds for long-term care reforms, and criminal background checks for staff employed by long-term care facilities.

Other Public Health Programs

In general, public health spending in New York is shared by the Federal government, the State, and local governments. Several public health programs, such as the Early Intervention program and General Public Health Works, are administered by county health departments for which the State reimburses counties for a share of program costs. The Financial Plan does not include the local government share of public health funding, but does include the entire Federal share.

Consistent with the Governor's proposed budget reform bill, the 2005-06 Executive Budget includes the HCRA financed programs that are not currently included in the State Financial Plan, adding $929 million in 2005-06 to public health spending above the $4.4 billion already included throughout the State Financial Plan for HCRA. For more information on HCRA projections, see the section entitled "HCRA Financial Plan" later in this Overview.

The largest public health programs include the Elderly Pharmaceutical Insurance Coverage (EPIC) Program providing prescription drug insurance to low-income seniors ($834 million), the Child Health Plus program that finances health insurance coverage for children of low-income families up to the age of 19 ($674 million), the General Public Health Works (GPHW) program that reimburses local health departments for the cost of providing certain public health services ($222 million), the Early Childhood Intervention (EI) Program providing services to infants and toddlers under the age of three with disabilities or developmental delays ($253 million), and health and support programs for people suffering from AIDS/HIV ($366 million).

PUBLIC HEALTH SPENDING PROJECTIONS
(millions of dollars)

				Unadjusted		Adjusted [1]	
	2004-05 Revised	2004-05 Adjusted	2005-06 Proposed	Annual Change	Percent Change	Annual Change	Percent Change
General Fund	**705**	**705**	**759**	**54**	**7.7%**	**54**	**7.7%**
Other State Support	1,479	2,404	2,447	968	65.4%	43	1.8%
State Funds	**2,184**	**3,109**	**3,206**	**1,022**	**46.8%**	**97**	**3.1%**
Federal Funds	1,241	1,241	1,272	31	2.5%	31	2.5%
All Funds	**3,425**	**4,350**	**4,478**	**1,053**	**30.7%**	**128**	**2.9%**

(1) To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted for the inclusion of all HCRA funded programs on-budget ($925 million in State Funds and All Funds).

All Funds spending in 2005-06 for public health is projected to increase by $128 million (2.9 percent) over the adjusted prior year, consisting of an increase in State share costs of $97 million and higher Federal aid of $31 million. The higher State share spending is primarily attributable to the projected growth in various public health programs, including EPIC.

State Funds public health spending is projected to total $3.2 billion in 2005-06. Activities include reimbursement to localities for the costs of operating public health programs ($2.7 billion), personal service costs and fringe benefit costs for nearly 6,000 employees of DOH ($213 million), non-personal service costs including operational expenses ($261 million), and financing for capital projects to maintain DOH facilities ($13 million). In addition to General Fund support, a portion of DOH's costs are financed by patient care revenues, and fees related to regulations, registration, testing, and certification. Several local aid programs are financed by dedicated revenues, including transfers from HCRA and certain fees. Finally, Federal aid helps support various programs, including Federal nutrition assistance for Women, Infants, and Children (WIC), and is projected to total $1.3 billion in 2005-06.

PUBLIC HEALTH SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) (millions of dollars)	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
EPIC		110		110
Child Health Plus		16	27	43
Early Intervention	17			17
Local Public Health	12			12
All Other	14	(81)	10	(57)
Executive Budget Recommendations:				
Child Health Plus		(13)	(13)	(26)
EPIC		(13)		(13)
Capital Improvement Grants		7		7
TANF Program/Funding Realignment	20			20
All Other	(9)	17	7	15
Total Annual Change	**54**	**43**	**31**	**128**

Current Services

EPIC: Higher projected EPIC spending in 2005-06 is due primarily to the rising cost of prescription drugs and enrollment, which is projected to reach 358,000, an increase of 2.3 percent over current year projections.

Child Health Plus: Growth in the CHP program is attributable to projected increases in enrollment. CHP enrollment is expected to reach approximately 450,000 in 2005-06.

Early Intervention: Spending is expected to grow as a result of increases in the number of children enrolled in the program. DOB projects enrollment at 75,825 in 2005-06, an increase of 1,849 (or 2.4 percent) over 2004-05 estimated levels.

General Public Health Works: DOB projects that State funding for local public health services will total $222 million in 2005-06, an annual increase of $12 million.

All Other: The remaining All Funds spending decrease includes primarily revisions to other State support partially offset by the repayment of a HCRA loan from the Physicians Excess Medical Malpractice program ($45 million) and higher costs for personal services due to collective bargaining increases and staffing ($11 million).

Executive Budget Recommendations

Early Childhood Intervention: Proposals include instituting service fees based on parental income levels, allowing counties to negotiate rates with providers, eliminating reimbursement for extended home visits, requiring independent evaluations for children receiving a single service, and requiring health insurance coverage in the first instance. These proposals will result in savings beginning in 2006-07, as the reimbursement schedule for the EI program is on a lag.

CHP: The Executive Budget recommends a temporary freeze on payments to providers that will reduce the growth in CHP spending.

EPIC: Projected savings in the EPIC program include automatic enrollment of low income EPIC enrollees in the Medicare Part D prescription drug program, and verification of applicants' reported income with Department of Tax and Finance income tax information.

Health Care Capital Improvement Grants: The Executive Budget includes additional capital financing that will provide grants to hospitals to increase operational efficiency. The program is expected to eventually total $1 billion.

Program/Funding Realignment: Spending for certain health care programs previously financed by the TANF program have been shifted to the agencies directly responsible for their oversight.

All Other: Other Executive Budget proposals include the elimination of certain non-essential programs including Endoscopy Study, Reflex Sympathetic Dystrophy Syndrome, and Tattooing, Body Piercing Regulation, and certification of home medical equipment personnel. Higher use of non-General Fund resources to fund certain program costs and operational efficiencies achieved through information technology advancements are also expected to produce savings. The Executive Budget also recommends funding for criminal background checks for health care workers, and for disease management. In addition, the General Public Health Works program is recommended to be converted from a reimbursement-based entitlement program to a grant-based program in 2005-06 to enhance local discretion in efficiently targeting resources by eliminating State-level spending mandates. In addition to increasing local flexibility, this change is projected to result in a $12 million annual increase in funding above 2004-05 levels.

K-12 EDUCATION

School Aid

School aid, the single largest program financed by the General Fund, helps finance elementary and secondary education provided to New York pupils enrolled in nearly 680 school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement for various categorical programs. In New York, approximately 45 percent of spending on education by local school districts is funded by the State. School aid is distributed in a manner intended to allow districts to meet locally defined needs, to receive aid for the construction of school facilities, and to transport 2.5 million students statewide. The State Court of Appeals has found that the school financing system failed to provide students in New York City with an opportunity for a sound basic education, in violation of the State Constitution. The litigation is described in more detail in the section entitled “Reserves and Risks” in this Overview.

Federal funding supplements school aid, representing approximately 15 percent of projected cash disbursements. Federal education aid supports a range of services including educational programs and services targeted to disadvantaged children, and free and reduced price meals.

SCHOOL AID SPENDING PROJECTIONS
(millions of dollars)

	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**12,907**	**13,228**	**321**	**2.5%**
Other State Support	2,184	2,321	137	6.3%
State Funds	**15,091**	**15,549**	**458**	**3.0%**
Federal Funds	2,545	2,755	210	8.3%
All Funds	**17,636**	**18,304**	**668**	**3.8%**

All Funds spending for school aid is projected to total $18.3 billion in State fiscal year 2005-06. General Fund spending is projected at $13.2 billion, with the remaining aid paid from other State funds, primarily the Lottery Fund ($2.3 billion), and the Federal government ($2.8 billion).

On a school year basis (July 1 through June 30), State support for school aid is recommended at nearly $15.9 billion in 2005-06 (excluding Federal aid), an increase of $526 million (3.4 percent) over the current school year. This $526 million increase comprises $201 million in traditional school aid and $325 million in a new Sound Basic Education aid program funded by VLT revenues. Major components of the $15.9 billion school year recommendation include Flex Aid ($8.4 billion), Public Excess Cost Aid ($2.3 billion), Building Aid ($1.4 billion), Transportation Aid ($1.2 billion), as well as the $325 million for SBE aid.

SCHOOL AID
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE)
(millions of dollars)

	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
Federal Fund Reestimates			210	210
Balance of 2004-05 School Year	212			212
2005-06 Traditional School Aid ($201M SY)	161	(20)		141
RESCUE/Transportation Grants/ All Other	(13)	(110)		(123)
Executive Budget Recommendations:				
Eliminate Quick Draw Restrictions	(39)	39		0
2005-06 Sound Basic Education Aid ($325M SY)		228		228
Total Annual Change	**321**	**137**	**210**	**668**

On a State fiscal year basis, All Funds spending for school aid in 2005-06 is estimated to be $18.3 billion, an increase of $668 million from 2004-05. The increase includes $212 million for the balance of the prior school year increase, $369 million to cover the costs associated with the new school year recommendations, and $210 in increased Federal funds, partially offset by a decrease of $123 million primarily in projected spending from capital funds. These changes are explained in more detail below.

Current Services

Federal Funds Reestimates: Federal aid is projected to grow by $210 million over the revised 2004-05 estimate, reflecting increased grants to high-poverty school districts around the State ($191 million) and for the School Lunch and Breakfast Program ($19 million).

Balance of 2004-05 School Year Increase: The General Fund increases by $212 million to cover the remaining "tail" payments related to the 2004-05 school year increase of over $750 million.

2005-06 Traditional School Aid: The General Fund will finance $201 million of the $526 million school year increase. That translates into a State fiscal year increase of $141 million in the General Fund in 2005-06, as explained in more detail below. In addition, the General Fund will increase by another $20 million to cover the decrease in the State Lottery Fund contribution. The remaining $325 million of the school year increase is paid for from the Lottery Fund, as described below.

RESCUE and Transportation Grants/All Other: The majority of changes are in capital spending, which decreases by $109 million reflecting the final spend-out in 2004-05 of the Rebuilding Schools to Uphold Education (RESCUE) program ($34 million) and one-time grants for school bus purchases ($75 million).

Executive Budget Recommendations

Eliminate Quick Draw Restrictions: The Budget recommends lifting restrictions imposed on Quick Draw in its enabling statute, including limits on the hours of operation and food sales and restrictions on the minimum size of premises that can operate Quick Draw games. The changes are expected to generate $39 million in additional lottery revenues.

SY 2005-06 Sound Basic Education Aid: The school year increase of $526 million includes $325 million for a new Sound Basic Education Aid Program. The State fiscal year increase of $228 million for Sound Basic Education Aid will be fully supported with VLT revenues. New York City will receive approximately 60 percent of the aid to be distributed from this program under a formula that will include weightings for concentrations of children from economically disadvantaged backgrounds, children with limited English proficiency, and regional cost differences.

2005-06 Traditional School Aid: The traditional school aid recommendation of a $201 million increase includes higher funding of $122 million in Flex Aid and $77 million in expense-based aids. A new $15 million Fund for Innovation Program is also proposed for the State's Big Five City school districts that is intended to promote public/private partnerships that integrate technology in the classroom.

Finally, the school aid recommendations include a number of reforms in building aid and special education aid. Building aid reforms include targeted initiatives to address NYC school facility needs, creation of a simplified building aid formula to provide realistic student-based allowances, and a statewide Wicks Law exemption. Special education reforms are advanced to eliminate the existing fiscal incentives for placing children in restrictive private placements by conforming the aid formula to that used to provide these same services in the public schools. With these reforms, Building aid increases by $27 million and Private Excess Cost aid decreases by $96 million on a school year basis.

School Tax Relief (STAR) Program

STAR provides New York's taxpayers with school property tax relief. The three components of STAR, and their approximate share, include the enhanced school property tax exemption to eligible senior citizen homeowners (22 percent), the basic school property tax exemption to all other eligible homeowners (59 percent), and a flat refundable credit and rate reduction for New York City resident personal income taxpayers (19 percent).

STAR SPENDING PROJECTIONS
(millions of dollars)

	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**0**	**0**	**0**	**0.0%**
Other State Support	3,072	3,202	130	4.2%
State Funds	**3,072**	**3,202**	**130**	**4.2%**
Federal Funds	0	0	0	0.0%
All Funds	**3,072**	**3,202**	**130**	**4.2%**

STAR spending is expected to total $3.2 billion in 2005-06, and is comprised of $1.9 billion for the basic property tax exemption, $707 million for the enhanced property tax exemption, and $595 million for the New York City PIT reduction. The annual changes are described in more detail below.

STAR SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) (millions of dollars)	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
Growth in STAR Program		150		150
Executive Budget Recommendations:				
STAR School District Spending Cap		(20)		(20)
Total Annual Change	**0**	**130**	**0**	**130**

STAR spending in 2005-06, prior to the Executive Budget recommendations to restrain school district spending, is projected to grow by $150 million over the current fiscal year. The increase includes 9 percent annual growth in the basic STAR exemption to homeowners and growth in the enhanced STAR exemption.

The 2005-06 Executive Budget proposes instituting a school spending cap that would limit annual growth in local school district budgets to the lesser of 4 percent or 120 percent of the growth in Consumer Price Index. Slowing the growth in local tax increases is expected to reduce the growth in STAR payments by $20 million. The savings are reinvested in a recommended STAR Plus tax credit program that would provide increased tax cuts (described as a tax cut on the revenue side of the Financial Plan) for STAR recipients in school districts that keep their spending growth within the proposed spending cap.

Other Education Aid

In addition to school aid, other education aid is provided for special education services and other targeted programs. Other education categories include Elementary, Middle, Secondary and Continuing Education (EMSC); cultural education, and higher education programs. Major programs under EMSC address specialized student needs or reimburse school districts for education-related services and include the School Lunch and Breakfast Program, the Pre-School Special Education Program, and non-public school aid. In special education, New York provides a full spectrum of services to over 400,000 students from ages 4 to 21. Higher and professional education programs ensure the quality and availability of post-secondary education programs and regulate the licensing and oversight for 44 State professions.

OTHER EDUCATION AID SPENDING PROJECTIONS (millions of dollars)	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**1,488**	**1,477**	**(11)**	**-0.7%**
Other State Support	84	128	44	52.4%
State Funds	**1,572**	**1,605**	**33**	**2.1%**
Federal Funds	888	964	76	8.6%
All Funds	**2,460**	**2,569**	**109**	**4.4%**

All Funds spending is expected to total $2.6 billion in 2005-06, comprised of $1.5 billion in General Fund spending, $128 million in other State support and $964 million in Federal funding. All Funds includes handicapped programs ($1.7 billion), State Operations ($286 million) and various other education programs ($583 million). The annual changes are described in more detail below.

OTHER EDUCATION AID SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) (millions of dollars)	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
Federal Fund Reestimates			76	76
Special Education Program Costs	50			50
Other Base Changes	(42)	2	0	(40)
Executive Budget Recommendations:				
Higher Education Capital Matching Grant		20		20
Program Reductions and Other Actions	(19)	22		3
Total Annual Change	**(11)**	**44**	**76**	**109**

Current Services

Federal Fund Reestimates: Growth of $76 million is due primarily to higher expected funding for the Individuals with Disabilities Education Act program that supports special education programs.

Special Education Program Costs: The $50 million projected increase in special education programs reflects enrollment growth in the Preschool Special Education Program and higher claiming ($40 million), summer school special education ($8 million) and private schools which serve the blind and deaf ($2 million).

Other Changes: The changes are attributable primarily to declining spending associated with one-time legislative member items.

Executive Budget Recommendations

Higher Education Capital Matching Grant: Includes $20 million in first-year costs for a new higher education capital matching grants program to finance critical programs for both public and private colleges and universities.

Program Reductions and Other Actions: Includes reductions and consolidations to reduce the spending growth in Elementary, Middle, Secondary and Continuing Education and higher education programs ($9 million). Other State support increases by $22 million, and includes $5 million first-year spending under a new $15 million capital program to finance matching grants for improvements at public broadcasting facilities.

HIGHER EDUCATION

Higher education includes operational and administrative costs for the SUNY, CUNY, and the Higher Education Services Corporation (HESC). Nearly the entire higher education budget is supported by State funds, including General Fund support, tuition revenues and various fees.

The SUNY system is the largest public university system in the nation with 64 campuses offering a range of academic, professional and vocational programs. The SUNY hospitals work together with medical schools in academics and research and provide students with a wide variety of residency programs. The SUNY system also includes 30 community colleges. Currently, there are over 413,000 SUNY students pursuing studies ranging from one-year certificate programs to doctorates.

The CUNY system is the third largest public university system in the nation and provides higher education to the urban community of New York City. The State has full financial responsibility for CUNY's senior college operations and works in conjunction with the City of New York to support CUNY's community colleges. There are approximately 219,000 CUNY students currently enrolled in degree programs.

HESC is responsible for administering TAP grant awards to income-eligible students and for providing centralized processing of other student financial aid programs. The Corporation also helps students as they plan for college by providing information and guidance on how to finance a college education. The financial aid programs that the Corporation administers are funded by the State and the Federal government.

HIGHER EDUCATION SPENDING PROJECTIONS (millions of dollars)	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**2,965**	**2,991**	**26**	**0.9%**
Other State Support	3,726	4,095	369	9.9%
State Funds	**6,691**	**7,086**	**395**	**5.9%**
Federal Funds	187	193	6	3.2%
All Funds	**6,878**	**7,279**	**401**	**5.8%**

All Funds spending is expected to total $7.3 billion in 2005-06, and is comprised of $3.0 billion in General Fund spending, $4.1 billion in other State support, and $193 million in Federal funding. By agency, All Funds spending is projected to total $5.0 billion in SUNY, $1.4 billion in CUNY, and $817 million in HESC. Another $632 million in State support for CUNY is paid from a State fiduciary fund (outside the All Governmental Funds Financial Plan) that consists primarily of senior college tuition revenues. The annual changes are described in more detail below.

HIGHER EDUCATION SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) (millions of dollars)	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
SUNY/CUNY/HESC Inflation and Salaries	223	63		286
SUNY/CUNY Capital		187		187
HESC TAP	20			20
SUNY/CUNY Community Colleges Aid	10			10
SUNY/CUNY/HESC All Other Services	47	(43)	6	10
Executive Budget Recommendations:				
SUNY/CUNY Savings	(137)	76		(61)
Restructure TAP for Graduation Incentive	(135)			(135)
SUNY/CUNY Capital		69		69
SUNY/CUNY PACT	4			4
All Other Budget Actions	(6)	17		11
Total Annual Change	**26**	**369**	**6**	**401**

Current Services

SUNY/CUNY/HESC Inflation and Salaries: The Executive Budget provides $223 million in General Fund support and $63 million in Other State Funds support for salaries and inflationary increases at SUNY, CUNY, and HESC.

SUNY/CUNY Capital: Annual growth in capital spending reflects changes in the needs and priorities of the public universities as well as changes in the timing of capital projects ($187 million).

HESC TAP: Spending adjustments reflect annualization of the 2004-05 TAP Program ($20 million).

SUNY/CUNY Community Colleges Aid: The increase of $10 million is attributable primarily to enrollment growth.

SUNY/CUNY/HESC All Other Services: The increase reflects cash adjustments, annualizations, and nonrecurring special revenue funding for SUNY and CUNY financial aid activity.

Executive Budget Recommendations

SUNY/CUNY Savings: General Fund savings are achieved through a mix of administrative efficiencies and authorization for increased tuition revenues resulting in savings of $61 million on an All Funds basis.

HESC/TAP Restructuring: Changes at HESC include the proposed restructuring of the TAP program, which would defer one-half of each first-time student's award until graduation as an incentive for timely degree completion, and additional reforms including more rigorous academic eligibility standards ($135 million).

SUNY/CUNY Capital: The Executive Budget enhances the current multi-year capital investment programs for SUNY and CUNY with an additional $323 million over the next five years. Spending of $69 million reflects the first year of capital spending from these supplemental funds.

SUNY/CUNY PACT: The Executive Budget recommends $4 million in funding to finance the implementation of a new Partnership to Accelerate Completion Time (PACT) program to improve college graduation rates at all SUNY and CUNY campuses and participating private colleges.

All Other Budget Actions: Reflects reductions in the General Fund for the Aid for Part-Time Study program, which will be financed from other available revenues in 2005-06.

SOCIAL SERVICES

Welfare

Welfare programs provide benefits to poor families in the form of cash grants, child welfare services, tax credits for eligible low-income workers, and employment services. The State's three main programs include Family Assistance, Supplemental Security Income (SSI) and Safety Net. The Family Assistance program, which is financed jointly by the Federal government, the State, and local districts, provides employment assessments, support services and time-limited cash assistance to eligible families and children. The State adds a supplement to the Federal SSI benefit for the elderly, visually handicapped, and disabled. The Safety Net Assistance program provides cash assistance and employment services for single adults, childless couples, and families that have exhausted their five-year limit on Family Assistance imposed by Federal law and is financed jointly by the State and local districts. Funding is also provided for local administration of welfare programs.

Federal funding for welfare programs is provided through the Temporary Assistance for Needy Families (TANF) block grant. TANF funding also helps finance the State's EITC for low-income workers and child care services, including child care subsidies for low-income working families. In addition, the State directs the "difference" between the block grant and current spending requirements (the "TANF surplus") to fund additional eligible programs including employment and education.

WELFARE/WELFARE ADMINISTRATION SPENDING PROJECTIONS (millions of dollars)	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**1,465**	**1,393**	**(72)**	**-4.9%**
State Funds	**1,465**	**1,393**	**(72)**	**-4.9%**
Federal Funds	1,979	2,353	374	18.9%
All Funds	**3,444**	**3,746**	**302**	**8.8%**

All Funds spending for welfare is projected to total $3.7 billion in 2005-06, consisting of $1.4 billion in General Fund support and $2.3 billion in Federal support. Major programs include Family Assistance benefits ($1.3 billion), including the State's EITC ($746 million); Safety Net ($728 million); SSI ($633 million); and administration ($360 million).

Welfare caseload is projected to total approximately 655,900 recipients in 2005-06, an increase of 14,200 from 2004-05. The family assistance caseload consists of approximately 327,200 families supported through the Family Assistance program, a decrease of 2,100 from the current year, and 175,900 families receiving benefits through the Safety Net program, an increase of 5,800. The caseload for single adults/couples supported through the Safety Net program is projected at 152,800, an annual increase of 10,500.

WELFARE/WELFARE ADMINISTRATION SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) (millions of dollars)	General Fund	Federal Funds	All Funds
Current Services:			
Loss of One-Time TANF	141	0	141
Caseload Growth	81	(24)	57
Funding for Administration	29	0	29
Executive Budget Recommendations:			
TANF Welfare Consolidation	0	279	279
Program/Funding Realignment	(191)	0	(191)
TANF Reprogramming	(85)	85	0
Out-of-Wedlock Bonus	(25)	25	0
Safety Net Work Rate Penalties	(15)	0	(15)
Eligibility/Benefit Restrictions	(10)	9	(1)
Strengthening Families through Stronger Fathers	3	0	3
Total Annual Change	**(72)**	**374**	**302**

Current Services

Loss of One-Time TANF: TANF funding of $141 million used in 2004-05 for public assistance is not available in 2005-06.

Caseload Growth: In the General Fund, the combined family caseload (i.e., Family Assistance and Safety Net families) is expected to grow by 1 percent, adding $43 million in General Fund spending. The "non-family" Safety Net caseload is projected to increase by 7 percent, adding another $38 million. A projected decrease in the family caseload supported exclusively by the TANF block grant results in a reduction in Federal spending ($24 million).

Funding for Administration: Funding for administrative services associated with the public assistance program is projected to increase by $29 million.

Executive Budget Recommendations

TANF Welfare Consolidation: To improve accountability and streamline operations, the Budget recommends consolidating all TANF spending in the Office of Temporary and Disability Assistance (OTDA). Thus, TANF spending authority for both the Child Care and the Title XX Social Services Block Grants will now be appropriated in OTDA ($279 million).

Program/Funding Realignment: To streamline spending and focus on the core mission of the welfare program, spending that has limited or no local district involvement will be supported by the General Fund, not TANF, and budgeted in the agencies directly responsible for their oversight. These programs include advantage schools (OCFS, $20 million), home visiting (OCFS, $16 million), food pantries (DOH, $12 million), Women, Infants and Children program (DOH, $5 million), alternatives to incarceration (DPCA, $4 million), and school-based health centers (DOH, $3 million). In addition, certain child welfare and child care services formerly funded by TANF will now be funded through the child care and foster care block grants administered by OCFS ($131 million).

TANF Reprogramming: Recommendations would reduce General Fund costs and increase Federal funding by reprogramming the unspent prior-year TANF surplus earmarked for certain initiatives, and using funds in excess of the TANF maintenance-of-effort levels ($60 million and $25 million, respectively) to support EITC.

Out-of-Wedlock Bonus: The State received a TANF bonus from the Federal government for decreasing the rate of teenage out-of-wedlock pregnancies, which the Budget recommends using to support State welfare costs ($25 million).

Safety Net Work Rate Penalty: State reimbursement for administrative costs would be reduced for local districts that fail to achieve State-mandated work participation rates for their Safety Net population ($15 million).

Eligibility/Benefit Restrictions: Proposed benefit changes include decreasing the amount of earned income that is disregarded when determining benefit eligibility and eliminating benefits for families in which an adult fails to comply with mandated employment obligations. These proposed changes reduce General Fund costs by $10 million and increase Federal spending by $9 million.

Strengthening Families through Stronger Fathers: A portion of the savings noted above is proposed to be reinvested in a five-county demonstration program to assist unemployed and under-employed non-custodial parents in obtaining and retaining employment ($3 million).

OFFICE OF CHILDREN AND FAMILY SERVICES

The Office of Children and Family Services (OCFS) provides child welfare services including foster care, adoption, child protective services, delinquency prevention, and child care. OCFS oversees the State's system of family support and child welfare services that are administered by local departments of social services and community-based organizations. Specifically, child welfare services programs, which are financed jointly by the Federal government, the State and local districts, are structured to encourage local governments to invest in preventive services necessary to reduce out-of-home placement of children. In addition, the State Child Care block grant, which is also financed by a combination of Federal, State and local sources, supports child care subsidies for public assistance and low-income families. The youth facilities program serves youth directed by family or criminal courts to be placed in residential facilities. Federal funding for OCFS programs is provided through the Flexible Fund for Family Services, Federal Title IV-E Foster Care and Adoption Assistance Payments, the Federal Child Care and Development Fund, and the Title XX Social Services block grant.

CHILDREN AND FAMILY SERVICES SPENDING PROJECTIONS (millions of dollars)	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**1,318**	**1,465**	**147**	**11.2%**
Other State Support	30	29	(1)	-3.3%
State Funds	**1,348**	**1,494**	**146**	**10.8%**
Federal Funds	1,785	1,620	(165)	-9.2%
All Funds	**3,133**	**3,114**	**(19)**	**-0.6%**

All Funds spending for OCFS is expected to total $3.1 billion in 2005-06, consisting of $1.5 billion in General Fund spending, $29 million in other State spending and $1.6 billion in Federal spending. Spending supports child welfare ($1.8 billion), child care ($727 million) and juvenile justice services including delinquency prevention, youth facilities and local detention facilities ($272 million). The annual changes are described in more detail below.

CHILDREN AND FAMILY SERVICES SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) (millions of dollars)	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
Underlying Base Changes	(14)	(2)	114	98
Executive Budget Recommendations:				
TANF Welfare Consolidation	0	0	(279)	(279)
Program/Funding Realignment	167	0	0	167
Priority Programming	(1)	0	0	(1)
All other Buget Actions	(5)	1	0	(4)
Total Annual Change	**147**	**(1)**	**(165)**	**(19)**

Current Services

Underlying Base Changes: Spending decreases by $14 million in the General Fund due primarily to downward revisions in expected State reimbursements to local districts for child welfare spending. Additionally, increased use of Federal funds for programs such as foster care and adoption results in growth in Federal fund spending.

Executive Budget Recommendations

TANF Welfare Consolidation: To improve accountability and streamline operations, the Budget recommends consolidating all TANF spending in OTDA. Thus, TANF spending authority for Child Care and the Title XX Social Services Block Grant will now be appropriated in OTDA ($279 million).

Program/Funding Realignment: As noted above in the section on welfare, certain child welfare, child care and juvenile justice services currently funded by TANF are proposed to be financed with State funding in OCFS ($167 million).

Priority Programming: Funding for institutional-based programs is redirected to community-based programs for youth, including Persons in Need of Supervision (PINS) and preventive mental health services.

All Other Budget Actions: Decreases reflect primarily program reforms and use of Federal and other funds in the area of juvenile justice.

MENTAL HYGIENE

The Department of Mental Hygiene comprises three independent agencies — OMH, OMRDD, and OASAS. The agencies provide a wide array of services to special needs populations. Services are administered to individuals with mental illnesses, developmental disabilities, and chemical dependencies through institutional or community-based settings. Specifically, OMH plans and operates an integrated system of mental health care that serves adults with serious and persistent mental illness and children with serious emotional disturbances. OMRDD serves and supports individuals and families of individuals with developmental disabilities. OASAS licenses and evaluates service providers and implements programs for the prevention, early intervention, and treatment of chemical dependence.

All three agencies provide services directly to their clients through State-operated facilities and receive reimbursement for these services from Medicaid, Medicare and third-party insurance. Patient revenues are pledged first to the payment of debt service on outstanding Mental Hygiene bonds, with the remaining revenue deposited to the PIA to help support General Fund costs of providing services.

MENTAL HYGIENE SPENDING PROJECTIONS (millions of dollars)

	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**2,446**	**2,462**	**16**	**0.7%**
Other State Support	437	451	14	3.2%
State Funds	**2,883**	**2,913**	**30**	**1.0%**
Federal Funds	2,596	2,734	138	5.3%
All Funds	**5,479**	**5,647**	**168**	**3.1%**

All Funds spending is expected to total $5.6 billion in 2005-06, with $2.5 billion in General Fund spending, $451 million in other State funding and $2.7 billion in Federal funding. By agency, All Funds spending is projected to total $2.9 billion in OMRDD, $2.2 billion in OMH and $482 million in OASAS. The State share of Medicaid spending budgeted in the Department of Mental Hygiene is projected to total $1.4 billion in 2005-06. The annual increase of $168 million in mental hygiene programs is described in more detail below.

MENTAL HYGIENE SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) (millions of dollars)

	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
Local Services	125	0	0	125
Underlying Program Growth	156	8	(106)	58
Executive Budget Recommendations:				
Patient Income Account Actions	(174)	0	242	68
Local Assistance Efficiencies	(63)	0	0	(63)
State Operations Efficiencies	(33)	0	0	(33)
Local Program Redirection	5	0	0	5
All Other Budget Actions	0	6	2	8
Total Annual Change	**16**	**14**	**138**	**168**

Current Services

Local Services: Funding increases support existing program commitments and mandates including OMRDD's NYS-CARES and NYS-OPTS programs and OMH's community bed pipeline.

Underlying Program Growth: Includes funding for collective bargaining agreements, inflation and staffing adjustments ($151 million); and a decline in PIA revenues used to offset General Fund spending ($107 million). Other factors include the "tail" of 2004-05 savings actions ($32 million) and removal of funding for the 27th institutional payroll ($70 million).

Executive Budget Recommendations

PIA Actions: Higher Federal aid is driven primarily by enhanced trend factors, Medicaid rate adjustments, additional revenues for inpatient billings, and Medicare cost settlements. These actions are expected to increase the amount of patient care revenues available to support what would otherwise be General Fund costs in 2005-06, resulting in net General Fund savings of $174 million.

Local Assistance Efficiencies: Includes conversion of 100 percent State funded programs to Medicaid ($18 million), aggressive pursuit of provider audit and under-spending recoveries and program development slippage ($26 million) and other local program cash management actions ($19 million).

State Operations Efficiencies: State Operations savings will be achieved through continued vacancy and staffing controls aimed at reducing excessive overtime and managing future hiring, as well as management of non-personal service spending ($33 million).

Local Program Redirection: Savings from reducing or eliminating funding for under-performing or less effective programs ($16 million) is redirected to enhance existing priority OMH and OASAS not-for-profit operated programs to improve recruitment and retention of direct care staff and maintain chemical dependence treatment services for the working poor ($21 million).

All Other Budget Actions: Other State Funds increased by more than $5 million as a result of increased funding for case management in adult homes.

TRANSPORTATION

The Department of Transportation (DOT) directly maintains and improves the State's more than 40,000 highway lane miles and 7,500 bridges. Overall, the State's transportation network includes 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. The State maintains and improves this extensive collection of assets through taxes, Federal grants, voter-approved general obligation bonds, and bonds issued by public authorities pursuant to contractual agreements with the State. In addition to State-owned transportation assets, the DOT assists in funding projects for highways, bridges, transit systems and other transportation facilities which are owned by local governments.

TRANSPORTATION SPENDING PROJECTIONS (millions of dollars)	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**113**	**103**	**(10)**	**-8.8%**
Other State Support	3,568	3,805	237	6.6%
State Funds	**3,681**	**3,908**	**227**	**6.2%**
Federal Funds	1,543	1,562	19	1.2%
All Funds	**5,224**	**5,470**	**246**	**4.7%**

All Funds spending in 2005-06 for transportation is projected to increase by $246 million (4.7 percent) over the prior year, consisting of an increase in State funding ($227 million) and Federal disbursements ($19 million).

General Fund spending for transportation is projected to decrease by $10 million (8.8 percent) and reflects primarily the use of roughly $155 million of other funds to support what otherwise would be General Fund costs (including fringe benefits).

Spending from other State Funds is projected to increase by $237 million, reflecting primarily the new five-year capital DOT Plan totaling $17.4 billion to improve transportation and transit facilities across the State. For a more detailed discussion of the new five-year capital DOT Plan, see the “Capital Program and Financing Plan” in this volume.

In addition to funding the first year of the five-year DOT Capital Plan, the 2005-06 Executive Budget includes funding for the first year of the new Metropolitan Transportation Authority (MTA) five-Year Capital Program. Although not part of the State’s capital plan, the MTA program reflects continuation of their core “State-of-Good-Repair and Normal Replacement” program at levels established in their 2000-2004 capital plan. The program also includes essential security projects, interagency policing facilities, and the City-funded extension of the #7 Line.

State funding for transit systems comprises the majority of transportation SRF spending. Over $1.67 billion of 2005-06 transit aid is derived from taxes dedicated to the Mass Transportation Operating Assistance (MTOA) Fund and the Dedicated Mass Transportation Trust Fund. Total disbursements from transportation SRFs are projected to be $1.84 billion in 2005-06, $162 million above the current year. This increase reflects an increase of $57.3 million in capital support for the MTA from the Dedicated Mass Transportation Trust Fund.

GENERAL STATE CHARGES

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

Employee fringe benefits paid from the General Fund are financed primarily by General Fund revenues (78 percent) and supplemented with revenue from fringe benefit assessments on Federal and other dedicated revenue programs (22 percent). Other General State Charges costs are paid in full by General Fund revenues.

GENERAL STATE CHARGES SPENDING PROJECTIONS (millions of dollars)	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**3,665**	**3,889**	**224**	**6.1%**
Other State Support	484	558	74	15.3%
State Funds	**4,149**	**4,447**	**298**	**7.2%**
Federal Funds	204	226	22	10.8%
All Funds	**4,353**	**4,673**	**320**	**7.4%**

All Funds spending on GSCs is expected to total $4.7 billion in 2005-06, and comprises $3.9 billion in General Fund spending, $558 million other State funding and $226 million Federal funding. Major components of All Funds spending include health insurance ($2.2 billion), pensions ($935 million), and social security ($804 million). The annual changes are described in more detail below.

GENERAL STATE CHARGES SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) (millions of dollars)	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
Pension Rate Increase	455	0	0	455
Employee Health Care	195	0	0	195
All Other Changes	(34)	73	22	61
Executive Budget Recommendations:				
Pension Rate Relief	(321)	0	0	(321)
Increased Non-General Fund Payments	(57)	0	0	(57)
Other Budget Actions	(14)	1	0	(13)
Total Annual Change	**224**	**74**	**22**	**320**

Current Services

Pension Rate Increase: Higher projected contributions to the New York State and Local Retirement Systems for fiscal year 2005-06 are associated with discretionary actuarial funding changes developed by the State Comptroller in calculating the 2005-06 pension contribution rates. Baseline projections from the Comptroller show an employer pension contribution rate of 11 percent of payroll in 2005-06 compared to 7 percent paid in 2004-05, resulting in an annual State pension cost of $1.3 billion, an increase of $455 million (56.7 percent) in 2005-06.

Employee Health Care: The cost of providing health insurance to State employees and retirees is projected to total $2.2 billion in 2005-06, an increase of $195 million (9.5 percent). The major program assumptions include underlying premium growth of 7.8 percent in 2005 and 11 percent in 2006 for the State employee health plan.

Executive Budget Recommendations

Pension Rate Relief: The Executive Budget proposes legislation that would require the State Comptroller to seek independent professional review and receive public comment prior to making changes in pension funding assumptions. It is anticipated that through this process the 2005-06 pension contribution rate will be reduced from 11 percent to 7 percent, resulting in a total employer pension contribution of $935 million, an annual increase of $133 million (16.6 percent) compared to the $455 million increase that would otherwise occur.

Increased Non-General Fund Payments: The 2005-06 Executive Budget recommends increased funding for certain DOT personnel costs from the Dedicated Transportation Fund. This assumes that the full cost of Dedicated Highway personnel will be payable from the Dedicated Highway and Bridge Trust Fund, thus reducing what otherwise would be General Fund costs ($57 million).

Other Budget Actions: The most significant recommendation reflects revising statutory interest rates payable on court judgments from a current fixed rate of 9 percent to prevailing market rates ($7 million).

DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities [e.g., Empire State Development Corporation (ESDC), Dormitory Authority of the State of New York (DASNY), Thruway Authority, Local Government Assistance Corporation (LGAC)] for which the State is contractually obligated to pay debt service, subject to an appropriation. Debt service is paid for through transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
General Fund	**1,732**	**1,666**	**(66)**	**-3.8%**
Other State Support	2,098	2,202	104	5.0%
State Funds	**3,830**	**3,868**	**38**	**1.0%**
Federal Funds	0	0	0	0.0%
All Funds	**3,830**	**3,868**	**38**	**1.0%**

All Funds spending on debt service is projected to total $3.9 billion in 2005-06, of which $1.7 billion is paid from the General Fund spending and $2.2 billion in other State funding. Spending reflects debt service due on revenue credits supported by dedicated taxes and fees and patient income, including PIT Revenue Bonds, Dedicated Highway and Bridge Trust Fund bonds and Mental Health facilities bonds, and service contract bonds that are supported primarily by the General Fund.

DEBT SERVICE
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE)
(millions of dollars)

	General Fund	Other State Funds	Federal Funds	All Funds
Current Services:				
Underlying Growth	84	293	0	377
Executive Budget Recommendations:				
Transportation Restructuring	0	(209)	0	(209)
Debt Management Actions	(150)	0	0	(150)
Javits Expansion	0	20	0	20
Total Annual Change	**(66)**	**104**	**0**	**38**

Current Services

Underlying Growth: The $377 million in current underlying growth includes increased costs from the bond-financing of prior year capital projects. It reflects the use of PIT revenue bonds (in lieu of more costly service contract bonds) to finance a variety of capital programs, and increases in debt service costs on other revenue credits, including Mental Health ($52 million), SUNY dormitory facilities ($10 million), and LGAC bonds ($21 million).

Executive Budget Recommendations

Transportation Restructuring: To generate short-term savings ($209 million), the proposal would restructure outstanding Dedicated Highway and Bridge Trust Fund bonds to more closely align the schedule for which principal amortizes to the underlying useful lives of the projects financed.

Debt Management Actions: Maximizing refunding savings, and diversifying the State's debt portfolio with variable rate obligations and interest rate exchange agreements, are projected to reduce the growth in costs ($150 million).

Javits Center: Reflects debt service for the State's share of the expansion of the Javits Center ($350 million).

ALL OTHER

In addition to the programs described above, the Executive Budget includes funding for economic development, environmental protection, public protection, general government, the Judiciary, and various other programs. Significant sources of annual change in these areas include:

ESDC: Additional economic development initiatives, primarily for high technology projects, account for most of the $227 million All Funds increase.

Judiciary: Annual All Funds growth of $60 million is attributable primarily to personal service cost increases for collective bargaining ($20 million), as well as performance advances and inflation.

Local Government Aid: The recommended increase of $50 million for aid and incentives for municipalities preserves existing funding for local governments while providing for additional aid to cities, ranging from 5 to 25 percent over two years, and will be tied to performance agreements intended to encourage local efficiencies and improve financial management. The recommended funding of $5 million for the Shared Municipal Services Incentive Awards will provide additional funding for collaborative shared service initiatives undertaken by two or more municipalities. Growth in local government aid reflects payments to Madison and Oneida counties related to Indian land claims settlements ($4 million), which are partially offset by the deferral of the final payment to the Nassau Interim Finance Authority from 2005-06 to 2006-07 ($8 million). The budget recommends continuation of the $170 million of aid to New York City that was used by the City to restructure MAC bonds.

World Trade Center: Immediate Federal aid directly related to the September 11th attacks is projected to be completed in 2004-05. Funds in 2004-05 were used to create a new captive insurance company to support the debris removal and recovery efforts ($1.0 billion) and to apply reimbursement for State-only expenses to support HCRA ($300 million). It also included hazard mitigation measures to reduce or eliminate the threat of future damage, and emergency protective measures to protect the public health and prevent damage to property ($300 million).

GENERAL FUND FINANCIAL PLAN OUTYEAR PROJECTIONS

Before accounting for the impact of the 2005-06 Executive Budget recommendations, DOB projects potential budget gaps of $5.8 billion in 2006-07 and $5.6 billion in 2007-08. The 2005-06 recommendations are estimated to reduce the 2006-07 and 2007-08 gaps to roughly $2.7 billion each year. Detailed projections for both receipts and disbursements outyear gap estimates are described below. The gaps assume the Legislature will enact the 2005-06 Executive Budget recommendations in their entirety.

The following table summarizes the impact of the 2005-06 Budget recommendations on the 2006-07 and 2007-08 budget gaps.

Outyear Savings From 2005-06 Executive Budget Recommendations (millions of dollars)			
	2005-06	**2006-07**	**2007-08**
Revised Gaps	**(4,152)**	**(5,844)**	**(5,571)**
Total Recommendations	**4,152**	**3,143**	**2,786**
Spending Actions (net of adds):	**2,763**	**2,513**	**2,025**
Spending Actions	3,076	3,483	3,761
Spending Initiatives	(313)	(970)	(1,736)
Revenue Actions (net of tax cuts):	**533**	**724**	**791**
Revenue Actions	779	1,027	995
Tax Cuts	(246)	(303)	(204)
Non-Recurring Resources	**856**	**(94)**	**(30)**
Remaining Budget Gaps	**0**	**(2,701)**	**(2,785)**

RECEIPTS PROJECTIONS FOR 2006-07 AND 2007-08

General Fund Receipts (millions of dollars)					
	2005-06	**2006-07**	**Annual Change**	**2007-08**	**Annual Change**
Personal Income Tax	19,844	20,419	575	21,865	1,446
User Taxes and Fees	8,622	8,829	207	9,166	337
Business Taxes	4,066	4,176	110	4,315	139
Other Taxes	778	872	94	920	48
Miscellaneous Receipts	2,451	2,504	53	4,560	2,056
Federal Grants	4	4	0	4	0
Transfers from Other Funds					
Revenue Bond Fund	6,129	6,208	79	6,515	307
LGAC Fund	2,300	2,377	77	2,473	96
CW/CA Fund	510	517	7	525	8
All Other	387	223	(164)	217	(6)
Total Receipts	**45,091**	**46,129**	**1,038**	**50,560**	**4,431**
Annual Percent Change			*2.3%*		*9.6%*

General Fund tax receipts, including transfers from other funds, are projected to total $46.1 billion in 2006-07, an increase of $1 billion over 2005-06 projections. Base growth in tax receipts is expected to exceed historical averages, which is typical of an economy in the early stages of an expansion. Tax receipts are expected to increase by 2.3 percent in 2006-07, reflecting the loss of receipts from the temporary income tax surcharge. Growth jumps to 9.6 percent in 2007-08 due to the $2 billion increase in miscellaneous receipts associated with the Medicaid takeover plan. Adjusting for the impact of law changes, tax receipt growth is expected to average over 6 percent for the forecast period. The growth in tax receipts is consistent with DOB's forecast for the U.S. and New York economies, which projects the recovery extending into 2006 and 2007 and continued profitability in the financial services sector. A more detailed comparison of historical and projected growth rates for tax receipts is contained in "Explanation of Receipt Estimates" later in this volume.

Personal Income Tax

In general, income tax growth for 2006-07 and 2007-08 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.

General Fund PIT receipts, before the impact of the refund reserve, are projected to increase by $752 million to $20.4 billion in 2006-07. The increase from 2005-06 reflects largely growth in underlying liability, offset by the elimination of the 2003 surcharge in tax year 2006. PIT receipts for 2007-08 are projected to increase by $1.4 billion to $21.9 billion. Again, the increase reflects growth in liability consistent with an expanding personal income base during economic expansion. Wages are expected to continue to improve steadily in 2006-07 and 2007-08, reflecting stronger employment growth and increases in bonuses paid. Realized capital gains are expected to continue growing significantly in 2006 and 2007. This growth represents the continuation of the recovery of the stock market from the anemic period of 2001 through 2003.

The 2006-07 and 2007-08 projections also assume increases in the other major components of income, consistent with continued growth in the overall economy. See "Explanation of Estimated Receipts, Economic Backdrop" for 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 a significant range around outyear income tax estimates.

User Taxes and Fees

General Fund receipts from user taxes and fees are estimated to total $8.8 billion in 2006-07, an increase of $207 million from 2005-06. The increase is due almost exclusively to the projected growth in the sales tax base, which changes in the overall New York economy. The expected growth in the sales tax base in 2006-07 is expected to be 4 percent.

General Fund user taxes and fees receipts are expected to grow to $9.2 billion in 2007-08. The economy is expected to continue to grow 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 4.2 percent.

Business Taxes

General Fund business tax receipts are expected to increase to $4.2 billion in 2006-07. This is due primarily to the anticipated continued growth in corporate and bank profits, as well as the continued growth in insurance premiums. Business tax receipts are projected to increase to $4.3 billion in 2007-08 reflecting continued modest increases in underlying liability.

Other Taxes

General Fund receipts from other taxes are expected to increase to $872 million in 2006-07, reflecting the impact of the expected growth in household net worth on the value of taxable estates. In 2007-08, receipts are projected to rise to $920 million, reflecting the expectation of continued growth in estate tax liability.

Miscellaneous Receipts

General Fund miscellaneous receipts are estimated at $2.5 billion in 2006-07 and $4.6 billion in 2007-08. The 2007-08 increase includes the proposed full State takeover of Medicaid costs beginning in 2008 and accounts for $2 billion of this increase.

Transfer from Other Funds

Transfers from other funds are estimated to grow to $9.3 billion in 2006-07 and $9.7 billion in 2007-08. The projections anticipate growth in the dedicated portions of the PIT, sales tax and the real estate transfer tax, which comprise a significant portion of transfers from other funds each year. The projected growth in PIT, sales and real estate taxes ($371 million) in 2006-07 is more than offset by net increases in debt service related to PIT Revenue Bonds, LGAC Bonds and Clean Water/Clean Air General Obligation debt service ($208 million) and fund balances ($164 million).

DISBURSEMENT PROJECTIONS FOR 2006-07 AND 2007-08

DOB forecasts General Fund spending of $49 billion in 2006-07, an increase of $3.9 billion (8.7 percent) over recommended 2005-06 levels. The growth rate assumes that the Executive Budget recommendations are enacted in their entirety, but does not reflect additional actions to control spending beyond those proposed in the 2005-06 Executive Budget. Annual growth from 2006-07 to 2007-08 is projected at $2.2 billion (4.5 percent), adjusted for full State takeover of local Medicaid costs, or $4.5 billion (9.2 percent) with full takeover. The forecast for 2007-08 is necessarily more speculative than the forecast for 2006-07, since two budgets must be enacted between now and the development of the 2007-08 Executive Budget.

The primary sources of annual spending growth for 2006-07 and 2007-08 are itemized in the table below. A detailed table of the key trend factors used in the outyear projections and the multi-year impact of all major budget recommendations was provided earlier in this overview, and should be read in conjunction with the following data.

General Fund Disbursements (millions of dollars)

	2005-06	2006-07	Annual Change	2007-08	Annual Change
Grants to Local Governments:	**30,619**	**32,995**	**2,376**	**36,921**	**3,926**
School Aid	13,228	13,394	166	13,732	338
Medicaid	7,313	9,122	1,809	12,358	3,236
Welfare	1,393	1,552	159	1,714	162
All Other	8,685	8,927	242	9,117	190
State Operations:	**8,055**	**8,809**	**754**	**9,250**	**441**
Personal Service	5,861	6,350	489	6,539	189
Non-Personal Service	2,194	2,459	265	2,711	252
General State Charges	**3,889**	**4,654**	**765**	**4,845**	**191**
Transfers to Other Funds:					
Debt Service	**1,666**	**1,679**	**13**	**1,648**	**(31)**
Capital Projects	**219**	**234**	**15**	**231**	**(3)**
All Other	**627**	**609**	**(18)**	**617**	**8**
Total Disbursements	**45,075**	**48,980**	**3,905**	**53,512**	**4,532**
Annual Percent Change			*8.7%*		*9.3%*

Grants to Local Governments

Local assistance spending is projected to total $33 billion in 2006-07 and $36.9 billion in 2007-08. Medicaid, welfare, and school aid are primarily responsible for the annual growth. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

Local Assistance -- Selected Program Measures	2004-05	2005-06	2006-07	2007-08
Medicaid				
Medicaid Coverage	3,622,184	3,748,627	3,868,627	3,988,627
Medicaid Inflation	4.1%	3.9%	3.8%	3.7%
Medicaid Utilization	2.3%	2.5%	2.6%	2.7%
State Takeover of FHP Costs ($ millions)	$49	$312	$576	$625
State Takeover of All Other Local Medicaid Costs (Net State Costs - $ millions)	n/a	$121	$631	$1,257
Education				
K-12 Enrollment	2,864,037	2,848,713	n/a	n/a
Public Higher Education Enrollment (FTEs)	489,936	495,900	n/a	n/a
TAP-Annual Average TAP Recipients	345,000	345,000	n/a	n/a
Welfare				
Family Assistance Caseload	499,400	503,100	519,500	537,700
Single Adult/No Children Caseload	142,300	152,800	165,300	179,000
Mental Hygiene				
Mental Hygiene Community Beds	81,388	83,032	84,373	86,650

General Fund spending for Medicaid is expected to grow by $1.8 billion to $9.1 billion in 2006-07 and another $3.2 billion to $12.4 billion in 2007-08. These projections reflect the estimated impact of the 2005-06 budget recommendations. The factors affecting growth include: more recipients, higher service utilization, and growth in prescription drug prices, which are projected to add approximately $840 million in spending in both 2006-07 and 2007-08; growth related to the State takeover of local FHP costs that are estimated to rise by $264 million in 2006-07 and $49 million in 2007-08; and the loss of resources from Empire conversion proceeds ($200 million) and HCRA ($500 million) that are expected to help lower 2005-06 spending, but will not be available again in 2006-07. The payment of an extra Medicaid cycle in 2005-06 partially offsets the increase in spending in 2006-07. In addition, the proposed cap on local Medicaid costs that phases into a full takeover of local Medicaid costs effective January 1, 2008 is expected to increase General Fund costs by $510 million in 2006-07 and $2.7 billion in 2007-08, which will be offset by $2.0 billion in additional receipts from local sales tax and other local resources currently used to pay local Medicaid costs.

DOB projects the average number of Medicaid recipients to grow to 3.9 million in 2006-07, an increase of 3.1 percent over the estimated 2005-06 caseload of 3.7 million. FHP enrollment is estimated to grow to approximately 661,044 in 2006-07, an increase of 19.5 percent over projected 2005-06 enrollment of 553,044.

Traditional school aid on a school year basis is projected at $16 billion in 2006-07 and $16.5 billion in 2007-08, an increase of $500 million. The traditional school aid projections assume growth in the Flex Aid program advanced with the 2005-06 Budget, the impact of recommended reforms to building and special education aid, and maintenance of current levels for most other aid categories. On a State fiscal year basis, school aid spending is projected to grow by approximately $166 million (1.3 percent) in 2006-07 and $338 million (2.5 percent) in 2007-08. In addition, revenues from VLTs are projected to finance additional sound basic education grants in Special Revenue Funds.

Welfare spending, including administration, is projected at $1.6 billion in 2006-07, an increase of $159 million (11.4 percent) from 2005-06. Projected growth in family caseload ($72 million or 3 percent), and the single adult/childless couples caseload ($47 million or 8 percent) are responsible for the upward trend in spending.

All other local assistance programs total $8.9 billion in 2006-07, an increase of $242 million over 2005-06 recommended levels (2.8 percent). Growth in handicapped programs ($31 million), mental hygiene ($67 million), children and families services ($48 million), K-12 education programs excluding school aid ($46 million), and, to a lesser extent, other agencies are the main factors affecting spending.

State Operations

State Operations -- Selected Program Measures	2004-05	2005-06	2006-07	2007-08
State Operations				
Prison Population (Corrections)	63,800	63,100	n/a	n/a
Negotiated Salary Increases (1)	2.5%	2.75%	3.0%	0.0%
Personal Service Inflation	0.8%	0.8%	0.8%	0.8%
State Workforce	190,933	191,424	191,852	191,852

(1) Negotiated salary increases include a recurring $800 base salary adjustment effective April 1, 2007.

State Operations spending is expected to total $8.8 billion in 2006-07, comprised of $6.4 billion for personal service and $2.4 billion for non-personal service. This reflects an annual increase of $754 million (9.4 percent) mainly due to collective bargaining costs, normal "salary creep" increases, and inflationary increases for non-personal service costs ($563 million) and the decline in patient income revenues available to offset spending in the General Fund ($191 million).

General State Charges

General State Charges -- Selected Program Measures	2004-05	2005-06	2006-07	2007-08
General State Charges				
Pension Contribution Rate	7.0%	7.0%	12.4%	11.5%
Employee Health Insurance	14.0%	9.2%	11.6%	10.9%

GSCs are projected to total $4.7 billion in 2006-07 and $4.8 billion in 2007-08. The annual increases of $765 million (19.7 percent) in 2006-07 and $191 million (4.1 percent) in 2007-08 are due mainly to anticipated cost increases in pension and health insurance benefits for State employees and retirees. The estimates include projected costs of $1.4 billion in 2006-07 and 2007-08 for pensions, and $2.5 billion in 2006-07 and $2.8 billion in 2007-08 for health insurance. The employer pension contribution rate to the New York State and Local Retirement Systems is expected to increase from 7.0 percent of employee salaries in 2005-06 to 12.4 percent in 2006-07, and then decline to 11.5 percent in 2007-08. These rates, which assume the 2005-06 Executive Budget pension recommendation is implemented, require additional State spending of $506 million in 2006-07, and a decline in spending of $60 million in 2007-08. Spending for employee health care costs is expected to increase by $259 million in 2006-07 and another $273 million in 2007-08, and assumes average annual premium trend increases of 11 percent.

Transfers to Other Funds

Transfers -- Selected Program Measures	2004-05	2005-06	2006-07	2007-08
State Debt				
Interest on Variable Rate Debt	1.5%	2.8%	3.0%	3.3%
Interest on 30-Year Bonds	5.0%	5.3%	5.8%	6.2%

Transfers to other funds are estimated to total $2.5 billion in 2006-07 and 2007-08. Over the period of the Financial Plan, total transfers are projected to remain virtually unchanged. However, it should be noted that debt service transfers from the General Fund are projected to remain stable primarily because increases in debt service costs are reflected in State Funds due to the accounting treatment of the Personal Income Tax revenue bond program.

2005-06 GOVERNMENTAL FUNDS FINANCIAL PLAN (FUND TYPE)

This section summarizes the 2005-06 Financial Plan from the perspective of each of the four major fund types that comprise the All Funds budget: the General Fund, SRFs, CPFs, and DSFs.

GENERAL FUND

The State projects General Fund receipts of $45.1 billion in 2005-06, an increase of $1.6 billion (3.6 percent) from the current year. The increase in General Fund receipts is the result of increased collections from the personal income tax and sales tax, resulting from temporary tax actions taken in the 2003-04 Enacted Budget as well as continued growth resulting from the improving economic climate.

More detail on the receipts outlook is provided earlier in this Overview, as well as in the Explanation of Receipts Estimates later in this volume.

General Fund Receipts (millions of dollars)

	2004-05 Adjusted	2005-06 Proposed	Annual Change	Percent Change
Personal Income Tax	18,932	19,844	912	4.8%
User Taxes and Fees	8,752	8,622	(130)	-1.5%
Business Taxes	3,764	4,066	302	8.0%
Other Taxes	730	778	48	6.6%
Miscellaneous Receipts	2,801	2,451	(350)	-12.5%
Federal Grants	8	4	(4)	-50.0%
Transfers From Other Funds:				
Revenue Bond Fund	5,842	6,129	287	4.9%
LGAC Fund	2,171	2,300	129	5.9%
CW/CA Fund	520	510	(10)	-1.9%
All Other	504	387	(117)	-23.2%
Total Receipts	**44,024**	**45,091**	**1,067**	**2.4%**

Transfers From Other Funds

Transfers from other funds are expected to total $9.3 billion, an increase of $289 million from 2004-05. This annual increase comprises primarily higher transfers from the Revenue Bond Tax Fund (RBTF) ($287 million), the LGAC Fund ($129 million), offset by lower transfers from the CW/CA Fund ($10 million) and all other funds ($117 million).

Transfers to the General Fund from PIT receipts deposited to the RBTF in excess of debt service payable on State PIT Bonds is projected to total $6.1 billion in 2005-06, an increase of $287 million from 2004-05. The annual increase is attributable to overall growth in PIT ($436 million), partially offset by an increase in debt service costs on those bonds ($149 million).

Transfers to the General Fund of sales tax receipts deposited to the LGAC fund in excess of debt service due on LGAC bonds is projected to total $2.3 billion in 2005-06, an increase of $129 million from the prior year. This growth is due to overall growth in sales tax receipts ($150 million), partially offset by a modest increase in debt service costs ($21 million).

Transfers to the General Fund from the real estate transfer tax deposited to the CW/CA DSF in excess of debt service due on those general obligation bonds is projected to total $510 million in 2005-06. The modest change is due to overall growth in real estate transfer taxes ($5 million), more than offset by an increase in debt service costs ($15 million).

All other transfers are projected to total $387 million in 2005-06, an annual decrease of $117 million primarily due to nonrecurring transfers from SUNY and CUNY to reimburse the General Fund for equipment costs ($163 million).

Disbursements

The State projects adjusted General Fund disbursements, including transfers to other funds, of $45.1 billion in 2005-06, an increase of $1.2 billion (2.6 percent) from the current year. Increases in Grants to Local Governments ($454 million), State Operations ($448 million), GSCs ($224 million), and transfers ($34 million) account for the change. The major components of these disbursement changes are summarized below and are explained in more detail in the "2005-06 Financial Plan — 2005-06 Disbursements Forecast."

General Fund Disbursements (millions of dollars)

	2004-05 Adjusted	2005-06 Proposed	Annual Change	Percent Change
Grants to Local Governments	30,165	30,619	454	1.5%
State Operations	7,607	8,055	448	5.9%
General State Charges	3,665	3,889	224	6.1%
Transfers to Other Funds				
Debt Service	1,732	1,666	(66)	-3.8%
Capital Projects	198	219	21	10.6%
All Other	548	627	79	14.4%
Total Disbursements	**43,915**	**45,075**	**1,160**	**2.6%**

Grants to Local Governments

Grants to Local Governments include financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. Local assistance spending is projected at $30.6 billion in 2005-06, an increase of $454 million from the current year. Growth in school aid ($321 million), CUNY operating costs (mainly for salary growth and increases in fixed costs) and CUNY/SUNY community college enrollment growth ($163 million), and welfare (due mainly to caseload increases) ($89 million) are partially offset by savings from Medicaid cost containment, TAP reforms, a patient income revenue reclassification described below, and other actions summarized in "2005-06 Gap-Closing Plan" earlier in this Overview.

State Operations

State Operations accounts for the cost of running the Executive, Legislative, and Judicial branches of government and is projected to total $8.1 billion in 2005-06 an increase of $448 million (5.9 percent) from the prior year. Personal service costs (e.g., State employee payroll) comprise 73 percent of State Operations spending. The remaining 27 percent represents non-personal service costs for contracts, rent, supplies, and other operating expenses.

The projected annual increase in State Operations is affected by the use of $400 million in patient income revenues in 2005-06 to offset local assistance spending, instead of offsetting State Operations spending as was done in 2004-05. The change results in a $400 million annual increase in State operations costs financed by the General Fund and a comparable decrease in local assistance spending. Adjusting for this reclassification, State Operations is projected to increase by $48 million from 2004-05. The growth, before any budget actions, is comprised of scheduled wage increases under current labor contracts, normal salary creep, and salary grade changes ($338 million), costs associated with the gaming and racing program ($108 million) and other program growth ($84 million). This underlying growth is offset by savings in agency operations ($161 million), the use of alternate sources of revenue to fund operations, and the removal of the 27th institutional payroll.

Personal service spending, after Executive Budget actions, totals $5.9 billion in 2005-06, an increase of $246 million or 4.4 percent. The annual growth is driven primarily by the patient income revenue reclassification ($400 million) and underlying growth ($221 million) partially offset by savings resulting from budget actions, including revenue maximization ($375 million).

Non-personal service spending totals $2.2 billion, an increase of $203 million or 10.2 percent. Underlying growth ($201 million) and the costs of the gaming and racing program ($108 million) partially offset by savings actions ($106 million) account for this increase.

DOB projects the Executive branch workforce will total 191,424 in 2005-06, an increase of 491 over the current-year estimate. Of the 79 agencies that comprise the Executive Branch workforce, 25 project an annual increase in their workforce. Ten agencies project a reduction in their workforce in 2005-06. Tables that summarize of historical, current, and projected workforce levels by fund type and fund group appear in the "Financial Plan Tables" later in this Overview.

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.

General Fund spending for GSCs is projected to be $3.9 billion in 2005-06, an increase of $224 million (6.1 percent) over the prior year. This annual increase is due mostly to rising costs of employee health benefits (an increase of $189 million to $2.2 billion), higher costs related to employer pension contributions (an increase of $133 million to $935 million) and fringe benefit increases for unsettled collective bargaining agreements ($31 million). These increases are partially offset by higher fringe benefit cost reimbursements to the General Fund which are payable from other funds, thus reducing General Fund costs ($129 million). GSCs are explained in more detail earlier in this Overview.

Transfers to Other Funds

Transfers to Other Funds are projected to total $2.5 billion in 2005-06 and include General Fund transfers to support debt service ($1.7 billion), capital projects ($219 million), and other funds ($627 million).

General Fund transfers for debt service decline by $66 million (3.8 percent) from 2004-05 primarily due to $150 million in projected savings from debt management actions, offset by higher debt service on existing bonds for corrections and CUNY, and the accounting treatment of the PIT Revenue Bond program which reduces General Fund costs and increases costs State Funds. Transfers to support capital projects increase by $21 million mainly from a recast of the timing of capital spending based on experience to date. All other transfers are projected to increase by $79 million (14.4 percent) in 2005-06 due primarily to a nonrecurring transfer to the HCRA SRF to pay a prior year loan from the Physicians Excess Medical Malpractice Program ($45 million), and an increase in the State subsidy payments to SUNY hospitals ($27 million).

SPECIAL REVENUE FUNDS

SRFs receive State and Federal revenues dedicated to finance specific activities. SRFs are intended to be self-supporting, with receipts equaling or exceeding disbursements. When statutorily authorized, certain funds and accounts may borrow from the State's Short-Term Investment Pool (STIP) to cover temporary cash shortfalls resulting from the timing of receipts and disbursements (i.e., disbursements occurring prior to receipts being received).

In 2005-06 the SRFs Cash Financial Plan projects total receipts of $53.8 billion, total disbursements of $54.2 billion, and net other financing sources of $429 million, resulting in an operating surplus of $82 million.

Receipts

Special Revenue Funds Receipts (millions of dollars)				
	2004-05 Adjusted	2005-06 Proposed	Annual Change	Percent Change
Taxes	5,396	5,659	263	4.9%
Miscellaneous Receipts	11,378	13,420	2,042	17.9%
Federal Grants	35,634	34,728	(906)	-2.5%
Total Receipts	**52,408**	**53,807**	**1,399**	**2.7%**

Total SRF receipts are projected to be $53.8 billion in 2005-06, an increase of $1.4 billion (2.7 percent) over the current year adjusted forecast. Increases in miscellaneous receipts ($2.0 billion) and taxes ($263 million) offset by a decrease in Federal grants ($906 million). The major components of these receipt changes are summarized below and are explained in more detail in the "2005-06 Financial Plan - 2005-06 Receipts Forecast" earlier in this Overview.

Taxes

Tax receipts in the SRF are projected to be $5.7 billion, an increase of $263 million (4.9 percent) over the adjusted current year forecast. The annual growth is driven primarily by taxes dedicated to support the STAR program resulting from increased participation by taxpayers and local tax levy growth ($130 million), and higher tax receipts dedicated to support the MTOA Fund ($90 million) and the Dedicated Mass Transportation Trust Fund ($43 million).

Miscellaneous Receipts

Miscellaneous receipts are projected to be $13.4 billion, an annual increase of $2.0 billion (17.9 percent) over the current adjusted forecast. The annual growth is primarily due to the additional transfers from HCRA, including projected Empire conversion proceeds, to support State Medicaid and other public health costs ($1.0 billion), increased receipts from restoration of assessments on hospital, home care and nursing home revenues ($292 million), higher lottery receipts, including VLT revenues, due to expected development of new VLT facilities and higher SUNY receipts.

Federal Grants

Federal grants are projected to be $34.7 billion, a decrease of $906 million (2.5 percent) from the prior year. Changes to Federal grants generally correspond to changes in federally-reimbursed spending as described in the "Disbursements Outlook" section above. However, since Federal reimbursement was assumed to be received in the State fiscal year in which spending occurs, additional timing-related variances result. Spending for World Trade Center activities ($1.6 billion), Children and Families ($195 million) and Medicaid ($145 million) are expected to decline significantly from 2004-05 levels. These declines are partially offset by growth in welfare ($374 million), federally supported school aid costs ($210 million), elections ($148 million), and homeland security ($96 million).

Disbursements

Special Revenue Funds Disbursements (millions of dollars)				
	2004-05 Adjusted	2005-06 Proposed	Annual Change	Percent Change
Grants to Local Governments	44,013	44,855	842	1.9%
State Operations	8,396	8,513	117	1.4%
General State Charges	688	784	96	14.0%
Debt Service	0	0	0	0.0%
Capital Projects	2	2	0	0.0%
Total Disbursements	**53,099**	**54,154**	**1,055**	**2.0%**

Total SRF disbursements are projected to be $54.2 billion, an increase of $1.1 billion (2.0 percent) from the current adjusted forecast. The annual growth is due primarily to increases in Grants to Local Governments ($842 million), State Operations ($117 million) and GSCs ($96 million). The major changes in disbursements are summarized below and are explained in more detail in the "2005-06 Financial Plan - 2005-06 Disbursements Forecast" earlier in this Overview.

Grants to Local Governments

Grants to local government are projected at $44.9 billion, an annual increase of $842 million (1.9 percent) from the adjusted 2004-05 projection. Sources of growth include higher spending from SRFs financed by transfers from HCRA and assessments on hospital, home care and nursing home revenues to support State Medicaid costs ($1.0 billion); Federal aid for education for instructional support, IDEA and the School Lunch programs ($522 million), the reclassification of "offset" spending from State Operations to local assistance ($400 million); grants for transit systems ($198 million), a net increase in social services spending driven by TANF reprogramming and growth in OCFS Federal Funds spending ($175 million), STAR due to increased participation by taxpayers and local tax levy growth ($130 million); implementation of the Help America Vote Act ($118 million) and Federal grants for Urban Area Security Initiatives ($96 million). The expected decline in World Trade Center spending ($1.6 billion) partially offsets the growth in other areas.

State Operations

State Operations disbursements are projected to be $8.5 billion, an increase of $117 million (1.4 percent) from 2004-05. Spending increases as a result of collective bargaining agreements ($68 million), performance advances, and inflation ($79 million). An increase in revenues available to finance State Operations in the mental hygiene programs attributable to Federal revenue initiatives ($244 million) and an increase in SUNY revenues available to support SUNY operations ($76 million) account for the remaining increase. The reclassification of PIA "offset" spending from State Operations to local assistance partially offsets the growth in these areas ($400 million).

General State Charges

Disbursements for GSCs are projected to be $784 million, an increase of $96 million (14.0 percent) from the prior year. Growing employer pension contributions and higher employee health insurance costs account for most of the annual growth in GSCs.

Other Financing Sources/(Uses)

Special Revenue Funds Other Financing Sources/(Uses) (millions of dollars)	2004-05	2005-06	Annual Change	Percent Change
Transfers From Other Funds	3,182	3,433	251	7.9%
Transfers To Other Funds	(2,923)	(3,004)	(81)	2.8%
Net Other Financing Sources (Uses)	**259**	**429**	**170**	**65.6%**

Transfers from other funds are projected to total $3.4 billion, an increase of $251 million (7.9 percent) from the current year. Patient care revenues, net of debt service on outstanding Mental Hygiene bonds ($136 million), a nonrecurring General Fund transfer to the HCRA Fund to finance a prior year excess medical malpractice loan ($45 million), a nonrecurring transfer from the Suburban Transportation Fund to the MTOA Fund for the MTA Commuter Railroad ($39 million), and an increase in the State subsidy payments to SUNY hospitals ($27 million) account for the change.

Transfers to other funds are estimated to be $3.0 billion, an increase of $81 million (2.7 percent) from 2004-05. The annual growth is due to an increase in Federal Medicaid reimbursement for Mental Hygiene services before payment of debt service ($199 million), and a net increase in fund sweeps ($46 million) partially offset by nonrecurring transfers from SUNY and CUNY to reimburse the General Fund for equipment costs ($163 million).

CAPITAL PROJECTS FUNDS

The following section briefly summarizes activity in the capital projects fund type. For a complete explanation of the State's capital and debt programs, see the "Capital Program and Financing Plan" in this volume.

The CPF group accounts for spending from the CPF, which is supported by a transfer from the General Fund, and spending from other funds for specific purposes, including transportation, mental health, housing, public protection, education and the environment.

The following tables for capital projects reflect accounting adjustments for capital projects activity for anticipated spending delays and certain capital spending that is not reported by the State Comptroller in actual cash spending results, although it is reflected in the State's Generally Accepted Accounting Principles (GAAP) Financial Statements. The spending is related to programs which are financed in the first instance by bond proceeds, rather than with a short-term loan from STIP or cash from the General Fund. Such capital spending is projected at $903 million in 2004-05 and almost $1.2 billion in 2005-06.

Receipts

Capital Projects Funds Receipts (millions of dollars)	2004-05	2005-06	Annual Change	Percent Change
Taxes	1,823	1,855	32	1.8%
Miscellaneous Receipts	2,980	3,444	464	15.6%
Federal Grants	1,778	1,828	50	2.8%
Total Receipts	**6,581**	**7,127**	**546**	**8.3%**
GAAP Adjustment	(903)	(1,168)	(265)	29.3%
Spending Delays	(400)	(500)	(100)	25.0%
Financial Plan Total	**5,278**	**5,459**	**181**	**3.4%**

CPF receipts include dedicated tax receipts from highway-related taxes deposited to the Dedicated Highway and Bridge Trust Fund, and real estate transfer taxes deposited to the EPF. Miscellaneous receipts include bond proceeds that finance capital projects across all functional areas, as well as other fees, including State park fees, industry-specific environmental fees and receipts from the sale of surplus land.

Taxes

Taxes deposited to the CPFs are projected to be $1.9 billion in 2005-06, an increase of $32 million (1.8 percent) from 2004-05. The projected growth includes increases in highway-related taxes deposited to the Dedicated Highway and Bridge Trust Fund and a statutory dedication of $112 million in 2005-06 from the Real Estate Transfer Tax to the EPF.

Miscellaneous Receipts

Miscellaneous receipts are projected to total $3.4 billion in 2005-06, an increase of $464 million from the current year. The increase is attributable primarily to projected increases in economic development ($295 million) and education ($173 million) programs financed with authority bond proceeds.

Federal Grants

Federal grants are estimated at $1.8 billion in 2005-06, an increase of $50 million (2.8 percent) over 2004-05. Environmental grants are projected to remain level, while grants are projected to increase by $50 million to finance projects for the Division of Military and Naval Affairs ($10 million), transportation ($20 million) and World Trade Center capital reconstruction projects ($20 million).

Disbursements

Capital Projects Funds Disbursements (millions of dollars)				
	2004-05	**2005-06**	**Annual Change**	**Percent Change**
Transportation	3,495	3,602	107	3.1%
Parks and Environment	670	661	(9)	-1.3%
Economic Development and Gov't Oversight	301	595	294	97.7%
Health and Social Welfare	128	149	21	16.4%
Education	715	887	172	24.1%
Public Protection	213	235	22	10.3%
Mental Health	286	286	0	0.0%
General Government	137	137	0	0.0%
Other	32	58	26	81.3%
Total Disbursements	**5,977**	**6,610**	**633**	**10.6%**
GAAP Adjustment	(903)	(1,168)	(265)	29.3%
Spending Delays	(400)	(500)	(100)	25.0%
Financial Plan Total	**4,674**	**4,942**	**268**	**5.7%**

Spending for CPFs (prior to adjustments) is projected to total $6.6 billion in 2005-06, an increase of $633 million. The majority of the projected increase is for economic development programs ($294 million) and education ($172 million). The balance of the increase is spread across transportation ($107 million), public protection ($22 million), health and social welfare ($21 million), and other areas ($15 million).

Other Financing Sources/(Uses)

Capital Projects Funds Other Financing Sources (Uses) (millions of dollars)	2004-05	2005-06	Annual Change	Percent Change
Transfers From Other Funds	233	257	24	10.3%
Transfers To Other Funds	(1,047)	(937)	110	-10.5%
Bond Proceeds	193	185	(8)	-4.1%
Net Other Financing Sources (Uses)	**(621)**	**(495)**	**126**	**-20.3%**

Transfers from other funds are estimated at $257 million in 2005-06, an increase of $24 million from 2004-05. The change is attributable to an increase in the transfer from the General Fund to the CPFs ($21 million), which supports pay-as-go capital spending in a variety of agencies. Of this increase, $6 million is attributable to the beginning of anticipated spending for the non-bonded portion of the Health Care Efficiency and Affordability Law with the balance representing the impacts of reestimates based on anticipated program activity.

The $110 million decrease in CPF transfers to other funds primarily reflects a decrease in the transfer of receipts from the Dedicated Highway and Bridge Trust Fund to reimburse the General DSF for debt service on Dedicated Highway and Bridge Trust Fund and CHIPs bonds ($173 million), offset by increases in the transfer to the General Fund from the EPF ($21 million) and a new transfer from the Suburban Transportation Fund to the Mass Transportation Assistance Account ($39 million) for projected mortgage recording taxes deposited in that fund.

DEBT SERVICE FUNDS

The following section briefly summarizes activity in the Debt Service Funds type. For a complete explanation of the State's debt perspective, see the "Capital Program and Financing Plan" in this volume.

All tax-financed State debt service on long-term debt and payments on certain lease-purchase or other contractual obligations are paid from DSFs. These account for the accumulation of moneys set aside for, and the payment of principal and interest on, general long-term debt and certificates of participation. Debt service payments for SUNY Dormitories and Health and Mental Hygiene facilities made through contractual obligations with public authorities are also paid from funds classified as DSFs. Debt service on highway bonds supported by dedicated highway revenues is also reflected in this fund type, as such spending is reclassified to DSFs. DSF revenue sources include transfers from the General Fund, dedicated taxes and fees, patient receipts, and other revenues.

Total receipts in the debt service funds are projected at $10.5 billion in 2005-06. Total debt service disbursements are expected to total $3.9 billion. Receipts in excess of those required to satisfy the State's debt service obligations are transferred to the General Fund or to other funds to support capital or operating disbursements.

Receipts

Debt Service Fund Receipts (millions of dollars)	2004-05	2005-06	Annual Change	Percent Change
Taxes	9,242	9,833	591	6.4%
Miscellaneous Receipts	647	656	9	1.4%
Total Receipts	**9,889**	**10,489**	**600**	**6.1%**

Total DSF receipts are projected to be $10.5 billion, an increase of $600 million (6.1 percent) from 2004-05. The annual growth is due to increases in dedicated taxes ($591 million) as well as a modest increase in miscellaneous receipts ($9 million). These changes are described in more detail below.

Taxes

The $591 million (6.4 percent) increase in taxes deposited to the DSFs is primarily attributable to growth in dedicated PIT receipts deposited to the RBTF ($436 million), growth in sales and use taxes deposited to the Local Government Assistance Tax Fund ($150 million), and increases in real estate transfer taxes deposited to the CW/CA Fund ($5 million). Starting in 2006-07, a portion of the real estate tax deposits (up to $25 million) is projected to be redirected to the EPF to further support environmental programs.

Miscellaneous Receipts

The modest projected increase in miscellaneous receipts of $9 million (1.4 percent) from 2004-05 is attributable primarily to receipts from SUNY dormitory fees ($9 million). Patient income for health and mental hygiene facilities as well as receipts supporting General Obligation housing bonds, are essentially unchanged.

Disbursements

Debt Service Fund Disbursements (millions of dollars)

	2004-05	2005-06	Annual Change	Percent Change
General Debt Service Fund	3,150	3,105	(45)	-1.4%
LGAC	316	337	21	6.6%
Mental Health	255	307	52	20.4%
All Other	109	119	10	9.2%
Total Disbursements	**3,830**	**3,868**	**38**	**1.0%**

Total disbursements from the DSF are projected to increase from $3.8 billion in 2004-05 to $3.9 billion in 2005-06. The $38 million increase (1 percent) is due to growth in debt service costs from previous and planned bond sales, offset by $150 million in projected savings from debt management efforts, including the increased use of variable rate obligations and interest rate exchange agreements, as well as the restructuring of the Dedicated Highway and Bridge Trust Fund bonds to more closely align the schedule for principal amortization to the useful lives of the financed projects.

General DSF

Spending from the General DSF is projected to decrease by $45 million (1.4 percent) from 2004-05 and reflects $150 million in projected savings from debt management actions and the restructuring of Dedicated Highway and Bridge Trust Fund Bonds ($209 million). These decreases are offset by increases in spending from the RBTF to support debt service on State PIT Revenue Bonds ($219 million).

LGAC

The Local Government Assistance Tax Fund is projected to receive $2.6 billion in 2005-06 from the dedicated one-cent statewide sales tax. Debt service and related costs on LGAC bonds are projected at $337 million in 2005-06, an increase of $21 million (6.6 percent) from the prior year. Local aid payments due to the State Tax Asset Receivable Corporation (STARC) are paid from the Local Government Assistance Tax Fund after all LGAC debt and related obligations are met, and are reflected in the local assistance portion of the Financial Plan.

Mental Health

Patient income revenues of $2.9 billion deposited and transferred to the Mental Health Services Fund will satisfy debt service obligations of $307 million in 2005-06. Debt service and related costs for this program are projected to increase by $52 million (20.4 percent) from 2004-05 levels. This increase is due primarily to savings achieved from refundings effectuated in prior fiscal years.

All Other

This category includes debt service spending from the Health Income Fund, Housing Debt Fund, and the SUNY Dormitory Income Fund. The $10 million increase in spending from 2004-05 is attributable primarily to increased debt service for SUNY dormitory bonds ($10 million).

Debt Service Funds Other Financing Sources (Uses)
(millions of dollars)

	2004-05	2005-06	Annual Change	Percent Change
Transfers From Other Funds	5,221	5,212	(9)	-0.2%
Transfers To Other Funds	(11,286)	(11,833)	(547)	4.8%
Net Other Financing Sources (Uses)	**(6,065)**	**(6,621)**	**(556)**	**9.2%**

Other Financing Sources/(Uses)

The decrease in transfers from other funds compared to 2004-05 ($9 million) reflects reduced transfers from the General Fund and various other dedicated funds, including the Dedicated Highway and Bridge Trust Fund and the Centralized Services Fund, to the General DSF ($194 million) offset by increased transfers from the Federal Health and Human Services SRFs to the Mental Health DSF ($200 million), and a net reduction in all other transfers of $15 million.

The $547 million (4.8 percent) increase in Transfers to other funds from 2004-05 reflects primarily the excess beyond the debt service due on State PIT Revenue Bonds from the RBTF ($287 million) and the Local Government Assistance Tax Fund ($129 million), as well as increased transfers in excess of SRFs from the Mental Health and the Health DSFs ($135 million), offset by lower transfers to the General Fund from the CW DSF ($10 million), and modest increases in other transfers ($6 million).

FINANCIAL PLAN RESERVES AND RISKS

RESERVES

The State projects that balances in its principal reserves to guard against unbudgeted risks will total $885 million in 2005-06. The reserves include $864 million in the Rainy Day Reserve Fund after a maximum deposit of $70 million in 2004-05, and $21 million in the Contingency Reserve Fund for litigation risks. To permanently improve the State's reserve levels, the Executive again will submit legislation in 2005-06 to increase the maximum size of the State's Rainy Day Fund from 2 percent to 5 percent of General Fund spending. Absent enactment of legislation to increase the Rainy Day Fund, the State has reached its statutory maximum balance of 2 percent with the 2004-05 annual deposit.

The 2005-06 Financial Plan does not set aside specific reserves to cover potential costs that could materialize as a result of adverse rulings in pending litigation, Federal disallowances, or other Federal actions that could adversely affect the State's projections of receipts and disbursements.

RISKS

Many complex political, social, and economic forces influence the State's economy and finances. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year. For example, the Financial Plan is necessarily based on forecasts of national and State economic activity. Economic forecasts have frequently failed to accurately predict the timing and magnitude of specific and cyclical changes to the national and State economies. The Financial Plan also relies on estimates and assumptions concerning Federal aid, law changes, and audit activity.

Economic Forecast

DOB believes that the U.S. economy will grow at approximately its long-term trend growth rate through the end of the forecast horizon, but risks attend this forecast. The forecast is contingent upon the absence of any further severe shocks to the economy. Unpredictable events such as a terrorist attack remain the biggest risk to the economic expansion. Such a shock could induce firms to postpone their spending and hiring plans yet again, reducing future investment and employment, which in turn could result in lower consumption growth. Moreover, successful attacks on oil facilities abroad could send oil prices back up to their Fall 2004 highs, having adverse economic repercussions. A major setback in the Iraqi conflict could have a similar impact.

On the other hand, a more rapid increase in export growth due to either a weakened dollar or faster global growth could generate a somewhat stronger increase in total output than expected. Similarly, lower inflation than expected, perhaps as a result of an even greater drop in the price of oil or stronger productivity growth than expected, could induce the Federal Reserve to be even more measured in its interest rate increases, resulting in stronger consumption and investment growth than projected. Moreover, stronger employment growth could result in higher real wages, supporting faster growth in consumer spending than expected.

In addition to the risks described above for the national forecast, there are risks specific to New York. Another attack targeted at New York City would once again disproportionately affect the State economy. Any other such shock that had a strong and prolonged impact on the financial markets would also disproportionately affect New York State, resulting in lower income and employment growth than reflected in the current forecast. In addition, if the national and world economies grow more slowly than expected, demand for New York State goods and services would also be lower than projected, dampening employment and income growth relative to the forecast. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and IPOs is possible, resulting in higher wage growth than projected. It is important to recall that the financial markets, which are so pivotal to the direction of the downstate economy, are notoriously difficult to forecast. In an environment of global uncertainty, the pace of both technological and regulatory change is as rapid as it has ever been, compounding even further the difficulty in projecting industry revenues and profits.

Litigation

The State is a defendant in several court cases that could ultimately result in costs to the State Financial Plan. The most significant is the *Campaign for Fiscal Equity v. State of New York*, in which the State Court of Appeals directed the State to implement a remedy by July

30, 2004 that ensures all children in New York City have the opportunity to receive a sound basic education (SBE). In August 2004, the State Supreme Court directed a panel of three Special Masters to report and make recommendations on the measures the State has taken to bring its school financing system into constitutional compliance with respect to New York City schools. The Special Masters submitted their report to the Court on November 30, 2004. The report recommended (a) an annual increase of $5.6 billion in education aid to New York City to be phased in over four years and (b) $9.2 billion for school construction and renovation to be phased in over five years. The Court is scheduled to hear oral arguments and is expected to issue a ruling in January 2005.

The 2005-06 Executive Budget proposes a combination of traditional school aid and a new SBE aid program as part of a comprehensive five-year plan to comply with the Court's order. Under an expansion plan proposed by the Governor in the 2005-06 Executive Budget, revenues from VLTs that will be used for SBE Aid are expected to total $325 million in 2005-06 growing to $700 million in school year 2006-07 and $1 billion in 2007-08. Eight VLT facilities are authorized under the current law, but two major facilities located at Yonkers and Aqueduct Raceways have not yet begun operations. These two facilities are expected to produce the majority of the growth of VLT receipts under current law. In July 2004, the Appellate Division of the Court of Appeals upheld the constitutionality of VLTs as a lottery providing education funding. However, the decision stated that certain allocation provisions within the statute allowing VLTs were unconstitutional. While the order of the Court allows current VLT facilities to continue operations, development of the Yonkers and Aqueduct projects has been deferred pending the outcome of litigation at the Court of Appeals.

Ongoing litigation challenging the use of proceeds from the conversion of Empire Blue Cross/Blue Shield from a not-for-profit corporation to a for-profit corporation may result in a loss of resources in both the General Fund and HCRA. Pursuant to court order the State Comptroller is currently holding all proceeds in escrow until a judgment is rendered. The current and proposed HCRA Plans count on a total of $2 billion in Empire proceeds through June 30, 2007. Another $200 million in conversion proceeds is expected to finance Medicaid costs in the General Fund in 2005-06. The availability of the $2.2 billion in resources depends on successful resolution of the litigation or release of the moneys currently held in escrow. Under current law, the General Fund is required to finance any shortfall in HCRA up to the payment that would have been received by HCRA absent the securitization of tobacco proceeds (roughly $450 million annually). In addition, a statutory loan repayment provision requires the General Fund to provide up to $200 million to cover any additional HCRA shortfall.

Other litigation includes ongoing claims by several Indian Nations alleging wrongful possession of lands by the State and several counties, as well as claims involving the adequacy of shelter allowances for families on public assistance. The State has implemented a court-ordered increase in the shelter allowance schedule for public assistance families that became effective on November 1, 2003. However, the plaintiffs are challenging the adequacy of the increase and thus further Court proceedings are pending.

For a complete summary of significant litigation affecting the State, please refer to the2004-05 State's Annual Information Statement, as updated.

Federal

The Federal government is currently auditing Medicaid claims submitted since 1993 under the school supportive health services program. At this point, the Federal government has not finalized audits, and, as a result, the liability of the State and school districts for any disallowances cannot be determined. Federal regulations include an appeals process that could postpone repayment of any disallowances. The Financial Plan assumes the Federal government will fully reimburse these claims.

In addition, through June 2004, a portion of Federal Medicaid payments related to school supportive health services has been deferred by the Federal Centers for Medicare and Medicaid Services pending finalization of audits. Since the State has continued to reimburse school districts for these costs, these Federal deferrals, if not resolved, could negatively impact future health care spending.

The State continues to await Federal approval of the State Plan Amendment (SPA) for both GME payments and a retroactive HCRA surcharge, which is needed to achieve roughly $150 million in resources counted on in the HCRA Financial Plan. In addition, the State has complied with a request from the CMS to discontinue intergovernmental transfers (IGT) payments on March 31, 2005 pending the submission and approval of a SPA. These payments are related to disproportionate share hospital (DSH) payments to public hospitals throughout the State, including the New York City Health and Hospital Corporation (HHC), SUNY and other State and county operated hospitals. Failure of the Federal government to approve a SPA to reestablish these payments in 2005-06 could have an adverse impact on the State's health care financing system.

CASH FLOW

In 2005-06, the General Fund is projected to have quarterly-ending balances of $2.0 billion in June 2005, $2.8 billion in September 2005, $2 billion by the end of December 2005, and $1.2 billion at the end of March 2006. The lowest projected month-end cash flow balance is $1.3 billion in November. The 2005-06 General Fund cash flow estimates assume enactment of all Executive Budget recommendations, and that the budget is enacted on time. DOB's monthly cash flow projections for 2005-06 are set forth in the section "Financial Plan Tables" later in this Overview.

OSC invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through STIP, which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund.

OSC is authorized to make temporary loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements).

Consistent with the Governor's budget reform proposal, the DOB has summarized actual cash flow expenses for the period from April 1, 2004 through December 31, 2004 against the estimates in the 2004-05 Enacted Budget, the 2004-05 Mid-Year Update, and actual results for the same nine-month period in 2003.

Actual Results through December (Comparison of 2003 to 2004)

Cash Flow
April 1 through December 31 (Actuals)
(millions of dollars)

	2003	2004	Variance
Receipts	31,647	31,599	(48)
Disbursements	29,450	30,140	(690)
Closing Fund Balance	3,012	2,536	(476)

General Fund receipts from April 1, 2004 through December 31, 2004 totaled $31.6 billion, a decrease of $48 million from the same period in 2003. This decrease is comprised of the loss on nonrecurring resources related to tobacco securitization proceeds ($3.2 billion) and Federal revenue sharing grants ($645 million) offset by sales and personal income tax temporary rate increases implemented as part of the 2003-04 Enacted Budget. Taxes grew by nearly 14 percent over this period, recovering most of the loss of one-time resources.

General Fund disbursements through December 31, 2004 were $30.1 billion, an increase of $690 million from the same period in 2003. After adjusting for the deferral of $1.9 million in payments that were scheduled in 2002-03 but made in 2003-04 related to the State's tobacco securitization, total disbursements increased by $2.6 billion. This increase is attributable primarily to higher costs for Medicaid ($711 million), pensions and employee health insurance ($420 million), debt service ($265 million), State operations including salary increases and inflation ($232 million), school aid ($158 million), and welfare ($137 million), as well as delayed reimbursement for capital projects spending from General Obligation bond proceeds ($127 million).

The closing balance on December 31, 2004 was $2.5 billion, a decrease of $476 million from December 31, 2003. This decrease is primarily due to lower receipts of $48 million and higher disbursements of $690 million, offset by an increase in the opening fund balance of $262 million comprised of $177 million in the Community Projects Fund, $84 million in the Tax Stabilization Reserve Fund, and $1 million in the Contingency Reserve Fund. The receipts and disbursements variances are described in more detail below.

Actual Results vs. Mid-Year Projections (April through December)

Cash Flow April 1 through December 31 (Mid-Year vs. Actuals) (millions of dollars)			
	Mid-Year	Actuals	Variance
Receipts	31,005	31,599	594
Disbursements	30,288	30,140	148
Closing Fund Balance	1,834	2,536	702

Actual General Fund receipts through December 2004 were $594 million higher than the Mid-Year Update projections, due primarily to better than anticipated tax collections as a result of a rapidly improving economy. Most of the change was concentrated in the personal income tax and the real estate transfer tax reflecting a robust real estate market and significant growth in non-wage income.

Total General Fund disbursements from April 1 through December 31, 2004 were $148 million lower than the Mid-Year Update primarily due to slower-than-projected payments of school aid categorical and LADDER programs ($128 million).

The closing balance on December 31, 2004 was $2.5 billion, an increase of $702 million from the the Mid-Year projection. This increase results from higher receipts of $594 million and lower spending of $148 million, offset by other fund balance changes.

Actual Results vs. Enacted Budget Projections (April through December)

Cash Flow April 1 through December 31 (Enacted vs. Actuals) (millions of dollars)			
	Enacted	Actuals	Variance
Receipts	30,739	31,599	860
Disbursements	30,651	30,140	511
Closing Fund Balance	1,325	2,536	1,211

General Fund receipts from April 1 through December 31, 2004 were $860 million higher than the Enacted Budget projections due primarily to the better than expected results described above in the Mid-Year Update Comparison section.

Total General Fund disbursements through December 2004 were $511 million lower than the Enacted Budget due primarily to slower-than-projected payments of school aid categorical and LADDER programs, as well as higher education and all other education programs ($180 million), slower than anticipated capital projects spending for education ($110 million) and wireless E-911 projects ($50 million), and lower State Operations spending due to earlier than projected receipt of Mental Hygiene revenues used to offset spending ($190 million).

The closing balance on December 31, 2004 is $2.5 billion, an increase of $1.2 billion from the projection published in the Enacted Budget. This increase results from higher receipts of $860 million and lower spending of $511 million, offset by other fund balance changes.

GAAP-BASIS FINANCIAL PLANS

In addition to the cash-basis Financial Plans, the General Fund and All Funds Financial Plans are prepared on a GAAP basis in accordance with Governmental Accounting Standards Board (GASB) regulations. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this Overview. The GAAP projections for both years are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2003-04. The GAAP projections reflect the impact of GASB Statement 34, which has significantly changed the presentation of GAAP financial information for State and local governments. The changes are intended to portray the State's net overall financial condition, including activities that affect State assets and liabilities during the fiscal year. The GASB 34 results for 2003-04 show the State in a net positive overall financing condition of $39.1 billion.

In 2004-05, the General Fund GAAP Financial Plan shows total revenues of $36.6 billion, total expenditures of $45.9 billion, and net other financing sources of $8.5 billion, resulting in an operating deficit of $786 million and a projected accumulated deficit of $1.1 billion. This operating result reflects the use of the 2003-04 surplus and the remaining tobacco resources in 2004-05.

In 2005-06, the General Fund GAAP Financial Plan shows total revenues of $37.9 billion, total expenditures of $46.8 billion, and net other financing sources of $8.8 billion, resulting in an operating deficit of $123 million and a projected accumulated deficit of $1.2 billion. These changes are due primarily to the use of the 2004-05 cash surplus in 2005-06.

The accumulated deficit of $1.2 billion at the end of 2005-06 is an improvement of $189 million from the 2003-04 actual results.

HEALTH CARE REFORM ACT (HCRA) FINANCIAL PLAN

The following provides a 2005-06 Financial Plan summary for the HCRA program and related information regarding receipts and disbursements. The estimates of receipts and disbursements are detailed on a quarterly basis in the Financial Plan tables.

The 2005-06 Financial Plan adds roughly 25 percent of spending ($929 million) financed through HCRA that in 2004-05 is "off budget" (i.e., outside the Financial Plan). Thus, all HCRA spending is included in the State Financial Plan and can be found in the following areas of the budget: Medicaid; Public Health; the State Office for the Aging; and the Office of Mental Health.

OVERVIEW

HCRA was established in 1996 to improve the fiscal health of hospitals and ensure that affordable and quality health care coverage was available to all New Yorkers. Subsequent extensions and modifications of the legislation have initiated new health care programs including Family Health Plus (FHP), Healthy New York, and the workforce recruitment and retention program, and provided additional funding for the expansion of existing programs such as Child Health Plus (CHP). The current HCRA legislation expires on June 30, 2005.

Historically, HCRA cash balances have been significant as revenues have generally accumulated more rapidly than expenditures for new programs that often take time to implement and reach projected full annual expenditure levels. Recently, spending levels in many major programs, such as FHP and Elderly Pharmaceutical Insurance Coverage (EPIC), have significantly increased, outpacing the growth in recurring revenues. In addition, it is anticipated that the receipt of planned Empire conversion proceeds will be delayed. As a result, the HCRA cash balance is projected to be $32 million as of March 31, 2005.

Prior to the proposed 2005-06 Executive Budget actions, DOB projected a cash deficit in HCRA of roughly $500 million by June 30, 2005. Absent any actions this deficit would have required General Fund support pursuant to Chapters 62 and 686 of the Laws of 2003, which created the Tobacco Revenue Guarantee Fund to provide for replenishment by the General Fund of revenues up to the level of tobacco settlement dollars otherwise available to HCRA had these revenues not been securitized.

To mitigate HCRA's reliance on the General Fund and to improve the fiscal viability of HCRA in the outyears, a series of cost savings and revenue actions are proposed that produce a State Financial Plan benefit of roughly $750 million in 2005-06. These proposals include actions that: reduce the cost of various HCRA funded programs including EPIC, CHP, and various other programs; conform FHP program benefits to programs that provide less extensive coverage and require higher co-payments, realigning premium payments with actual costs, and closing eligibility loopholes; proceeds from other insurance conversions from a non-profit to a for-profit organization similar to the Empire conversion; increased hospital and clinic surcharges on net patient service revenues from 8.85 percent to 8.95 percent; and a $50 million increase in the covered lives assessment.

HCRA RECEIPTS

HCRA Receipts (millions of dollars)

	2004-05 Revised	2005-06 Proposed	Annual Change	Percent Change
Empire Conversion Proceeds	0	1,842	1,842	0.0%
Surcharges	1,603	1,594	(9)	-0.6%
Covered Lives Assesment	703	737	34	4.8%
Cigarette Tax	675	670	(5)	-0.7%
Insurance Conversion Proceeds	0	400	400	100.0%
Federal Funds/Other	528	252	(276)	-52.3%
Hospital Assesment (1 percent)	217	192	(25)	-11.5%
Total Receipts	**3,726**	**5,687**	**1,961**	**52.6%**

HCRA receipts include surcharges and assessments on hospital revenues, a covered lives assessment paid by insurance carriers, a portion of cigarette tax revenues, proceeds from insurance company conversions, and Federal and other revenues dedicated by statute, including any additional funds received from the renewal of the State's Medicaid managed care waiver.

DOB projects total HCRA receipts at $5.7 billion in 2005-06, an increase of $2 billion (52.6 percent) over the current year forecast. Total 2005-06 receipts are comprised primarily of surcharges, Empire conversion proceeds, covered lives assessment, cigarette taxes, Federal funds, and hospital assessments of 1 percent.

As described earlier in this Overview, the receipt of $1.4 billion in Empire conversion proceeds planned in 2004-05 (including $200 million that will support General Fund Medicaid spending) have been delayed pending the resolution of ongoing litigation that is currently expected to occur in 2005-06. If Empire Conversion proceeds are not available in 2005-06, the General Fund would be required to make payments under the tobacco revenue guarantee and a statutory loan repayment provision in the range of approximately $650 million, based on current projections. The current Financial Plan does not reflect any of these possible costs.

Nonrecurring resources received in 2004-05 include Federal aid related to disaster relief Medicaid used to support HCRA ($308 million) and the Community Health Care Conversion Demonstration Project waiver renewal ($218 million).

HCRA DISBURSEMENTS

HCRA Disbursements (millions of dollars)

	2004-05 Adjusted	2005-06 Proposed	Annual Change	Percent Change
Medicaid/Public Health Support	780	1,895	1,115	142.9%
Hospital Indigent Care	826	853	27	3.3%
Graduate Medical Education	383	380	(3)	-0.8%
EPIC	491	560	69	14.1%
FHP	390	314	(76)	-19.5%
CHP	342	349	7	2.0%
Workforce Recruitment and Retention	330	352	22	6.7%
All Other	582	608	26	4.5%
Total Disbursements	**4,124**	**5,311**	**1,187**	**28.8%**

Total disbursements of $5.3 billion are projected in 2005-06, an increase of $1.2 billion (28.8 percent) over the current year estimates. The 2005-06 Executive Budget and Financial Plan includes all HCRA spending, including roughly $929 million that was previously "off-budget."

HCRA financed programs include primarily support for various Medicaid and public health costs, hospital indigent care, EPIC, FHP, CHP, provider workforce recruitment and retention funds paid through Medicaid rates, and mental health expansion programs. The remaining spending previously excluded from the State Budget is comprised of Graduate Medical Education, excess medical malpractice, Healthy New York, subsidy payments to the Roswell Park Cancer Institute, as well as various programs including anti-tobacco and cancer related programs.

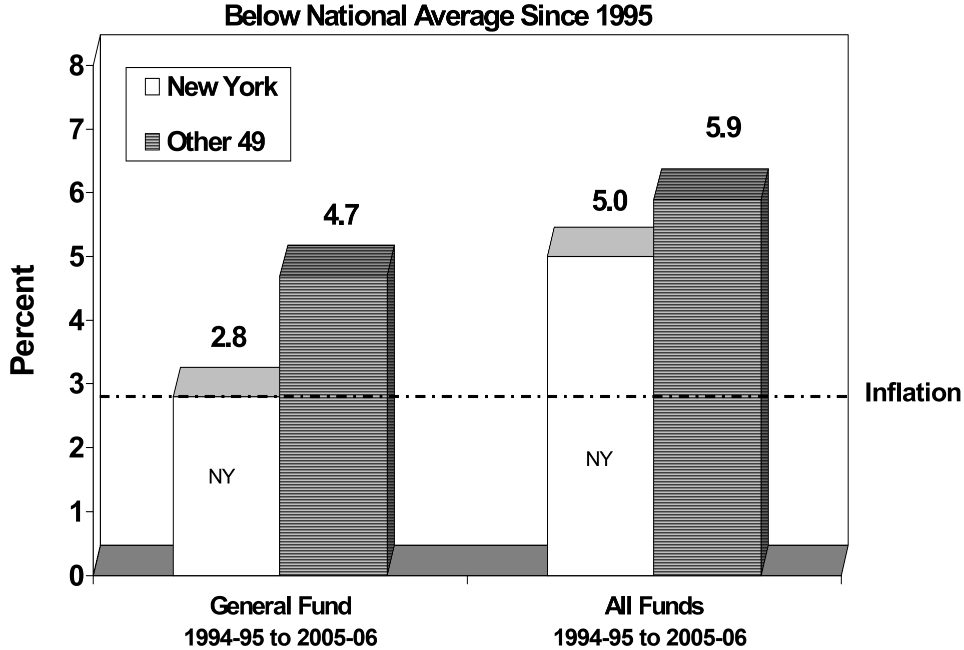
Based on the Executive Budget's recommendations, DOB projects the cash balance at the end of 2005-06 to be $408 million, declining to approximately $208 million on June 30, 2007, when the proposed HCRA statute expires.

Additional detail on quarterly receipts and disbursements is contained in the Financial Plan tables later in this Overview.

HISTORICAL FINANCIAL PLAN DATA

The Financial Plan Data section contains information most frequently requested by users in seven areas: spending, reserves, workforce, credit ratings, debt, tax collections, and social characteristics. The section illustrates trends in state budgeting, the economy, and the society that are interrelated and in turn, affect spending decisions and other government policies. The information also supports financial plan objectives by providing a historical context and analyzing New York relative to other states in the seven areas. The section examines New York relative to the nation in general, and in many cases, to a group of peer states in particular. New York's peer states include other states in the northeast, and other large states from around the nation which are similar economically, including California, Connecticut, Illinois, Massachusetts, Minnesota, Ohio, Pennsylvania, Michigan, New Jersey, Washington, and Wisconsin.

New York's Spending Growth
Below National Average Since 1995



Notes: Annual growth for other states measured on a weighted average, and reflects data through fiscal year 2003-04 for All Funds and fiscal year 2004-05 for the General Fund. Sources: NYS Division of the Budget and National Association of State Budget Officers.

Since 1995, New York's average annual spending growth in both the General Fund and All Funds has been lower than the average for the other 49 states. In the General Fund, spending restraint exercised by other states during the recent recession moderated national growth trends. Despite greater spending restraint nationally, New York still remains well below the national average. In the most recent year for which comparable data is available, other states have returned to a level of growth that is consistent with the long-term trend, while New York has continued to restrain spending.

In All Funds, New York's average annual spending growth is slightly less than the national average. New York's All Funds spending growth in recent years has been affected by increased Federal aid for World Trade Center relief efforts, Medicaid, welfare, and education.

Sources of General Fund Spending Growth

Full Term (1995 Through 2005-06) and Five-Year Growth Trends

	Eleven-Year Growth	
	General Fund	***Share of Growth***
1994-95 Spending	**33,399**	
School Aid	5,113	*43.8%*
Gen State Charges	1,807	*15.5%*
Medicaid	1,435	*12.3%*
Corrections	533	*4.6%*
Judiciary	516	*4.4%*
Pre-K Special Education	426	*3.6%*
Children and Families	423	*3.6%*
Public Health	316	*2.7%*
Mental Health	303	*2.6%*
Debt Service	240	*2.1%*
Housing	(46)	*-0.4%*
Motor Vehicles	(112)	*-1.0%*
Transportation	(478)	*-4.1%*
Welfare	(1,162)	*-10.0%*
All Other (Net)	2,362	*20.2%*
2005-06 Spending	**45,075**	
Dollar Change	*11,676*	
Percent Change	*35.0%*	
Avg. Annual Percent Change	*2.8%*	

	Five-Year Growth	
	General Fund	***Share of Growth***
2000-01 Spending	**39,702**	
School Aid	1,703	*31.7%*
Medicaid	1,591	*24.6%*
General State Charges	1,322	*29.6%*
Children and Families	364	*24.6%*
Pre-K Special Education	309	*6.8%*
Judiciary	190	*3.5%*
Higher Education Services	180	*5.8%*
City University	161	*5.8%*
Corrections	97	*3.0%*
Public Health	94	*1.8%*
Motor Vehicles	(124)	*-2.3%*
Welfare	(280)	*-5.2%*
Transportation	(301)	*-5.6%*
Debt Service	(549)	*-10.2%*
All Other (Net)	616	*11.5%*
2005-06 Spending	**45,075**	
Dollar Change	*5,373*	
Percent Change	*13.5%*	
Avg. Annual Percent Change	*2.6%*	

Source: NYS Division of the Budget

Sources of State Funds Spending Growth

Full Term (1995 Through 2005-06) and Five-Year Growth Trends

	Eleven-Year Growth	
	State Funds	*Share of Growth*
1994-95 Spending	**42,560**	
School Aid	6,272	*23.6%*
Medicaid	4,811	*18.1%*
STAR	3,202	*12.1%*
Public Health	2,505	*9.4%*
General State Charges	2,227	*8.4%*
State University	1,828	*6.9%*
Debt Service	1,635	*6.2%*
Transportation	690	*2.6%*
Judiciary	663	*2.5%*
Corrections	523	*2.0%*
City University	475	*1.8%*
Pre-K Special Education	426	*1.6%*
Racing and Wagering	(3)	*0.0%*
Energy Research (ORDA)	(8)	*0.0%*
Housing	(50)	*0.0%*
Welfare	(1,162)	*-4.4%*
All Other (Net)	2,495	*9.4%*
2005-06 Spending	**69,089**	
Dollar Change	*26,529*	
Percent Change	*62.3%*	
Avg. Annual Percent Change	*4.5%*	

	Five-Year Growth	
	State Funds	*Share of Growth*
2000-01 Spending	**54,183**	
Medicaid	4,418	*29.6%*
School Aid	2,565	*17.2%*
Public Health	1,808	*12.1%*
General State Charges	1,712	*11.5%*
STAR	1,325	*8.9%*
State University	1,002	*6.7%*
Transportation	643	*4.3%*
City University	550	*3.7%*
Economic Development	395	*2.6%*
Children and Families	378	*2.5%*
Pre-K Special Education	309	*2.1%*
Welfare Administration	(26)	*-0.2%*
Technology	(31)	*-0.2%*
Debt Service	(241)	*-1.6%*
Welfare	(280)	*-1.9%*
All Other (Net)	379	*2.5%*
2005-06 Spending	**69,089**	
Dollar Change	*14,906*	
Percent Change	*27.5%*	
Avg. Annual Percent Change	*5.0%*	

Source: NYS Division of the Budget

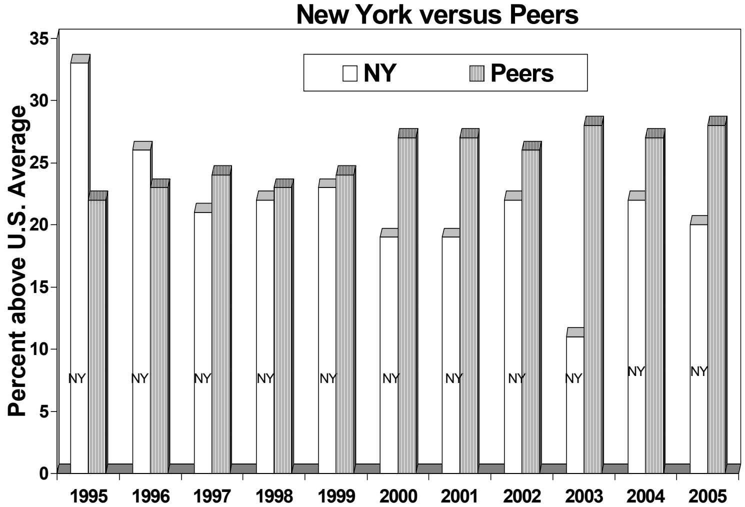
Sources of All Governmental Funds Spending Growth
Full Term (1995 Through 2005-06) and Five-Year Growth Trends

	Eleven-Year Growth	
	All Funds	*Share of Growth*
1994-95 Spending	**61,898**	
Medicaid	15,069	*34.5%*
School Aid	9,027	*20.7%*
Public Health	3,314	*7.6%*
STAR	3,202	*7.3%*
General State Charges	2,345	*5.4%*
State University	1,919	*4.4%*
Debt Service	1,635	*3.7%*
Transportation	1,376	*3.2%*
Mental Retardation	1,077	*2.5%*
Pre-K Special Education	1,030	*2.4%*
Racing and Wagering	(3)	*0.0%*
Housing	(54)	*-0.1%*
Welfare Administration	(128)	*-0.3%*
Welfare	(1,024)	*-2.3%*
All Other (Net)	4,844	*11.1%*
2005-06 Spending	**105,527**	
Dollar Change	*43,629*	
Percent Change	*70.5%*	
Avg. Annual Percent Change	*5.0%*	

	Five-Year Growth	
	All Funds	*Share of Growth*
2000-01 Spending	**79,753**	
Medicaid	10,786	*41.8%*
School Aid	5,320	*20.6%*
Public Health	1,882	*7.3%*
General State Charges	1,803	*7.0%*
STAR	1,325	*5.1%*
Transportation	1,079	*4.2%*
State University	1,053	*4.1%*
Mental Retardation	707	*2.7%*
Pre-K Special Education	700	*2.7%*
Welfare	624	*2.4%*
Parole	(15)	*-0.1%*
Welfare Administration	(26)	*-0.1%*
Technology	(31)	*-0.1%*
Debt Service	(241)	*-0.9%*
All Other (Net)	808	*3.1%*
2005-06 Spending	**105,527**	
Dollar Change	*25,774*	
Percent Change	*32.3%*	
Avg. Annual Percent Change	*5.8%*	

Source: NYS Division of the Budget

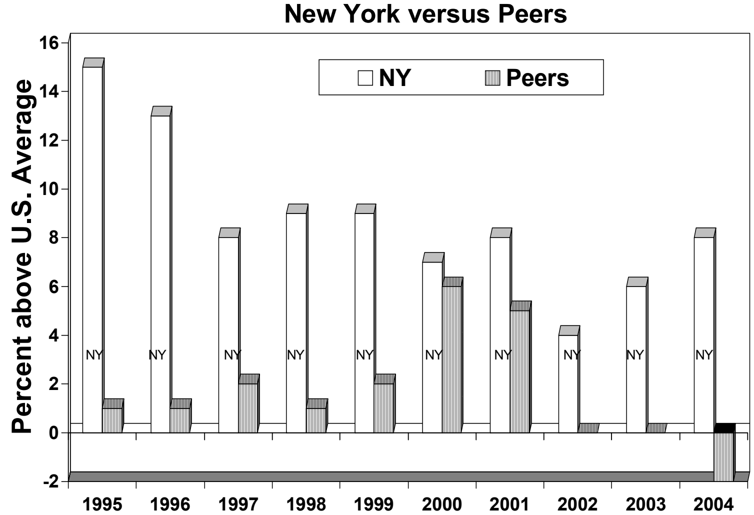
General Fund Spending Per Capita
New York versus Peers



Note: Peers include CA, CT, IL, MA, MI, MN, NJ, OH, PA, WA, and WI. Peer states calculation represents average of GF spending per capita as a percent of U.S. average (excluding New York).

Since 1995, New York's General Fund per capita spending decreased from 133 to 120 percent of the U.S. average between 1995 and 2005. During the same period, the average General Fund spending per capita for its peer states increased from 122 to 128 percent of the U.S. average. Accordingly, at 120 percent of the U.S. average, New York's General Fund per capita spending is now less than the average of its peers. New York's per capita spending of $2,258 ranks tenth among all states in 2004-05.

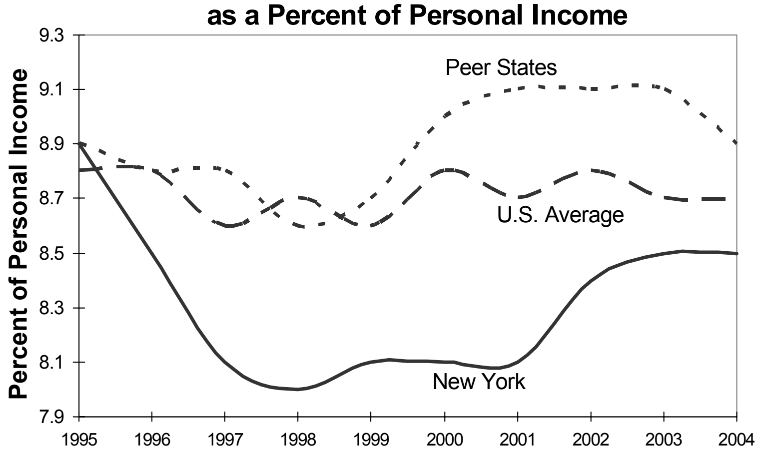
All Governmental Funds Spending Per Capita
New York versus Peers



Note: Peers include CA, CT, IL, MA, MI, MN, NJ, OH, PA, WA, and WI. Peer states calculation represents average of AF spending per capita as a percent of U.S. average (excluding New York).

During the mid-to-late 1990s, All Funds spending per capita in New York declined from 115 percent to 107 percent of the U.S. average, approximately the same level as the average of its peer states in 1999-2000. However, in recent years, an inflow of Federal funds, especially for the World Trade Center response and recovery, and health care, has increased All Funds spending per capita in New York to 108 percent of the U.S. average in 2004. During the same period, the average All Funds spending per capita for its peer states decreased from 101 to 98 percent of the U.S. average. New York's All Funds per capita spending of $4,967 ranks twelfth among the states.

State Funds Spending as a Percent of Personal Income

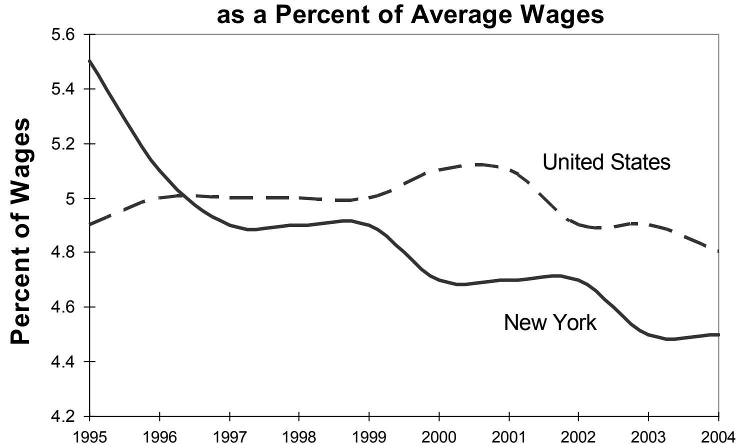


Note: New York State Funds spending in 2002-03 and 2003-04 is adjusted for $1.9 billion in payment delays. Peer states line represents an average of State Funds spending as a percent of personal income for New York's peer states. United States is overall State Funds spending as a percent of overall personal income.

Sources: U.S. Bureau of Economic Analysis and National Association of State Budget Officers.

In recent years, New York's State Funds spending as a percent of personal income has been lower than the average of its peer states and lower than the United States overall average. Since 1994-95, State Funds spending as a percent of personal income has declined by 0.4 percent in New York, increased by 0.1 percent in New York's peer states, and remained relatively stable in the United States overall. Unlike its peer states, New York's average State Funds spending growth (3.8 percent annually) was lower than its average personal income growth (4.3 percent annually) during this time period.

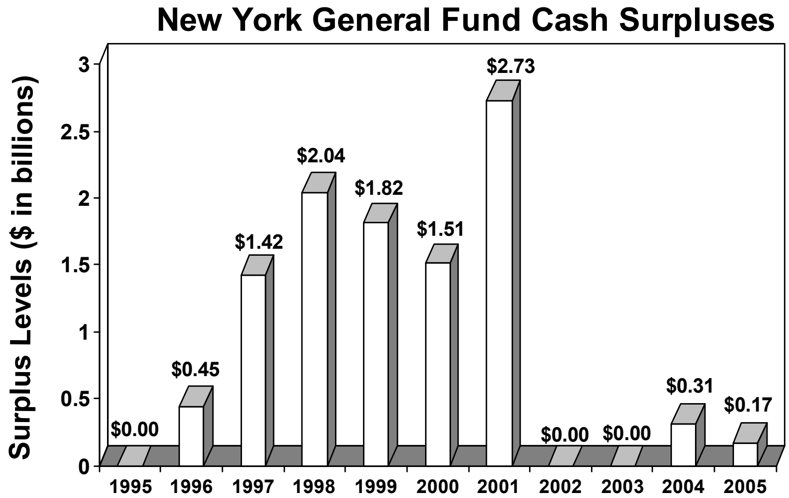
General Fund Spending Per Capita as a Percent of Average Wages



Note: New York spending per capita in 2002-03 and 2003-04 is adjusted for $1.9 billion in payment delays as a result of deferred tobacco securitization proceeds.

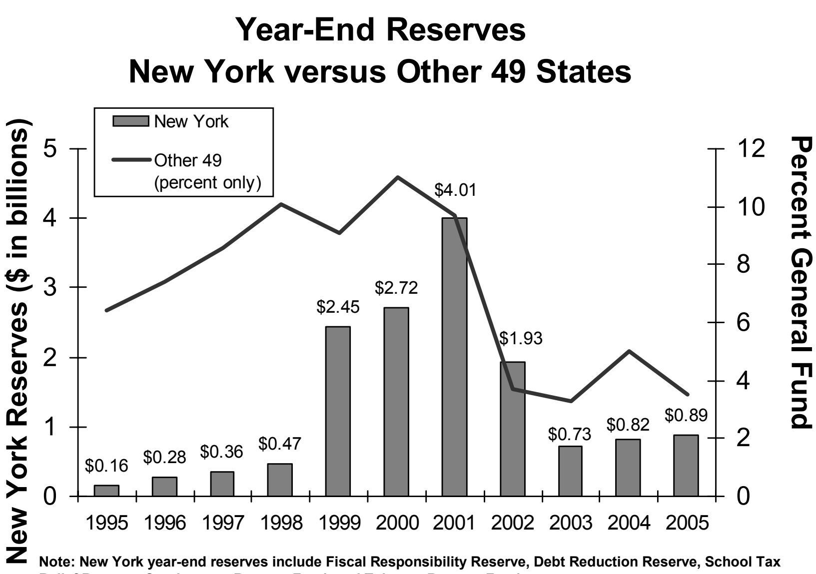
Sources: U.S Census Bureau, U.S. Department of Labor, Bureau of Labor Statistics and National Association of State Budget Officers.

Since 1995, New York's General Fund per capita spending, as a percent of average annual wages, declined from 5.5 percent to 4.5 percent and since 1997 has been lower than the rest of the nation. While New York is higher than the U.S. average on both General Fund per capita spending and average annual wages, its spending to wages ratio is lower than the U.S. average.



Source: New York State Division of Budget

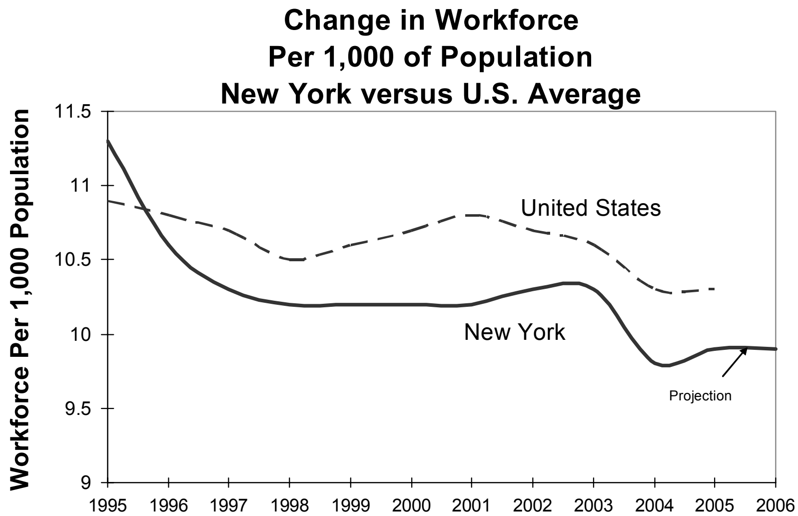
During the economic expansion of the 1990s, New York achieved six consecutive cash basis surpluses (1995-96 through 2000-01) that reached a high of $2.7 billion in 2000-01. For two years, 2001-02 and 2002-03, the State struggled to maintain budget balance as it confronted the twin shocks of September 11th and the national recession. The State is again achieving modest surpluses.



Note: New York year-end reserves include Fiscal Responsibility Reserve, Debt Reduction Reserve, School Tax Relief Reserve, Contingency Reserve Fund, and Tobacco Reserve Fund.

Sources: New York State Division of Budget and National Association of State Budget Officers.

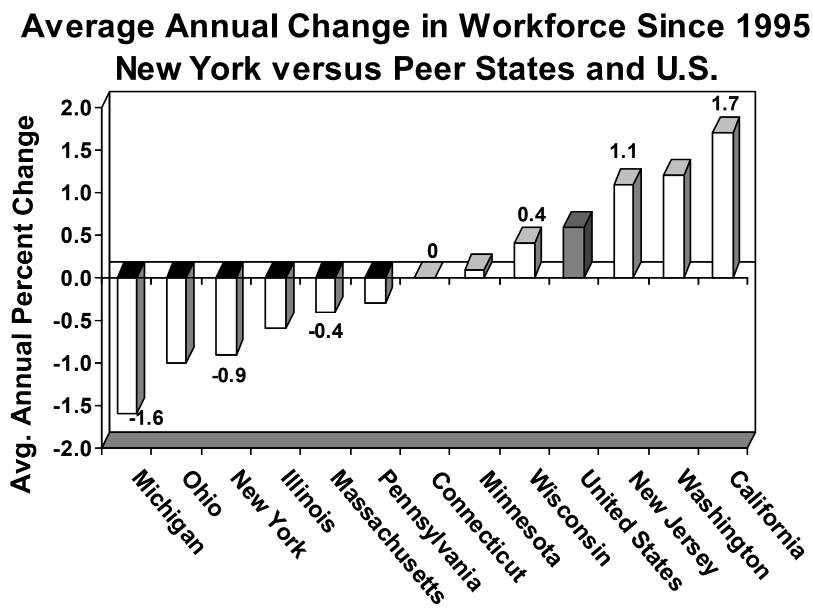
New York's reserves grew in the late 1990s and remained relatively strong through 2001-02. However, the State drew down over $3 billion in reserves to maintain budget balance in the aftermath of September 11th and the national recession. While the State has worked to rebuild its reserves, they still remain below the average of other states. New York has made nine deposits in ten years to its principal reserve, the Rainy Day Fund. After the 2004-05 deposit, the balance equals two percent of spending ($864 million), the maximum level permitted by State law.



Notes: Comparable workforce data not available for Wyoming. United States information represents aggregate state workforce for other 48 states per 1,000 of total population for other 48 states. New York workforce numbers do not include seasonal positions and employees of the Judiciary and Legislature.

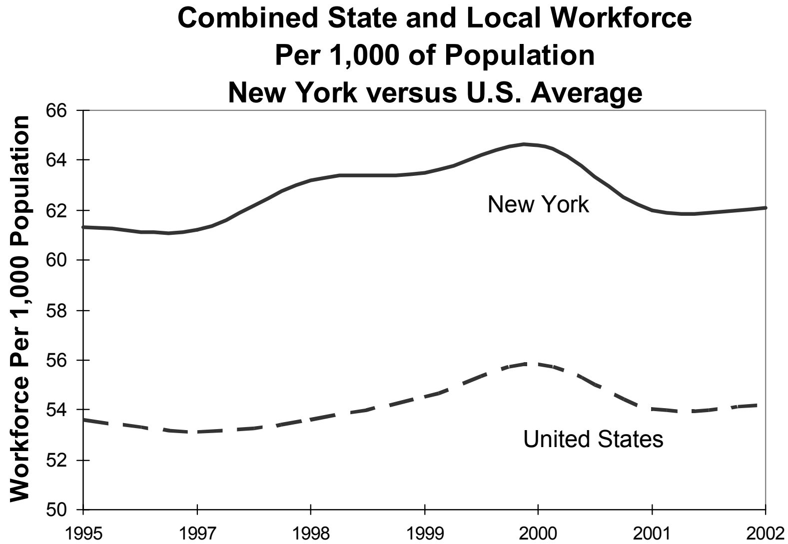
Sources: New York State Division of Budget and National Association of State Budget Officers.

While the national trend shows that state workforces per capita have been on the decline, that trend is even more pronounced in New York. Faced with continued fiscal pressures since 2001-02, New York and many other states have curtailed spending growth, producing the first workforce reductions per capita since 1997. Since 1995, a State hiring freeze and targeted refilling of critical positions has reduced the New York State workforce by approximately 20,000 filled positions. Today, there are 9.9 State employees for every 1,000 New Yorkers, compared to an average workforce of 10.3 per 1,000 of population for other states.



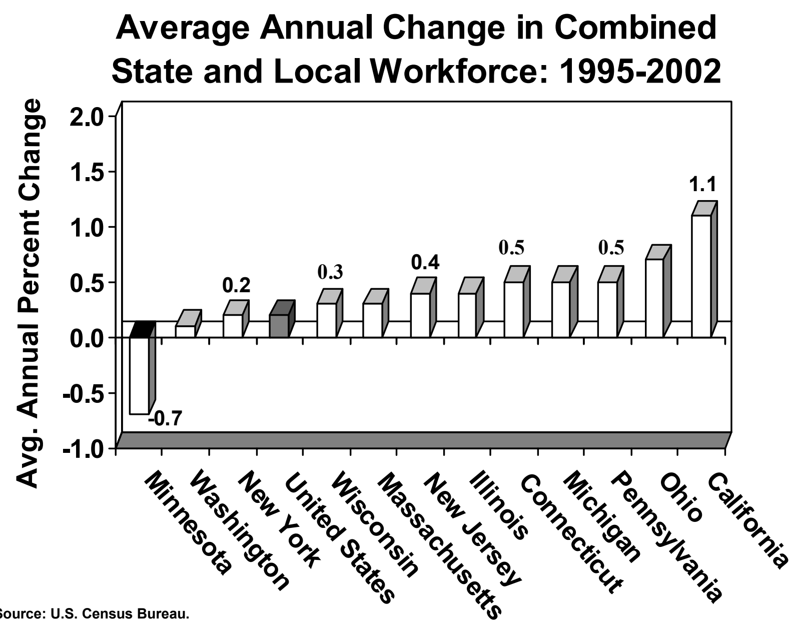
Sources: New York State Division of Budget and National Association of State Budget Officers.

Since 1995, New York has reduced its workforce by an average of 0.9 percent annually while the total of other state workforces has increased by an average 0.6 percent annually (despite the average annual increase of 0.6 percent, the U.S. workforce per 1,000 of population still shows a decline because total population was increasing by an average 1.2 percent annually during this time period). Nationally, only six states (of which two were peer states) had workforce reductions during this time period that were greater than New York.



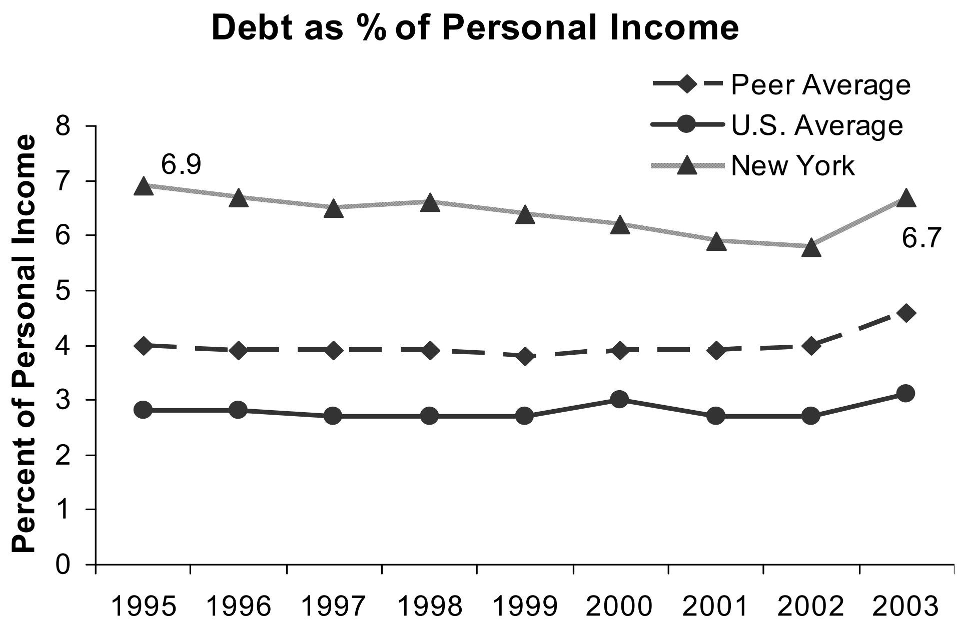
Notes: Comparative data not available for 1996.
Source: U.S. Census Bureau.

New York had 62 State and local government employees per 1,000 residents as of March 2002, the latest period for which comparative data are available. New York's combined government workforce is approximately 15 percent higher than the national average.



Source: U.S. Census Bureau.

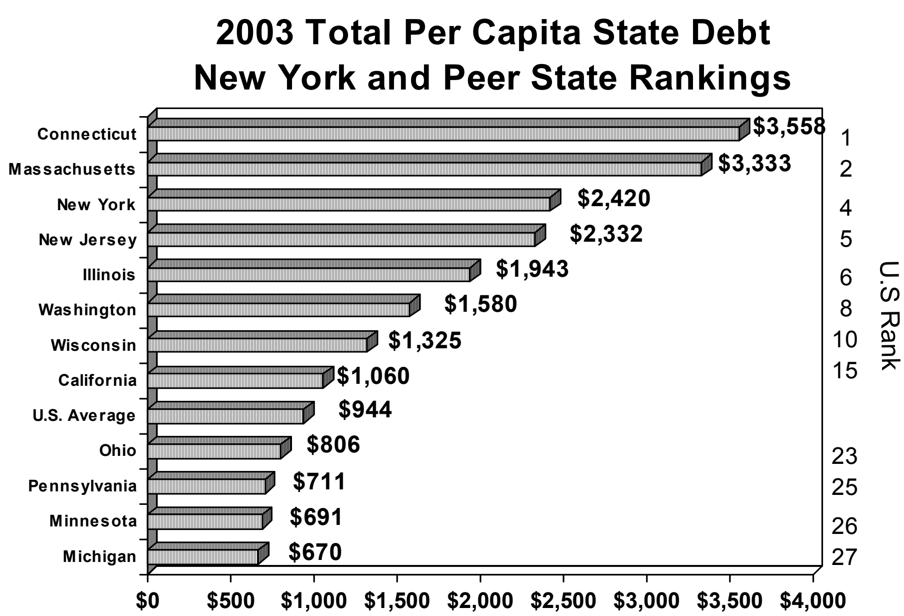
Since 1995, New York's combined State and local workforce has increased by an average of 0.2 percent annually, the same rate as the U.S. average. New York's peer states, except Minnesota and Washington, have shown greater increases during this period.



Note: Data points represent debt at the calendar year-end as a percent of the previous year's personal income.

Source: Moody's Investors Service, Inc.

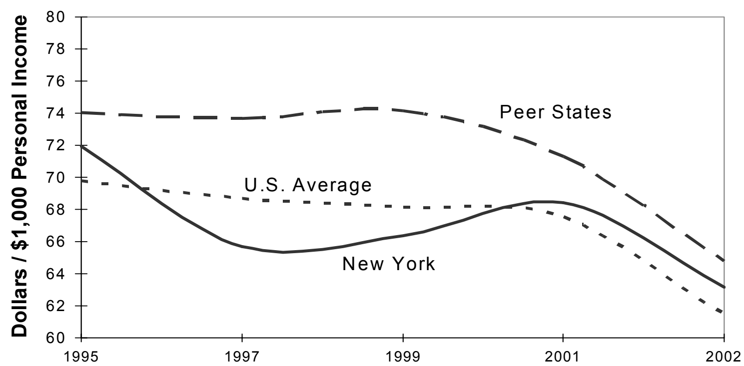
Between 1995 and 2002, New York's debt as a percent of personal income decreased from 6.9 percent to 5.8 percent. However, in the most recent year for which comparative data are available, New York's debt as a percent of personal income grew to 6.7 percent, an increase over previous years but lower than 1995. The 2003 experience in New York, which is primarily driven by the securitization of tobacco settlement proceeds, mirrors that of its peers and reflects a national trend toward increased debt in response to fiscal stress.



Source: Moody's Investors Service, Inc.

New York's debt per capita of $2,420 ranks fourth highest in the nation. Connecticut, Massachusetts, and Hawaii have higher debt per capita ratios than New York.

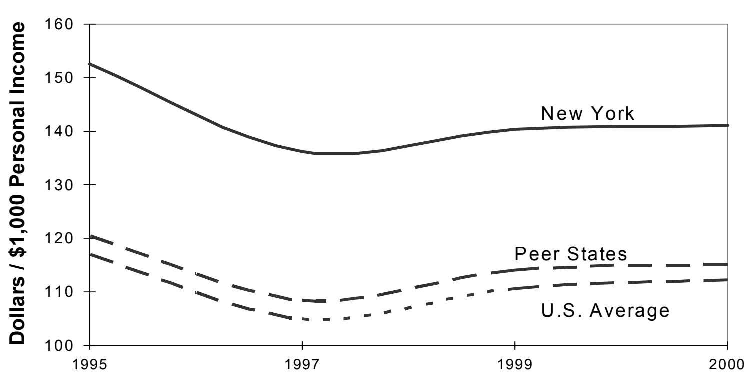
State Tax Collections per $1,000 Personal Income



Note: Fiscal year 2002 is the most recent year for which comparative data are available.
Source: State of New York, Department of Tax and Finance, *New York State Tax Source Book.*

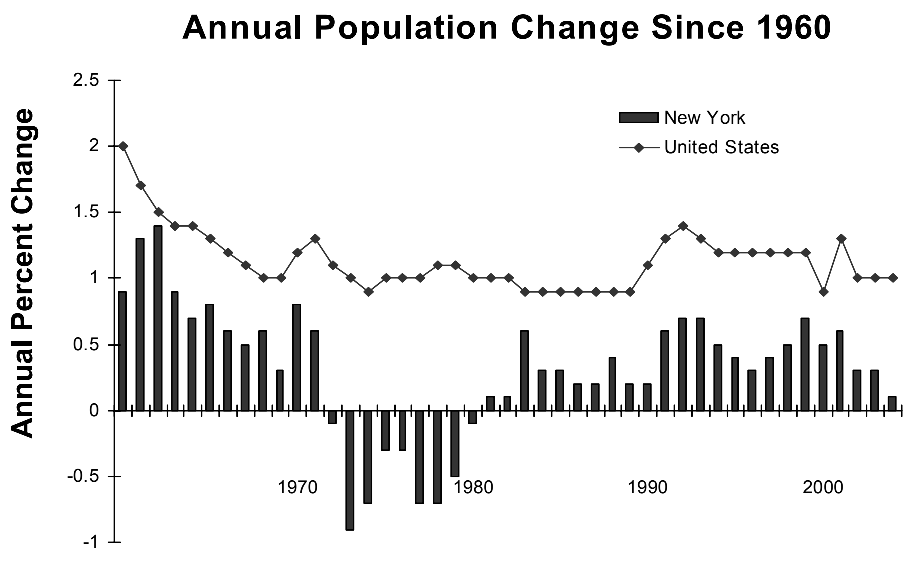
Since 1995, the New York State tax burden, as measured by tax collections per $1,000 of personal income, decreased from $72 to $63, slightly higher than the U.S. average, but consistently lower than the average of its peer states. However, New York's moderate standing in state level taxes is counteracted by relatively high local government taxes as illustrated below. When comparing New York to other states on State and local tax collections per $1,000 of personal income it is important to note that the structure of the State's economy permits it to collect more in taxes from non-residents, which has the effect of overstating tax collections as a share of personal income since non-resident income is not counted in the calculation. Equally important, national capital gains, of which New York receives a substantial fraction, are not included in the definition of personal income, even though New York State residents pay tax on capital gains realizations. These factors, when coupled with a strong national economy, add further upward bias in the tax-to-income ratio for New York. When the national economy weakened in 2002, state tax collections dropped accordingly.

State and Local Tax Collections per $1,000 Personal Income



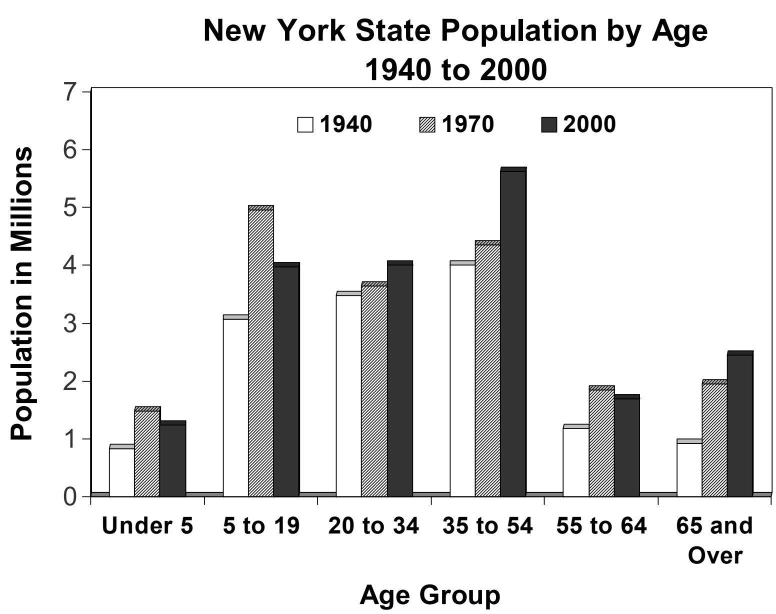
Note: Fiscal year 2000 is the most recent year for which comparative data are available.
Source: State of New York, Department of Tax and Finance, *New York State Tax Source Book.*

Since 1995, the New York State and local tax burden decreased from 15.3 percent to 14.1 percent of personal income. Although the combined State and local tax burden has been reduced, it is still considerably higher than the national average. Some of this disparity is due to factors described above under the table "State Tax Collections per $1,000 Personal Income." The peer states of Wisconsin and Minnesota raised $129 and $124 for every $1,000 of personal income, respectively. Since data are available only through 2000, many of the New York State tax cuts of recent years are not yet fully reflected in these data.



Source: U.S Census Bureau.

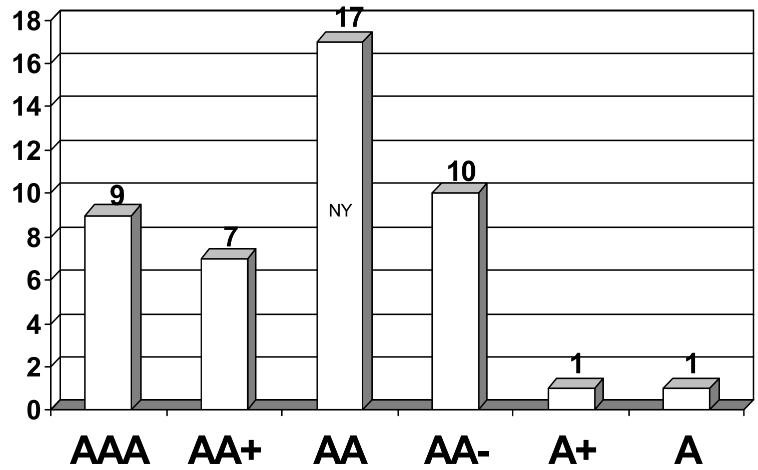
Since the 1950s, New York's population has grown more slowly than the national population. The national population, for most of this time period, has grown by approximately 1.0 percent annually. New York, apart from experiencing some population decline during the 1970s, has grown at approximately 0.5 percent annually, sustained by immigration. After California, New York has the largest foreign-born population of any state, with one in five New Yorkers born abroad. Although New York is growing more slowly than the nation, it is still the third most populous state with approximately 19.2 million residents.



Source: U.S. Census Bureau

Between 1940 and 2000, the population of New York increased by 41 percent from 13.5 million to 19 million. New York's populations in each of the six age groups increased in size since 1940, although not at a similar pace. During this time period, the 65 years and over population increased by 166 percent while the 20 to 34 population increased by 15 percent.

Standard & Poor's General Obligation Bond Ratings
Distribution of State Ratings



Source: Standard & Poor's.

New York is currently one of among 17 states that are rated AA by Standard & Poor's. The average state rating is AA and reflects the general creditworthiness of the state sector. Relative to New York, Standard & Poor's currently assigns a lower credit rating to twelve states (California, Massachusetts, New Jersey, Wisconsin, Oregon, Rhode Island, Kentucky, Hawaii, Montana, West Virginia, North Dakota, and Louisiana). In September 2004, New York's AA rating outlook was revised from negative to stable, reflecting the State's progress in addressing the fiscal pressures of the recession.

New York State General Obligation Rating History

Year	S&P	Fitch	Moody's
1990	Downgrade AA- to A		Downgrade A1 to A2
1991	A		A2
1992	Downgrade A to A-		A2
1993	A-		A2
1994	A-		A2
1995	A-		A2
1996	A-		A2
1997	Upgrade A- to A		A2
1998	A		A2
1999	Upgrade A to A+	A+	A2
2000	Upgrade A+ to AA	A+	A2
2001	AA	Upgrade A+ to AA	A2
2002	AA	AA	A2
2003	AA	Downgrade AA to AA-	A2
2004	AA	AA-	Upgrade A2 to A1

Standard & Poor's has upgraded New York three times since 1995, the most recent upgrade in 2000 by two notches from A+ to AA. Fitch currently assigns New York the AA-rating after downgrading the State in May 2003. Moody's recently upgraded New York's credit rating from A2 to A1, the first rating action Moody's has taken since 1990.

FINANCIAL PLAN TABLES

The following Financial Plan tables summarize projected General Fund, State Funds and All Funds receipts and disbursements for the 2004-05 through 2007-08 fiscal years.

The State accounts for all of its spending and receipts by the fund in which the activity takes place (i.e., General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Funds), 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 Funds, which includes State Funds and Federal Funds, comprises the four major fund types, and provides the most comprehensive view of the financial operations of the State. These are:

- 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;
- SRFs, which receive Federal grants, certain dedicated taxes, fees and other revenues that are used for a specified purpose;
- CPFs, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and
- DSFs, which pay principal, interest and related expenses on long-term bonds issued by the State and its public authorities.

INDEX OF FINANCIAL PLAN TABLES

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

	Mid-Year	Change	January
Opening fund balance	1,077	0	1,077
Receipts:			
Taxes:			
Personal income tax	18,716	216	18,932
User taxes and fees	8,679	73	8,752
Business taxes	3,714	50	3,764
Other taxes	764	(34)	730
Miscellaneous receipts	2,347	(54)	2,293
Federal grants	6	2	8
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,713	129	5,842
Sales tax in excess of LGAC debt service	2,158	13	2,171
Real estate taxes in excess of CW/CA debt service	411	109	520
All other transfers	506	(2)	504
Total receipts	43,014	502	43,516
Disbursements:			
Grants to local governments	29,482	175	29,657
State operations	7,625	(18)	7,607
General State charges	3,615	50	3,665
Transfers to other funds:			
Debt service	1,733	(1)	1,732
Capital projects	194	4	198
Other purposes	539	9	548
Total disbursements	43,188	219	43,407
Fiscal Management Plan (1)	224	(224)	0
Change in fund balance	50	59	109
Closing fund balance	1,127	59	1,186
Tax Stabilization Reserve Fund	794	70	864
Contingency Reserve Fund	21	0	21
Community Project Fund	312	(11)	301

(1) A total of $161 million in Fiscal Management Plan savings was achieved, and is reflected in the revised January spending estimates.

CASH FINANCIAL PLAN
GENERAL FUND ADJUSTED
2004-2005
(millions of dollars)

	January	Adjusted	January Adjusted
Opening fund balance	1,077	0	1,077
Receipts:			
Taxes:			
Personal income tax	18,932	0	18,932
User taxes and fees	8,752	0	8,752
Business taxes	3,764	0	3,764
Other taxes	730	0	730
Miscellaneous receipts	2,293	508	2,801
Federal grants	8	0	8
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,842	0	5,842
Sales tax in excess of LGAC debt service	2,171	0	2,171
Real estate taxes in excess of CW/CA debt service	520	0	520
All other	504	0	504
Total receipts	43,516	508	44,024
Disbursements:			
Grants to local governments	29,657	508	30,165
State operations	7,607	0	7,607
General State charges	3,665	0	3,665
Transfers to other funds:			
Debt service	1,732	0	1,732
Capital projects	198	0	198
Other purposes	548	0	548
Total disbursements	43,407	508	43,915
Fiscal Management Plan	0	0	0
Change in fund balance	109	0	109
Closing fund balance	1,186	0	1,186
Tax Stabilization Reserve Fund	864	0	864
Contingency Reserve Fund	21	0	21
Community Project Fund	301	0	301

To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted ($508 million) for Medicaid spending to comply with Federal policy changes related to certain county shares adjustments.

CASH FINANCIAL PLAN
GENERAL FUND
2004-2005 ADJUSTED AND 2005-2006
(millions of dollars)

	2004-2005 January Adjusted	2005-2006 Recommended	Annual Adjusted Change
Opening fund balance	1,077	1,186	109
Receipts:			
Taxes:			
Personal income tax	18,932	19,844	912
User taxes and fees	8,752	8,622	(130)
Business taxes	3,764	4,066	302
Other taxes	730	778	48
Miscellaneous receipts	2,801	2,451	(350)
Federal grants	8	4	(4)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,842	6,129	287
Sales tax in excess of LGAC debt service	2,171	2,300	129
Real estate taxes in excess of CW/CA debt service	520	510	(10)
All other	504	387	(117)
Total receipts	44,024	45,091	1,067
Disbursements:			
Grants to local governments	30,165	30,619	454
State operations	7,607	8,055	448
General State charges	3,665	3,889	224
Transfers to other funds:			
Debt service	1,732	1,666	(66)
Capital projects	198	219	21
Other purposes	548	627	79
Total disbursements	43,915	45,075	1,160
Change in fund balance	109	16	(93)
Closing fund balance	1,186	1,202	16
Tax Stabilization Reserve Fund	864	864	0
Contingency Reserve Fund	21	21	0
Community Project Fund	301	317	16

To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted ($508 million) for Medicaid spending to comply with Federal policy changes related to certain county shares adjustments.

GENERAL FUND
2004-2005 AND 2005-2006
(millions of dollars)

	2004-2005 January	2005-2006 Recommended	Annual Change
Opening fund balance	1,077	1,186	109
Receipts:			
Taxes:			
Personal income tax	18,932	19,844	912
User taxes and fees	8,752	8,622	(130)
Business taxes	3,764	4,066	302
Other taxes	730	778	48
Miscellaneous receipts	2,293	2,451	158
Federal grants	8	4	(4)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	5,842	6,129	287
Sales tax in excess of LGAC debt service	2,171	2,300	129
Real estate taxes in excess of CW/CA debt service	520	510	(10)
All other	504	387	(117)
Total receipts	43,516	45,091	1,575
Disbursements:			
Grants to local governments	29,657	30,619	962
State operations	7,607	8,055	448
General State charges	3,665	3,889	224
Transfers to other funds:			
Debt service	1,732	1,666	(66)
Capital projects	198	219	21
Other purposes	548	627	79
Total disbursements	43,407	45,075	1,668
Change in fund balance	109	16	(93)
Closing fund balance	1,186	1,202	16
Tax Stabilization Reserve Fund	864	864	0
Contingency Reserve Fund	21	21	0
Community Project Fund	301	317	16

CASH FINANCIAL PLAN
GENERAL FUND
2005-2006 THROUGH 2007-2008
(millions of dollars)

	2005-2006 Recommended	2006-2007 Projected	2007-2008 Projected
Receipts:			
Taxes:			
Personal income tax	19,844	20,419	21,865
User taxes and fees	8,622	8,829	9,166
Business taxes	4,066	4,176	4,315
Other taxes	778	872	920
Miscellaneous receipts	2,451	2,504	4,560
Federal grants	4	4	4
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	6,129	6,208	6,515
Sales tax in excess of LGAC debt service	2,300	2,377	2,473
Real estate taxes in excess of CW/CA debt service	510	517	525
All other	387	223	217
Total receipts	45,091	46,129	50,560
Disbursements:			
Grants to local governments	30,619	32,995	36,921
State operations	8,055	8,809	9,250
General State charges	3,889	4,654	4,845
Transfers to other funds:			
Debt service	1,666	1,679	1,648
Capital projects	219	234	231
Other purposes	627	609	617
Total disbursements	45,075	48,980	53,512
Deposit to/(use of) Community Projects Fund	16	(150)	(167)
Margin	0	(2,701)	(2,785)

GENERAL FUND
PERSONAL INCOME TAX COMPONENTS
2003-2004 THROUGH 2005-2006
(millions of dollars)

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
Withholdings	21,986	23,032	24,174
Estimated Payments	5,159	7,008	7,511
Final Payments	1,313	1,610	1,947
Delinquencies	631	600	675
Gross Collections	29,089	32,250	34,307
State/City Offset	(261)	(343)	(300)
Refund Reserve	(597)	531	134
Refunds	(4,181) (1)	(4,300) (2)	(4,525) (3)
Reported Tax Collections	24,050	28,138	29,616
STAR	(2,819)	(3,072)	(3,202)
RBTF	(5,457)	(6,134)	(6,570)
General Fund	15,774	18,932	19,844

Net personal income tax collections are affected by transactions in the tax refund reserve account. The tax refund reserve account is used to hold moneys designated to pay tax refunds. The Comptroller deposits receipts into this account at the discretion of the Commissioner of Taxation and Finance. The deposit of moneys into the account during a fiscal year has the effect of reducing receipts for the fiscal year, and the withdrawal of moneys from the account has the effect of increasing receipts in the fiscal year of withdrawal. The tax refund reserve account also includes amounts made available as a result of the LGAC financing program. Beginning in 1998-99, a portion of personal income tax collections is deposited directly in the School Tax Reduction (STAR) fund and used to make payments to reimburse local governments for their revenue decreases due to the STAR program.

Note 1: Reflects the payment of the balance of refunds on 2002 liability and payment of $960 million of calendar year 2003 refunds in the last quarter of the State's 2003-04 fiscal year and a balance in the Tax Refund Reserve Account of $1,225 million.

Note 2: Reflects the payment of the balance of refunds on 2003 liability and the projected payment of $960 million of calendar year 2004 refunds in the last quarter of the State's 2004-05 fiscal year and a projected balance in the Tax Refund Reserve Account of $693 million.

Note 3: Reflects the payment of the balance of refunds on 2004 liability and the projected payment of $960 million of calendar year 2005 refunds in the last quarter of the State's 2005-06 fiscal year and a projected balance in the Tax Refund Reserve Account of $559 million.

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	815	1,230	(558)	158	1,645
Receipts:					
Taxes	27,934	4,442	1,756	8,122	42,254
Miscellaneous receipts	5,917	10,372	2,162	810	19,261
Federal grants	654	0	0	0	654
Total receipts	34,505	14,814	3,918	8,932	62,169
Disbursements:					
Grants to local governments	29,246	10,399	290	0	39,935
State operations	7,093	4,497	0	9	11,599
General State charges	3,247	424	0	0	3,671
Debt service	0	0	0	3,351	3,351
Capital projects	0	3	2,774	0	2,777
Total disbursements	39,586	15,323	3,064	3,360	61,333
Other financing sources (uses):					
Transfers from other funds	7,822	994	254	4,794	13,864
Transfers to other funds	(2,479)	(12)	(1,026)	(10,350)	(13,867)
Bond and note proceeds	0	0	140	0	140
Net other financing sources (uses)	5,343	982	(632)	(5,556)	137
Change in fund balance	262	473	222	16	973
Closing fund balance	1,077	1,703	(336)	174	2,618

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,077	1,703	(336)	174	2,618
Receipts:					
Taxes	32,178	5,396	1,823	9,242	48,639
Miscellaneous receipts	2,801	11,253	1,677	647	16,378
Federal grants	8	1	0	0	9
Total receipts	34,987	16,650	3,500	9,889	65,026
Disbursements:					
Grants to local governments	30,165	11,882	988	0	43,035
State operations	7,607	5,032	0	22	12,661
General State charges	3,665	484	0	0	4,149
Debt service	0	0	0	3,808	3,808
Capital projects	0	1	1,916	0	1,917
Total disbursements	41,437	17,399	2,904	3,830	65,570
Other financing sources (uses):					
Transfers from other funds	9,037	762	233	5,221	15,253
Transfers to other funds	(2,478)	(400)	(1,038)	(11,286)	(15,202)
Bond and note proceeds	0	0	193	0	193
Net other financing sources (uses)	6,559	362	(612)	(6,065)	244
Change in fund balance	109	(387)	(16)	(6)	(300)
Closing fund balance	1,186	1,316	(352)	168	2,318

To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted for the inclusion of all HCRA funded programs on-budget and additional Medicaid spending to comply with Federal policy changes related to certain county shares adjustments. The 2004-05 adjustment for HCRA is $925 million and Medicaid is $508 million.

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	1,077	1,703	(336)	174	2,618
Receipts:					
Taxes	32,178	4,835	1,823	9,242	48,078
Miscellaneous receipts	2,293	10,889	1,677	647	15,506
Federal grants	8	1	0	0	9
Total receipts	34,479	15,725	3,500	9,889	63,593
Disbursements:					
Grants to local governments	29,657	10,957	988	0	41,602
State operations	7,607	5,032	0	22	12,661
General State charges	3,665	484	0	0	4,149
Debt service	0	0	0	3,808	3,808
Capital projects	0	1	1,916	0	1,917
Total disbursements	40,929	16,474	2,904	3,830	64,137
Other financing sources (uses):					
Transfers from other funds	9,037	762	233	5,221	15,253
Transfers to other funds	(2,478)	(400)	(1,038)	(11,286)	(15,202)
Bond and note proceeds	0	0	193	0	193
Net other financing sources (uses)	6,559	362	(612)	(6,065)	244
Change in fund balance	109	(387)	(16)	(6)	(300)
Closing fund balance	1,186	1,316	(352)	168	2,318

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	1,186	1,316	(352)	168	2,318
Receipts:					
Taxes	33,310	5,659	1,855	9,833	50,657
Miscellaneous receipts	2,451	13,326	1,776	656	18,209
Federal grants	4	1	0	0	5
Total receipts	35,765	18,986	3,631	10,489	68,871
Disbursements:					
Grants to local governments	30,619	13,638	949	0	45,206
State operations	8,055	5,336	0	26	13,417
General State charges	3,889	558	0	0	4,447
Debt service	0	0	0	3,842	3,842
Capital projects	0	2	2,174	0	2,176
Total disbursements	42,563	19,534	3,123	3,868	69,088
Other financing sources (uses):					
Transfers from other funds	9,326	880	257	5,212	15,675
Transfers to other funds	(2,512)	(304)	(928)	(11,833)	(15,577)
Bond and note proceeds	0	0	185	0	185
Net other financing sources (uses)	6,814	576	(486)	(6,621)	283
Change in fund balance	16	28	22	0	66
Closing fund balance	1,202	1,344	(330)	168	2,384

CASH FINANCIAL PLAN
STATE FUNDS
2006-2007
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,344	(330)	168	1,182
Receipts:					
Taxes	34,296	5,971	2,008	10,203	52,478
Miscellaneous receipts	2,504	12,586	2,149	665	17,904
Federal grants	4	1	0	0	5
Total receipts	36,804	18,558	4,157	10,868	70,387
Disbursements:					
Grants to local governments	32,995	13,912	811	0	47,718
State operations	8,809	5,408	0	23	14,240
General State charges	4,654	596	0	0	5,250
Debt service	0	0	0	4,156	4,156
Capital projects	0	1	2,914	0	2,915
Total disbursements	46,458	19,917	3,725	4,179	74,279
Other financing sources (uses):					
Transfers from other funds	9,325	817	274	5,098	15,514
Transfers to other funds	(2,522)	(202)	(901)	(11,792)	(15,417)
Bond and note proceeds	0	0	161	0	161
Net other financing sources (uses)	6,803	615	(466)	(6,694)	258
Deposit to/(use of) Community Projects Fund	(150)	0	0	0	(150)
Change in fund balance	(2,701)	(744)	(34)	(5)	(3,484)
Closing fund balance	(2,701)	600	(364)	163	(2,302)

CASH FINANCIAL PLAN
STATE FUNDS
2007-2008
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	600	(364)	163	399
Receipts:					
Taxes	36,266	6,235	2,033	10,814	55,348
Miscellaneous receipts	4,560	13,279	2,584	671	21,094
Federal grants	4	1	0	0	5
Total receipts	40,830	19,515	4,617	11,485	76,447
Disbursements:					
Grants to local governments	36,921	15,025	743	0	52,689
State operations	9,250	5,478	0	23	14,751
General State charges	4,845	629	0	0	5,474
Debt service	0	0	0	4,443	4,443
Capital projects	0	1	3,335	0	3,336
Total disbursements	51,016	21,133	4,078	4,466	80,693
Other financing sources (uses):					
Transfers from other funds	9,730	829	273	5,167	15,999
Transfers to other funds	(2,496)	(203)	(1,007)	(12,185)	(15,891)
Bond and note proceeds	0	0	157	0	157
Net other financing sources (uses)	7,234	626	(577)	(7,018)	265
Deposit to/(use of) Community Projects Fund	(167)	0	0	0	(167)
Change in fund balance	(2,785)	(992)	(38)	1	(3,814)
Closing fund balance	(2,785)	(392)	(402)	164	(3,415)

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	815	1,039	(790)	158	1,222
Receipts:					
Taxes	27,934	4,442	1,756	8,122	42,254
Miscellaneous receipts	5,917	10,517	2,168	810	19,412
Federal grants	654	35,121	1,548	0	37,323
Total receipts	34,505	50,080	5,472	8,932	98,989
Disbursements:					
Grants to local governments	29,246	41,368	781	0	71,395
State operations	7,093	7,866	0	9	14,968
General State charges	3,247	601	0	0	3,848
Debt service	0	0	0	3,351	3,351
Capital projects	0	8	3,756	0	3,764
Total disbursements	39,586	49,843	4,537	3,360	97,326
Other financing sources (uses):					
Transfers from other funds	7,822	3,447	254	4,794	16,317
Transfers to other funds	(2,479)	(2,539)	(1,028)	(10,350)	(16,396)
Bond and note proceeds	0	0	140	0	140
Net other financing sources (uses)	5,343	908	(634)	(5,556)	61
Change in fund balance	262	1,145	301	16	1,724
Closing fund balance	1,077	2,184	(489)	174	2,946

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,077	2,184	(489)	174	2,946
Receipts:					
Taxes	32,178	5,396	1,823	9,242	48,639
Miscellaneous receipts	2,801	11,378	1,677	647	16,503
Federal grants	8	35,634	1,778	0	37,420
Total receipts	34,987	52,408	5,278	9,889	102,562
Disbursements:					
Grants to local governments	30,165	44,013	1,200	0	75,378
State operations	7,607	8,396	0	22	16,025
General State charges	3,665	688	0	0	4,353
Debt service	0	0	0	3,808	3,808
Capital projects	0	2	3,474	0	3,476
Total disbursements	41,437	53,099	4,674	3,830	103,040
Other financing sources (uses):					
Transfers from other funds	9,037	3,182	233	5,221	17,673
Transfers to other funds	(2,478)	(2,923)	(1,047)	(11,286)	(17,734)
Bond and note proceeds	0	0	193	0	193
Net other financing sources (uses)	6,559	259	(621)	(6,065)	132
Change in fund balance	109	(432)	(17)	(6)	(346)
Closing fund balance	1,186	1,752	(506)	168	2,600

To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted for the inclusion of all HCRA funded programs on-budget and additional Medicaid spending to comply with Federal policy changes related to certain county shares adjustments. The 2004-05 adjustment for HCRA is $925 million and Medicaid is $508 million.

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	1,077	2,184	(489)	174	2,946
Receipts:					
Taxes	32,178	4,835	1,823	9,242	48,078
Miscellaneous receipts	2,293	11,014	1,677	647	15,631
Federal grants	8	35,634	1,778	0	37,420
Total receipts	34,479	51,483	5,278	9,889	101,129
Disbursements:					
Grants to local governments	29,657	43,088	1,200	0	73,945
State operations	7,607	8,396	0	22	16,025
General State charges	3,665	688	0	0	4,353
Debt service	0	0	0	3,808	3,808
Capital projects	0	2	3,474	0	3,476
Total disbursements	40,929	52,174	4,674	3,830	101,607
Other financing sources (uses):					
Transfers from other funds	9,037	3,182	233	5,221	17,673
Transfers to other funds	(2,478)	(2,923)	(1,047)	(11,286)	(17,734)
Bond and note proceeds	0	0	193	0	193
Net other financing sources (uses)	6,559	259	(621)	(6,065)	132
Change in fund balance	109	(432)	(17)	(6)	(346)
Closing fund balance	1,186	1,752	(506)	168	2,600

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	1,186	1,752	(506)	168	2,600
Receipts:					
Taxes	33,310	5,659	1,855	9,833	50,657
Miscellaneous receipts	2,451	13,420	1,776	656	18,303
Federal grants	4	34,728	1,828	0	36,560
Total receipts	35,765	53,807	5,459	10,489	105,520
Disbursements:					
Grants to local governments	30,619	44,855	1,160	0	76,634
State operations	8,055	8,513	0	26	16,594
General State charges	3,889	784	0	0	4,673
Debt service	0	0	0	3,842	3,842
Capital projects	0	2	3,782	0	3,784
Total disbursements	42,563	54,154	4,942	3,868	105,527
Other financing sources (uses):					
Transfers from other funds	9,326	3,433	257	5,212	18,228
Transfers to other funds	(2,512)	(3,004)	(937)	(11,833)	(18,286)
Bond and note proceeds	0	0	185	0	185
Net other financing sources (uses)	6,814	429	(495)	(6,621)	127
Change in fund balance	16	82	22	0	120
Closing fund balance	1,202	1,834	(484)	168	2,720

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2006-2007
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,834	(484)	168	1,518
Receipts:					
Taxes	34,296	5,971	2,008	10,203	52,478
Miscellaneous receipts	2,504	12,683	2,149	665	18,001
Federal grants	4	35,777	1,821	0	37,602
Total receipts	36,804	54,431	5,978	10,868	108,081
Disbursements:					
Grants to local governments	32,995	46,361	1,023	0	80,379
State operations	8,809	8,345	0	23	17,177
General State charges	4,654	834	0	0	5,488
Debt service	0	0	0	4,156	4,156
Capital projects	0	3	4,486	0	4,489
Total disbursements	46,458	55,543	5,509	4,179	111,689
Other financing sources (uses):					
Transfers from other funds	9,325	3,171	274	5,098	17,868
Transfers to other funds	(2,522)	(2,685)	(910)	(11,792)	(17,909)
Bond and note proceeds	0	0	161	0	161
Net other financing sources (uses)	6,803	486	(475)	(6,694)	120
Deposit to/(use of) Community Projects Fund	(150)	0	0	0	(150)
Change in fund balance	(2,701)	(626)	(6)	(5)	(3,338)
Closing fund balance	(2,701)	1,208	(490)	163	(1,820)

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2007-2008
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	1,208	(490)	163	881
Receipts:					
Taxes	36,266	6,235	2,033	10,814	55,348
Miscellaneous receipts	4,560	13,377	2,584	671	21,192
Federal grants	4	37,734	1,767	0	39,505
Total receipts	40,830	57,346	6,384	11,485	116,045
Disbursements:					
Grants to local governments	36,921	49,453	954	0	87,328
State operations	9,250	8,398	0	23	17,671
General State charges	4,845	873	0	0	5,718
Debt service	0	0	0	4,443	4,443
Capital projects	0	2	4,847	0	4,849
Total disbursements	51,016	58,726	5,801	4,466	120,009
Other financing sources (uses):					
Transfers from other funds	9,730	3,158	273	5,167	18,328
Transfers to other funds	(2,496)	(2,653)	(1,017)	(12,185)	(18,351)
Bond and note proceeds	0	0	157	0	157
Net other financing sources (uses)	7,234	505	(587)	(7,018)	134
Deposit to/(use of) Community Projects Fund	(167)	0	0	0	(167)
Change in fund balance	(2,785)	(875)	(4)	1	(3,663)
Closing fund balance	(2,785)	333	(494)	164	(2,782)

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

	State	Federal	Total
Opening fund balance	1,230	(191)	1,039
Receipts:			
Taxes	4,442	0	4,442
Miscellaneous receipts	10,372	145	10,517
Federal grants	0	35,121	35,121
Total receipts	14,814	35,266	50,080
Disbursements:			
Grants to local governments	10,399	30,969	41,368
State operations	4,497	3,369	7,866
General State charges	424	177	601
Debt service	0	0	0
Capital projects	3	5	8
Total disbursements	15,323	34,520	49,843
Other financing sources (uses):			
Transfers from other funds	994	2,453	3,447
Transfers to other funds	(12)	(2,527)	(2,539)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	982	(74)	908
Change in fund balance	473	672	1,145
Closing fund balance	1,703	481	2,184

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

	State	Federal	Total
Opening fund balance	1,703	481	2,184
Receipts:			
Taxes	4,835	0	4,835
Miscellaneous receipts	10,889	125	11,014
Federal grants	1	35,633	35,634
Total receipts	15,725	35,758	51,483
Disbursements:			
Grants to local governments	10,957	32,131	43,088
State operations	5,032	3,364	8,396
General State charges	484	204	688
Debt service	0	0	0
Capital projects	1	1	2
Total disbursements	16,474	35,700	52,174
Other financing sources (uses):			
Transfers from other funds	762	2,420	3,182
Transfers to other funds	(400)	(2,523)	(2,923)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	362	(103)	259
Change in fund balance	(387)	(45)	(432)
Closing fund balance	1,316	436	1,752

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

	State	Federal	Total
Opening fund balance	1,316	436	1,752
Receipts:			
Taxes	5,659	0	5,659
Miscellaneous receipts	13,326	94	13,420
Federal grants	1	34,727	34,728
Total receipts	18,986	34,821	53,807
Disbursements:			
Grants to local governments	13,638	31,217	44,855
State operations	5,336	3,177	8,513
General State charges	558	226	784
Debt service	0	0	0
Capital projects	2	0	2
Total disbursements	19,534	34,620	54,154
Other financing sources (uses):			
Transfers from other funds	880	2,553	3,433
Transfers to other funds	(304)	(2,700)	(3,004)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	576	(147)	429
Change in fund balance	28	54	82
Closing fund balance	1,344	490	1,834

CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2006-2007
(millions of dollars)

	State	Federal	Total
Opening fund balance	1,344	490	1,834
Receipts:			
Taxes	5,971	0	5,971
Miscellaneous receipts	12,586	97	12,683
Federal grants	1	35,776	35,777
Total receipts	18,558	35,873	54,431
Disbursements:			
Grants to local governments	13,912	32,449	46,361
State operations	5,408	2,937	8,345
General State charges	596	238	834
Debt service	0	0	0
Capital projects	1	2	3
Total disbursements	19,917	35,626	55,543
Other financing sources (uses):			
Transfers from other funds	817	2,354	3,171
Transfers to other funds	(202)	(2,483)	(2,685)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	615	(129)	486
Change in fund balance	(744)	118	(626)
Closing fund balance	600	608	1,208

CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2007-2008
(millions of dollars)

	State	Federal	Total
Opening fund balance	600	608	1,208
Receipts:			
Taxes	6,235	0	6,235
Miscellaneous receipts	13,279	98	13,377
Federal grants	1	37,733	37,734
Total receipts	19,515	37,831	57,346
Disbursements:			
Grants to local governments	15,025	34,428	49,453
State operations	5,478	2,920	8,398
General State charges	629	244	873
Debt service	0	0	0
Capital projects	1	1	2
Total disbursements	21,133	37,593	58,726
Other financing sources (uses):			
Transfers from other funds	829	2,329	3,158
Transfers to other funds	(203)	(2,450)	(2,653)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	626	(121)	505
Change in fund balance	(992)	117	(875)
Closing fund balance	(392)	725	333

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

	State	Federal	Total
Opening fund balance	(558)	(232)	(790)
Receipts:			
Taxes	1,756	0	1,756
Miscellaneous receipts	2,162	6	2,168
Federal grants	0	1,548	1,548
Total receipts	3,918	1,554	5,472
Disbursements:			
Grants to local governments	290	491	781
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,774	982	3,756
Total disbursements	3,064	1,473	4,537
Other financing sources (uses):			
Transfers from other funds	254	0	254
Transfers to other funds	(1,026)	(2)	(1,028)
Bond and note proceeds	140	0	140
Net other financing sources (uses)	(632)	(2)	(634)
Change in fund balance	222	79	301
Closing fund balance	(336)	(153)	(489)

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

	State	Federal	Total
Opening fund balance	(336)	(153)	(489)
Receipts:			
Taxes	1,823	0	1,823
Miscellaneous receipts	1,677	0	1,677
Federal grants	0	1,778	1,778
Total receipts	3,500	1,778	5,278
Disbursements:			
Grants to local governments	988	212	1,200
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	1,916	1,558	3,474
Total disbursements	2,904	1,770	4,674
Other financing sources (uses):			
Transfers from other funds	233	0	233
Transfers to other funds	(1,038)	(9)	(1,047)
Bond and note proceeds	193	0	193
Net other financing sources (uses)	(612)	(9)	(621)
Change in fund balance	(16)	(1)	(17)
Closing fund balance	(352)	(154)	(506)

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

	State	Federal	Total
Opening fund balance	(352)	(154)	(506)
Receipts:			
Taxes	1,855	0	1,855
Miscellaneous receipts	1,776	0	1,776
Federal grants	0	1,828	1,828
Total receipts	3,631	1,828	5,459
Disbursements:			
Grants to local governments	949	211	1,160
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,174	1,608	3,782
Total disbursements	3,123	1,819	4,942
Other financing sources (uses):			
Transfers from other funds	257	0	257
Transfers to other funds	(928)	(9)	(937)
Bond and note proceeds	185	0	185
Net other financing sources (uses)	(486)	(9)	(495)
Change in fund balance	22	0	22
Closing fund balance	(330)	(154)	(484)

CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2006-2007
(millions of dollars)

	State	Federal	Total
Opening fund balance	(330)	(154)	(484)
Receipts:			
Taxes	2,008	0	2,008
Miscellaneous receipts	2,149	0	2,149
Federal grants	0	1,821	1,821
Total receipts	4,157	1,821	5,978
Disbursements:			
Grants to local governments	811	212	1,023
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	2,914	1,572	4,486
Total disbursements	3,725	1,784	5,509
Other financing sources (uses):			
Transfers from other funds	274	0	274
Transfers to other funds	(901)	(9)	(910)
Bond and note proceeds	161	0	161
Net other financing sources (uses)	(466)	(9)	(475)
Change in fund balance	(34)	28	(6)
Closing fund balance	(364)	(126)	(490)

CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2007-2008
(millions of dollars)

	State	Federal	Total
Opening fund balance	(364)	(126)	(490)
Receipts:			
Taxes	2,033	0	2,033
Miscellaneous receipts	2,584	0	2,584
Federal grants	0	1,767	1,767
Total receipts	4,617	1,767	6,384
Disbursements:			
Grants to local governments	743	211	954
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	3,335	1,512	4,847
Total disbursements	4,078	1,723	5,801
Other financing sources (uses):			
Transfers from other funds	273	0	273
Transfers to other funds	(1,007)	(10)	(1,017)
Bond and note proceeds	157	0	157
Net other financing sources (uses)	(577)	(10)	(587)
Change in fund balance	(38)	34	(4)
Closing fund balance	(402)	(92)	(494)

CASHFLOW
GENERAL FUND
2003-2004
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Actual)	Total (Actual)
Opening fund balance	815	1,989	2,559	3,012	815
Receipts:					
Taxes:					
Personal income tax	4,600	4,131	2,550	4,493	15,774
User taxes and fees	1,820	2,108	2,074	1,977	7,979
Business taxes	650	887	754	1,122	3,413
Other taxes	176	223	223	146	768
Miscellaneous receipts	2,440	360	2,605	512	5,917
Federal grants	325	2	325	2	654
Transfers from other funds					
PIT in excess of Revenue Bond debt service	1,314	1,333	782	1,815	5,244
Sales tax in excess of LGAC debt service	514	507	587	363	1,971
Real estate taxes in excess of CW/CA debt service	77	71	84	75	307
All Other	60	51	14	175	300
Total receipts	11,976	9,673	9,998	10,680	42,327
Disbursements:					
Grants to local governments					
School Aid	4,238	1,405	1,753	6,289	13,685
Medicaid	2,071	1,149	2,068	1,405	6,693
Welfare	(4)	548	426	497	1,467
All Other	1,187	2,157	2,143	1,914	7,401
State operations					
Personal Service	1,709	1,599	1,393	436	5,137
Non-Personal Service	481	486	409	580	1,956
General State charges	546	1,242	729	730	3,247
Transfers to other funds					
Debt service	377	360	447	290	1,474
Capital projects	5	53	104	66	228
Other purposes	192	104	73	408	777
Total disbursements	10,802	9,103	9,545	12,615	42,065
Change in fund balance	1,174	570	453	(1,935)	262
Closing fund balance	1,989	2,559	3,012	1,077	1,077

CASHFLOW
GENERAL FUND
2004-2005
(millions of dollars)

	April through December 2004 (Actual)	January 2005 (Projected)	February 2005 (Projected)	March 2005 (Projected)	Total
Opening fund balance	1,077	2,536	5,864	6,561	1,077
Receipts:					
Taxes:					
Personal income tax	13,593	3,220	1,767	352	18,932
User taxes and fees	6,637	684	542	889	8,752
Business taxes	2,699	37	43	985	3,764
Other taxes	550	58	61	61	730
Miscellaneous receipts	1,686	172	168	267	2,293
Federal Grants	6	0	0	2	8
Transfers from other funds					
PIT in excess of Revenue Bond debt service	3,943	1,074	589	236	5,842
Sales tax in excess of LGAC debt service	1,789	186	3	193	2,171
Real estate taxes in excess of CW/CA debt service	425	31	26	38	520
All Other	271	46	1	186	504
Total receipts	31,599	5,508	3,200	3,209	43,516
Disbursements:					
Grants to local governments					
School Aid	6,242	297	544	5,824	12,907
Medicaid	5,917	359	640	518	7,434
Welfare	1,061	136	159	108	1,464
All Other	5,511	462	548	1,331	7,852
State operations					
Personal Service	4,836	481	219	79	5,615
Non-Personal Service	1,436	141	167	248	1,992
General State charges	2,951	266	145	303	3,665
Transfers to other funds					
Debt service	1,449	14	28	241	1,732
Capital projects	305	12	41	(160)	198
Other purposes	432	12	12	75	548
Total disbursements	30,140	2,180	2,503	8,567	43,407
Change in fund balance	1,459	3,328	697	(5,358)	109
Closing fund balance	2,536	5,864	6,561	1,203	1,186

CASHFLOW
GENERAL FUND
2005-2006
(dollars in millions)

	2005 April	May	June	July	August	September	October	November	December	2006 January	February	March	Total
Opening fund balance	1,186	4,271	1,976	1,999	2,157	2,340	2,775	1,906	1,309	1,954	5,470	6,266	1,186
Receipts:													
Taxes													
Personal income tax	4,059	332	1,917	1,247	1,426	2,061	679	585	1,729	3,357	1,914	538	19,844
User taxes and fees	659	661	932	665	632	866	628	628	912	665	525	849	8,622
Business taxes	87	14	861	70	36	894	51	5	871	41	10	1,126	4,066
Other taxes	63	69	71	55	65	57	69	67	68	63	66	65	778
Miscellaneous receipts	152	94	164	103	101	165	186	402	232	194	195	463	2,451
Federal Grants	0	0	1	0	0	1	0	0	1	0	0	1	4
Transfers from other funds													
PIT in excess of Revenue Bond debt service	1,122	111	605	416	476	625	227	195	412	1,119	638	183	6,129
Sales tax in excess of LGAC debt service	179	185	291	198	189	190	188	189	282	199	2	208	2,300
Real estate taxes in excess of CW/CA debt service	50	49	48	50	39	53	51	45	39	34	30	22	510
All Other	0	(1)	138	0	0	10	0	0	20	57	0	163	387
Total receipts	6,371	1,514	5,028	2,804	2,964	4,922	2,079	2,116	4,566	5,729	3,380	3,618	45,091
Disbursements:													
Grants to local governments													
School Aid	115	1,610	1,578	115	310	964	435	434	1,114	280	540	5,732	13,227
Medicaid	1,104	790	1,101	405	690	406	535	512	387	399	574	812	7,715
Welfare	124	(36)	75	148	146	249	137	(24)	79	164	163	167	1,392
All Other	415	344	830	858	531	613	873	402	969	455	674	1,321	8,285
State operations													
Personal Service	602	554	770	592	532	623	433	719	456	456	235	(111)	5,861
Non-Personal Service	172	179	197	212	141	167	184	170	174	194	186	218	2,194
General State charges	405	192	171	251	356	1,003	265	270	247	271	135	323	3,889
Transfers to other funds													
Debt service	230	145	213	23	28	300	50	183	379	17	26	72	1,666
Capital projects	18	13	23	20	27	78	(7)	26	90	(44)	32	(57)	219
Other purposes	101	18	47	22	20	84	43	21	26	21	19	205	627
Total disbursements	3,286	3,809	5,005	2,646	2,781	4,487	2,948	2,713	3,921	2,213	2,584	8,682	45,075
Change in fund balance	3,085	(2,295)	23	158	183	435	(869)	(597)	645	3,516	796	(5,064)	16
Closing fund balance	4,271	1,976	1,999	2,157	2,340	2,775	1,906	1,309	1,954	5,470	6,266	1,202	1,202

CASH FLOW
GENERAL FUND
April 1 through December 31 (Actuals)
(millions of dollars)

	2003	2004	Change
Opening fund balance	815	1,077	262
Receipts:			
Taxes:			
Personal income tax	11,281	13,593	2,312
User taxes and fees	6,002	6,637	635
Business taxes	2,291	2,699	408
Other taxes	622	550	(72)
Miscellaneous receipts	5,405	1,686	(3,719)
Federal grants	652	6	(646)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	3,429	3,943	514
Sales tax in excess of LGAC debt service	1,608	1,789	181
Real estate taxes in excess of CW/CA debt service	232	425	193
All other	125	271	146
Total receipts	31,647	31,599	(48)
Disbursements:			
Grants to local governments :			
School Aid	6,084	6,242	158
Medicaid	5,206	5,917	711
Welfare	924	1,061	137
All Other	5,101	5,511	410
State operations:			
Personal Service	4,664	4,836	172
Non-Personal Service	1,376	1,436	60
General State charges	2,484	2,951	467
Transfers to other funds:			
Debt service	1,184	1,449	265
Capital projects	158	305	147
Other purposes	369	432	63
2002-03 Payment Deferrals	1,900	0	(1,900)
Total disbursements	29,450	30,140	690
Change in fund balance	2,197	1,459	(738)
Closing fund balance	3,012	2,536	(476)

CASH FLOW
GENERAL FUND
April 1, 2004 through December 31, 2004 (Mid-Year vs. Actuals)
(millions of dollars)

	Mid-Year	Actuals	Change
Opening fund balance	1,077	1,077	0
Receipts:			
Taxes:			
Personal income tax	13,239	13,593	354
User taxes and fees	6,622	6,637	15
Business taxes	2,636	2,699	63
Other taxes	566	550	(16)
Miscellaneous receipts	1,711	1,686	(25)
Federal grants	6	6	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	3,819	3,943	124
Sales tax in excess of LGAC debt service	1,789	1,789	0
Real estate taxes in excess of CW/CA debt service	358	425	67
All other	259	271	12
Total receipts	31,005	31,599	594
Disbursements:			
Grants to local governments :			
School Aid	6,370	6,242	(128)
Medicaid	5,820	5,917	97
Welfare	1,068	1,061	(7)
All Other	5,582	5,511	(71)
State operations:			
Personal Service	4,870	4,836	(34)
Non-Personal Service	1,443	1,436	(7)
General State charges	2,938	2,951	13
Transfers to other funds:			
Debt service	1,447	1,449	2
Capital projects	315	305	(10)
Other purposes	435	432	(3)
Total disbursements	30,288	30,140	(148)
Fiscal Management Plan (1)	40	0	(40)
Change in fund balance	757	1,459	702
Closing fund balance	1,834	2,536	702

(1) Fiscal Management Plan savings are shown in the appropriate financial plan categories for actuals.

CASH FLOW
GENERAL FUND
April 1, 2004 through December 31, 2004 (Enacted vs. Actuals)
(millions of dollars)

	Enacted	Actuals	Change
Opening fund balance	1,077	1,077	0
Receipts:			
Taxes:			
Personal income tax	13,032	13,593	561
User taxes and fees	6,668	6,637	(31)
Business taxes	2,579	2,699	120
Other taxes	567	550	(17)
Miscellaneous receipts	1,826	1,686	(140)
Federal grants	0	6	6
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	3,746	3,943	197
Sales tax in excess of LGAC debt service	1,798	1,789	(9)
Real estate taxes in excess of CW/CA debt service	246	425	179
All other	277	271	(6)
Total receipts	30,739	31,599	860
Disbursements:			
Grants to local governments :			
School Aid	6,319	6,242	(77)
Medicaid	5,925	5,917	(8)
Welfare	1,038	1,061	23
All Other	5,607	5,511	(96)
State operations:			
Personal Service	4,904	4,836	(68)
Non-Personal Service	1,496	1,436	(60)
General State charges	2,995	2,951	(44)
Transfers to other funds:			
Debt service	1,464	1,449	(15)
Capital projects	491	305	(186)
Other purposes	412	432	20
Total disbursements	30,651	30,140	(511)
Fiscal Management Plan (1)	160	0	(160)
Change in fund balance	248	1,459	1,211
Closing fund balance	1,325	2,536	1,211

(1) Fiscal Management Plan savings are shown in the appropriate financial plan categories for actuals.

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

	Enacted	Change	January
Revenues:			
Taxes:			
Personal income tax	17,639	1,049	18,688
User taxes and fees	8,854	67	8,921
Business taxes	4,017	(161)	3,856
Other taxes	710	(32)	678
Miscellaneous revenues	4,637	(202)	4,435
Federal grants	0	8	8
Total revenues	35,857	729	36,586
Expenditures:			
Grants to local governments	31,697	604	32,301
State operations	10,196	209	10,405
General State charges	3,225	(39)	3,186
Debt service	25	(1)	24
Capital projects	0	0	0
Total expenditures	45,143	773	45,916
Other financing sources (uses):			
Transfers from other funds	11,971	547	12,518
Transfers to other funds	(4,608)	(20)	(4,628)
Proceeds from financing arrangements/ advance refundings	375	279	654
Net other financing sources (uses)	7,738	806	8,544
Fiscal Management Plan (1)	434	(434)	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,114)	328	(786)
Accumulated Deficit	(1,395)	47	(1,067)

(1) A total of $161 million in Fiscal Management Plan savings was achieved, and is reflected in the revised January spending estimates.

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

	2004-2005 Estimate	2005-2006 Recommended	Change
Revenues:			
Taxes:			
Personal income tax	18,688	19,946	1,258
User taxes and fees	8,921	8,646	(275)
Business taxes	3,856	4,083	227
Other taxes	678	798	120
Miscellaneous revenues	4,435	4,428	(7)
Federal grants	8	4	(4)
Total revenues	36,586	37,905	1,319
Expenditures:			
Grants to local governments	32,301	32,734	433
State operations	10,405	10,783	378
General State charges	3,186	3,282	96
Debt service	24	25	1
Capital projects	0	0	0
Total expenditures	45,916	46,824	908
Other financing sources (uses):			
Transfers from other funds	12,518	12,705	187
Transfers to other funds	(4,628)	(4,823)	(195)
Proceeds from financing arrangements/ advance refundings	654	914	260
Net other financing sources (uses)	8,544	8,796	252
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(786)	(123)	663
Accumulated Deficit	(1,067)	(1,190)	(123)

**CONVERSION OF CASH FINANCIAL PLAN
TO GAAP FINANCIAL PLAN
GENERAL FUND
2004-2005
(millions of dollars)**

	Cash Financial Plan	Perspective Difference: Special Revenue Funds	Entity Difference: Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intrafund Eliminations	Reclass-ification	GAAP Financial Plan
Receipts/Revenues:									
Taxes:									
Personal income tax	18,932	0	0	18,932	(244)	0	0	0	18,688
User taxes and fees	8,752	0	0	8,752	169	0	0	0	8,921
Business taxes	3,764	0	0	3,764	92	0	0	0	3,856
Other taxes	730	1	0	731	(53)	0	0	0	678
Miscellaneous receipts	2,293	3,060	559	5,912	(213)	(78)	(498)	(688)	4,435
Federal Grants	8	0	0	8	0	0	0	0	8
Total receipts/revenues	34,479	3,061	559	38,099	(249)	(78)	(498)	(688)	36,586
Disbursements/expenditures:									
Grants to local governments	29,657	2,304	0	31,961	942	0	0	(602)	32,301
State operations	7,607	3,603	575	11,785	25	(253)	(498)	(654)	10,405
General State charges	3,665	257	45	3,967	184	(25)	0	(940)	3,186
Debt service	0	0	8	8	24	0	0	(8)	24
Capital projects	0	0	0	0	0	0	0	0	0
Total disbursements/expenditures	40,929	6,164	628	47,721	1,175	(278)	(498)	(2,204)	45,916
Other financing sources (uses):									
Transfers from other funds	9,037	3,245	91	12,373	0	(203)	(340)	688	12,518
Transfers to other funds	(2,478)	(253)	(31)	(2,762)	(5)	3	340	(2,204)	(4,628)
Proceeds from financing arrangements/ advance refundings	0	0	0	0	654	0	0	0	654
Net other financing sources (uses)	6,559	2,992	60	9,611	649	(200)	0	(1,516)	8,544
(Increase)/decrease in reserves	(109)	0	0	(109)	109	0	0	0	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	0	(111)	(9)	(120)	(666)	0	0	0	(786)

CONVERSION OF CASH FINANCIAL PLAN
TO GAAP FINANCIAL PLAN
GENERAL FUND
2005-2006
(millions of dollars)

	Cash Financial Plan	Perspective Difference: Special Revenue Funds	Entity Difference: Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intrafund Eliminations	Reclass-ification	GAAP Financial Plan
Receipts/Revenues:									
Taxes:									
Personal income tax	19,844	0	0	19,844	102	0	0	0	19,946
User taxes and fees	8,622	0	0	8,622	24	0	0	0	8,646
Business taxes	4,066	0	0	4,066	17	0	0	0	4,083
Other taxes	778	0	0	778	20	0	0	0	798
Miscellaneous receipts	2,451	2,513	680	5,644	64	(86)	(613)	(581)	4,428
Federal Grants	4	0	0	4	0	0	0	0	4
Total receipts/revenues	35,765	2,513	680	38,958	227	(86)	(613)	(581)	37,905
Disbursements/expenditures:									
Grants to local governments	30,619	1,860	0	32,479	1,010	0	0	(755)	32,734
State operations	8,055	3,480	701	12,236	38	(263)	(613)	(615)	10,783
General State charges	3,889	281	51	4,221	67	(27)	0	(979)	3,282
Debt service	0	0	23	23	25	0	0	(23)	25
Capital projects	0	0	0	0	0	0	0	0	0
Total disbursements/expenditures	42,563	5,621	775	48,959	1,140	(290)	(613)	(2,372)	46,824
Other financing sources (uses):									
Transfers from other funds	9,326	3,243	88	12,657	0	(207)	(326)	581	12,705
Transfers to other funds	(2,512)	(234)	(29)	(2,775)	(5)	3	326	(2,372)	(4,823)
Proceeds from financing arrangements/ advance refundings	0	0	0	0	914	0	0	0	914
Net other financing sources (uses)	6,814	3,009	59	9,882	909	(204)	0	(1,791)	8,796
(Increase)/decrease in reserves	(16)	0	0	(16)	16	0	0	0	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	0	(99)	(36)	(135)	12	0	0	0	(123)

GAAP FINANCIAL PLAN
GENERAL FUND
2005-2006 THROUGH 2007-2008
(millions of dollars)

	2005-2006 Recommended	2006-2007 Projected	2007-2008 Projected
Revenues:			
Taxes:			
Personal income tax	19,946	20,695	22,017
User taxes and fees	8,646	8,846	9,184
Business taxes	4,083	4,152	4,315
Other taxes	798	904	920
Miscellaneous revenues	4,428	4,613	6,709
Federal grants	4	4	4
Total revenues	37,905	39,214	43,149
Expenditures:			
Grants to local governments	32,734	35,553	39,559
State operations	10,783	11,235	11,581
General State charges	3,282	4,002	4,110
Debt service	25	26	27
Capital projects	0	0	0
Total expenditures	46,824	50,816	55,277
Other financing sources (uses):			
Transfers from other funds	12,705	12,655	13,063
Transfers to other funds	(4,823)	(5,138)	(5,166)
Proceeds from financing arrangements/ advance refundings	914	991	1,026
Net other financing sources (uses)	8,796	8,508	8,923
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(123)	(3,094)	(3,205)

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	32,143	4,830	1,827	9,287	48,087
Patient fees	0	0	0	326	326
Miscellaneous revenues	4,435	2,294	231	23	6,983
Federal grants	8	37,402	1,778	0	39,188
Total revenues	36,586	44,526	3,836	9,636	94,584
Expenditures:					
Grants to local governments	32,301	39,643	1,187	0	73,131
State operations	10,405	1,841	0	22	12,268
General State charges	3,186	251	0	0	3,437
Debt service	24	0	0	3,138	3,162
Capital projects	0	2	3,206	0	3,208
Total expenditures	45,916	41,737	4,393	3,160	95,206
Other financing sources (uses):					
Transfers from other funds	12,518	1,036	212	5,244	19,010
Transfers to other funds	(4,628)	(4,061)	(1,086)	(11,687)	(21,462)
Proceeds of general obligation bonds	0	0	193	0	193
Proceeds from financing arrangements/ advance refundings	654	0	1,232	0	1,886
Net other financing sources (uses)	8,544	(3,025)	551	(6,443)	(373)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(786)	(236)	(6)	33	(995)

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	33,473	5,656	1,854	9,841	50,824
Patient fees	0	0	0	326	326
Miscellaneous revenues	4,428	5,736	507	23	10,694
Federal grants	4	36,539	1,828	0	38,371
Total revenues	37,905	47,931	4,189	10,190	100,215
Expenditures:					
Grants to local governments	32,734	42,799	1,148	0	76,681
State operations	10,783	1,674	0	26	12,483
General State charges	3,282	305	0	0	3,587
Debt service	25	0	0	3,041	3,066
Capital projects	0	2	3,479	0	3,481
Total expenditures	46,824	44,780	4,627	3,067	99,298
Other financing sources (uses):					
Transfers from other funds	12,705	270	233	5,233	18,441
Transfers to other funds	(4,823)	(3,214)	(973)	(12,348)	(21,358)
Proceeds of general obligation bonds	0	0	185	0	185
Proceeds from financing arrangements/ advance refundings	914	0	1,001	0	1,915
Net other financing sources (uses)	8,796	(2,944)	446	(7,115)	(817)
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(123)	207	8	8	100

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

	Major Funds				
	General Fund	Federal Special Revenue	Other Governmental Funds	Eliminations	Total
Revenues:					
Taxes:					
Personal income tax	18,688	0	9,210	0	27,898
User taxes and fees	8,921	0	4,268	0	13,189
Business taxes	3,856	0	1,712	0	5,568
Other taxes	678	0	754	0	1,432
Patient fees	0	0	326	0	326
Miscellaneous receipts	4,435	120	2,428	0	6,983
Federal grants	8	37,401	1,779	0	39,188
Total revenues	36,586	37,521	20,477	0	94,584
Expenditures:					
Grants to local governments	32,301	33,256	7,574	0	73,131
State operations	10,405	1,188	675	0	12,268
General State charges	3,186	182	69	0	3,437
Debt service	24	0	3,138	0	3,162
Capital projects	0	0	3,208	0	3,208
Total expenditures	45,916	34,626	14,664	0	95,206
Other financing sources (uses):					
Transfers from other funds	12,518	0	23,722	(17,230)	19,010
Transfers to other funds	(4,628)	(3,130)	(30,934)	17,230	(21,462)
Proceeds of General obligation bonds	0	0	193	0	193
Proceeds from financing arrangements/ advance refundings	654	0	1,232	0	1,886
Net other financing sources (uses)	8,544	(3,130)	(5,787)	0	(373)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(786)	(235)	26	0	(995)

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

	Major Funds				
	General Fund	Federal Special Revenue	Other Governmental Funds	Eliminations	Total
Revenues:					
Taxes:					
Personal income tax	19,946	0	9,774	0	29,720
User taxes and fees	8,646	0	5,024	0	13,670
Business taxes	4,083	0	1,815	0	5,898
Other taxes	798	0	738	0	1,536
Patient fees	0	0	326	0	326
Miscellaneous receipts	4,428	89	6,177	0	10,694
Federal grants	4	36,539	1,828	0	38,371
Total revenues	37,905	36,628	25,682	0	100,215
Expenditures:					
Grants to local governments	32,734	32,118	11,829	0	76,681
State operations	10,783	1,204	496	0	12,483
General State charges	3,282	203	102	0	3,587
Debt service	25	0	3,041	0	3,066
Capital projects	0	1	3,480	0	3,481
Total expenditures	46,824	33,526	18,948	0	99,298
Other financing sources (uses):					
Transfers from other funds	12,705	0	23,536	(17,800)	18,441
Transfers to other funds	(4,823)	(3,174)	(31,161)	17,800	(21,358)
Proceeds of General obligation bonds	0	0	185	0	185
Proceeds from financing arrangements/ advance refundings	914	0	1,001	0	1,915
Net other financing sources (uses)	8,796	(3,174)	(6,439)	0	(817)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(123)	(72)	295	0	100

CASH FINANCIAL PLAN
HEALTH CARE REFORM ACT RESOURCES FUND
2004-2005 AND 2005-2006
(millions of dollars)

	2004-2005 January	2005-2006 Recommended	Annual Change
Opening fund balance	430	32	(398)
Receipts:			
Cigarette taxes	567	561	(6)
Miscellaneous receipts	3,159	5,126	1,967
Total receipts	3,726	5,687	1,961
Disbursements:			
Hospital Indigent Care Fund	826	853	27
Professional Education/Graduate Medical Education	383	380	(3)
Elderly Pharmaceutical Insurance Coverage (EPIC)	491	560	69
Child Health Plus (CHP)	342	349	7
Family Health Plus (FHP)	390	314	(76)
Workforce Recruitment and Retention	330	352	22
Public Health	96	132	36
Mental Health	88	88	0
Roswell Park Cancer Institute	78	78	0
Physician Excess Medical Malpractice	55	49	(6)
Transfer To Medicaid:			
Pharmacy Costs	254	1,275	1,021
Physician Costs	85	85	0
Health Insurance Demonstration Project	30	69	39
Supplemental Medical Insurance	68	68	0
All Other Medicaid	247	266	19
All Other	361	393	32
Total disbursements	4,124	5,311	1,187
Change in fund balance	(398)	376	774
Closing fund balance	32	408	376

CASH FINANCIAL PLAN
HEALTH CARE REFORM ACT RESOURCES FUND
2005-2006 THROUGH JUNE 30, 2007
(millions of dollars)

	2005-2006 Recommended	2006-2007 Projected	2007-2008 April Through June Projected
Opening fund balance	32	408	60
Receipts:			
Cigarette taxes	561	554	158
Miscellaneous receipts	5,126	3,484	656
Total receipts	5,687	4,038	814
Disbursements:			
Hospital Indigent Care Fund	853	853	276
Professional Education/Graduate Medical Education	380	380	135
Elderly Pharmaceutical Insurance Coverage (EPIC)	560	614	0
Child Health Plus (CHP)	349	369	97
Family Health Plus (FHP)	314	368	0
Workforce Recruitment and Retention	352	352	0
Public Health	132	131	28
Mental Health	88	87	22
Roswell Park Cancer Institute	78	78	20
Physician Excess Medical Malpractice	49	65	16
Transfer To Medicaid:			
Pharmacy Costs	1,275	159	0
Physician Costs	85	85	0
Health Insurance Demonstration Project	69	69	0
Supplemental Medical Insurance	68	68	0
All Other Medicaid	266	268	0
All Other	393	440	72
Total disbursements	5,311	4,386	666
Change in fund balance	376	(348)	148
Closing fund balance	408	60	208

CASH FLOW
HEALTH CARE REFORM ACT RESOURCES FUND
2004-2005
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	430	702	801	333	430
Receipts:					
Miscellaneous Receipts	774	622	1,052	711	3,159
Cigarette Taxes	154	150	136	127	567
Total receipts	928	772	1,188	838	3,726
Disbursements:					
Hospital Indigent Care Fund	238	196	216	176	826
Professional Education/Graduate Medical Education	85	112	97	89	383
Elderly Pharmaceutical Insurance Coverage (EPIC)	150	150	69	122	491
Child Health Plus (CHP)	72	56	130	84	342
Family Health Plus (FHP)	0	0	204	186	390
Workforce Recruitment and Retention	14	18	191	107	330
Public Health	18	40	15	23	96
Mental Health	33	28	27	0	88
Roswell Park Cancer Institute	0	25	25	28	78
Physician Excess Medical Malpractice	0	0	23	32	55
Transfer To Medicaid:					
Pharmacy Costs	0	0	227	27	254
Physician Costs	0	0	43	42	85
Health Insurance Demonstration Project	0	0	28	2	30
Supplemental Medical Insurance	0	0	17	51	68
All Other Medicaid	0	0	232	15	247
All Other	46	48	112	155	361
Total disbursements	656	673	1,656	1,139	4,124
Change in fund balance	272	99	(468)	(301)	(398)
Closing fund balance	702	801	333	32	32

CASH FLOW
HEALTH CARE REFORM ACT RESOURCES FUND
2005-2006
(millions of dollars)

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	32	0	27	862	32
Receipts:					
Miscellaneous Receipts	551	689	2,570	1,316	5,126
Cigarette Taxes	147	141	141	132	561
Total receipts	698	830	2,711	1,448	5,687
Disbursements:					
Hospital Indigent Care Fund	285	212	214	142	853
Professional Education/Graduate Medical Education	134	71	95	80	380
Elderly Pharmaceutical Insurance Coverage (EPIC)	0	0	224	336	560
Child Health Plus (CHP)	116	44	110	79	349
Family Health Plus (FHP)	0	52	156	106	314
Workforce Recruitment and Retention	24	120	88	120	352
Public Health	38	10	40	44	132
Mental Health	29	0	29	30	88
Roswell Park Cancer Institute	26	0	24	28	78
Physician Excess Medical Malpractice	0	0	49	0	49
Transfer To Medicaid:					
Pharmacy Costs	0	173	447	655	1,275
Physician Costs	0	27	53	5	85
Health Insurance Demonstration Project	0	17	35	17	69
Supplemental Medical Insurance	0	0	34	34	68
All Other Medicaid	0	27	127	112	266
All Other	78	50	151	114	393
Total disbursements	730	803	1,876	1,902	5,311
Change in fund balance	(32)	27	835	(454)	376
Closing fund balance	0	27	862	408	408

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND ADJUSTED FOR COMPARABILITY
(thousands of dollars)

	2004-2005 Estimated	Adjust	2004-2005 Adjusted	2005-2006 Recommended	Annual Adjusted $ Change	Annual Adjusted % Change
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT						
Agriculture and Markets, Department of	41,967	0	41,967	37,426	(4,541)	-10.8%
Alcoholic Beverage Control	0	0	0	0	0	0.0%
Banking Department	0	0	0	0	0	0.0%
Consumer Protection Board	385	0	385	0	(385)	-100.0%
Economic Development, Department of	38,866	0	38,866	36,449	(2,417)	-6.2%
Empire State Development Corporation	14,975	0	14,975	67,000	52,025	347.4%
Energy Research and Development Authority	0	0	0	0	0	0.0%
Housing Finance Agency	0	0	0	0	0	0.0%
Housing and Community Renewal, Division of	67,915	0	67,915	66,599	(1,316)	-1.9%
Insurance Department	0	0	0	0	0	0.0%
Olympic Regional Development Authority	7,350	0	7,350	7,350	0	0.0%
Public Service, Department of	0	0	0	0	0	0.0%
Science, Technology and Academic Research, Office of	49,132	0	49,132	41,314	(7,818)	-15.9%
Functional Total	220,590	0	220,590	256,138	35,548	16.1%
PARKS AND THE ENVIRONMENT						
Adirondack Park Agency	4,314	0	4,314	4,408	94	2.2%
Environmental Conservation, Department of	114,805	0	114,805	107,394	(7,411)	-6.5%
Environmental Facilities Corporation	0	0	0	0	0	0.0%
Parks, Recreation and Historic Preservation, Office of	106,711	0	106,711	107,898	1,187	1.1%
Functional Total	225,830	0	225,830	219,700	(6,130)	-2.7%
TRANSPORTATION						
Motor Vehicles, Department of	4,660	0	4,660	0	(4,660)	-100.0%
Thruway Authority	0	0	0	0	0	0.0%
Transportation, Department of	112,866	0	112,866	103,140	(9,726)	-8.6%
Functional Total	117,526	0	117,526	103,140	(14,386)	-12.2%
HEALTH AND SOCIAL WELFARE						
Advocate for Persons with Disabilities, Office of	831	0	831	0	(831)	-100.0%
Aging, Office for the	66,040	0	66,040	76,263	10,223	15.5%
Children and Family Services, Office of	1,317,612	0	1,317,612	1,465,007	147,395	11.2%
Health, Department of	7,635,886	508,000	8,143,886	8,191,280	47,394	0.6%
Medical Assistance	6,810,759	508,000	7,318,759	7,312,601	(6,158)	-0.1%
Medicaid Administration	120,150	0	120,150	119,950	(200)	-0.2%
All Other	704,977	0	704,977	758,729	53,752	7.6%
Human Rights, Division of	13,706	0	13,706	13,142	(564)	-4.1%
Labor, Department of	10,913	0	10,913	4,278	(6,635)	-60.8%
Prevention of Domestic Violence, Office of	2,134	0	2,134	2,205	71	3.3%

To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted ($508 million) for Medicaid spending to comply with Federal policy changes related to certain county shares adjustments.

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND ADJUSTED FOR COMPARABILITY
(thousands of dollars)

	2004-2005 Estimated	Adjust	2004-2005 Adjusted	2005-2006 Recommended	Annual Adjusted $ Change	Annual Adjusted % Change
HEALTH AND SOCIAL WELFARE (Continued)						
Temporary and Disability Assistance, Office of	1,539,754	0	1,539,754	1,471,219	(68,535)	-4.5%
Welfare Assistance	1,121,796	0	1,121,796	1,032,908	(88,888)	-7.9%
Welfare Administration	342,533	0	342,533	359,550	17,017	5.0%
All Other	75,425	0	75,425	78,761	3,336	4.4%
Welfare Inspector General, Office of	736	0	736	754	18	2.4%
Workers' Compensation Board	0	0	0	0	0	0.0%
Functional Total	10,587,612	508,000	11,095,612	11,224,148	128,536	1.2%
MENTAL HEALTH						
Mental Health, Office of	1,324,061	0	1,324,061	1,332,641	8,580	0.6%
Mental Hygiene, Department of	0	0	0	0	0	0.0%
Mental Retardation and Developmental Disabilities, Office of	841,810	0	841,810	835,907	(5,903)	0.0%
Alcohol and Substance Abuse Services, Office of	279,620	0	279,620	292,952	13,332	4.8%
Developmental Disabilities Planning Council	0	0	0	0	0	0.0%
Quality of Care for the Mentally Disabled, Commission on	3,019	0	3,019	4,263	1,244	41.2%
Functional Total	2,448,510	0	2,448,510	2,465,763	17,253	0.7%
PUBLIC PROTECTION						
Capital Defenders Office	12,694	0	12,694	10,916	(1,778)	-14.0%
Correction, Commission of	2,511	0	2,511	2,510	(1)	0.0%
Correctional Services, Department of	2,058,339	0	2,058,339	1,972,922	(85,417)	-4.1%
Crime Victims Board	2,908	0	2,908	3,314	406	14.0%
Criminal Justice Services, Division of	91,991	0	91,991	175,148	83,157	90.4%
Homeland Security	10,300	0	10,300	5,219	(5,081)	-49.3%
Investigation, Temporary State Commission of	3,326	0	3,326	3,463	137	4.1%
Judicial Commissions	2,604	0	2,604	2,703	99	3.8%
Military and Naval Affairs, Division of	26,083	0	26,083	23,817	(2,266)	-8.7%
Parole, Division of	178,855	0	178,855	181,052	2,197	1.2%
Probation and Correctional Alternatives, Division of	75,546	0	75,546	0	(75,546)	-100.0%
Public Security, Office of	0	0	0	0	0	0.0%
State Police, Division of	331,786	0	331,786	350,035	18,249	5.5%
Functional Total	2,796,943	0	2,796,943	2,731,099	(65,844)	-2.4%
EDUCATION						
Arts, Council on the	44,672	0	44,672	42,705	(1,967)	-4.4%
City University of New York	744,515	0	744,515	899,649	155,134	20.8%
Education, Department of	14,395,289	0	14,395,289	14,705,411	310,122	2.2%
School Aid	12,907,149	0	12,907,149	13,227,650	320,501	2.5%
STAR Property Tax Relief	0	0	0	0	0	0.0%
Handicapped	858,359	0	858,359	907,473	49,114	5.7%
All Other	629,781	0	629,781	570,288	(59,493)	-9.4%
Higher Education Services Corporation	926,532	0	926,532	828,937	(97,595)	-10.5%
State University Construction Fund	0	0	0	0	0	0.0%
State University of New York	1,293,028	0	1,293,028	1,261,673	(31,355)	-2.4%
Functional Total	17,404,036	0	17,404,036	17,738,375	334,339	1.9%

To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted ($508 million) for Medicaid spending to comply with Federal policy changes related to certain county shares adjustments.

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND ADJUSTED FOR COMPARABILITY
(thousands of dollars)

	2004-2005 Estimated	Adjust	2004-2005 Adjusted	2005-2006 Recommended	Annual Adjusted $ Change	Annual Adjusted % Change
GENERAL GOVERNMENT						
Audit and Control, Department of	166,966	0	166,966	164,467	(2,499)	-1.5%
Budget, Division of the	28,500	0	28,500	28,185	(315)	-1.1%
Civil Service, Department of	21,241	0	21,241	24,199	2,958	13.9%
Elections, State Board of	3,711	0	3,711	3,594	(117)	-3.2%
Employee Relations, Office of	3,564	0	3,564	3,580	16	0.4%
Executive Chamber	15,629	0	15,629	15,480	(149)	-1.0%
General Services, Office of	119,891	0	119,891	144,686	24,795	20.7%
Inspector General, Office of	4,303	0	4,303	4,579	276	6.4%
Law, Department of	115,511	0	115,511	116,937	1,426	1.2%
Lieutenant Governor, Office of the	487	0	487	485	(2)	-0.4%
Lottery, Division of	0	0	0	0	0	0.0%
Racing and Wagering Board, State	0	0	0	108,000	108,000	0.0%
Real Property Services, Office of	25,716	0	25,716	21,197	(4,519)	0.0%
Regulatory Reform, Governor's Office of	3,472	0	3,472	3,554	82	2.4%
State Labor Relations Board	3,412	0	3,412	4,019	607	17.8%
State, Department of	19,120	0	19,120	14,922	(4,198)	-22.0%
Tax Appeals, Division of	2,812	0	2,812	2,994	182	6.5%
Taxation and Finance, Department of	309,599	0	309,599	306,876	(2,723)	-0.9%
Technology, Office for	20,197	0	20,197	20,076	(121)	-0.6%
TSC Lobbying	1,036	0	1,036	909	(127)	-12.3%
Veterans Affairs, Division of	10,973	0	10,973	11,404	431	3.9%
Functional Total	876,140	0	876,140	1,000,143	124,003	14.2%
ALL OTHER CATEGORIES						
Legislature	200,679	0	200,679	206,672	5,993	3.0%
Judiciary (excluding fringe benefits)	1,349,800	0	1,349,800	1,402,500	52,700	0.0%
World Trade Center	0	0	0	0	0	0.0%
Local Government Assistance	972,661	0	972,661	1,023,650	50,989	5.2%
Long-Term Debt Service	1,731,820	0	1,731,820	1,665,731	(66,089)	0.0%
Capital Projects	197,885	0	197,885	219,157	21,272	10.7%
General State Charges/Miscellaneous	4,276,943	0	4,276,943	4,818,934	541,991	12.7%
Functional Total	8,729,788	0	8,729,788	9,336,644	606,856	7.0%
TOTAL GENERAL FUND SPENDING	43,406,975	508,000	43,914,975	45,075,150	1,160,175	2.6%

To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted ($508 million) for Medicaid spending to comply with Federal policy changes related to certain county shares adjustments.

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS ADJUSTED FOR COMPARABILITY
(thousands of dollars)

	2004-2005 Estimated	Adjust	2004-2005 Adjusted	2005-2006 Recommended	Annual Adjusted $ Change	Annual Adjusted % Change
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT						
Agriculture and Markets, Department of	70,761	0	70,761	66,422	(4,339)	-6.1%
Alcoholic Beverage Control	10,446	0	10,446	11,471	1,025	9.8%
Banking Department	59,923	0	59,923	80,331	20,408	34.1%
Consumer Protection Board	2,438	0	2,438	2,575	137	5.6%
Economic Development, Department of	207,639	0	207,639	328,769	121,130	58.3%
Empire State Development Corporation	36,975	0	36,975	264,200	227,225	614.5%
Energy Research and Development Authority	26,123	0	26,123	26,006	(117)	-0.4%
Housing Finance Agency	0	0	0	0	0	0.0%
Housing and Community Renewal, Division of	188,857	0	188,857	178,914	(9,943)	-5.3%
Insurance Department	137,349	0	137,349	151,444	14,095	10.3%
Olympic Regional Development Authority	7,750	0	7,750	7,750	0	0.0%
Public Service, Department of	54,719	0	54,719	55,395	676	1.2%
Science, Technology and Academic Research, Office of	66,620	0	66,620	59,014	(7,606)	-11.4%
Functional Total	869,600	0	869,600	1,232,291	362,691	41.7%
PARKS AND THE ENVIRONMENT						
Adirondack Park Agency	4,314	0	4,314	4,408	94	2.2%
Environmental Conservation, Department of	727,817	0	727,817	740,791	12,974	1.8%
Environmental Facilities Corporation	13,744	0	13,744	6,414	(7,330)	-53.3%
Parks, Recreation and Historic Preservation, Office of	225,026	0	225,026	223,903	(1,123)	-0.5%
Functional Total	970,901	0	970,901	975,516	4,615	0.5%
TRANSPORTATION						
Motor Vehicles, Department of	210,963	0	210,963	256,380	45,417	21.5%
Thruway Authority	4,000	0	4,000	4,000	0	0.0%
Transportation, Department of	3,681,077	0	3,681,077	3,907,598	226,521	6.2%
Functional Total	3,896,040	0	3,896,040	4,167,978	271,938	7.0%
HEALTH AND SOCIAL WELFARE						
Advocate for Persons with Disabilities, Office of	1,045	0	1,045	0	(1,045)	-100.0%
Aging, Office for the	66,051	0	66,051	76,274	10,223	15.5%
Children and Family Services, Office of	1,348,165	0	1,348,165	1,494,064	145,899	10.8%
Health, Department of	11,792,054	1,433,000	13,225,054	14,599,819	1,374,765	10.4%
Medical Assistance	9,487,659	508,000	9,995,659	11,273,801	1,278,142	12.8%
Medicaid Administration	120,150	0	120,150	119,950	(200)	-0.2%
All Other	2,184,245	925,000	3,109,245	3,206,068	96,823	3.1%
Human Rights, Division of	13,712	0	13,712	13,148	(564)	-4.1%
Labor, Department of	245,774	0	245,774	255,544	9,770	4.0%
Prevention of Domestic Violence, Office of	2,164	0	2,164	2,235	71	3.3%

To provide a comparable basis for calculating annual change, the 2004-05 amounts have been adjusted for the inclusion of all HCRA funded programs on-budget and additional Medicaid spending to comply with Federal policy changes related to certain county shares adjustments. The 2004-05 adjustment for HCRA is $925 million and Medicaid is $508 million.

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS ADJUSTED FOR COMPARABILITY
(thousands of dollars)

	2004-2005 Estimated	Adjust	2004-2005 Adjusted	2005-2006 Recommended	Annual Adjusted $ Change	Annual Adjusted % Change
HEALTH AND SOCIAL WELFARE (Continued)						
Temporary and Disability Assistance, Office of	1,629,717	0	1,629,717	1,584,251	(45,466)	-2.8%
Welfare Assistance	1,121,796	0	1,121,796	1,032,908	(88,888)	-7.9%
Welfare Administration	342,533	0	342,533	359,550	17,017	5.0%
All Other	165,388	0	165,388	191,793	26,405	16.0%
Welfare Inspector General, Office of	736	0	736	754	18	2.4%
Workers' Compensation Board	0	0	0	0	0	0.0%
Functional Total	15,099,418	1,433,000	16,532,418	18,026,089	1,493,671	9.0%
MENTAL HEALTH						
Mental Health, Office of	1,620,667	0	1,620,667	1,625,249	4,582	0.3%
Mental Hygiene, Department of	4,750	0	4,750	4,800	50	1.1%
Mental Retardation and Developmental Disabilities, Office of	939,490	0	939,490	951,637	12,147	1.3%
Alcohol and Substance Abuse Services, Office of	318,303	0	318,303	331,172	12,869	4.0%
Developmental Disabilities Planning Council	0	0	0	0	0	0.0%
Quality of Care for the Mentally Disabled, Commission on	3,091	0	3,091	4,565	1,474	47.7%
Functional Total	2,886,301	0	2,886,301	2,917,423	31,122	1.1%
PUBLIC PROTECTION			0			
Capital Defenders Office	12,694	0	12,694	10,916	(1,778)	-14.0%
Correction, Commission of	2,511	0	2,511	2,510	(1)	0.0%
Correctional Services, Department of	2,233,344	0	2,233,344	2,162,427	(70,917)	-3.2%
Crime Victims Board	30,480	0	30,480	30,890	410	1.3%
Criminal Justice Services, Division of	112,399	0	112,399	197,109	84,710	75.4%
Homeland Security	26,104	0	26,104	16,233	(9,871)	-37.8%
Investigation, Temporary State Commission of	3,513	0	3,513	3,652	139	4.0%
Judicial Commissions	2,604	0	2,604	2,703	99	3.8%
Military and Naval Affairs, Division of	43,143	0	43,143	40,383	(2,760)	-6.4%
Parole, Division of	178,955	0	178,955	181,152	2,197	1.2%
Probation and Correctional Alternatives, Division of	75,546	0	75,546	0	(75,546)	-100.0%
Public Security, Office of	0	0	0	0	0	0.0%
State Police, Division of	475,549	0	475,549	507,587	32,038	6.7%
Functional Total	3,196,842	0	3,196,842	3,155,562	(41,280)	-1.3%
EDUCATION						
Arts, Council on the	45,372	0	45,372	43,405	(1,967)	-4.3%
City University of New York	1,027,315	0	1,027,315	1,361,579	334,264	32.5%
Education, Department of	19,735,281	0	19,735,281	20,355,999	620,718	3.1%
School Aid	15,090,841	0	15,090,841	15,548,650	457,809	3.0%
STAR Property Tax Relief	3,072,000	0	3,072,000	3,202,000	130,000	4.2%
Handicapped	858,359	0	858,359	907,473	49,114	5.7%
All Other	714,081	0	714,081	697,876	(16,205)	-2.3%
Higher Education Services Corporation	1,006,240	0	1,006,240	917,351	(88,889)	-8.8%
State University Construction Fund	9,256	0	9,256	10,480	1,224	13.2%
State University of New York	4,657,656	0	4,657,656	4,807,213	149,557	3.2%
Functional Total	26,481,120	0	26,481,120	27,496,027	1,014,907	3.8%

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CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS ADJUSTED FOR COMPARABILITY
(thousands of dollars)

	2004-2005 Estimated	Adjust	2004-2005 Adjusted	2005-2006 Recommended	Annual Adjusted $ Change	Annual Adjusted % Change
GENERAL GOVERNMENT						
Audit and Control, Department of	182,508	0	182,508	240,088	57,580	31.5%
Budget, Division of the	43,714	0	43,714	43,399	(315)	-0.7%
Civil Service, Department of	22,241	0	22,241	25,199	2,958	13.3%
Elections, State Board of	3,711	0	3,711	3,594	(117)	-3.2%
Employee Relations, Office of	3,752	0	3,752	3,768	16	0.4%
Executive Chamber	15,729	0	15,729	15,580	(149)	-0.9%
General Services, Office of	213,960	0	213,960	238,013	24,053	11.2%
Inspector General, Office of	5,605	0	5,605	6,017	412	7.4%
Law, Department of	153,227	0	153,227	155,956	2,729	1.8%
Lieutenant Governor, Office of the	487	0	487	485	(2)	-0.4%
Lottery, Division of	174,220	0	174,220	177,264	3,044	1.7%
Racing and Wagering Board, State	16,770	0	16,770	125,902	109,132	0.0%
Real Property Services, Office of	52,790	0	52,790	51,299	(1,491)	-2.8%
Regulatory Reform, Governor's Office of	3,472	0	3,472	3,554	82	2.4%
State Labor Relations Board	3,669	0	3,669	4,605	936	25.5%
State, Department of	111,748	0	111,748	110,587	(1,161)	-1.0%
Tax Appeals, Division of	2,812	0	2,812	2,994	182	6.5%
Taxation and Finance, Department of	345,645	0	345,645	343,506	(2,139)	-0.6%
Technology, Office for	20,197	0	20,197	20,076	(121)	-0.6%
TSC Lobbying	1,336	0	1,336	1,376	40	3.0%
Veterans Affairs, Division of	10,973	0	10,973	11,404	431	3.9%
Functional Total	1,388,566	0	1,388,566	1,584,666	196,100	14.1%
ALL OTHER CATEGORIES						
Legislature	201,629	0	201,629	207,622	5,993	3.0%
Judiciary (excluding fringe benefits)	1,538,884	0	1,538,884	1,596,566	57,682	0.0%
World Trade Center	1,375	0	1,375	0	(1,375)	-100.0%
Local Government Assistance	972,661	0	972,661	1,023,650	50,989	5.2%
Long-Term Debt Service	3,807,373	0	3,807,373	3,841,998	34,625	0.9%
General State Charges/Miscellaneous	2,826,589	0	2,826,589	2,863,106	36,517	1.3%
Functional Total	9,348,511	0	9,348,511	9,532,942	184,431	0.0%
TOTAL STATE FUNDS SPENDING	64,137,299	1,433,000	65,570,299	69,088,494	3,518,195	5.4%

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

	2004-2005 Estimated	Adjust	2004-2005 Adjusted	2005-2006 Recommended	Annual Adjusted $ Change	Annual Adjusted % Change
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT						
Agriculture and Markets, Department of	86,302	0	86,302	81,962	(4,340)	-5.0%
Alcoholic Beverage Control	10,446	0	10,446	11,471	1,025	9.8%
Banking Department	59,923	0	59,923	80,331	20,408	34.1%
Consumer Protection Board	2,438	0	2,438	2,575	137	5.6%
Economic Development, Department of	207,978	0	207,978	329,114	121,136	58.2%
Empire State Development Corporation	36,975	0	36,975	264,200	227,225	614.5%
Energy Research and Development Authority	26,123	0	26,123	26,006	(117)	-0.4%
Housing Finance Agency	0	0	0	0	0	0.0%
Housing and Community Renewal, Division of	218,008	0	218,008	208,106	(9,902)	-4.5%
Insurance Department	137,349	0	137,349	151,444	14,095	10.3%
Olympic Regional Development Authority	7,750	0	7,750	7,750	0	0.0%
Public Service, Department of	56,259	0	56,259	56,800	541	1.0%
Science, Technology and Academic Research, Office of	72,245	0	72,245	64,639	(7,606)	-10.5%
Functional Total	921,796	0	921,796	1,284,398	362,602	39.3%
PARKS AND THE ENVIRONMENT						
Adirondack Park Agency	4,664	0	4,664	4,758	94	2.0%
Environmental Conservation, Department of	910,179	0	910,179	923,971	13,792	1.5%
Environmental Facilities Corporation	13,744	0	13,744	6,414	(7,330)	-53.3%
Parks, Recreation and Historic Preservation, Office of	230,253	0	230,253	229,175	(1,078)	-0.5%
Functional Total	1,158,840	0	1,158,840	1,164,318	5,478	0.5%
TRANSPORTATION						
Motor Vehicles, Department of	225,512	0	225,512	282,085	56,573	25.1%
Thruway Authority	4,000	0	4,000	4,000	0	0.0%
Transportation, Department of	5,223,558	0	5,223,558	5,470,221	246,663	4.7%
Functional Total	5,453,070	0	5,453,070	5,756,306	303,236	5.6%
HEALTH AND SOCIAL WELFARE						
Advocate for Persons with Disabilities, Office of	4,075	0	4,075	0	(4,075)	-100.0%
Aging, Office for the	175,592	0	175,592	179,963	4,371	2.5%
Children and Family Services, Office of	3,133,154	0	3,133,154	3,114,406	(18,748)	-0.6%
Health, Department of	33,449,683	1,433,000	34,882,683	36,056,490	1,173,807	3.4%
Medical Assistance	29,447,466	508,000	29,955,466	30,989,058	1,033,592	3.5%
Medicaid Administration	577,400	0	577,400	589,500	12,100	2.1%
All Other	3,424,817	925,000	4,349,817	4,477,932	128,115	2.9%
Human Rights, Division of	15,328	0	15,328	15,119	(209)	-1.4%
Labor, Department of	1,017,503	0	1,017,503	894,781	(122,722)	-12.1%
Prevention of Domestic Violence, Office of	2,164	0	2,164	2,235	71	3.3%

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

	2004-2005 Estimated	Adjust	2004-2005 Adjusted	2005-2006 Recommended	Annual Adjusted $ Change	Annual Adjusted % Change
HEALTH AND SOCIAL WELFARE (Continued)						
Temporary and Disability Assistance, Office of	4,455,430	0	4,455,430	4,756,977	301,547	6.8%
Welfare Assistance	3,100,802	0	3,100,802	3,385,656	284,854	9.2%
Welfare Administration	342,533	0	342,533	359,550	17,017	5.0%
All Other	1,012,095	0	1,012,095	1,011,771	(324)	0.0%
Welfare Inspector General, Office of	1,106	0	1,106	1,124	18	1.6%
Workers' Compensation Board	755	0	755	766	766	0.0%
Functional Total	42,254,790	1,433,000	43,687,790	45,021,861	1,334,826	3.1%
MENTAL HEALTH						
Mental Health, Office of	2,191,254	0	2,191,254	2,236,667	45,413	2.1%
Mental Hygiene, Department of	4,750	0	4,750	4,800	50	1.1%
Mental Retardation and Developmental Disabilities, Office of	2,816,190	0	2,816,190	2,922,882	106,692	3.8%
Alcohol and Substance Abuse Services, Office of	467,249	0	467,249	481,507	14,258	3.1%
Developmental Disabilities Planning Council	3,739	0	3,739	3,679	(60)	-1.6%
Quality of Care for the Mentally Disabled, Commission on	11,376	0	11,376	13,492	2,116	18.6%
Functional Total	5,494,558	0	5,494,558	5,663,027	168,469	3.1%
PUBLIC PROTECTION			0			
Capital Defenders Office	12,694	0	12,694	10,916	(1,778)	-14.0%
Correction, Commission of	2,511	0	2,511	2,510	(1)	0.0%
Correctional Services, Department of	2,272,941	0	2,272,941	2,198,965	(73,976)	-3.3%
Crime Victims Board	62,059	0	62,059	62,478	419	0.7%
Criminal Justice Services, Division of	302,479	0	302,479	314,199	11,720	3.9%
Homeland Security	152,804	0	152,804	238,516	85,712	56.1%
Investigation, Temporary State Commission of	3,513	0	3,513	3,652	139	4.0%
Judicial Commissions	2,604	0	2,604	2,703	99	3.8%
Military and Naval Affairs, Division of	127,199	0	127,199	135,722	8,523	6.7%
Parole, Division of	181,667	0	181,667	182,352	685	0.4%
Probation and Correctional Alternatives, Division of	75,557	0	75,557	0	(75,557)	-100.0%
Public Security, Office of	0	0	0	0	0	0.0%
State Police, Division of	492,591	0	492,591	511,473	18,882	3.8%
Functional Total	3,688,619	0	3,688,619	3,663,486	(25,133)	-0.7%
EDUCATION						
Arts, Council on the	46,003	0	46,003	44,134	(1,869)	-4.1%
City University of New York	1,027,315	0	1,027,315	1,361,579	334,264	32.5%
Education, Department of	23,167,976	0	23,167,976	24,075,147	907,171	3.9%
School Aid	17,636,096	0	17,636,096	18,303,517	667,421	3.8%
STAR Property Tax Relief	3,072,000	0	3,072,000	3,202,000	130,000	4.2%
Handicapped	1,538,359	0	1,538,359	1,653,373	115,014	7.5%
All Other	921,521	0	921,521	916,257	(5,264)	-0.6%
Higher Education Services Corporation	1,016,445	0	1,016,445	927,845	(88,600)	-8.7%
State University Construction Fund	9,256	0	9,256	10,480	1,224	13.2%
State University of New York	4,834,556	0	4,834,556	4,989,413	154,857	3.2%
Functional Total	30,101,551	0	30,101,551	31,408,598	1,307,047	4.3%

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

	2004-2005 Estimated	Adjust	2004-2005 Adjusted	2005-2006 Recommended	Annual Adjusted $ Change	Annual Adjusted % Change
GENERAL GOVERNMENT						
Audit and Control, Department of	182,508	0	182,508	240,088	57,580	31.5%
Budget, Division of the	43,714	0	43,714	43,399	(315)	-0.7%
Civil Service, Department of	22,241	0	22,241	25,199	2,958	13.3%
Elections, State Board of	3,711	0	3,711	151,525	147,814	3983.1%
Employee Relations, Office of	3,752	0	3,752	3,768	16	0.4%
Executive Chamber	15,729	0	15,729	15,580	(149)	-0.9%
General Services, Office of	218,353	0	218,353	242,479	24,126	11.0%
Inspector General, Office of	5,605	0	5,605	6,017	412	7.4%
Law, Department of	174,910	0	174,910	178,245	3,335	1.9%
Lieutenant Governor, Office of the	487	0	487	485	(2)	-0.4%
Lottery, Division of	174,220	0	174,220	177,264	3,044	1.7%
Racing and Wagering Board, State	16,770	0	16,770	125,902	109,132	650.8%
Real Property Services, Office of	52,790	0	52,790	51,299	(1,491)	-2.8%
Regulatory Reform, Governor's Office of	3,472	0	3,472	3,554	82	2.4%
State Labor Relations Board	3,669	0	3,669	4,605	936	25.5%
State, Department of	185,816	0	185,816	190,622	4,806	2.6%
Tax Appeals, Division of	2,812	0	2,812	2,994	182	6.5%
Taxation and Finance, Department of	345,923	0	345,923	343,784	(2,139)	-0.6%
Technology, Office for	20,197	0	20,197	20,076	(121)	-0.6%
TSC Lobbying	1,336	0	1,336	1,376	40	3.0%
Veterans Affairs, Division of	12,293	0	12,293	12,835	542	4.4%
Functional Total	1,490,308	0	1,490,308	1,841,096	350,788	23.5%
ALL OTHER CATEGORIES						
Legislature	201,629	0	201,629	207,622	5,993	3.0%
Judiciary (excluding fringe benefits)	1,543,984	0	1,543,984	1,604,166	60,182	0.0%
World Trade Center	1,688,125	0	1,688,125	149,000	(1,539,125)	-91.2%
Local Government Assistance	972,661	0	972,661	1,023,650	50,989	5.2%
Long-Term Debt Service	3,807,373	0	3,807,373	3,841,998	34,625	0.9%
General State Charges/Miscellaneous	2,829,997	0	2,829,997	2,897,621	67,624	2.4%
Functional Total	11,043,769	0	11,043,769	9,724,057	(1,319,712)	0.0%
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	101,607,301	1,433,000	103,040,301	105,527,147	2,487,601	2.4%

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CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	39,806	41,967	37,426
Alcoholic Beverage Control	0	0	0
Banking Department	0	0	0
Consumer Protection Board	457	385	0
Economic Development, Department of	30,273	38,866	36,449
Empire State Development Corporation	31,810	14,975	67,000
Energy Research and Development Authority	0	0	0
Housing Finance Agency	0	0	0
Housing and Community Renewal, Division of	75,067	67,915	66,599
Insurance Department	0	0	0
Olympic Regional Development Authority	7,400	7,350	7,350
Public Service, Department of	0	0	0
Science, Technology and Academic Research, Office of	31,491	49,132	41,314
Functional Total	216,304	220,590	256,138
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,889	4,314	4,408
Environmental Conservation, Department of	97,757	114,805	107,394
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	102,502	106,711	107,898
Functional Total	204,148	225,830	219,700
TRANSPORTATION			
Motor Vehicles, Department of	1,025	4,660	0
Thruway Authority	0	0	0
Transportation, Department of	162,507	112,866	103,140
Functional Total	163,532	117,526	103,140
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	828	831	0
Aging, Office for the	68,334	66,040	76,263
Children and Family Services, Office of	1,293,612	1,317,612	1,465,007
Health, Department of	6,980,194	7,635,886	8,191,280
Medical Assistance	6,143,547	6,810,759	7,312,601
Medicaid Administration	124,311	120,150	119,950
All Other	712,336	704,977	758,729
Human Rights, Division of	13,540	13,706	13,142
Labor, Department of	50,219	10,913	4,278
Prevention of Domestic Violence, Office of	1,677	2,134	2,205

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	1,557,967	1,539,754	1,471,219
Welfare Assistance	1,088,966	1,121,796	1,032,908
Welfare Administration	378,024	342,533	359,550
All Other	90,977	75,425	78,761
Welfare Inspector General, Office of	572	736	754
Workers' Compensation Board	0	0	0
Functional Total	9,966,943	10,587,612	11,224,148
MENTAL HEALTH			
Mental Health, Office of	1,150,498	1,324,061	1,332,641
Mental Hygiene, Department of	0	0	0
Mental Retardation and Developmental Disabilities, Office of	688,051	841,810	835,907
Alcohol and Substance Abuse Services, Office of	293,532	279,620	292,952
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	2,800	3,019	4,263
Functional Total	2,134,881	2,448,510	2,465,763
PUBLIC PROTECTION			
Capital Defenders Office	12,519	12,694	10,916
Correction, Commission of	2,472	2,511	2,510
Correctional Services, Department of	1,911,860	2,058,339	1,972,922
Crime Victims Board	8,276	2,908	3,314
Criminal Justice Services, Division of	91,636	91,991	175,148
Homeland Security	4,717	10,300	5,219
Investigation, Temporary State Commission of	2,953	3,326	3,463
Judicial Commissions	2,298	2,604	2,703
Military and Naval Affairs, Division of	53,791	26,083	23,817
Parole, Division of	185,480	178,855	181,052
Probation and Correctional Alternatives, Division of	77,218	75,546	0
Public Security, Office of	0	0	0
State Police, Division of	367,771	331,786	350,035
Functional Total	2,720,991	2,796,943	2,731,099
EDUCATION			
Arts, Council on the	45,255	44,672	42,705
City University of New York	952,406	744,515	899,649
Education, Department of	15,042,113	14,395,289	14,705,411
School Aid	13,685,258	12,907,149	13,227,650
STAR Property Tax Relief	0	0	0
Handicapped	750,298	858,359	907,473
All Other	606,557	629,781	570,288
Higher Education Services Corporation	584,591	926,532	828,937
State University Construction Fund	0	0	0
State University of New York	1,232,735	1,293,028	1,261,673
Functional Total	17,857,100	17,404,036	17,738,375

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	146,318	166,966	164,467
Budget, Division of the	23,011	28,500	28,185
Civil Service, Department of	19,399	21,241	24,199
Elections, State Board of	3,356	3,711	3,594
Employee Relations, Office of	3,276	3,564	3,580
Executive Chamber	12,451	15,629	15,480
General Services, Office of	114,351	119,891	144,686
Inspector General, Office of	4,404	4,303	4,579
Law, Department of	110,553	115,511	116,937
Lieutenant Governor, Office of the	358	487	485
Lottery, Division of	0	0	0
Racing and Wagering Board, State	0	0	108,000
Real Property Services, Office of	27,612	25,716	21,197
Regulatory Reform, Governor's Office of	3,227	3,472	3,554
State Labor Relations Board	3,229	3,412	4,019
State, Department of	19,418	19,120	14,922
Tax Appeals, Division of	2,676	2,812	2,994
Taxation and Finance, Department of	308,508	309,599	306,876
Technology, Office for	32,737	20,197	20,076
TSC Lobbying	929	1,036	909
Veterans Affairs, Division of	10,019	10,973	11,404
Functional Total	845,832	876,140	1,000,143
ALL OTHER CATEGORIES			
Legislature	200,752	200,679	206,672
Judiciary (excluding fringe benefits)	1,282,759	1,349,800	1,402,500
World Trade Center	0	0	0
Local Government Assistance	824,372	972,661	1,023,650
Long-Term Debt Service	1,473,720	1,731,820	1,665,731
Capital Projects	228,582	197,885	219,157
General State Charges/Miscellaneous	3,945,815	4,276,943	4,818,934
Functional Total	7,956,000	8,729,788	9,336,644
TOTAL GENERAL FUND SPENDING	42,065,731	43,406,975	45,075,150

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	58,397	70,761	66,422
Alcoholic Beverage Control	10,501	10,446	11,471
Banking Department	55,390	59,923	80,331
Consumer Protection Board	3,113	2,438	2,575
Economic Development, Department of	131,873	207,639	328,769
Empire State Development Corporation	52,074	36,975	264,200
Energy Research and Development Authority	29,557	26,123	26,006
Housing Finance Agency	0	0	0
Housing and Community Renewal, Division of	183,013	188,857	178,914
Insurance Department	105,913	137,349	151,444
Olympic Regional Development Authority	7,575	7,750	7,750
Public Service, Department of	46,086	54,719	55,395
Science, Technology and Academic Research, Office of	34,003	66,620	59,014
Functional Total	717,495	869,600	1,232,291
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,889	4,314	4,408
Environmental Conservation, Department of	602,399	727,817	740,791
Environmental Facilities Corporation	6,788	13,744	6,414
Parks, Recreation and Historic Preservation, Office of	191,295	225,026	223,903
Functional Total	804,371	970,901	975,516
TRANSPORTATION			
Motor Vehicles, Department of	188,994	210,963	256,380
Thruway Authority	2,865	4,000	4,000
Transportation, Department of	3,636,705	3,681,077	3,907,598
Functional Total	3,828,564	3,896,040	4,167,978
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	977	1,045	0
Aging, Office for the	68,338	66,051	76,274
Children and Family Services, Office of	1,317,515	1,348,165	1,494,064
Health, Department of	11,165,208	11,792,054	14,599,819
Medical Assistance	8,915,218	9,487,659	11,273,801
Medicaid Administration	124,311	120,150	119,950
All Other	2,125,679	2,184,245	3,206,068
Human Rights, Division of	13,540	13,712	13,148
Labor, Department of	80,675	245,774	255,544
Prevention of Domestic Violence, Office of	1,679	2,164	2,235

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	1,602,085	1,629,717	1,584,251
Welfare Assistance	1,088,966	1,121,796	1,032,908
Welfare Administration	378,024	342,533	359,550
All Other	135,095	165,388	191,793
Welfare Inspector General, Office of	572	736	754
Workers' Compensation Board	126,458	0	0
Functional Total	14,377,047	15,099,418	18,026,089
MENTAL HEALTH			
Mental Health, Office of	1,463,580	1,620,667	1,625,249
Mental Hygiene, Department of	0	4,750	4,800
Mental Retardation and Developmental Disabilities, Office of	767,467	939,490	951,637
Alcohol and Substance Abuse Services, Office of	315,877	318,303	331,172
Developmental Disabilities Planning Council	0	0	0
Quality of Care for the Mentally Disabled, Commission on	2,800	3,091	4,565
Functional Total	2,549,724	2,886,301	2,917,423
PUBLIC PROTECTION			
Capital Defenders Office	12,519	12,694	10,916
Correction, Commission of	2,472	2,511	2,510
Correctional Services, Department of	2,096,719	2,233,344	2,162,427
Crime Victims Board	28,677	30,480	30,890
Criminal Justice Services, Division of	97,473	112,399	197,109
Homeland Security	25,769	26,104	16,233
Investigation, Temporary State Commission of	3,071	3,513	3,652
Judicial Commissions	2,298	2,604	2,703
Military and Naval Affairs, Division of	69,721	43,143	40,383
Parole, Division of	185,510	178,955	181,152
Probation and Correctional Alternatives, Division of	77,218	75,546	0
Public Security, Office of	0	0	0
State Police, Division of	491,422	475,549	507,587
Functional Total	3,092,869	3,196,842	3,155,562
EDUCATION			
Arts, Council on the	45,355	45,372	43,405
City University of New York	1,220,761	1,027,315	1,361,579
Education, Department of	19,820,369	19,735,281	20,355,999
School Aid	15,561,534	15,090,841	15,548,650
STAR Property Tax Relief	2,819,455	3,072,000	3,202,000
Handicapped	750,298	858,359	907,473
All Other	689,082	714,081	697,876
Higher Education Services Corporation	653,797	1,006,240	917,351
State University Construction Fund	8,184	9,256	10,480
State University of New York	4,324,144	4,657,656	4,807,213
Functional Total	26,072,610	26,481,120	27,496,027

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	148,963	182,508	240,088
Budget, Division of the	28,955	43,714	43,399
Civil Service, Department of	20,120	22,241	25,199
Elections, State Board of	3,356	3,711	3,594
Employee Relations, Office of	3,298	3,752	3,768
Executive Chamber	12,458	15,729	15,580
General Services, Office of	195,645	213,960	238,013
Inspector General, Office of	5,194	5,605	6,017
Law, Department of	131,137	153,227	155,956
Lieutenant Governor, Office of the	358	487	485
Lottery, Division of	159,224	174,220	177,264
Racing and Wagering Board, State	13,734	16,770	125,902
Real Property Services, Office of	46,108	52,790	51,299
Regulatory Reform, Governor's Office of	3,227	3,472	3,554
State Labor Relations Board	3,262	3,669	4,605
State, Department of	58,716	111,748	110,587
Tax Appeals, Division of	2,676	2,812	2,994
Taxation and Finance, Department of	343,892	345,645	343,506
Technology, Office for	32,737	20,197	20,076
TSC Lobbying	1,044	1,336	1,376
Veterans Affairs, Division of	10,019	10,973	11,404
Functional Total	1,224,123	1,388,566	1,584,666
ALL OTHER CATEGORIES			
Legislature	202,252	201,629	207,622
Judiciary (excluding fringe benefits)	1,426,526	1,538,884	1,596,566
World Trade Center	0	1,375	0
Local Government Assistance	824,372	972,661	1,023,650
Long-Term Debt Service	3,351,303	3,807,373	3,841,998
General State Charges/Miscellaneous	2,861,297	2,826,589	2,863,106
Functional Total	8,665,750	9,348,511	9,532,942
TOTAL STATE FUNDS SPENDING	61,332,553	64,137,299	69,088,494

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

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	68,780	86,302	81,962
Alcoholic Beverage Control	10,558	10,446	11,471
Banking Department	55,868	59,923	80,331
Consumer Protection Board	3,113	2,438	2,575
Economic Development, Department of	131,877	207,978	329,114
Empire State Development Corporation	52,074	36,975	264,200
Energy Research and Development Authority	29,557	26,123	26,006
Housing Finance Agency	0	0	0
Housing and Community Renewal, Division of	250,348	218,008	208,106
Insurance Department	105,913	137,349	151,444
Olympic Regional Development Authority	7,575	7,750	7,750
Public Service, Department of	47,080	56,259	56,800
Science, Technology and Academic Research, Office of	39,304	72,245	64,639
Functional Total	802,047	921,796	1,284,398
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,207	4,664	4,758
Environmental Conservation, Department of	795,259	910,179	923,971
Environmental Facilities Corporation	6,788	13,744	6,414
Parks, Recreation and Historic Preservation, Office of	196,921	230,253	229,175
Functional Total	1,003,175	1,158,840	1,164,318
TRANSPORTATION			
Motor Vehicles, Department of	203,748	225,512	282,085
Thruway Authority	2,865	4,000	4,000
Transportation, Department of	4,923,094	5,223,558	5,470,221
Functional Total	5,129,707	5,453,070	5,756,306
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	1,213	4,075	0
Aging, Office for the	177,333	175,592	179,963
Children and Family Services, Office of	3,365,235	3,133,154	3,114,406
Health, Department of	31,567,174	33,449,683	36,056,490
Medical Assistance	27,643,723	29,447,466	30,989,058
Medicaid Administration	578,628	577,400	589,500
All Other	3,344,823	3,424,817	4,477,932
Human Rights, Division of	14,067	15,328	15,119
Labor, Department of	882,065	1,017,503	894,781
Prevention of Domestic Violence, Office of	2,063	2,164	2,235

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

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	4,224,108	4,455,430	4,756,977
Welfare Assistance	2,876,620	3,100,802	3,385,656
Welfare Administration	378,024	342,533	359,550
All Other	969,464	1,012,095	1,011,771
Welfare Inspector General, Office of	892	1,106	1,124
Workers' Compensation Board	130,832	755	766
Functional Total	40,364,982	42,254,790	45,021,861
MENTAL HEALTH			
Mental Health, Office of	2,138,308	2,191,254	2,236,667
Mental Hygiene, Department of	1,654	4,750	4,800
Mental Retardation and Developmental Disabilities, Office of	2,623,994	2,816,190	2,922,882
Alcohol and Substance Abuse Services, Office of	474,930	467,249	481,507
Developmental Disabilities Planning Council	3,270	3,739	3,679
Quality of Care for the Mentally Disabled, Commission on	9,722	11,376	13,492
Functional Total	5,251,878	5,494,558	5,663,027
PUBLIC PROTECTION			
Capital Defenders Office	12,519	12,694	10,916
Correction, Commission of	2,503	2,511	2,510
Correctional Services, Department of	2,131,272	2,272,941	2,198,965
Crime Victims Board	63,192	62,059	62,478
Criminal Justice Services, Division of	309,208	302,479	314,199
Homeland Security	25,769	152,804	238,516
Investigation, Temporary State Commission of	3,071	3,513	3,652
Judicial Commissions	2,298	2,604	2,703
Military and Naval Affairs, Division of	1,639,924	127,199	135,722
Parole, Division of	188,005	181,667	182,352
Probation and Correctional Alternatives, Division of	80,814	75,557	0
Public Security, Office of	0	0	0
State Police, Division of	512,740	492,591	511,473
Functional Total	4,971,315	3,688,619	3,663,486
EDUCATION			
Arts, Council on the	45,949	46,003	44,134
City University of New York	1,220,761	1,027,315	1,361,579
Education, Department of	22,969,248	23,167,976	24,075,147
School Aid	15,561,534	17,636,096	18,303,517
STAR Property Tax Relief	2,819,455	3,072,000	3,202,000
Handicapped	1,344,140	1,538,359	1,653,373
All Other	3,244,119	921,521	916,257
Higher Education Services Corporation	881,988	1,016,445	927,845
State University Construction Fund	8,184	9,256	10,480
State University of New York	4,497,866	4,834,556	4,989,413
Functional Total	29,623,996	30,101,551	31,408,598

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

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	148,963	182,508	240,088
Budget, Division of the	28,955	43,714	43,399
Civil Service, Department of	20,148	22,241	25,199
Elections, State Board of	3,356	3,711	151,525
Employee Relations, Office of	3,298	3,752	3,768
Executive Chamber	12,458	15,729	15,580
General Services, Office of	200,233	218,353	242,479
Inspector General, Office of	5,194	5,605	6,017
Law, Department of	149,095	174,910	178,245
Lieutenant Governor, Office of the	358	487	485
Lottery, Division of	159,224	174,220	177,264
Racing and Wagering Board, State	13,734	16,770	125,902
Real Property Services, Office of	46,108	52,790	51,299
Regulatory Reform, Governor's Office of	3,227	3,472	3,554
State Labor Relations Board	3,262	3,669	4,605
State, Department of	125,628	185,816	190,622
Tax Appeals, Division of	2,676	2,812	2,994
Taxation and Finance, Department of	344,957	345,923	343,784
Technology, Office for	32,737	20,197	20,076
TSC Lobbying	1,044	1,336	1,376
Veterans Affairs, Division of	10,953	12,293	12,835
Functional Total	1,315,608	1,490,308	1,841,096
ALL OTHER CATEGORIES			
Legislature	202,252	201,629	207,622
Judiciary (excluding fringe benefits)	1,431,275	1,543,984	1,604,166
World Trade Center	0	1,688,125	149,000
Local Government Assistance	824,372	972,661	1,023,650
Long-Term Debt Service	3,351,303	3,807,373	3,841,998
General State Charges/Miscellaneous	3,054,632	2,829,997	2,897,621
Functional Total	8,863,834	11,043,769	9,724,057
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	97,326,542	101,607,301	105,527,147

CASH FINANCIAL PLAN
PROPRIETARY AND FIDUCIARY FUNDS
2004-2005
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(56)	71	9
Receipts:			
Unemployment taxes	0	2,700	0
Miscellaneous receipts	500	79	1
Federal grants	0	25	0
Total receipts	500	2,804	1
Disbursements:			
Grants to local governments	0	0	0
State operations	515	83	1
Unemployment benefits	0	3,800	0
General State charges	43	2	0
Debt service	8	0	0
Capital projects	0	0	0
Total disbursements	566	3,885	1
Other financing sources (uses):			
Transfers from other funds	91	0	0
Transfers to other funds	(30)	0	0
Bond & Note Proceeds	0	0	0
Net other financing sources (uses)	61	0	0
Change in fund balance	(5)	(1,081)	0
Closing fund balance	(61)	(1,010)	9

CASH FINANCIAL PLAN
PROPRIETARY AND FIDUCIARY FUNDS
2005-2006
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(61)	(1,010)	9
Receipts:			
Unemployment taxes	0	2,700	0
Miscellaneous receipts	639	78	1
Federal grants	0	25	0
Total receipts	639	2,803	1
Disbursements:			
Grants to local governments	0	0	0
State operations	650	78	1
Unemployment benefits	0	3,000	0
General State charges	54	2	0
Debt service	21	0	0
Capital Projects	0	0	0
Total disbursements	725	3,080	1
Other financing sources (uses):			
Transfers from other funds	88	0	0
Transfers to other funds	(46)	0	0
Bond & Note Proceeds	0	0	0
Net other financing sources (uses)	42	0	0
Change in fund balance	(44)	(277)	0
Closing fund balance	(105)	(1,287)	9

WORKFORCE IMPACT SUMMARY REPORT
ALL FUNDS
2003-2004 THROUGH 2005-2006

Major Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Audit and Control	2,184	2,271	0	0	54	0	0	54	2,325
Children and Family Services	3,834	3,853	0	(99)	0	0	0	(99)	3,754
Correctional Services	30,599	31,045	0	(76)	0	0	0	(76)	30,969
Education	2,995	3,054	0	(20)	0	0	(1,150)	(1,170)	1,884
Environmental Conservation	3,256	3,345	0	(157)	164	0	0	7	3,352
General Services	1,646	1,633	0	0	76	0	0	76	1,709
Health	5,802	5,872	0	(469)	559	0	0	90	5,962
Labor	4,075	4,138	0	(9)	10	0	2,097	2,098	6,236
Law	1,697	1,735	0	0	0	0	0	0	1,735
Mental Health	16,297	16,107	0	(10)	38	0	0	28	16,135
Mental Health Memo (1)	16,297	16,707	0	(10)	38	0	0	28	16,735
Mental Retardation	21,364	21,598	0	0	61	0	0	61	21,659
Mental Retardation Memo (1)	21,364	22,798	0	0	61	0	0	61	22,859
Motor Vehicles	2,812	2,764	0	(2)	0	0	0	(2)	2,762
Parks, Recreation and Historic Preservation	1,578	1,557	0	0	9	0	0	9	1,566
Parole	2,072	2,089	0	(67)	0	0	0	(67)	2,022
State Police	5,448	5,718	0	(5)	0	0	0	(5)	5,713
Temporary and Disability Assistance	2,229	2,347	0	0	0	0	185	185	2,532
Taxation and Finance	4,875	4,766	0	0	0	0	0	0	4,766
Transportation	9,631	9,485	0	(12)	2	0	0	(10)	9,475
Workers' Compensation Board	1,518	1,544	0	(5)	0	0	(1,539)	(1,544)	0
	123,912	124,921	0	(931)	973	0	(407)	(365)	124,556
All Other Agencies (Minor)	11,437	11,942	0	(62)	154	0	407	499	12,441
TOTAL	**135,349**	**136,863**	**0**	**(993)**	**1,127**	**0**	**0**	**134**	**136,997**
Universities and Off-Budget Agencies									
City University	10,409	10,854	0	(107)	464	0	0	357	11,211
Industrial Exhibit Authority	43	46	0	0	0	0	0	0	46
Roswell Park Cancer Institute	1,996	2,280	0	0	0	0	0	0	2,280
State University Construction Fund	106	125	0	0	0	0	0	0	125
State Insurance Fund	2,637	2,665	0	0	0	0	0	0	2,665
State University	37,362	38,100	0	0	0	0	0	0	38,100
GRAND TOTAL	**187,902**	**190,933**	**0**	**(1,100)**	**1,591**	**0**	**0**	**491**	**191,424**

(1) Memo #'s are used to represent each agency's authorized fill, but are not counted in the total lines.

WORKFORCE IMPACT SUMMARY REPORT
ALL FUNDS
2003-2004 THROUGH 2005-2006

Minor Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Adirondack Park	62	59	0	0	0	0	0	0	59
Advocate for Disabled	15	15	0	0	0	0	(15)	(15)	0
Aging	126	136	0	(1)	0	0	0	(1)	135
Agriculture and Markets	508	551	0	(27)	7	0	0	(20)	531
Alcoholism and Substance Abuse	916	958	0	(4)	2	0	0	(2)	956
Alcoholic Beverage Control	146	156	0	0	0	0	0	0	156
Arts Council	52	55	0	0	0	0	400	400	455
Banking	546	587	0	0	0	0	0	0	587
Budget	326	330	0	0	0	0	0	0	330
Capital Defender	59	59	0	0	0	0	0	0	59
Civil Service	571	575	0	0	0	0	0	0	575
Consumer Protection	26	29	0	0	0	0	0	0	29
Correction Commission	33	35	0	0	0	0	0	0	35
Quality of Care and Advocacy for Disabled	84	90	0	0	0	0	15	15	105
Criminal Justice Service	706	709	0	(17)	0	0	28	11	720
Crime Victims	98	103	0	0	0	0	0	0	103
Deferred Compensation	4	4	0	0	0	0	0	0	4
Economic Development	215	219	0	(4)	0	0	0	(4)	215
Elections	42	41	0	0	6	0	0	6	47
Employee Relations	70	72	0	0	0	0	0	0	72
Environmental Facilities Corporation	101	92	0	0	0	0	0	0	92
Executive Chamber	143	153	0	0	0	0	0	0	153
Financial Control Board	17	17	0	0	0	0	0	0	17
Higher Education Service	715	725	0	0	0	0	0	0	725
Homeland Security	54	76	0	0	10	0	0	10	86
Housing and Community Renewal	913	935	0	0	0	0	0	0	935
Hudson River Park Trust	4	5	0	0	0	0	0	0	5
Human Rights	180	203	0	0	0	0	0	0	203
Inspector General	66	68	0	0	0	0	0	0	68
Insurance	882	908	0	0	10	0	0	10	918
Interest On Lawyer Account	8	9	0	0	0	0	0	0	9
Judicial Commissions	27	28	0	0	0	0	0	0	28
Labor Management Committees	51	53	0	0	0	0	0	0	53
Lieutenant Governor	4	5	0	0	0	0	0	0	5
Lottery	316	337	0	0	4	0	0	4	341
Military and Naval Affairs	542	570	0	0	14	0	0	14	584
Northeastern Queens Nature and Historical	2	2	0	0	0	0	0	0	2
NYSTAR	29	30	0	0	0	0	0	0	30
Educational Accountability and Efficiency	0	0	0	0	20	0	0	20	20
Prevention of Domestic Violence	30	33	0	0	0	0	0	0	33
Probation and Correctional Alternatives	31	28	0	0	0	0	(28)	(28)	0
Public Service	530	545	0	0	0	0	0	0	545
Racing and Wagering	110	133	0	0	2	0	0	2	135
Real Property Services	398	401	0	0	0	0	0	0	401
Regulatory Reform	35	36	0	0	0	0	0	0	36
State Labor Relations Board	38	37	0	0	0	0	7	7	44
State	779	847	0	(9)	15	0	0	6	853
Tax Appeals	29	30	0	0	1	0	0	1	31
Technology	623	656	0	0	43	0	0	43	699
TSC Investigation	27	31	0	0	0	0	0	0	31
TSC Lobbying	18	18	0	0	0	0	0	0	18
Veteran Affairs	111	113	0	0	0	0	0	0	113
Welfare Inspector General	10	10	0	0	0	0	0	0	10
Wireless Network	9	25	0	0	20	0	0	20	45
SUBTOTAL - Minor Agencies	**11,437**	**11,942**	**0**	**(62)**	**154**	**0**	**407**	**499**	**12,441**

WORKFORCE IMPACT SUMMARY REPORT
GENERAL FUND
2003-2004 THROUGH 2005-2006

Major Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Audit and Control	1,342	1,380	0	0	54	0	0	54	1,434
Children and Family Services	3,254	3,222	0	(98)	0	(14)	0	(112)	3,110
Correctional Services	29,917	29,741	0	(76)	0	0	0	(76)	29,665
Education	408	402	0	(20)	0	(3)	(17)	(40)	362
Environmental Conservation	1,151	1,265	0	(121)	0	0	0	(121)	1,144
General Services	1,049	1,052	0	0	10	0	0	10	1,062
Health	2,086	2,058	0	(123)	138	0	0	15	2,073
Labor	11	16	0	(9)	0	0	(7)	(16)	0
Law	1,136	1,123	0	0	0	0	0	0	1,123
Mental Health	16,206	16,008	0	(10)	38	0	0	28	16,036
Mental Health Memo (1)	16,206	16,184	0	(10)	38	0	0	28	16,212
Mental Retardation	21,346	21,580	0	0	61	0	0	61	21,641
Mental Retardation Memo (1)	21,346	22,780	0	0	61	0	0	61	22,841
Motor Vehicles	11	31	0	0	0	(31)	0	(31)	0
Parks, Recreation and Historic Preservation	1,324	1,273	0	0	9	0	0	9	1,282
Parole	2,072	2,089	0	(67)	0	0	0	(67)	2,022
State Police	4,940	5,045	0	(5)	0	73	0	68	5,113
Temporary and Disability Assistance	932	935	0	0	0	0	0	0	935
Taxation and Finance	4,840	4,342	0	0	0	0	0	0	4,342
SUBTOTAL - Major Agencies	**92,025**	**91,562**	**0**	**(529)**	**310**	**25**	**(24)**	**(218)**	**91,344**
All Other Agencies (Minor)	4,902	4,865	0	(51)	40	(48)	24	(35)	4,830
TOTAL	**96,927**	**96,427**	**0**	**(580)**	**350**	**(23)**	**0**	**(253)**	**96,174**
Universities and Off-Budget Agencies									
State University	22,241	22,600	0	0	0	0	0	0	22,600
GRAND TOTAL	**119,168**	**119,027**	**0**	**(580)**	**350**	**(23)**	**0**	**(253)**	**118,774**

(1) Memo #'s are used to represent each agency's authorized fill, but are not counted in the total lines.

WORKFORCE IMPACT SUMMARY REPORT
GENERAL FUND
2003-2004 THROUGH 2005-2006

Minor Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Adirondack Park	62	59	0	0	0	0	0	0	59
Advocate for Disabled	12	12	0	0	0	0	(12)	(12)	0
Aging	28	29	0	(1)	0	0	0	(1)	28
Agriculture and Markets	367	387	0	(27)	0	0	0	(27)	360
Alcoholism and Substance Abuse	823	853	0	0	0	(3)	0	(3)	850
Arts Council	45	47	0	0	0	0	17	17	64
Budget	305	309	0	0	0	(12)	0	(12)	297
Capital Defender	59	59	0	0	0	0	0	0	59
Civil Service	338	345	0	0	0	(1)	0	(1)	344
Consumer Protection	8	5	0	0	0	(5)	0	(5)	0
Correction Commission	33	35	0	0	0	0	0	0	35
Quality of Care and Advocacy for Disabled	34	34	0	0	0	0	12	12	46
Criminal Justice Service	592	556	0	(10)	0	(7)	24	7	563
Crime Victims	62	64	0	0	0	0	0	0	64
Economic Development	207	205	0	(4)	0	0	0	(4)	201
Elections	42	41	0	0	0	(2)	0	(2)	39
Employee Relations	41	39	0	0	0	0	0	0	39
Executive Chamber	143	153	0	0	0	0	0	0	153
Higher Education Service	0	3	0	0	0	0	0	0	3
Homeland Security	23	32	0	0	10	0	0	10	42
Housing and Community Renewal	349	348	0	0	0	(15)	0	(15)	333
Hudson River Park Trust	4	5	0	0	0	0	0	0	5
Human Rights	180	203	0	0	0	0	0	0	203
Inspector General	54	51	0	0	0	0	0	0	51
Judicial Commissions	27	28	0	0	0	0	0	0	28
Labor Management Committees	51	53	0	0	0	0	0	0	53
Lieutenant Governor	4	5	0	0	0	0	0	0	5
Military and Naval Affairs	233	244	0	0	3	0	0	3	247
Northeastern Queens Nature and Historical	2	2	0	0	0	0	0	0	2
NYSTAR	29	30	0	0	0	0	0	0	30
Educational Accountability and Efficiency	0	0	0	0	20	0	0	20	20
Prevention of Domestic Violence	30	33	0	0	0	0	0	0	33
Probation and Correctional Alternatives	26	24	0	0	0	0	(24)	(24)	0
Real Property Services	147	0	0	0	0	0	0	0	0
Regulatory Reform	35	36	0	0	0	0	0	0	36
State Labor Relations Board	38	37	0	0	0	0	7	7	44
State	188	204	0	(9)	6	0	0	(3)	201
Tax Appeals	29	30	0	0	1	0	0	1	31
Technology	98	105	0	0	0	0	0	0	105
TSC Investigation	27	31	0	0	0	0	0	0	31
TSC Lobbying	18	18	0	0	0	(3)	0	(3)	15
Veteran Affairs	99	101	0	0	0	0	0	0	101
Welfare Inspector General	10	10	0	0	0	0	0	0	10
SUBTOTAL - Minor Agencies	**4,902**	**4,865**	**0**	**(51)**	**40**	**(48)**	**24**	**(35)**	**4,830**

WORKFORCE IMPACT SUMMARY REPORT
SPECIAL REVENUE OTHER FUNDS
2003-2004 THROUGH 2005-2006

Major Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Audit and Control	34	34	0	0	0	0	0	0	34
Children and Family Services	128	132	0	0	0	2	0	2	134
Education	1,146	1,153	0	0	0	3	(292)	(289)	864
Environmental Conservation	1,306	1,281	0	(16)	7	0	0	(9)	1,272
General Services	71	68	0	0	5	0	0	5	73
Health	2,580	2,646	0	(279)	294	0	0	15	2,661
Labor	411	352	0	0	10	0	1,539	1,549	1,901
Law	238	397	0	0	0	0	0	0	397
Mental Health Memo (1)	424	424	0	0	0	0	0	0	424
Motor Vehicles	811	832	0	0	0	0	0	0	832
Parks, Recreation and Historic Preservation	110	143	0	0	0	0	0	0	143
State Police	417	497	0	0	0	0	0	0	497
Temporary and Disability Assistance	109	126	0	0	0	0	0	0	126
Taxation and Finance	31	416	0	0	0	0	0	0	416
Transportation	191	209	0	0	2	0	0	2	211
Workers' Compensation Board	1,514	1,544	0	(5)	0	0	(1,539)	(1,544)	0
SUBTOTAL - Major Agencies	**9,097**	**9,830**	**0**	**(300)**	**318**	**5**	**(292)**	**(269)**	**9,561**
All Other Agencies (Minor)	4,888	5,301	0	0	45	35	292	372	5,673
TOTAL	**13,985**	**15,131**	**0**	**(300)**	**363**	**40**	**0**	**103**	**15,234**
Universities and Off-Budget Agencies									
City University	145	154	0	0	0	0	0	0	154
Roswell Park Cancer Institute	1,996	2,280	0	0	0	0	0	0	2,280
State University Construction Fund	106	125	0	0	0	0	0	0	125
State University	15,116	15,495	0	0	0	0	0	0	15,495
GRAND TOTAL	**31,348**	**33,185**	**0**	**(300)**	**363**	**40**	**0**	**103**	**33,288**

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WORKFORCE IMPACT SUMMARY REPORT
SPECIAL REVENUE OTHER FUNDS
2003-2004 THROUGH 2005-2006

Minor Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Advocate for Disabled	1	1	0	0	0	0	(1)	(1)	0
Aging	1	1	0	0	0	0	0	0	1
Agriculture and Markets	121	134	0	0	0	0	0	0	134
Alcoholism and Substance Abuse	11	12	0	0	0	0	0	0	12
Alcoholic Beverage Control	146	156	0	0	0	0	0	0	156
Arts Council	0	0	0	0	0	0	292	292	292
Banking	546	587	0	0	0	0	0	0	587
Budget	21	21	0	0	0	12	0	12	33
Consumer Protection	18	24	0	0	0	5	0	5	29
Quality of Care and Advocacy for Disabled	27	30	0	0	0	0	1	1	31
Criminal Justice Service	3	7	0	0	0	0	0	0	7
Crime Victims	12	11	0	0	0	0	0	0	11
Deferred Compensation	4	4	0	0	0	0	0	0	4
Economic Development	8	14	0	0	0	0	0	0	14
Environmental Facilities Corporation	101	92	0	0	0	0	0	0	92
Financial Control Board	17	17	0	0	0	0	0	0	17
Higher Education Service	712	721	0	0	0	0	0	0	721
Homeland Security	31	40	0	0	0	0	0	0	40
Housing and Community Renewal	453	467	0	0	0	15	0	15	482
Inspector General	12	17	0	0	0	0	0	0	17
Insurance	882	908	0	0	10	0	0	10	918
Interest On Lawyer Account	8	9	0	0	0	0	0	0	9
Lottery	316	337	0	0	4	0	0	4	341
Military and Naval Affairs	17	21	0	0	0	0	0	0	21
Public Service	520	533	0	0	0	0	0	0	533
Racing and Wagering	110	133	0	0	2	0	0	2	135
Real Property Services	251	401	0	0	0	0	0	0	401
State	530	578	0	0	9	0	0	9	587
TSC Lobbying	0	0	0	0	0	3	0	3	3
Wireless Network	9	25	0	0	20	0	0	20	45
SUBTOTAL - Minor Agencies	**4,888**	**5,301**	**0**	**0**	**45**	**35**	**292**	**372**	**5,673**

WORKFORCE IMPACT SUMMARY REPORT
SPECIAL REVENUE FEDERAL FUNDS
2003-2004 THROUGH 2005-2006

Major Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Audit and Control	8	8	0	0	0	0	0	0	8
Children and Family Services	452	499	0	(1)	0	5	0	4	503
Correctional Services	116	725	0	0	0	0	0	0	725
Education	1,310	1,375	0	0	0	0	(818)	(818)	557
Environmental Conservation	486	480	0	0	81	0	0	81	561
Health	1,055	1,086	0	(65)	125	0	0	60	1,146
Labor	3,653	3,770	0	0	0	0	565	565	4,335
Law	217	208	0	0	0	0	0	0	208
Mental Health	0	14	0	0	0	0	0	0	14
Mental Health Memo (1)	0	14	0	0	0	0	0	0	14
Mental Retardation	17	18	0	0	0	0	0	0	18
Mental Retardation Memo (1)	17	18	0	0	0	0	0	0	18
Motor Vehicles	15	27	0	0	0	0	0	0	27
Parks, Recreation and Historic Preservation	21	21	0	0	0	0	0	0	21
State Police	91	176	0	0	0	(73)	0	(73)	103
Temporary and Disability Assistance	1,188	1,286	0	0	0	0	185	185	1,471
Taxation and Finance	4	8	0	0	0	0	0	0	8
Transportation	65	79	0	0	0	0	0	0	79
Workers' Compensation Board	4	0	0	0	0	0	0	0	0
SUBTOTAL - Major Agencies	**8,702**	**9,780**	**0**	**(66)**	**206**	**(68)**	**(68)**	**4**	**9,784**
All Other Agencies (Minor)	815	909	0	(11)	26	12	68	95	1,004
TOTAL	**9,517**	**10,689**	**0**	**(77)**	**232**	**(56)**	**0**	**99**	**10,788**
Universities and Off-Budget Agencies									
State University	5	5	0	0	0	0	0	0	5
GRAND TOTAL	**9,522**	**10,694**	**0**	**(77)**	**232**	**(56)**	**0**	**99**	**10,793**
Minor Agencies									
Advocate for Disabled	2	2	0	0	0	0	(2)	(2)	0
Aging	97	106	0	0	0	0	0	0	106
Agriculture and Markets	16	25	0	0	7	0	0	7	32
Alcoholism and Substance Abuse	75	85	0	(4)	2	3	0	1	86
Arts Council	7	8	0	0	0	0	68	68	76
Quality of Care and Advocacy for Disabled	23	26	0	0	0	0	2	2	28
Criminal Justice Service	111	146	0	(7)	0	7	4	4	150
Crime Victims	24	28	0	0	0	0	0	0	28
Elections	0	0	0	0	6	2	0	8	8
Higher Education Service	3	1	0	0	0	0	0	0	1
Homeland Security	0	4	0	0	0	0	0	0	4
Housing and Community Renewal	77	80	0	0	0	0	0	0	80
Military and Naval Affairs	292	305	0	0	11	0	0	11	316
Probation and Correctional Alternatives	5	4	0	0	0	0	(4)	(4)	0
Public Service	10	12	0	0	0	0	0	0	12
State	61	65	0	0	0	0	0	0	65
Veteran Affairs	12	12	0	0	0	0	0	0	12
SUBTOTAL - Minor Agencies	**815**	**909**	**0**	**(11)**	**26**	**12**	**68**	**95**	**1,004**

(1) Memo #'s are used to represent each agency's authorized fill, but are not counted in the total lines.

WORKFORCE IMPACT SUMMARY REPORT
CAPITAL PROJECTS OTHER FUNDS
2003-2004 THROUGH 2005-2006

Major Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Children and Family Services	0	0	0	0	0	7	0	7	7
Correctional Services	26	32	0	0	0	0	0	0	32
Environmental Conservation	293	299	0	0	76	0	0	76	375
Health	67	68	0	0	0	0	0	0	68
Law	5	7	0	0	0	0	0	0	7
Mental Health	70	41	0	0	0	0	0	0	41
Mental Health Memo (1)	70	41	0	0	0	0	0	0	41
Motor Vehicles	1,975	1,874	0	(2)	0	31	0	29	1,903
Parks, Recreation and Historic Preservation	123	120	0	0	0	0	0	0	120
Transportation	9,345	9,197	0	(12)	0	0	0	(12)	9,185
SUBTOTAL - Major Agencies	**11,904**	**11,638**	**0**	**(14)**	**76**	**38**	**0**	**100**	**11,738**
Minor Agencies									
Alcoholism and Substance Abuse	7	8	0	0	0	0	0	0	8
GRAND TOTAL	**11,911**	**11,646**	**0**	**(14)**	**76**	**38**	**0**	**100**	**11,746**

WORKFORCE IMPACT SUMMARY REPORT
CAPITAL PROJECTS FEDERAL FUNDS
2003-2004 THROUGH 2005-2006

	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Major Agencies									
Environmental Conservation	20	20	0	(20)	0	0	0	(20)	0
Minor Agencies									
Housing and Community Renewal	34	40	0	0	0	0	0	0	40
GRAND TOTAL	**54**	**60**	**0**	**(20)**	**0**	**0**	**0**	**(20)**	**40**

(1) Memo #'s are used to represent each agency's authorized fill, but are not counted in the total lines.

WORKFORCE IMPACT SUMMARY REPORT
INTERNAL SERVICE FUNDS
2003-2004 THROUGH 2005-2006

Major Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Audit and Control	23	24	0	0	0	0	0	0	24
Correctional Services	467	468	0	0	0	0	0	0	468
Education	131	124	0	0	0	0	(23)	(23)	101
General Services	514	501	0	0	61	0	0	61	562
Law	101	0	0	0	0	0	0	0	0
Mental Health	17	24	0	0	0	0	0	0	24
Mental Health Memo (1)	17	24	0	0	0	0	0	0	24
Transportation	30	0	0	0	0	0	0	0	0
SUBTOTAL - Major Agencies	**1,283**	**1,141**	**0**	**0**	**61**	**0**	**(23)**	**38**	**1,179**
Minor Agencies									
Arts Council	0	0	0	0	0	0	23	23	23
Civil Service	233	230	0	0	0	1	0	1	231
Employee Relations	29	33	0	0	0	0	0	0	33
Technology	525	551	0	0	43	0	0	43	594
SUBTOTAL - Minor Agencies	**787**	**814**	**0**	**0**	**43**	**1**	**23**	**67**	**881**
GRAND TOTAL	**2,070**	**1,955**	**0**	**0**	**104**	**1**	**0**	**105**	**2,060**

WORKFORCE IMPACT SUMMARY REPORT
ENTERPRISE FUNDS
2003-2004 THROUGH 2005-2006

Major Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Correctional Services	73	79	0	0	0	0	0	0	79
General Services	12	12	0	0	0	0	0	0	12
Health	14	14	0	(2)	2	0	0	0	14
Mental Health	4	20	0	0	0	0	0	0	20
Mental Health Memo (1)	4	20	0	0	0	0	0	0	20
Mental Retardation	1	0	0	0	0	0	0	0	0
Mental Retardation Memo (1)	1	0	0	0	0	0	0	0	0
SUBTOTAL - Major Agencies	**104**	**125**	**0**	**(2)**	**2**	**0**	**0**	**0**	**125**
Universities and Off-Budget Agencies									
Industrial Exhibit Authority	43	46	0	0	0	0	0	0	46
GRAND TOTAL	**147**	**171**	**0**	**(2)**	**2**	**0**	**0**	**0**	**171**

(1) Memo #'s are used to represent each agency's authorized fill, but are not counted in the total lines.

WORKFORCE IMPACT SUMMARY REPORT
PRIVATE PURPOSE TRUST FUND
2003-2004 THROUGH 2005-2006

Minor Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Agriculture and Markets	4	5	0	0	0	0	0	0	5
GRAND TOTAL	**4**	**5**	**0**	**0**	**0**	**0**	**0**	**0**	**5**

WORKFORCE IMPACT SUMMARY REPORT
AGENCY FUNDS
2003-2004 THROUGH 2005-2006

	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Universities and Off-Budget Agencies									
City University	10,264	10,700	0	(107)	464	0	0	357	11,057
State Insurance Fund	2,637	2,665	0	0	0	0	0	0	2,665
GRAND TOTAL	**12,901**	**13,365**	**0**	**(107)**	**464**	**0**	**0**	**357**	**13,722**

WORKFORCE IMPACT SUMMARY REPORT
PENSION TRUST FUND
2003-2004 THROUGH 2005-2006

Major Agencies	2003-04 Actual (03/31/04)	2004-05 Estimate (03/31/05)	Abolitions	Attritions	New Fills	Fund Shifts	Mergers	Net Change	2005-06 Estimate (03/31/06)
Audit and Control	777	825	0	0	0	0	0	0	825
GRAND TOTAL	**777**	**825**	**0**	**0**	**0**	**0**	**0**	**0**	**825**

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
2003-2004
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	15,774	2,819	0	5,457	24,050
User taxes and fees	7,979	609	1,064	2,267	11,919
Sales and use tax	7,241	399	0	2,267	9,907
Cigarette and tobacco taxes	419	0	0	0	419
Motor fuel tax	0	105	410	0	515
Motor vehicle fees	82	105	468	0	655
Highway Use tax	0	0	147	0	147
Alcoholic beverages taxes	191	0	0	0	191
Alcoholic beverage control license fees	0	0	0	0	0
Auto rental tax	46	0	39	0	85
Business taxes	3,413	1,014	580	0	5,007
Corporation franchise tax	1,482	218	0	0	1,700
Corporation and utilities tax	715	167	0	0	882
Insurance taxes	930	101	0	0	1,031
Bank tax	286	56	0	0	342
Petroleum business tax	0	472	580	0	1,052
Other taxes	768	0	112	398	1,278
Estate tax	732	0	0	0	732
Gift tax	4	0	0	0	4
Real property gains tax	4	0	0	0	4
Real estate transfer tax	0	0	112	398	510
Pari-mutuel taxes	27	0	0	0	27
Other taxes	1	0	0	0	1
Total Taxes	27,934	4,442	1,756	8,122	42,254
Miscellaneous receipts	5,917	10,517	2,168	810	19,412
Federal grants	654	35,121	1,548	0	37,323
Total	34,505	50,080	5,472	8,932	98,989

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	18,932	3,072	0	6,134	28,138
User taxes and fees	8,752	674	1,091	2,486	13,003
Sales and use tax	8,097	430	0	2,486	11,013
Cigarette and tobacco taxes	403	0	0	0	403
Motor fuel tax	0	111	420	0	531
Motor vehicle fees	26	133	481	0	640
Alcoholic beverages taxes	184	0	0	0	184
Highway Use tax	0	0	153	0	153
Alcoholic beverage control license fees	0	0	0	0	0
Auto rental tax	42	0	37	0	79
Business taxes	3,764	1,089	620	0	5,473
Corporation franchise tax	1,674	230	0	0	1,904
Corporation and utilities tax	600	168	15	0	783
Insurance taxes	912	109	0	0	1,021
Bank tax	578	89	0	0	667
Petroleum business tax	0	493	605	0	1,098
Other taxes	730	0	112	622	1,464
Estate tax	700	0	0	0	700
Gift tax	3	0	0	0	3
Real property gains tax	1	0	0	0	1
Real estate transfer tax	0	0	112	622	734
Pari-mutuel taxes	25	0	0	0	25
Other taxes	1	0	0	0	1
Total Taxes	32,178	4,835	1,823	9,242	48,078
Miscellaneous receipts	2,293	11,014	1,677	647	15,631
Federal grants	8	35,634	1,778	0	37,420
Total	34,479	51,483	5,278	9,889	101,129

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	19,844	3,202	0	6,570	29,616
User taxes and fees	8,622	1,285	1,095	2,636	13,638
Sales and use tax	7,951	452	0	2,636	11,039
Cigarette and tobacco taxes	401	561	0	0	962
Motor fuel tax	0	111	422	0	533
Motor vehicle fees	0	161	472	0	633
Alcoholic beverages taxes	224	0	0	0	224
Highway Use tax	0	0	163	0	163
Alcoholic beverage control license fees	0	0	0	0	0
Auto rental tax	46	0	38	0	84
Business taxes	4,066	1,172	648	0	5,886
Corporation franchise tax	1,819	250	0	0	2,069
Corporation and utilities tax	643	184	17	0	844
Insurance taxes	969	117	0	0	1,086
Bank tax	635	107	0	0	742
Petroleum business tax	0	514	631	0	1,145
Other taxes	778	0	112	627	1,517
Estate tax	752	0	0	0	752
Gift tax	0	0	0	0	0
Real property gains tax	0	0	0	0	0
Real estate transfer tax	0	0	112	627	739
Pari-mutuel taxes	25	0	0	0	25
Other taxes	1	0	0	0	1
Total Taxes	33,310	5,659	1,855	9,833	50,657
Miscellaneous receipts	2,451	13,420	1,776	656	18,303
Federal grants	4	34,728	1,828	0	36,560
Total	35,765	53,807	5,459	10,489	105,520

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

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended	2005-2006 Compared with 2004-2005
Personal income tax	15,774	18,932	19,844	912
User taxes and fees	7,979	8,752	8,622	(130)
Sales and use tax	7,241	8,097	7,951	(146)
Cigarette and tobacco taxes	419	403	401	(2)
Motor fuel tax	0	0	0	0
Motor vehicle fees	82	26	0	(26)
Alcoholic beverages taxes	191	184	224	40
Alcoholic beverage control license fees	0	0	0	0
Auto rental tax	46	42	46	4
Business taxes	3,413	3,764	4,066	302
Corporation franchise tax	1,482	1,674	1,819	145
Corporation and utilities tax	715	600	643	43
Insurance taxes	930	912	969	57
Bank tax	286	578	635	57
Petroleum business tax	0	0	0	0
Other taxes	768	730	778	48
Estate tax	732	700	752	52
Gift tax	4	3	0	(3)
Real property gains tax	4	1	0	(1)
Pari-mutuel taxes	27	25	25	0
Other taxes	1	1	1	0
Total Taxes	27,934	32,178	33,310	1,132
Miscellaneous receipts	5,917	2,293	2,451	158
Federal Grants	654	8	4	(4)
Total	34,505	34,479	35,765	1,286

CASH RECEIPTS
SPECIAL REVENUE FUNDS
2003-2004 THROUGH 2005-2006
(millions of dollars)

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended	2005-2006 Compared with 2004-2005
Personal income tax	2,819	3,072	3,202	130
User taxes and fees	609	674	1,285	611
Sales and use tax	399	430	452	22
Cigarette and tobacco taxes	0	0	561	561
Motor fuel tax	105	111	111	0
Motor vehicle fees	105	133	161	28
Business taxes	1,014	1,089	1,172	83
Corporation franchise tax	218	230	250	20
Corporation and utilities tax	167	168	184	16
Insurance taxes	101	109	117	8
Bank tax	56	89	107	18
Petroleum business tax	472	493	514	21
Total Taxes	4,442	4,835	5,659	824
Miscellaneous receipts	10,517	11,014	13,420	2,406
Federal grants	35,121	35,634	34,728	(906)
Total	50,080	51,483	53,807	2,324

CASH RECEIPTS
CAPITAL PROJECTS FUNDS
2003-2004 THROUGH 2005-2006
(millions of dollars)

	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended	2005-2006 Compared with 2004-2005
User taxes and fees	1,064	1,091	1,096	5
Motor fuel tax	410	420	422	2
Motor vehicle fees	468	481	472	(9)
Highway Use tax	147	153	163	10
Auto Rental Tax	39	37	39	2
Business taxes	580	620	648	28
Corporation and utilities tax	0	15	17	2
Petroleum business tax	580	605	631	26
Other taxes	112	112	112	0
Real estate transfer tax	112	112	112	0
Total Taxes	1,756	1,823	1,856	33
Miscellaneous receipts	2,168	1,677	1,776	99
Federal grants	1,548	1,778	1,828	50
Total	5,472	5,278	5,460	182

CASH RECEIPTS
DEBT SERVICE FUNDS
2003-2004 THROUGH 2005-2006
(millions of dollars)

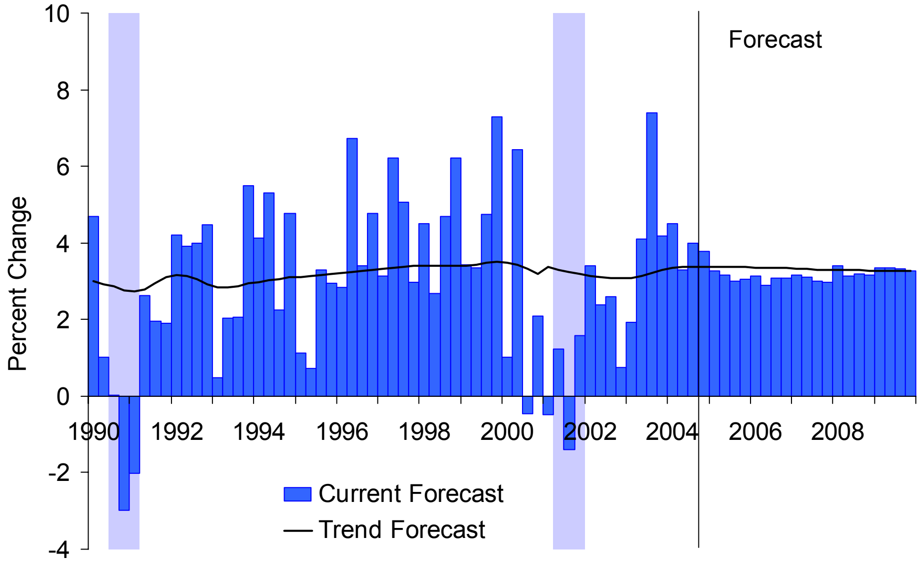
	2003-2004 Actual	2004-2005 Estimated	2005-2006 Recommended	2005-2006 Compared with 2004-2005
Personal income tax	5,457	6,134	6,570	436
User taxes and fees	2,267	2,486	2,636	150
Sales and use tax	2,267	2,486	2,636	150
Motor fuel tax	0	0	0	0
Other taxes	398	622	627	5
Real estate transfer tax	398	622	627	5
Total Taxes	8,122	9,242	9,833	591
Miscellaneous receipts	810	647	656	9
Total	8,932	9,889	10,489	600

ECONOMIC BACKDROP

OVERVIEW

Following almost two years of growth well above the economy's long-term trend rate, the nation is entering the fourth year of the expansion (see Figure 1).[1] The economy added an average of 186,000 jobs per month in 2004, almost returning total payroll employment to its pre-recession level. Despite lackluster growth in both employment and wages, the bedrock of the nation's economic recovery has to this point been household spending, fueled by two rounds of tax cuts and very low interest rates. However, those supports will begin to diminish as we enter 2005, bringing economic growth closer to its estimated long-term trend rate. The Budget Division is projecting growth in real U.S. GDP to decelerate from 4.4 percent for 2004 to a solid 3.4 percent for the current year.

Figure 1
Real Gross Domestic Product
vs. Trend Growth



Note: Shaded areas represent US recessions.
Source: Economy.com; DOB staff estimates.

The Budget Division projects steady trend growth throughout the forecast period, permitting the Federal Reserve to maintain its "measured" course of interest rate increases. Recent data indicate that employment growth may finally be rebounding to rates that are more typical of a maturing expansion. Investment spending picked up substantially in 2004 and is expected to show continued strength in 2005 following three years of subdued growth in the capital stock. Moreover, equity prices, often a reliable leading indicator, began to exhibit a rebound just after the presidential election. Rising employment and incomes are expected to sustain household demand during 2005, countering the withdrawal of fiscal stimulus and rising interest rates. Finally, the combined impact of a falling dollar and growth in the world economy is expected to increase the demand for U.S. exports, although on balance the trade deficit is projected to widen in 2005.

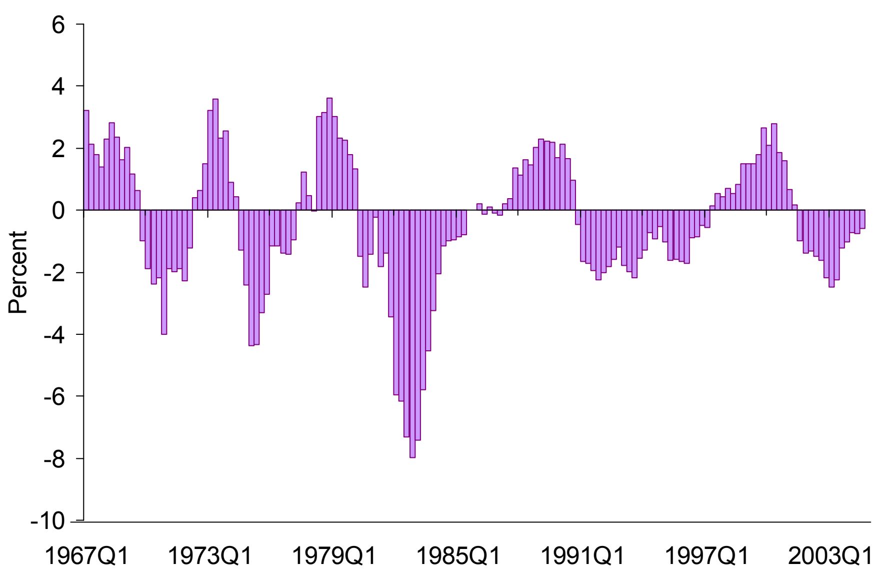
[1] The economy's long-term trend growth rate is the rate of growth generated when real U.S. GDP is at its potential level, i.e., the level of output that the economy can produce when all available resources are being utilized at their most efficient levels. For details of how the Division of Budget estimates potential GDP, see *New York State 2004-05 Executive Budget Revenue Estimating Methodology, p. 8.*

Recent above-trend national growth rates have helped to buttress the New York State economy as well. The State is estimated to have emerged from recession in the summer of 2003. The New York City economy is well on its way to a full recovery from the impact of the September 11 attack, reversing several years where the City's job base was in decline. The continued strengthening of the State economy will help to sustain the housing market, although not at the torrid pace of growth observed in 2004. Moreover, with the pickup in equity market activity toward the end of 2004, the profit outlook for the finance industry is brightening, though the level of profits for the year is not expected to match that of 2003. The resulting decline in State bonus growth is expected to bring total New York wage growth down to 4.9 percent for 2005 from 5.7 percent in 2004. State nonagricultural employment is projected to rise 1.1 percent in 2005, a significant improvement compared with 0.4 percent growth for 2004, but well below projected growth of 1.8 percent for the nation.

THE NATIONAL ECONOMY

Though the 2001 recession was mild by historical standards, a series of shocks kept the business sector focused on shoring up profits by cutting costs during the first two years of the recovery, at the expense of both employment and investment growth. This prolonged period of uncertainty and adjustment to the post-bubble economy resulted in 10 quarters of below-trend growth stretching from the third quarter of 2000 through the first quarter of 2003 and had the effect of delaying the rebound that typically occurs in the early stages of an economic recovery. Indeed, that rebound has yet to fully occur, with the labor market continuing to underperform relative to the early stages of prior recoveries. Consequently, the six quarters of above-trend growth experienced from second quarter of 2003 through the third quarter of 2004 have yet to return real U.S. GDP to its potential level (see Figure 2).

Figure 2
Percent Gap Between Actual and Potential GDP

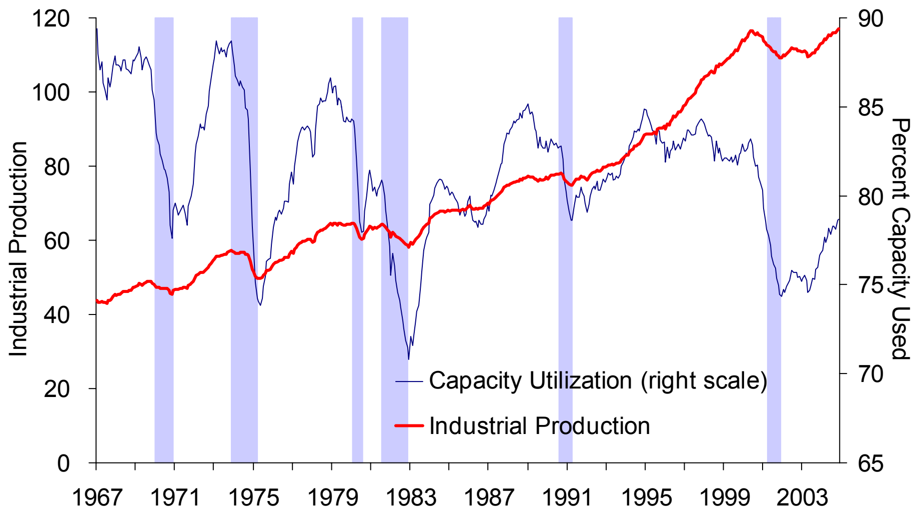


Source: Economy.com; Congressional Budget Office (CBO); DOB staff estimates.

Although the current recovery is projected to be sustained throughout the forecast period, a delicate balance of risks underlies this forecast. The corporate business sector remains cautious and hesitant to spend available funds, leaving considerable slack in some sectors of the economy, particularly the labor market. The effort to maximize output from existing resources resulted in high rates of productivity and profit growth. Both investment and employment growth improved in 2004, but more than three years into the expansion, private sector employment is still about one million jobs below its pre-recession peak, and capacity utilization in the production sector is growing but remains low (see Figure 3). Healthcare costs continue to rise faster than the general price level, further increasing the cost of labor, and although oil prices have receded from their October 2004 highs, they are still well above their year-ago levels. Both of these factors represent a risk to corporate profits going forward. If business spending does not grow as projected, then further reliance on elevated rates of total factor productivity growth will be required to maintain high rates of output growth. However, it is uncertain whether recent rates of strong productivity growth can be sustained.

Figure 3

Industrial Production Index and Capacity Utilization



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

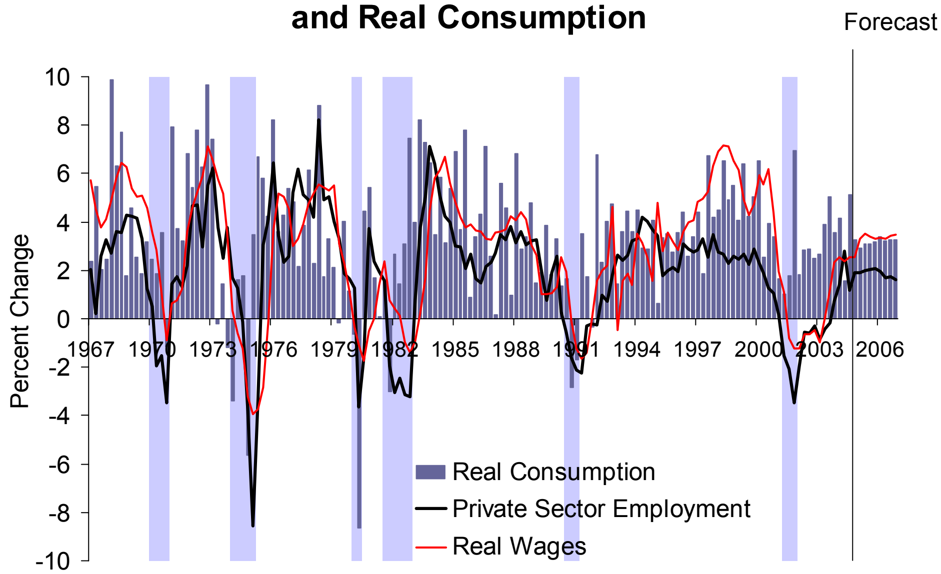
In addition, there is evidence that recent energy cost increases are spilling over into other consumer prices. Unlike the late 1990s, when the U.S. was experiencing strong growth while Europe, Asia, and Latin America were struggling in the wake of the Asian currency crisis, the global outlook is more favorable. Consequently, signs of pricing power are beginning to emerge. The risk of higher inflation is compounded going forward by a falling U.S. dollar, the value of which is made more uncertain by growing trade and federal government deficits. As currently underutilized resources become absorbed, these mounting inflationary pressures could force the Federal Reserve to accelerate its pace of interest rate increases. Below we examine the sensitivity of the economy to these assumptions as well as the associated risks.

Household Spending to Remain Steady

Household spending, supported by both monetary and fiscal stimulus, led the economy out of recession and has remained the economy's growth engine throughout the recovery. Although the withdrawal of both fiscal and monetary stimulus will lower rates of real consumption growth in 2005, continued growth in employment and income will keep household spending at levels that easily help to sustain the economic expansion (see Figure 4). Growth in measures of household wealth not included in ordinary measures of income, such as financial holdings and home equity, is also expected to support consumption growth in 2005 and beyond. Real consumption spending is projected to grow 3.3 percent in 2005, following growth of 3.7 percent in 2004. The more cyclically volatile component of household spending — spending on durable goods that last three years or more — will be most affected by the change in policy regime. Cyclical consumption is projected to grow 4.3 percent in 2005, following growth of 6.4 percent in 2004. Noncyclical consumption growth will fall only slightly from 3.3 percent in 2004 to 3.1 percent in 2005.

Figure 4

Private Sector Employment, Real Wages, and Real Consumption



Note: Shaded areas represent U.S. recessions. Real wage growth is from prior year.
Source: Economy.com; DOB staff estimates.

The strength of household spending to date has been in part due to expansionary monetary and fiscal policies initiated at the beginning of 2001. Figure 5 shows the estimated value of the stimulus from the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) for the period from 2003 through 2010. Even if most of the act's provisions are extended, reduced levels of stimulus will be a drag on consumption this year.[2] Similarly, the Federal Reserve Board's low interest rate policy provided enormous stimulus to the housing and vehicle markets. Figure 6 demonstrates the continued strength of the automobile market since the end of the recession, as low interest rates have allowed auto companies to market aggressively at very favorable terms to consumers.

With long-term interest rates expected to rise modestly over the course of 2005 and beyond, cash-outs from mortgage refinancing, which provided much support to consumption spending over the last four years, are expected to continue to diminish. The Conventional Market Mortgage Refinance Index has declined more than 79 percent since its June 2003 monthly peak (see Figure 7). As shown in Figure 8, the estimated equity cash-out volume for 2004 will be well below that of the 2003 peak, and is expected to fall further in 2005. In 2004, home equity cash-outs and second mortgages are expected to decline by $73 billion, followed by a decline of $47 billion in 2005. Assuming an overall marginal propensity to consume of 66 percent, these declines are estimated to lower nominal consumption spending by $48 billion and $31 billion, respectively. Moreover, as rates rise, household demand for autos, as well as other durable goods, can be expected to decline from its recent high level.

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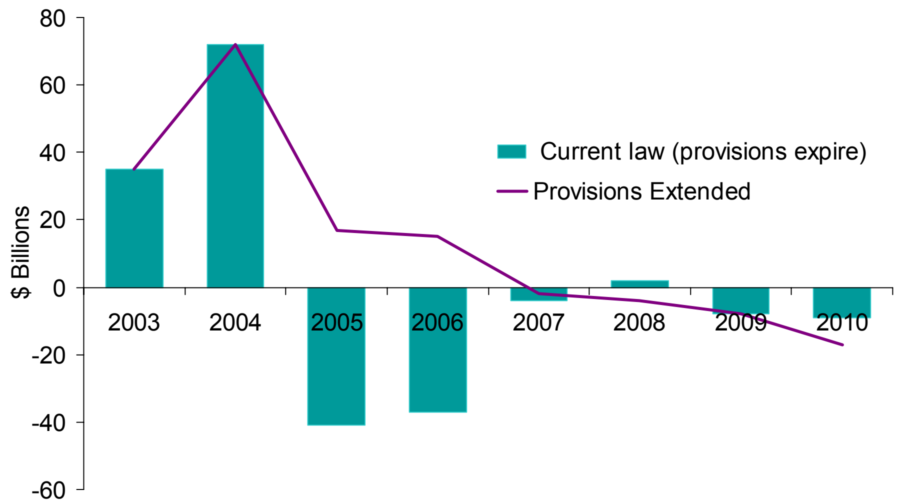
[2] For the original estimates of the value of the stimulus due to JGTRRA, see Congressional Budget Office "Cost Estimate, H.R. 2, Jobs and Growth Tax Relief Reconciliation Act of 2003, As cleared by the Congress on May 23, 2003." For the value of the stimulus due to an extension of the provisions of JGTRRA, see Congressional Budget Office, *The Budget and Economic Outlook: An Update*, September 7, 2004.

Figure 5

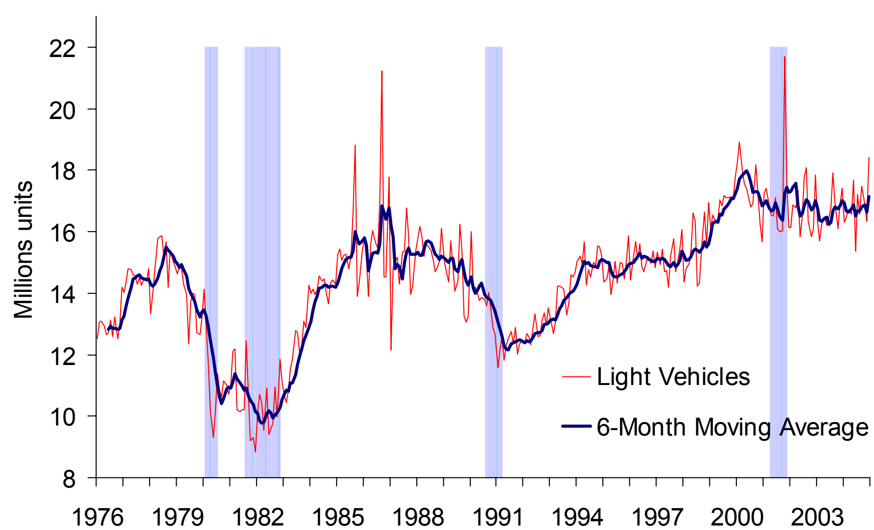
Additional Stimulus From JGTRRA



Note: JGTRRA refers to the "Jobs and Growth Tax Relief Reconciliation Act of 2003." Current law estimates are vintage.
Source: Congressional Budget Office, U.S. Department of Treasury.

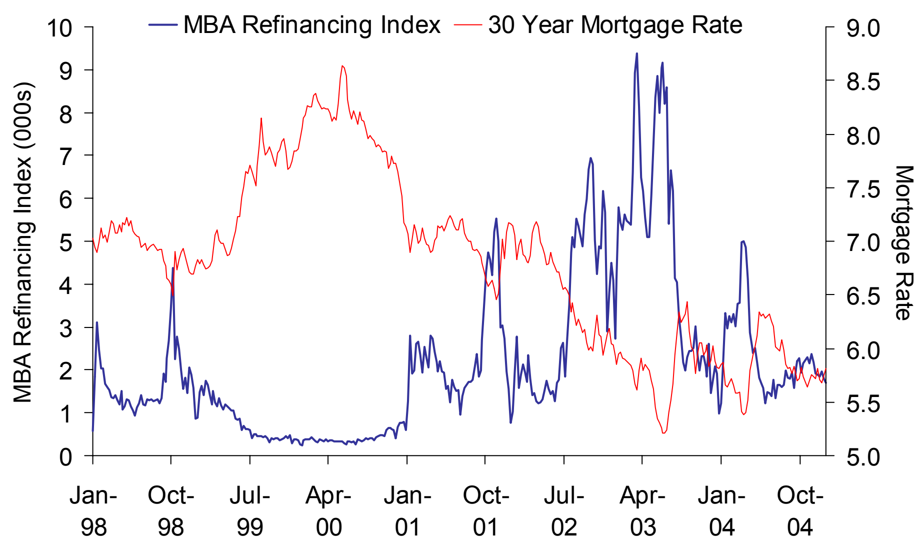
Figure 6

Light Vehicle Sales



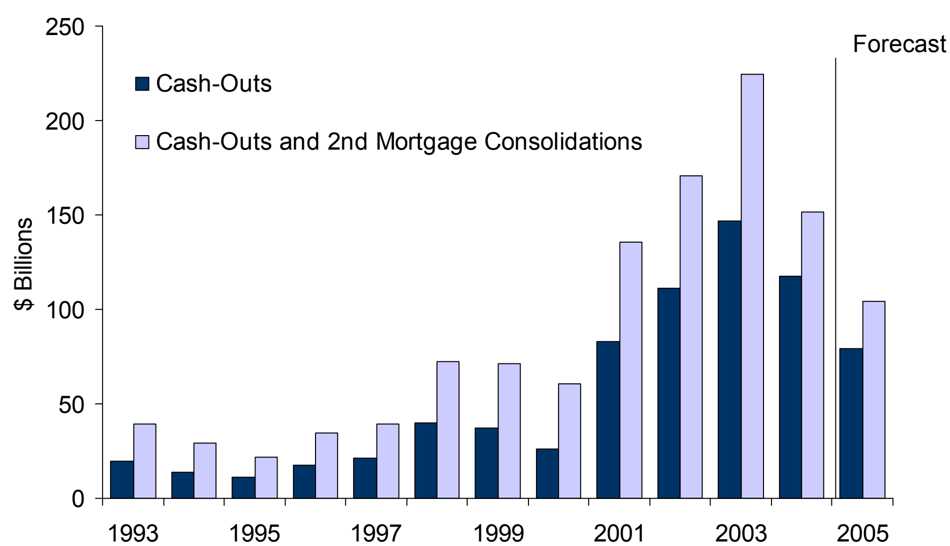
Note: Data include autos and light trucks, and are seasonally adjusted annual rates.
Source: Economy.com.

Figure 7
Record Level Refinancing Activity



Source: Economy.com.

Figure 8
Home Equity Cash-Out Volume

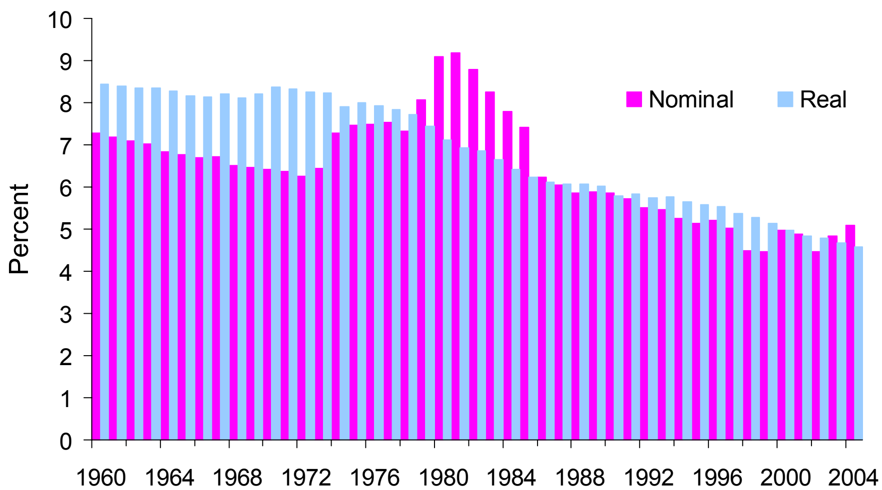


Note: Estimate for 2004 is based on nine months of data; 2005 is Freddie Mac forecast.
Source: Freddie Mac.

The increase in energy prices in 2004 also puts downward pressure on household spending going forward. About 5 percent of nominal consumption expenditures is accounted for by energy-related goods and services (see Figure 9).[3] A significant rise in oil prices can affect the growth in consumption spending both directly, through the increased price of the energy goods that consumers purchase, and indirectly, as higher energy prices put upward pressure on the general price level. Therefore, an increase in energy prices behaves as a tax, where most of the tax revenue goes abroad since the U.S. imports nearly twice as much oil as it produces domestically. Higher energy prices will be one more factor restraining consumption growth in 2005.

Figure 9

Real and Nominal Consumer Spending for Energy Goods and Services as Share of Total



Note: Shares for 2004 are based on three quarters of data.
Source: Economy.com; DOB staff estimates.

Growth in consumption spending is expected to moderate in 2005 but remain strong. Nevertheless, there are risks to the forecast. A substantial body of economic research indicates that real consumption spending varies not only with income but wealth as well. A statistical analysis of the relationship between consumption growth, housing values, and equity-related securities shows that real consumption growth has a long-term equilibrium relationship with both housing assets, the most prevalent form of household wealth, and equity market securities. During both the 1981-82 and 2001 recessions, rising home values helped to keep consumer spending afloat. Moreover, rising equity values supported the strong spending growth observed in the late 1990s. Although the wealth effect is significantly smaller than the effect of other sources of income, it is related to such volatile factors as housing and equity prices. A shock to household wealth produced by a sharp decline in either equity or real estate prices could result in lower consumption growth than currently projected for 2005.

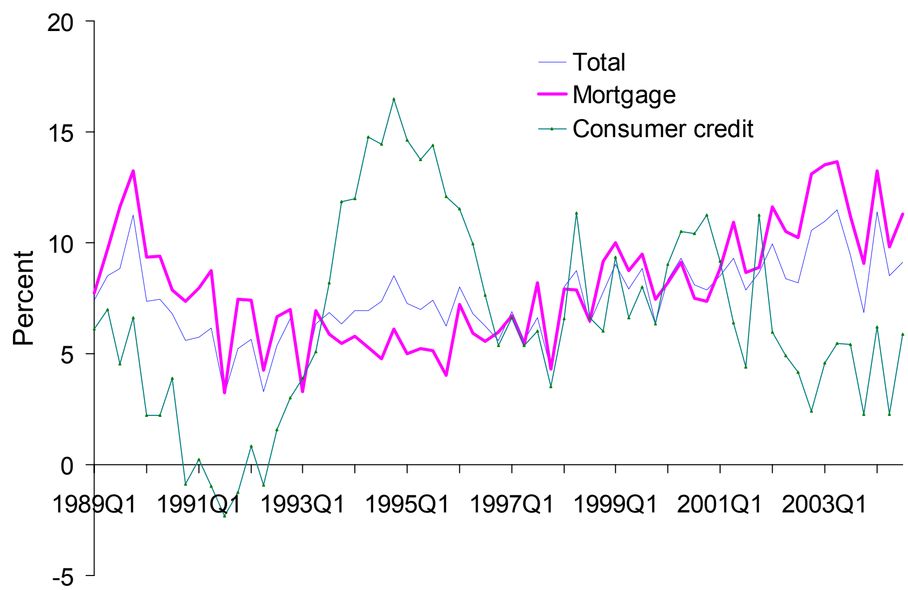
The accumulation of household debt since the late 1990s and the concomitant decline in the rate of household saving also pose risks to consumer spending as interest rates rise over the course of 2005 (see Figure 10). Taking advantage of low interest rates, households have increased their purchases of homes and autos, and refinanced mortgages in order to extract equity, all of which increase both the level of household debt outstanding and consumption

[3] The energy components of the CPI receive a total weight of about 7 percent; gasoline alone receives a weight slightly over 3 percent.

spending as measured under the National Income and Product Account (NIPA) data. As the level of debt has risen, the personal saving rate, defined under NIPA as personal saving as a percentage of disposable personal income, has fallen precipitously (see Figure 11). However, this decline has been accompanied by an increase in the ratio of household net worth to disposable personal income. In calculating household saving, the NIPA methodology both ignores the accumulation of wealth that follows from the purchase of a home or financial securities, and fails to account for the capital gains earned on these assets. Therefore, the high level of debt and the low rate of saving as defined under NIPA may not pose an excessive risk, as long as households experience no major loss of wealth. Such a loss might occur in the event of a collapse in either real estate or equity prices.

Figure 10

Growth in Household Debt

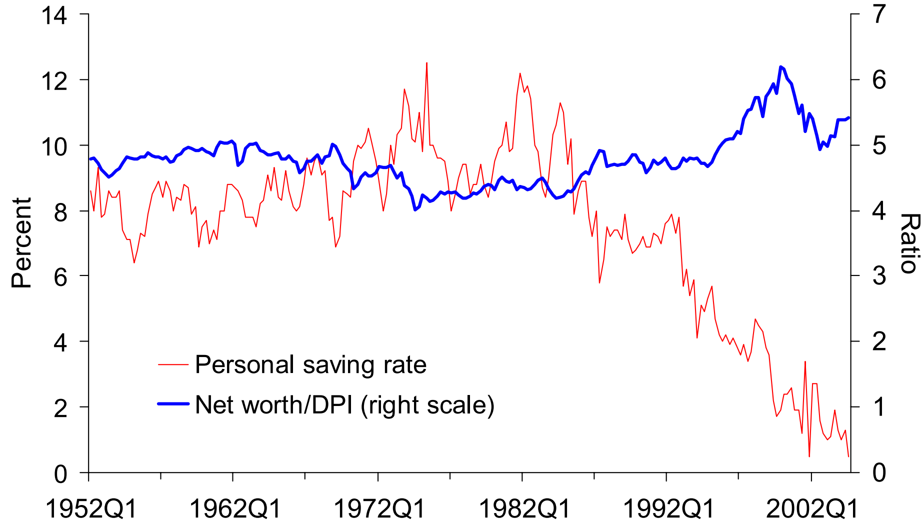


Source: Economy.com.

Historically low interest rates also supported the boom in the housing market. Figure 12 shows the strength of the impact that the decline in mortgage rates has had on real fixed residential investment. Although housing starts remain at or near record levels, with interest rates likely to rise further, and home prices at or near historically high levels, housing market growth is expected to be nearly flat in 2005. The National Association of Realtors (NAR) Housing Affordability Index combines the impact of home prices, family incomes, and interest rates to construct a measure of the degree to which a family earning a median income can afford to buy a median priced home. The index peaked in 2003 as interest rates hit historical lows, but has moderated since then due to rising interest rates and home prices. Nevertheless, it remains at historically high levels and will continue to be supported by growth in employment and incomes. The Budget Division expects real residential fixed investment to grow a mere 0.8 percent in 2005, following growth of 9.5 percent in 2004.

Figure 11

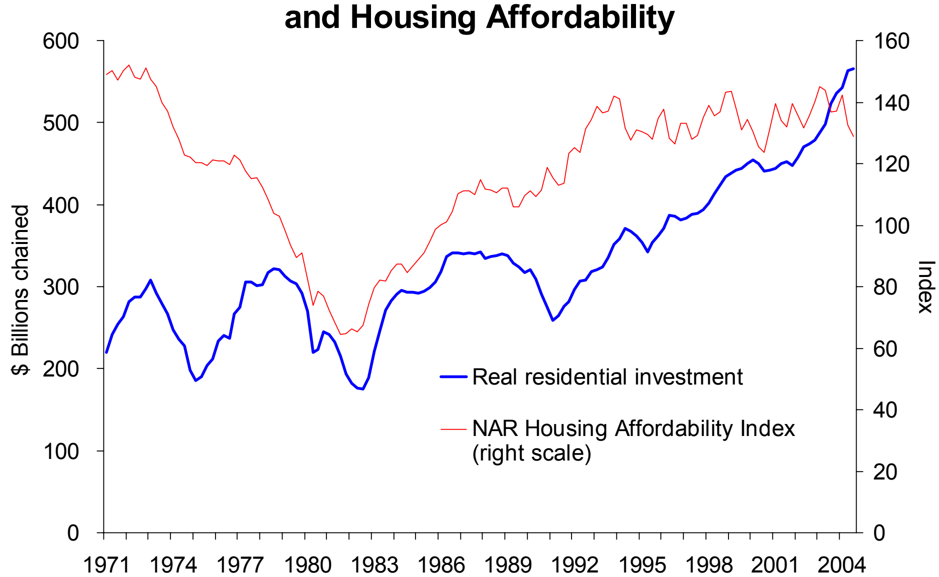
Personal Saving and Household Net Worth Relative to Disposable Income



Note: Saving rate is defined as personal savings as percent of disposable income.
Source: Economy.com.

Figure 12

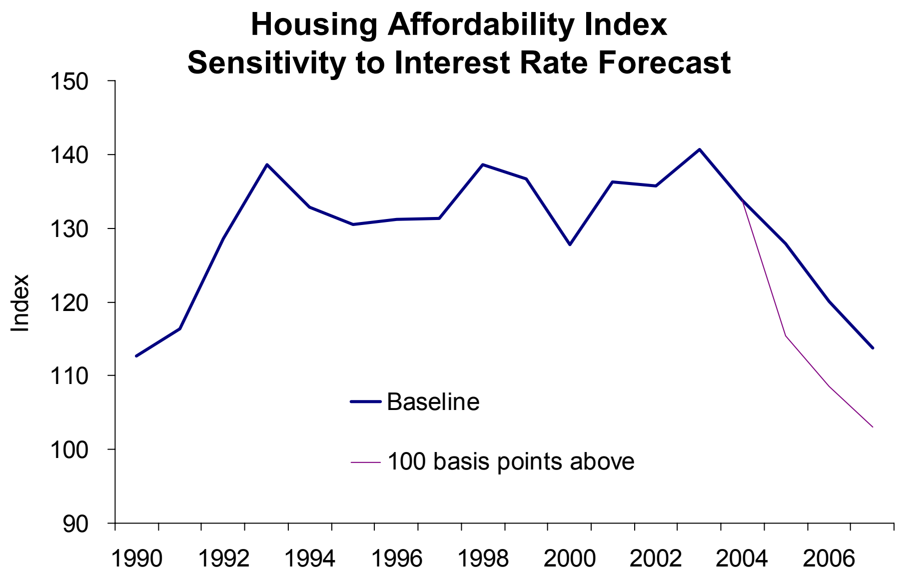
Real Residential Fixed Investment and Housing Affordability



Source: Economy.com.

Although the demand for housing is expected to remain strong for 2005, there is risk to the forecast. The most recent data available indicate that for the first 11 months of 2004, the NAR Housing Affordability Index was down 5.0 percent compared with the same period a year ago. Based on the Budget Division forecast for rising incomes, rising interest rates, and moderate growth in housing prices, the index is expected to decline even further over the next three years (see Figure 13). If mortgage rates rise 100 basis points above the current forecast, then the housing affordability index could decline as much as 13.7 percent in 2005, and growth in real residential investment would be expected to be lower as well. Similarly, lower interest rates or higher income growth than projected would result in higher growth in real residential investment than the present forecast.

Figure 13



Note: Index value for 2004 is estimated based on 11 months of data.
Values for 2005-2007 period are DOB forecasts.
Source: National Association of Realtors; Economy.com; DOB staff estimates.

Business Investment Makes a Cautious Comeback

One of the keys to sustaining the current economic recovery is the pace of spending by businesses on offices, factories, and equipment. Business spending will be particularly critical this year given the projected deceleration in consumer spending. Although 2004 saw solid growth in real nonresidential investment spending, there is substantial evidence that the business sector has remained unusually cautious relative to past expansions, despite healthy growth in profits (see Figure 14). While this cautiousness may have its roots in the investment boom of the late 1990s, a series of shocks experienced by the business sector since 2000 is believed to have had a depressing effect on the recent growth of both employment and the capital stock. Absent any further such shocks, the Budget Division projects solid growth in investment spending going forward.

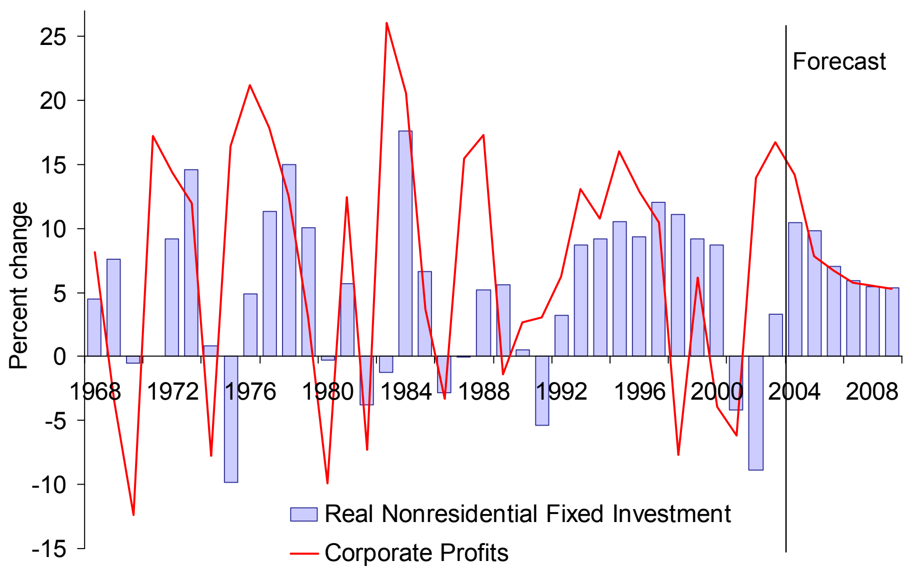
The long economic expansion of the 1990s was noteworthy for a rapid increase in the rate of investment in capital goods (see Table 1). Rising productivity, rising equity prices, falling computer prices, expanding numbers of Internet-based businesses, preparation for Y2K, as well as rising depreciation rates, all drove huge investments in information technology.[4] In the high-tech sector, the "new economy" mentality shaped expectations over future prices and sales, such that these investments made sense. In analyzing business spending behavior, firms are assumed to choose a level of investment that achieves an optimal long-run relationship between the expected level of sales and the stock of plant and

[4] Studies noting the roles of depreciation rates and falling prices on information technology investment include Mark Doms, "The Boom and Bust in Information Technology Investment," *Economic Review*, 2004, Federal Reserve Bank of San Francisco, pp. 19-41, Kevin L. Kliesen, "Was Y2K Behind the Business Investment Boom and Bust?" *Review*, January/February 2003, Federal Reserve Bank of St. Louis, pp. 31-42, and S. Tevlin and K. Whelan, "Explaining the Investment Boom of the 1990s," Federal Reserve Board, 2000.

equipment, given the input and output prices that firms currently face in the marketplace and expect to face in the future.[5] As the outlook for economic growth improves, firms expect to generate more output and sales, which in turn requires more capital, and, consequently, investment. Similarly, a reduction in the cost of acquiring and using capital goods, commonly referred to as the user cost of capital, also induces firms to purchase more capital. Factors that reduce the user cost include a decrease in the prices of new investment goods, declines in inflation-adjusted borrowing costs, rising equity prices, and changes in the tax code that favor investment.[6] As noted above, many of these factors came together to fuel the investment boom of the late 1990s.

Figure 14

Real Nonresidential Fixed Investment and Corporate Profits



Source: Economy.com; DOB staff estimates.

TABLE 1
CHANGES IN SELECTED CATEGORIES OF REAL INVESTMENT IN EQUIPMENT AND SOFTWARE

	Average annual percentage change		
	1990-1995	**1995-2000**	**2000-2003**
Information technology (IT)	17.3	24.0	2.4
Software	12.7	19.4	(0.2)
Computers	33.8	35.9	19.1
Communications equipment	9.1	19.8	(6.2)
Non-IT	5.0	4.4	(1.1)

Source: Economy.com; DOB staff estimates.

Likewise, business investment also played a key role in the onset of the 2001 recession and appears to have been a factor in the weakness of the early phase of the recovery. By late 2000, many of the forces propelling the new economy either reversed or decelerated. Bloated stock prices tumbled, beginning in the tech sector. Lower equity prices, exacerbated by corporate governance and accounting scandals, made it more expensive for firms to

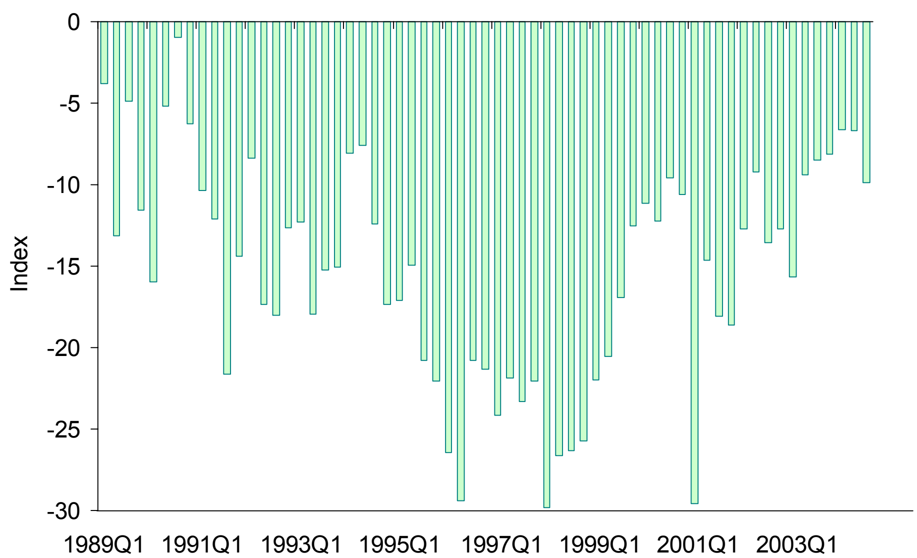
[5] Optimal investment is the level that maintains the profit maximizing or cost minimizing capital-output ratio. With a Cobb-Douglas production function, the optimal capital-output ratio will be equal to the ratio of the price of output to the rental rate of capital. This condition implies that the optimal growth rate of investment varies with output growth and changes in the rental rate of capital relative to output price.

[6] Rising equity prices reduce the relative financial cost of capital, holding dividend payments constant.

finance capital investment. In addition, prices of information-processing equipment have been falling more slowly (see Figure 15), and equipment depreciation rates have been lengthening. Even more difficult to quantify, but nonetheless key to the investment decision, is the effect of expectations. The "new economy" optimism of the late 1990s largely evaporated with the terrorist attacks of September 11, 2001, and the two wars that followed. In addition, the rapid increases in investment during the latter half of the 1990s expansion resulted in an "investment overhang" of unused capacity that would have to be reduced before investment could resume robustly. From the first quarter of 2001 to the first quarter of 2003, real nonresidential investment fell at approximately a 6.9 percent annual rate (see Figure 16).

Figure 15

Computer and Related Equipment Price Index



Source: Economy.com.

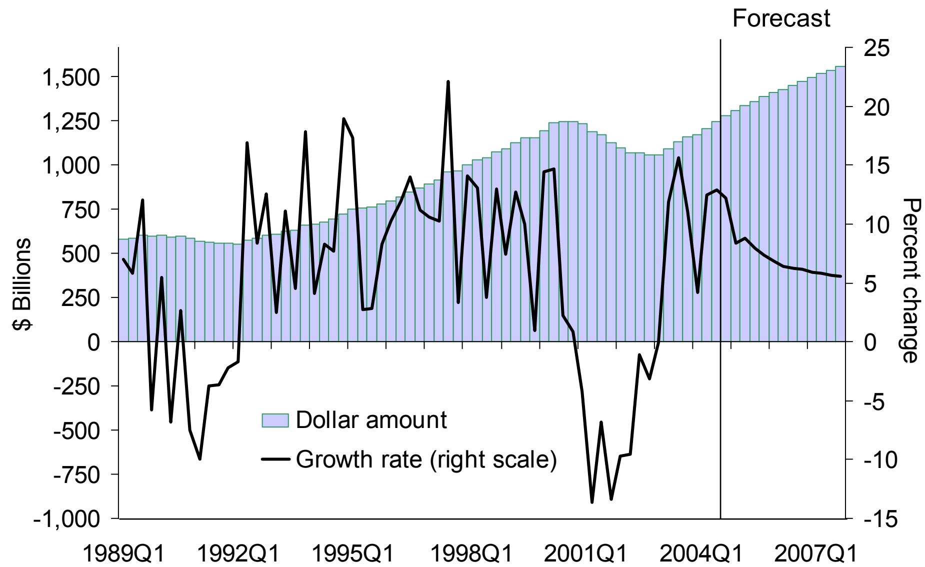
Despite the determination by the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER) that the recession ended in November 2001, business investment continued to decline through the beginning of 2003. However, by the second quarter of 2003, some of these trends had begun to reverse. Some of the pre-war uncertainty was resolved when the war with Iraq was begun and resulted in an apparently swift victory by the U.S.-led coalition. Historically low interest rates reduced borrowing costs, while Federal tax policy further lowered the financial cost of capital.[7] In addition, as firms restrained their capital spending, their "financing gap," defined as the difference between the amounts of internal funds available for investment and the amount actually spent, became positive in late 2002 and into 2003, indicating that funds were available for business fixed investment purposes (see Figure 17). All of these factors resulted in an acceleration in business spending. From the second quarter of 2003 to the third quarter of 2004, real business fixed investment on equipment and software increased at average annualized rate

[7] The president signed legislation in March of 2002 that, among other things, allowed firms to immediately deduct an additional 30 percent of the value of certain qualifying capital assets and software in the first year, if such property is placed in service between September 11, 2001, and September 11, 2004. In later tax legislation signed into law in May 2003, the partial expensing provision was increased to 50 percent and the purchase date was moved forward to December 31, 2004.

of 14.1 percent. Nevertheless, the business sector appears to be still proceeding cautiously. By the third quarter of 2004, the last quarter for which data are available, real nonresidential fixed investment was still just below its pre-recession peak and the financing gap remained significant.

Figure 16

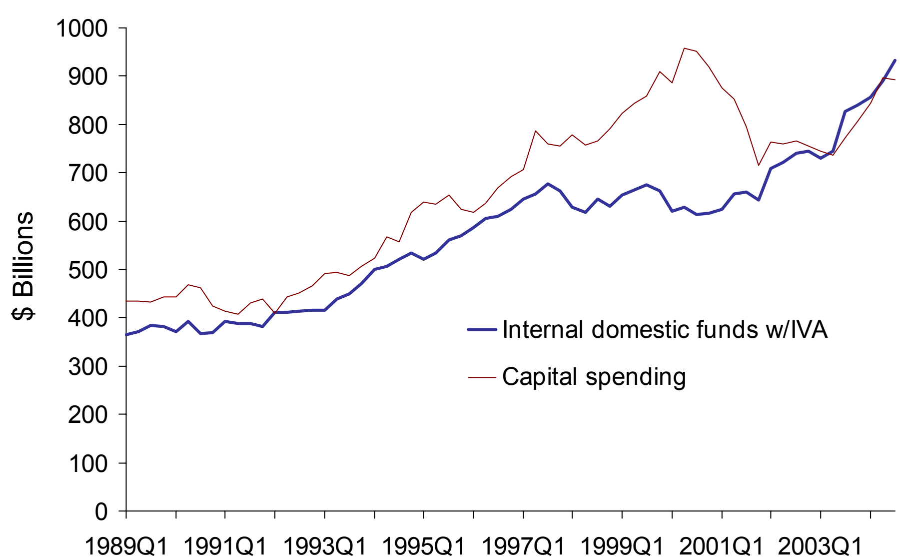
Real Nonresidential Fixed Investment



Source: Economy.com; DOB staff estimates.

Figure 17

Finance Gap for Nonfinancial Corporations



Source: Economy.com.

With the Federal Reserve expected to maintain a "measured" pace in raising the federal funds rate target to a more neutral level, i.e., a level that is neither accommodative nor contractionary, and the recovery expected to continue, the Budget Division projects strong growth in business fixed investment of 9.8 percent for 2005, following growth of 10.5 percent for 2004. Expectations for 2005 reflect the gradual rise in interest rates as the recovery continues, partially offset by rising equity prices, resulting in only a minimal increase in the financial cost of capital. Also, as the partial expensing provisions for depreciation expired at the end of 2004, some investment may have been "brought forward" from 2005 into 2004, increasing the rate of investment growth in 2004 in order to take advantage of the more-favorable tax treatment in that year, but also reducing the rate of investment in the following year.

Given the importance of favorable expectations on investment, a major risk to the forecast would be any unforeseen shock to business confidence, such as weak consumer spending or a heightened threat of another terrorist attack on U.S. soil. Indeed, the absence of the strong rebound in investment that typically follows a recession was likely a consequence of the series of shocks experienced by the business sector since 2000. Though investment spending is estimated to have grown robustly in 2004, after accounting for depreciation of existing plant and equipment, the resulting measure of the net capital stock is estimated to have risen only 2.1 percent. The low rate of growth in the capital stock and the unusually large accumulation of unspent funds reported by corporate businesses suggest that a significant degree of the risk is still present in the nation's business environment. These risk perceptions are likely compounded by the specter of rising interest rates and the uncertain future of oil prices. However, further rollbacks in energy prices, stronger household spending or greater demand for U.S. exports than projected could allay such perceptions and produce stronger investment going forward.

Moreover, because of the sensitivity of business investment to changes in the user cost of capital, which in turn depends on borrowing costs, higher interest rates than projected are likely to lead to lower investment. The timing and magnitude of the response of investment spending to changes in interest rates depends on the investment type. For example, because of its relatively low depreciation rate, investment in nonresidential structures responds to interest rate changes with a longer lag than noncomputer equipment. Simulations performed by the Budget Division indicate that an increase in Moody's Baa corporate bond rate of 100 basis points above the current forecast for 2005, all else being equal, can be expected to increase the user cost of nonresidential structures by about 5 percent and lower investment by about 1 percent, with a lag of about three quarters. Similarly, lower interest rates than expected would result in investment growth above the current forecast.

The Labor Market Returns

After two years of job losses, followed by a year of relatively anemic gains for a business cycle recovery phase, the labor market appears finally to have turned the corner. Establishment survey data through December show average monthly growth in payroll employment for 2004 of about 186,000 jobs, compared to an average monthly job loss of 6,000 for the same period in 2003.[8] Total nonfarm employment grew 1.0 percent during 2004, while private sector employment rose 1.2 percent. However, the labor market was likely even stronger in early 2004 than currently published data suggest. The Bureau of Labor Statistics (BLS) announced in October that with the release of January 2005 data on February 4, 2005, employment for March 2004 will be revised up by 236,000, or 0.2 percent.[9]

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[8] According to the household survey, 146,000 jobs were created per month, producing growth of 1.1 percent in 2004. The surveys indicate that between 2.3 million and 2.6 million jobs have been created since July 2003 (see Box 1, page 186).

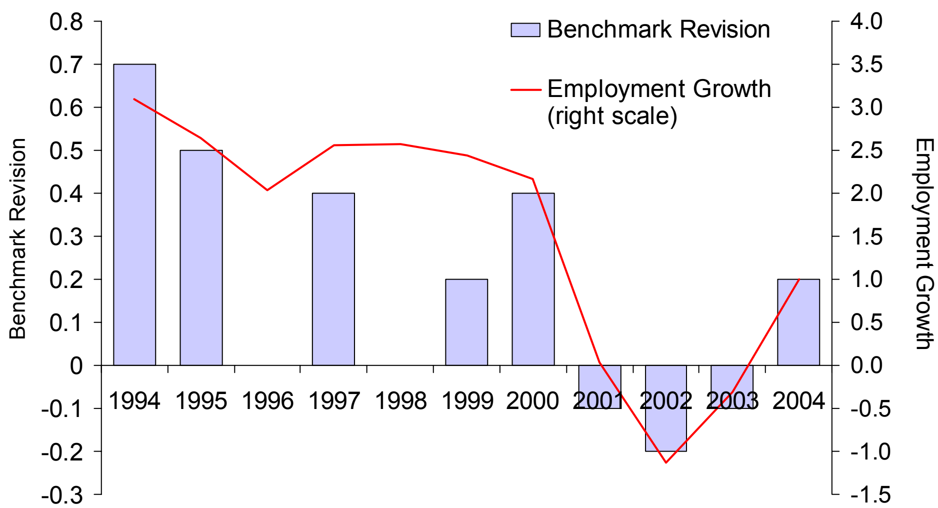
[9] For more information on the 2005 Benchmark revision, see <http://www.bls.gov/ces/cesprelbmk.htm>.

The upcoming revision is in line with the 0.2 percent average revision for the last ten years. BLS tends to underestimate employment when the labor market is strong and overestimate when the labor market is weak (see Figure 18). Following three years of overestimating employment growth, starting in 2001, BLS characteristically underestimated employment growth in 2004, the first full year of employment gains since the beginning of the recovery. Thus, the underestimation by BLS for 2004 can be viewed as yet another indicator that the national labor market is getting stronger.

The Budget Division forecast for 1.8 percent growth in total employment for 2005 translates into an average monthly gain of about 216,000 jobs, implying only a small increase in the pace of job creation relative to 2004. Although this rate of job growth is substantially higher than the approximately 150,000 jobs needed to keep up with the average monthly growth in the labor force, it is well below those typically seen following an upturn in the labor market. Consistent with this modest pickup in the rate of job creation, the unemployment rate is projected to fall only 0.2 percentage points on an annual average basis, from 5.5 percent in 2004 to 5.3 percent in 2005.

Figure 18

Total Employment Benchmark Revisions



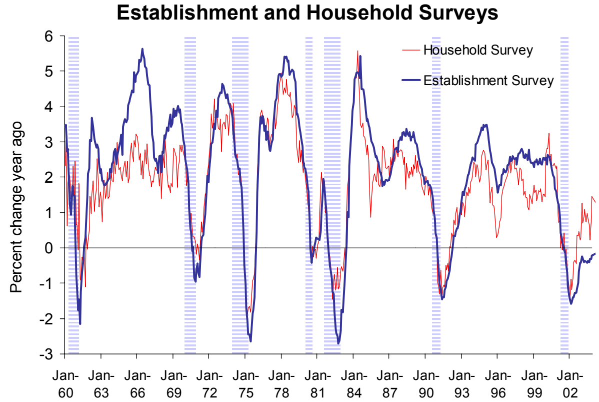
Note: Benchmark figure for 2004 is preliminary BLS estimate; employment growth for 2004 is DOB staff estimate.
Source: Bureau of Labor Statistics; Economy.com; DOB staff estimates.

BOX 1
THE EMPLOYMENT PUZZLE

Two strikingly different portraits of national employment emerge when comparing two alternative sources of 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 400,000 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. An alternative measure of employment comes from the Current Population Survey (CPS) of about 60,000 households, commonly known as the household survey, which 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.

It is not unusual for these two data sources to diverge substantially in their measure of job growth, with payroll employment exhibiting faster growth on average. However, the chart below indicates that the relationship between the two series tends to vary with the phases of the business cycle. During and immediately following a recession, household survey employment tends to exhibit the higher growth rate. Eventually, the payroll series catches up and ultimately grows faster. This has been true for all recessions since World War II, and the current post-recession period is no exception. Thus, historical evidence suggests that the employment gains exhibited by the household survey data can be expected to be matched, and eventually surpassed, by the payroll employment series, once labor market hiring has gathered momentum.

Total U.S. Employment
Establishment and Household Surveys



Source: Economy.com.

Nevertheless, the magnitude of the difference between the two surveys since the end of the 2001 recession has been substantially larger than the historical norm of about one-half of one percentage point. In fact, the difference between the two measures recently exceeded one percentage point, a magnitude reached briefly only twice during the postwar period. Moreover, this difference has persisted for more than a year, a duration that is unparalleled in the last 45 years, although the gap is expected to diminish slightly after the CES benchmark revision.

The current recovery started as a "job-loss recovery," with employment as measured by the payroll survey continuing to decline even after output growth had resumed. This is the worst post-recession job performance since World War II; only the recovery from the 1990 recession is at all comparable. In contrast, the household survey data indicate that employment has been trending upward since early 2002, surpassing its pre-recession peak by October 2003. As of December 2004, household survey data indicated that civilian employment was 2.4 million above its January 2001 level. In contrast, payroll employment remains 241,000 below its March 2001 pre-recession peak. Even after adjusting for the design differences between the two surveys, a substantial discrepancy remains.

Several explanations for the source of the difference have been advanced. One is that in an effort to minimize costs, firms may be hiring more individuals on a contract basis to avoid commitments and fringe benefit costs. If such individuals were self-employed, they would be counted in the household data, but not in the payroll count. It has also been suggested that the Census Bureau has been overestimating immigration, and therefore the entire population, since the most recent decennial census.[1] Since population estimates are used to inflate the household survey results to population totals, an overestimate of the population would produce an overestimate of employment as well.

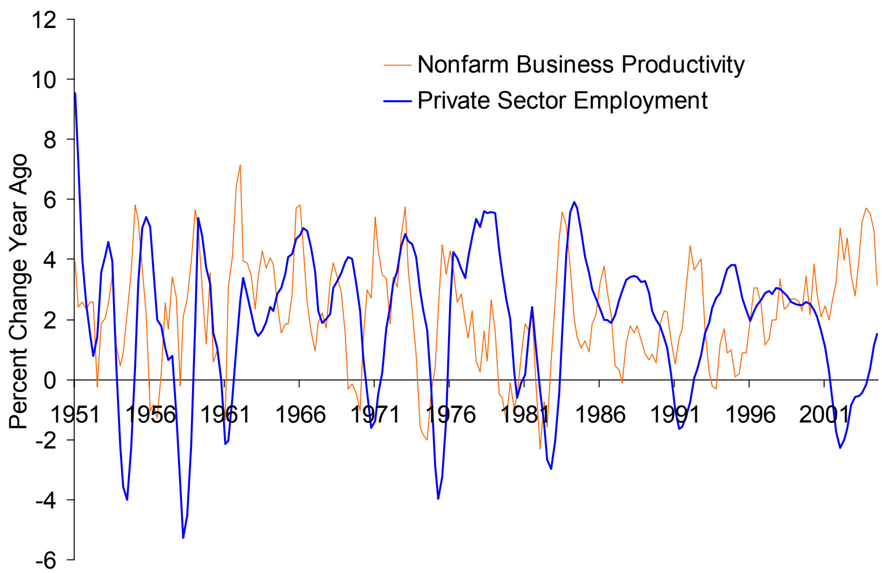
[1] The Federal Reserve Board, "The Jobless Recovery", remarks by Governor Ben S. Bernanke at the Global Economic and Investment Outlook Conference, Carnegie Mellon University, Pittsburgh, Pa., November 6, 2003 at <http://www.federalreserve.gov/boarddocs/speeches/2003/2003110662/default.htm>.

Between 1947 and 2003, real U.S. GDP expanded at an average annual rate of 3.5 percent, while nonfarm employment growth averaged 2.0 percent during the same period. While output growth has matched its historical average in the 11 quarters since the beginning of the current expansion, employment growth has averaged only 0.2 percent. For 2005, the Budget Division is projecting output growth of 3.4 percent, accompanied by job growth of 1.8 percent. Although this forecast is much more consistent with historical average rates, it may be worthwhile to examine the likelihood that the expected rate of job creation will materialize, particularly in an environment of rising interest rates and virtually no new fiscal policy stimulus and given the experience of the last three years.

Strong productivity growth is perhaps the reason most often cited for the slow rate of job creation observed thus far in the expansion. Hence, the claim that productivity may be slowing is cited as support for accelerating job growth. Productivity growth fell from 3.9 percent in the second quarter of 2004 to 1.8 percent in the third quarter, the lowest rate since the fourth quarter of 2002, when real GDP grew a mere 0.7 percent. Figure 19 shows that in 1955, 1975, and 1984, employment growth followed productivity growth with a short lag, while in the late 1970s, the late 1980s, and the period since 2001, they moved in the opposite direction.

Figure 19

Productivity and Employment Growth



Source: Economy.com.

Table 2 tells a similar story by comparing average annualized productivity growth in the eleven quarters following a recession to the average annualized rate of job creation for the same period. Only the current recovery and the recovery from the 1961 recession exhibit high productivity growth coinciding with low rates of job creation. In contrast, the recovery from the 1991 recession shows simultaneously low rates of job and productivity growth, while the recovery from the 1970 recession shows simultaneously high rates. A commonly used empirical test of causality rejects on a statistical basis the notion that productivity growth leads employment growth.[10]

[10] A bivariate Granger causality test was performed on the quarterly series.

TABLE 2
EMPLOYMENT AND PRODUCTIVITY GROWTH FOLLOWING RECESSIONS
(Percent change)

End Year of Recession	Average Productivity Growth During 11 Quarters Following a Recession	Average Employment Growth During 33 Months Following a Recession
1949	3.41	4.43
1954	2.44	3.09
1961	4.58	2.48
1971	3.62	3.41
1975	2.34	3.60
1982	2.91	3.63
1991	2.41	1.22
2001	4.19	0.19

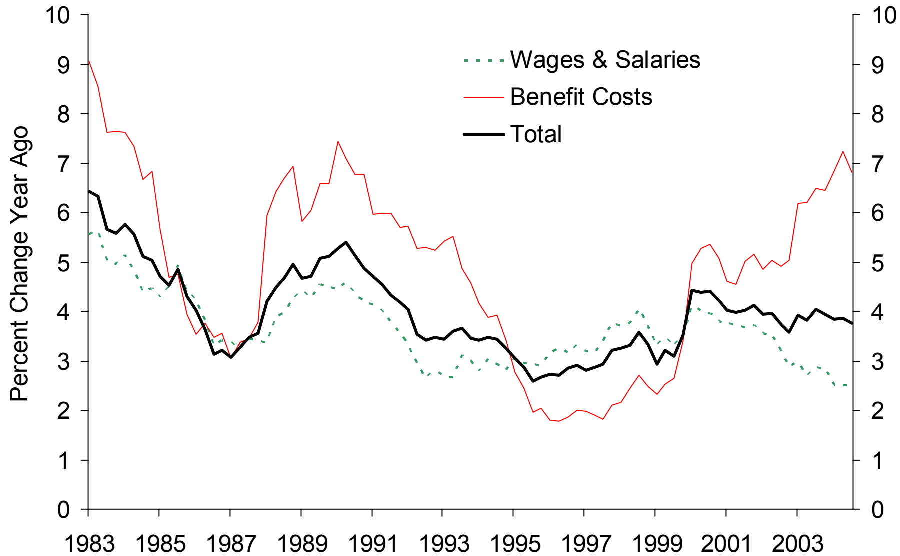
Source: Economy.com.

The sources of the relatively high rates of productivity growth that have been observed recently are not well understood. Ultimately, productivity growth is driven by improvements in the way that equipment and labor are used to produce goods and services. Although these improvements are generally thought to take place gradually, it is evident from Figure 19 that productivity growth can be extremely volatile. Based on data for the first three quarters of 2004, productivity growth is likely to fall from a historically high 5.6 percent for 2003 to a rate much closer to the 3.2 percent average rate for the period from 1996 through 2003 and still high by historical standards. It is likely that large swings of that magnitude are driven more by measurement methods than by fundamental changes in the economy.[11] Therefore it is not surprising that the statistical evidence linking employment and productivity growth is ambiguous.

The increasing cost of noncash employee benefits has also been linked to the long period of job losses that continued well after the end of the recession, and the period of dampened growth that followed. Figure 20 shows that growth in the cost of benefits, largely driven by healthcare costs, far outpaced the growth in wages and salaries in 2003 and continued to do so in 2004. The high cost of benefits is expected to induce a relative preference for temporary workers over permanent full-time workers, particularly during a time of uncertainty about business conditions. However, while the shift from permanent to temporary workers may affect the distribution of workers across industries (temporary workers are reported as administrative support staff regardless of what industry they work in), they do not affect the overall job count.

[11] For a comment on the BLS measure of the length of the average workweek, please see Stephen S. Roach, "The Productivity Paradox," *The New York Times*, November 30, 2003, Section 4.

Figure 20
Employment Cost Index



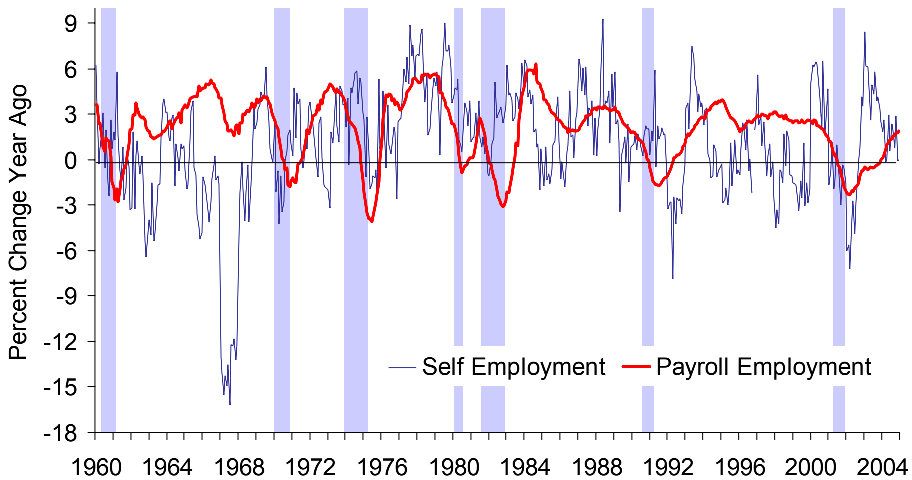
Source: Economy.com.

High benefits costs could also factor into the shift of workers from establishment employment to self-employment. Since the 1970s, self employment has continued to grow during recessions but fallen during recoveries following an acceleration in payroll employment. This behavior changed somewhat during the most recent recession, when both types of employment fell together and continued to fall during the early phase of the recovery. However, as indicated in Figure 21, self employment began to exhibit significant growth in 2002, even as payroll employment continued to fall. This trend reversed itself during the summer of 2003 when payroll employment finally began to exhibit consistent growth. Although the growth in self-employment has slowed, it remains at an historically high level and is believed to explain a significant part of the discrepancy between the payroll and household employment counts (see Box 1, page 186). High benefits costs may also increase the pace of outsourcing to developing countries where wages are much lower. However, there is still little evidence to date that outsourcing represents more than a small degree of net job loss.[12] In addition, the falling value of the dollar acts as a countervailing force by increasing the real wage paid to foreign workers.[13]

[12] According to BEA, the NIPA component most affected by outsourcing is imported business, professional, and technical services. Although nominal spending for this component rose 14 percent in 2003, after rising at an average rate of 4 percent over the preceding three years, it still totaled only $3.1 billion in the third quarter of 2004, the most recent quarter for which data are available. For more information, see: <http://www.bea.doc.gov/bea/dn/GDP_outsourcing.pdf>.

[13] Since the middle of 2002, the dollar has fallen by 9 percent versus the Indian rupee. India has been the largest recipient of jobs linked to outsourcing.

Figure 21
Self Employment in Nonagricultural Sector vs. Payroll Employment

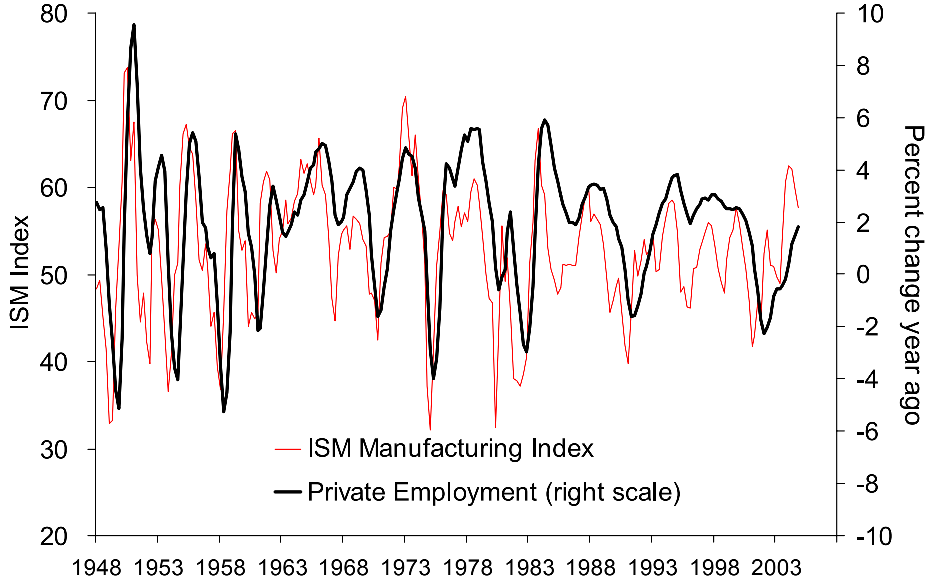


Note: Shaded areas represent US recessions.
Source: Economy.com.

One of the most powerful factors affecting the firm sector's willingness to hire is its perception of the business climate. As Figure 22 indicates, the Institute for Supply Management's (ISM) Purchasing Managers' Index for manufacturing, a useful measure of business confidence, tends to lead the net creation and elimination of jobs in the private sector.[14] The attack on September 11, the corporate governance scandals that followed, and the run-up to the war in Iraq were all negative shocks to business sentiment through the first half of 2003. However, by the third quarter of 2003, we begin to see a substantial upturn as the ISM index rises. Substantial job growth soon followed. The Budget Division forecast for moderate growth for 2005 incorporates recent trends in business confidence and presumes the absence of any further major shocks, including another run-up in oil prices. The business sector's demand for labor is projected to rise at the historically moderate rate of 1.8 percent for 2005, following growth of 1.0 percent for 2004.

[14] The Institute for Supply Management's (ISM) manufacturing Purchasing Managers' Index is a composite index based on seasonally adjusted diffusion indexes for five indicators: new orders, production, employment, supplier deliveries, and inventories. The ISM measure is a diffusion index, any value above 50 indicates expansion, while a value below 50 indicates contraction. Based on qualitative response data collected from member firms, these indices can be interpreted as indicators of manager sentiment. A statistical analysis indicates that growth in private sector employment compared to a year ago is significantly related to the first, second, and third lags of the ISM manufacturing index. Moreover, this relationship is robust to changes in the sample period.

Figure 22
Business Confidence and Private Sector Employment



Source: Economy.com.

Continued growth in employment and a slight acceleration in the rate of inflation will boost income growth as well. Wages and salaries are projected to grow 5.5 percent in 2005, following growth of 4.7 percent for 2004. Total personal income is also expected to grow 5.2 percent in 2005, following growth of 5.4 percent in 2004. The modest decline in personal income growth for 2005 is due to the overall decline in economic growth, the deceleration in medical care inflation, and the one-time impact of Microsoft's dividend payout in the fourth quarter of 2004. The forecasts for personal income and wage growth remain below their respective historical averages over the period from 1976 to 2003 (see Table 8, page 245), largely due to low inflation relative to the overall period. After adjusting for inflation, projected growth in income for 2005 is in line with historical averages for this stage in the business cycle.

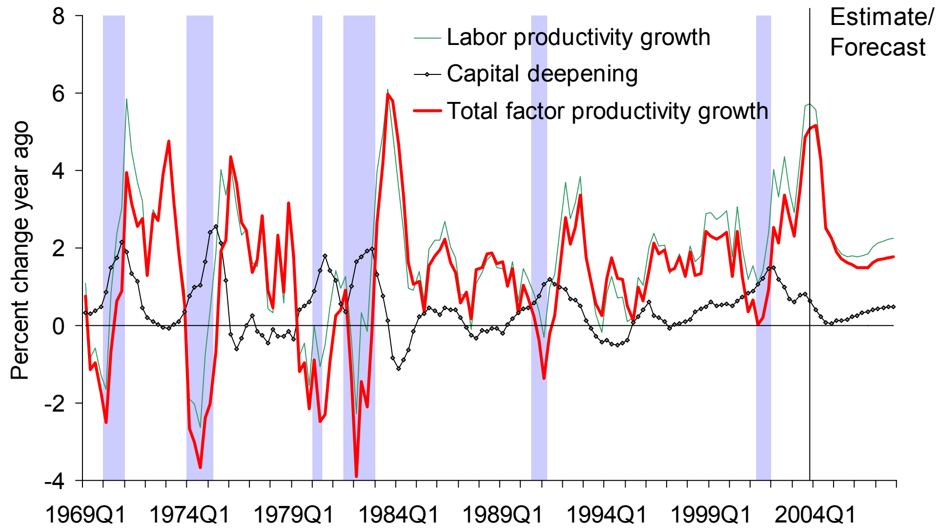
The Productivity Mystery

While productivity may not have a deterministic impact on employment growth, there is no doubt that, given recent relatively low rates of workforce expansion and capital stock growth, the above trend growth rates observed for the last six quarters would not have been possible were it not for that mysterious factor we call productivity. As Figure 19 indicates, labor productivity growth can be quite volatile. However, as discussed above, much of this volatility is likely to be more related to the methods used to measure productivity than to the economic fundamentals that drive it, such as growth in the knowledge base and technological change. Discussion of productivity often focuses on the nonfarm business sector, which accounts for over 80 percent of total economic activity and the greater part of the economy's technological dynamism. The upward shift in labor productivity in the nonfarm business sector from the mid-1990s through 2000 is quite pronounced and is typically believed to be related to the accelerating absorption of information technology (IT) into the production process. However, the even greater acceleration since the end of the recession is more of a puzzle.

Labor productivity, defined as the amount of output per hour worked, is thought to increase primarily for two reasons. The first is the increase in plant and equipment per worker, commonly referred to as capital deepening. All things being equal, given an additional tool, workers will be more productive. Since 1989, the rate of growth in capital deepening is estimated to have averaged 0.5 percent per year. In the third quarter of 2004, the most recent quarter for which actual investment data are available, strong employment gains brought the growth in capital deepening close to zero, but in the forecast period, it resumes a rate of growth close to its average for the period.[15] As Figure 23 indicates, the growth in capital deepening has played a relatively small role in increasing labor productivity over the past decade.

Figure 23

Nonfarm Business Labor Productivity Growth: Capital Deepening vs. Total Factor Productivity Growth



Note: Shaded areas represent U.S. recessions.
Source: Economy.com; DOB staff estimates.

The remaining portion of labor productivity growth, the portion of output growth that can not be explained by either the increase in hours worked or the increase in the amount of capital per worker, is commonly referred to as total factor productivity (TFP) growth. TFP growth is both the larger and more mysterious of the two components of labor productivity (see Figure 23). A small portion of TFP is attributed to increases in the quality of the nation's labor force, or human capital. The larger share is related to such factors as technological change that either increase the productivity of capital for a given price or, as in the case of computing technology, lower the price of capital. TFP growth most recently peaked at 5.2 percent in the first quarter of 2004, well above the 1.5 percent average for the period from 1989 to 2003.

Jorgenson, et al. (2004) attribute much of the high productivity growth observed in the late 1990s to IT capital deepening.[16] However, the unusually high productivity growth observed since 2000 is more difficult to explain since it appears to be related to capital deepening from non-IT sources, as well as faster non-IT TFP growth. The authors conclude that the increase in capital deepening occurred not because of increased investment spending, but because the growth of hours worked slowed by more than the growth in the non-IT capital stock. They

[15] Data on the capital stock are available from BEA on an annual basis through 2003. Estimates for 2004 are based on observed investment levels and assumptions pertaining to rates of capital depreciation based on historical trends.

[16] See Dale W. Jorgenson, Mun S. Ho, and Kevin J. Stiroh (2004), "Will the U.S. Productivity Resurgence Continue?" in Federal Reserve Bank of New York *Current Issues in Economics and Finance*, December 2004 Volume 10, Number 13, < http://www.newyorkfed.org/research/current_issues/ci10-13.html>.

conclude that, "A portion of the non-IT TFP growth is likely transitory and cyclical in nature because firms are expanding output but adding resources cautiously, so it is unclear how much should be interpreted as permanent technology and efficiency gains." Based on the Budget Division forecasts for growth in hours worked, investment, and total output, total factor productivity growth is projected to decline to 1.5 percent by early 2006 and gradually rise to 1.8 percent by the end of 2007. However, any assumptions made about the future of labor productivity growth are subject to significant risk.

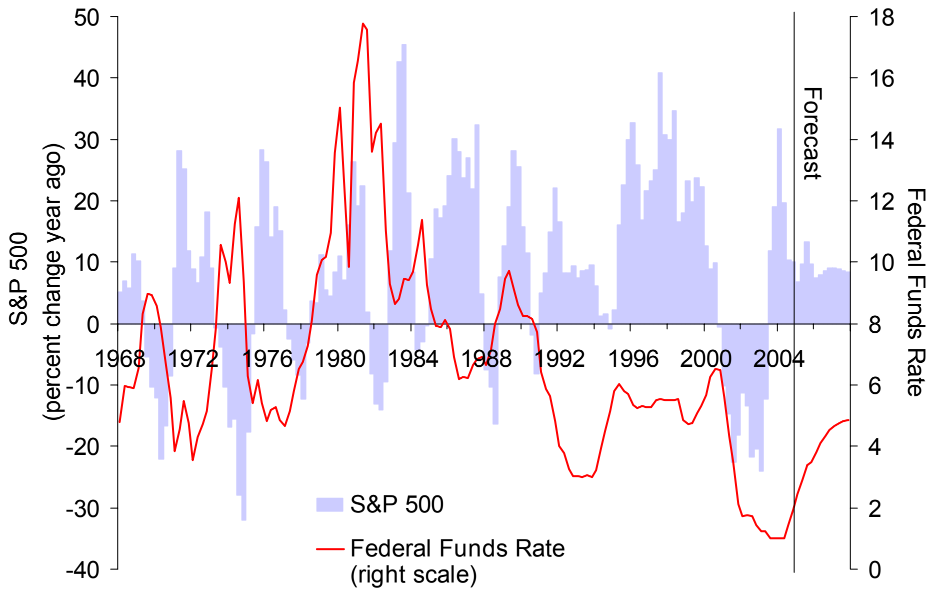
Outlook for U.S. Corporate Profits and the Stock Market

Growth in corporate profits from current production (including the capital consumption and inventory valuation adjustments) has been quite strong since the end of the recession due to high productivity growth and restrained spending on the part of businesses (see Figure 14, page 181).[17] However, going forward, growth in corporate profits will diminish as labor and other costs rise due to increased hiring and rising interest rates. However, these higher costs are expected to be partially offset by increased pricing power as inflationary pressures build. With business sector spending taking on a greater role as the economy's growth engine, the Budget Division projects growth in corporate profits from current production to fall to 7.8 percent in 2005, from 14.2 percent growth for 2004.

Lower growth in corporate profits will be reflected in diminished equity price growth. The stock market is typically viewed as a leading indicator, since equity prices represent how investors assess the long-term value of holding stocks. Consequently, equity values depend on present and expected future corporate profits, discounted by the interest rate. Solid growth in corporate profits in 2003 and 2004 supports the upward trend in equity values that dates back to the Fall of 2002, although that trend was interrupted by the run-up to the war in Iraq and again in 2004 when uncertainty surrounding both the war and the U.S. presidential election rattled investors. Since the resolution of the election, equity prices have begun to rise again. However, the gradual rise in interest rates — the rate on Baa corporate bonds is expected to rise only modestly through the forecast period from a near 40-year low of 6.19 percent in the fourth quarter of 2004 to 6.76 percent in the fourth quarter of 2005 — and diminished profits growth will restrain the rise in equity values for 2005. The Budget Division projects that the stock market, as represented by Standard and Poor's 500 Index (S&P 500), will rise 9.8 percent in 2005, following a 17.3 percent increase in 2004 (see Figure 24).

[17] Profit growth paused in the third quarter of 2004 due to insurance company payouts following a disastrous hurricane season.

Figure 24
S&P 500 and the Federal Funds Rate



Source: Economy.com; DOB staff estimates.

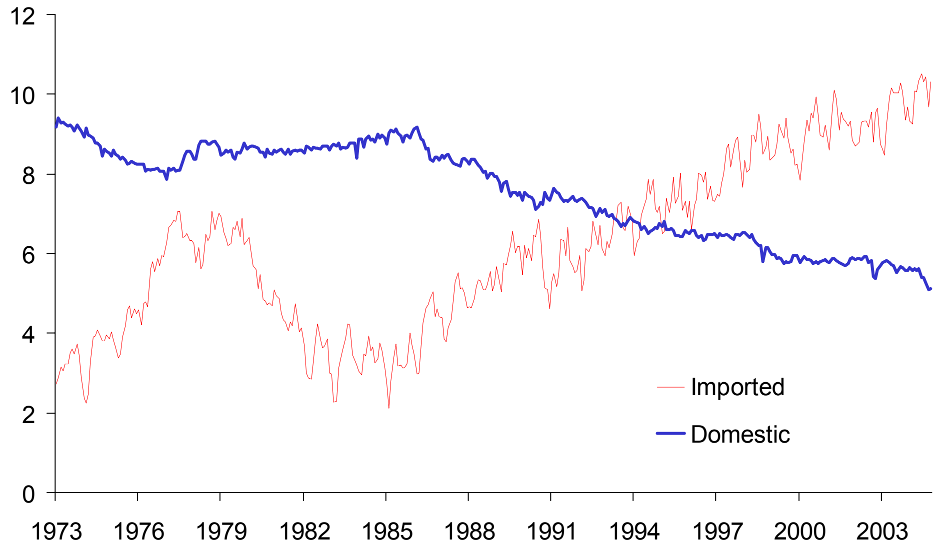
Inflation and the Outlook on Monetary Policy

Since the early 1970s, movements in the rate of inflation, as measured by growth in the Consumer Price Index (CPI), have been heavily influenced by increased globalization and trends in energy prices. For the most part, both of these phenomena have led to progressively lower inflation rates, particularly versus the 1970s. The rate of inflation fell from 13.5 percent in 1980, to 5.4 percent in 1990, and to 3.4 percent in 2000. The most recent low points were 1.5 percent in 1998 and 1.6 percent in 2002. However, energy prices have once again become a significant source of risk to price stability in the U.S. Oil prices increased 75.2 percent between October 2003 and October 2004 when the price of West Texas Intermediate Crude hit a record $55 per barrel. Surging demand, especially from China, supply constraints related to geopolitical events and the sabotage of production facilities, as well as heightened risk due to international conflicts have all contributed to this increase.

The rise in oil prices had a significant impact on consumer prices in 2004. The U.S. may have become more vulnerable to increases in world oil prices as the proportion of imported to domestically produced oil has increased (see Figure 25). Since 1994, the U.S. has been importing more crude oil than it produces. Over the first 11 months of 2004, the overall CPI rose 2.6 percent, up from 2.3 percent in 2003. The energy component of the CPI, which represents about 7.1 percent of the overall price index, is by far the fastest growing, but has actually decelerated in 2004, growing 10.4 percent for the first 11 months of 2004, after growing 12.2 percent for all of 2003. However, movements in the energy component alone may only reveal a portion of the impact of energy prices on the overall price level, although that impact may occur with a lag.

Figure 25

Crude Oil Imports vs. Domestic Production
(millions of barrels per day)



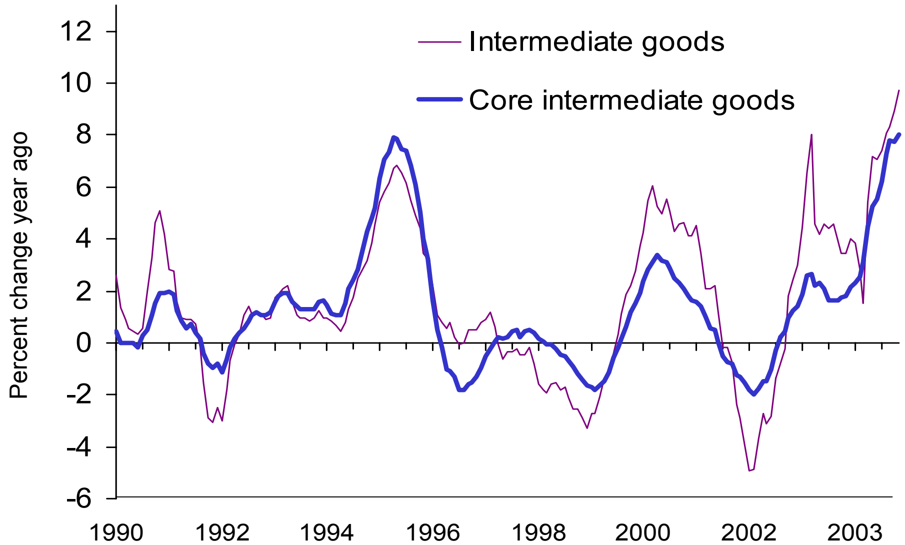
Source: Economy.com.

Because of the excessive volatility in food and energy prices, an alternate inflation measure called the "core rate of inflation" is constructed by excluding these components. The core rate, which includes 78.5 percent of the goods and services in the CPI, is thought to give a truer picture of underlying price trends, and therefore is believed to be more closely watched by the Federal Reserve. Fluctuations in energy prices have been a major influence on the core index, but that influence has fallen since the early 1980s. As indicated in Figure 9 (page 177), consumer spending on energy as a percentage of total spending has fallen since the first oil shock in 1973. Moreover, after adjusting for inflation, even the historic high oil price reached in October 2004 is lower than the oil prices of the late 1970s. Consequently, the impact of the recent oil price increases is expected to be smaller than the impact of the 1970s oil price hikes.

Nevertheless, there is evidence that producers in a number of industries are feeling the pinch of higher energy costs, and in an expanding economy, producers are more able to pass their own cost increases onto consumers.[18] Four of the eight major components of the CPI accelerated over the first 11 months of 2004 relative to the same period in 2003: medical care, food and beverages, apparel, and other goods and services. The growth in food and beverages and apparel is likely related to transportation costs being passed on by producers to consumers. Producer price growth for long-distance general freight trucking accelerated from 2.3 percent in 2003 to 4.1 percent in 2004, while local trucking costs doubled from 2.9 percent to 5.9 percent. Producer price growth for intermediate goods excluding food and energy has accelerated significantly over the course of 2004 (see Figure 26). Though still low, the core rate of consumer inflation rose modestly over the first 11 months of 2004 to 1.7 percent, from 1.5 percent in 2003.

[18] Anecdotal evidence from the most recent publication of *The Beige Book* suggests that, "While competition limited the ability of producers to pass higher costs forward, several Districts noted that some industries were successful in passing along cost increases." See *The Beige Book*, Federal Reserve Bank of Dallas, December 1, 2004, < http://www.federalreserve.gov/FOMC/BeigeBook/2004/20041201/default.htm>.

Figure 26
Recent Trends in Producer Prices



Source: Economy.com.

The further depreciation of the U.S. dollar could be another source of upward pressure on domestic inflation for 2005. A depreciating dollar raises the price of imported goods, permitting the domestic producers of competing goods to raise their prices as well. Since its February 2002 peak, the dollar has depreciated by 35.1 percent against the euro, 26.2 percent against the British pound, 22.3 percent against the Japanese yen, and 23.6 percent against the Canadian dollar. However, prior studies show no significant correlation between depreciation and subsequent inflation. Interest rate increases by the Federal Reserve should prevent extreme movements in the value of the dollar.

The Budget Division projects that the rate of overall inflation, as measured by growth in the CPI, will remain relatively steady at 2.6 percent for 2005, following a rate of 2.7 percent for 2004. Energy costs are expected to continue to recede over the course of 2005, due to slower growth in global demand. Barring any major shocks, the Budget Division expects oil prices, as measured by the refinery acquisition price of imported oil, to fall from current highs above $40 per barrel to about $35 by 2006. Nevertheless, last year's increases will continue to put upward pressure on the general price level.

However, despite three years of economic expansion, there is still considerable slack in the U.S. economy as evidenced by the ratio of employment to the potential labor force and the rate of industrial capacity utilization. In addition, with the increasing integration of the global economy, competitive pressures have also tended to dampen the impact of global growth on price growth. These forces, combined with the Federal Reserve's proactively anti-inflationary policy stance, are apt to be a formidable counterweight against the impact of higher energy costs and a depreciating dollar in maintaining a relatively low rate of consumer inflation for 2005.

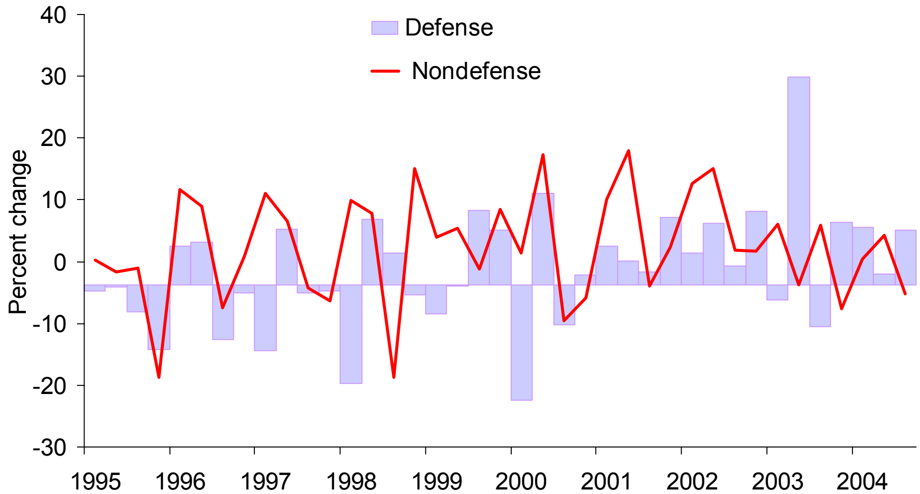
The combination of upward pressure on inflation from changes in world prices and the continued presence of slack in the U.S. economy permits the Federal Reserve to continue on its "measured" course of interest rate increases. With a federal funds rate of 1.00 percent during the second half of 2003 and the first half of 2004, the risks shifted to one of an excessively stimulative monetary policy, particularly after the job market began growing in the spring of 2004. The Federal Reserve signaled its intention to shift course in order to bring the federal funds rate closer into alignment with a "neutral" or nonstimulative monetary policy. Consequently, the Board has implemented five 25-basis-point increases at each of the last five Federal Open Market Committee meetings.

The Budget Division uses a modified version of Taylor's monetary rule as a guide to forecasting changes in the Federal Reserve Board's federal funds policy target. Taylor's rule is a federal funds rate reaction function that responds to both the deviation of inflation from its target level and the deviation of output growth from its potential level. We assume the Federal Reserve weighs deviations from its inflation target about twice as heavily as deviations from its output growth target, so the inflation deviation has a weight of 1 while the output-growth deviation has a weight of 0.5. In addition, the contemporaneous value of inflation is replaced by an average of actual inflation for the past three quarters, estimated inflation for the current quarter, and expected inflation for one quarter ahead. A similar term is constructed for output growth. The Budget Division projects that the federal funds rate will reach a more policy neutral rate of about 4.00 percent by the middle of 2006. The 10-year Treasury rate is also expected to rise but less steeply as inflation remains largely in check. The 10-year rate is expected to average 4.64 percent in 2005, up from 4.27 percent in 2004. This relatively small increase in the 10-year rate is due in part to the continued high demand for long-term U.S. government securities by foreign governments. The average spread between the two rates is expected to narrow from 292 basis points in 2004 to 158 basis points in 2005.

Outlook on Government Spending

The impact of September 11 and its aftermath on Federal government spending have been dramatic. Between the third quarter of 2001 and the third quarter of 2004, real Federal government expenditures rose more than 20 percent. This increase has been largely driven by a 28 percent rise in defense spending, mostly due to the conflicts in Iraq and Afghanistan. During those 12 quarters, real defense spending grew at an average annualized rate of 9.1 percent, compared to an average rate of 2.8 percent for nondefense spending (see Figure 27). In contrast, from the first quarter of 1995 through the third quarter of 2001, the average annual percent change in the defense portion of real spending was just below zero.

Figure 27
Federal Government
Real Consumption Expenditures and Investment



Source: Economy.com.

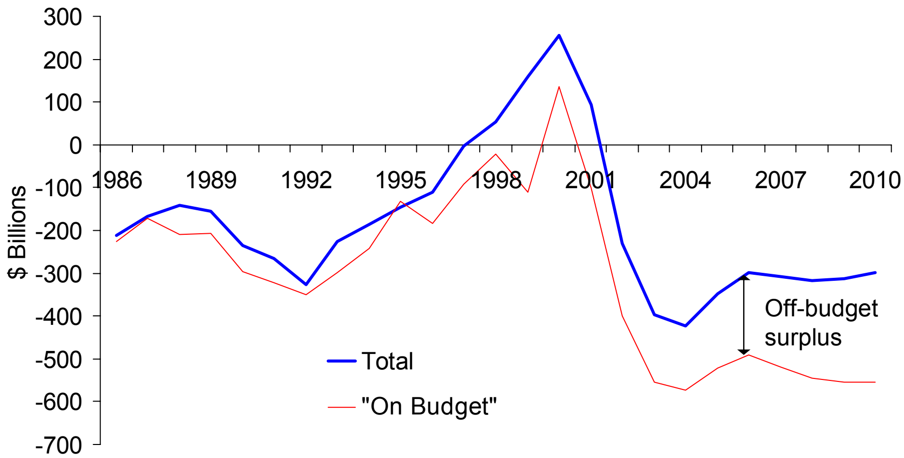
Figure 27 shows that the largest boost to defense spending came during the second quarter of 2003, with the ramping up of troop deployment to Iraq. However, growth has since decelerated and is expected to continue to do so. Moreover, pressure from the budget deficit is expected to keep nondefense spending growth low as well. The Budget Division projects growth of 2.8 percent in the Federal contribution to real GDP for 2005, following growth of 4.7 percent for 2004. In contrast, spending at the state and local level is expected to rise with the long-awaited strengthening of receipts. During the first three quarters of 2004, state tax revenue is reported to have increased an average of 5.1 percent on a year-over-year basis, after adjusting for inflation and tax law changes.[19] State and local government receipts tend to respond to changes in the direction of the overall economy with a lag.[20] The state and local government component of real GDP is expected to grow 1.5 percent for 2005, following growth of only 0.4 percent in 2004. Overall growth in real government spending of 2.0 percent is projected for 2005, following growth of the same magnitude for 2004.

The deceleration in Federal government spending for 2005 is expected to be accompanied by a reduction in the Federal government budget deficit as well.[21] Nevertheless, the deficit is expected to remain large. For the Federal fiscal year ending October 31, 2005, the Congressional Budget Office (CBO) projects a constant law budget deficit of $348 billion, following a deficit of $422 billion for the 2004 fiscal year (see Figure 28).[22]

[19] See Nicholas W. Jenny, "State Tax Revenue on Upward Track," Nelson A. Rockefeller Institute of Government, Fiscal Studies Program, *State Revenue Report,* December 2004, No. 58.
[20] For a discussion on the relationship between economic conditions and State government receipts, see "Recent Trends in All-Funds Receipts."
[21] A reduction in the federal contribution to real U.S. GDP does not necessarily imply a lower deficit. Entitlement spending is accounted for under the NIPA as transfer payments to individuals and, therefore, does not represent value added by the government.
[22] Discounting the Social Security trust fund surplus, these deficits become $574 billion in 2003-04 and $521 billion in 2004-05, assuming no changes to current tax law or additional spending initiatives.

Figure 28

Federal Budget Deficit



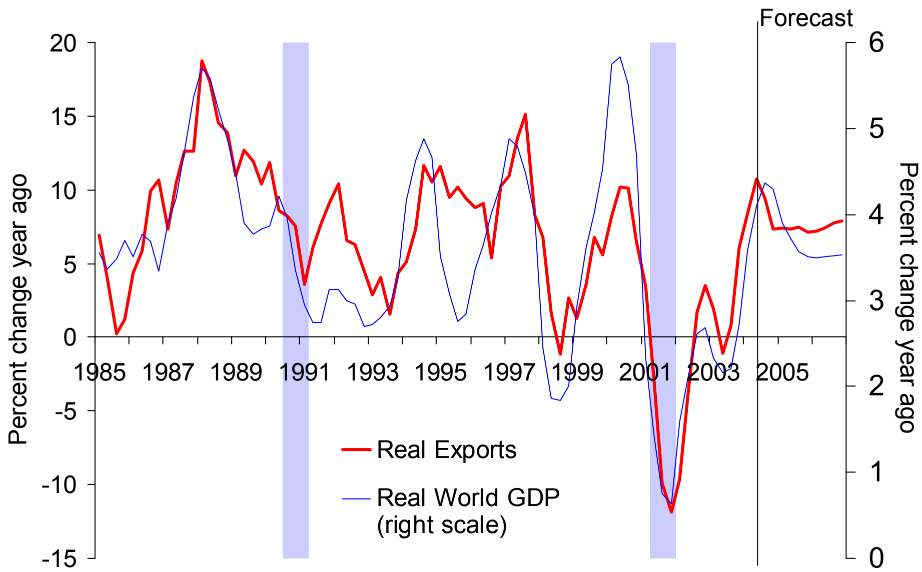
Note: Values for 2004-2010 are Congressional Budget Office (CBO) estimate and forecast. Off-budget surplus includes Social Security trust fund and Postal Service.
Source: Economy.com; The Budget and Economic Outlook: An Update, Congressional Budget Office (CBO), September 2004.

The total value of the national debt held by the public, including both U.S. Treasury and nonmarketable securities, has been increasing steadily since 2002. To date, no significant crowding out of private sector investment by public sector borrowing has been observed. Indeed, the 10-year Treasury rate has remained conspicuously low. However, as discussed above, these low government borrowing rates are to some extent related to the high demand for U.S. government securities among foreign governments interested in staving off the appreciation of their currencies in relation to the U.S. dollar. Given the historically high level of the combined government and trade deficits as a percentage of GDP, the Federal government deficit remains a significant risk to our interest rate forecast.

The International Economy

The U.S. economy grew over 4 percent in 2004 and China, a rapidly emerging economic power, grew at nearly a 10 percent rate. Together they acted as engines of growth for the rest of the world. World economic growth accelerated in the last year, with nearly all regions participating in the expansion. Figure 29 shows the favorable impact a strengthening global economy can have on the demand for U.S. exports. Real U.S. exports grew 9.5 percent during the first three quarters of last year, a significant improvement over the 1.9 percent rate for all of 2003. Exports of both goods and services grew at about the same rate. In particular, capital goods exports excluding automotive, which account for about 28 percent of total U.S. exports, grew 15.1 percent during the first three quarters of 2004.

Figure 29
Real Export and World GDP Growth



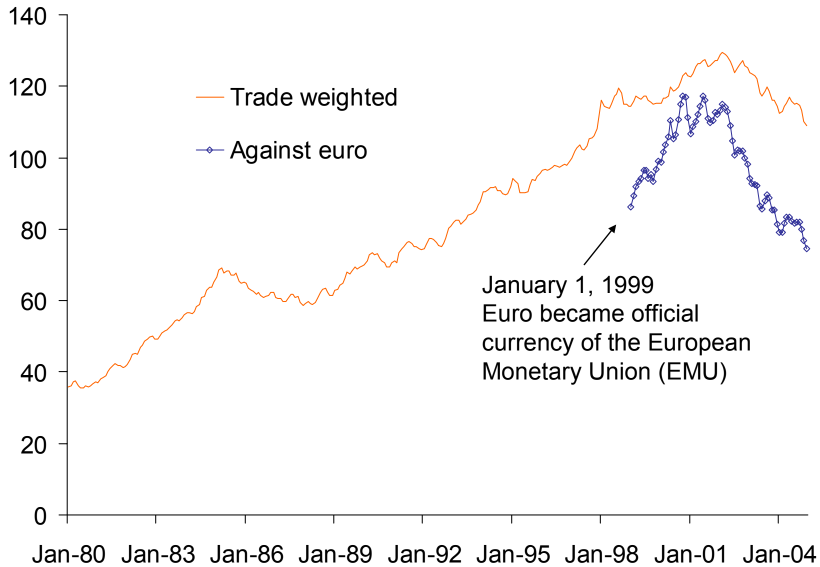
Note: Shaded areas represent U.S. recessions.
Source: Economy.com; Global Insight; DOB staff estimates.

However, with the U.S. economy growing faster than many of the nation's major trading partners, import growth has thus far exceeded export growth for 2004, growing 10.0 percent during the first three quarters of last year. Real U.S. imports of goods, which make up fully 83.5 percent of total imports, grew 10.6 percent during the first three quarters of 2004, with much of this growth coming from the business sector. Industrial supplies excluding petroleum and capital goods excluding automotive, which together accounted for about 38 percent of goods imports, grew 16.3 percent over the period. In contrast, consumer goods excluding automotive, which accounts for 25 percent of total goods imports, grew a lower 10.3 percent. Autos and related goods, which represent both business and consumer purchases, accounted for 16 percent of total goods imports during the period and grew 7.6 percent. Petroleum product imports, which accounted for about 12 percent of total imports during the first three quarters of 2004, grew 5.7 percent.

The excess growth of real imports over exports during 2004 served to widen the nation's trade deficit, estimated to have expanded to $590.3 billion by year end. This continues the deterioration of net exports as a share of GDP from 4.0 percent for 2002 to approximately 5.1 percent for 2004. A trade deficit of over 5 percent is substantial and for most countries in the world would likely trigger a major currency revaluation, as well as a demand for repayment of debts by foreign creditors. Because the U.S. dollar both plays the role of a reserve currency and is used in many international transactions, thus ensuring generally high demand, its trade-weighted value depreciated only 15.9 percent between February 2002 and December 2004, compared to a 35.1 percent decline against the euro over the same period (see Figure 30).

Figure 30

Recent Changes in Value of U.S. Dollar



Source: Economy.com; Federal Reserve Board.

Although it is unlikely that the U.S. trade deficit will substantially improve in the foreseeable future, the dollar's continued depreciation should mitigate against a rapid deterioration in the U.S. net export position. However, the global economy is expected to expand at a slower pace in 2005 than in 2004 (see Figure 29). According to the European Central Bank, the increase in oil prices has both reduced real incomes in the euro area and dampened world economic growth. The Budget Division projects growth in real U.S. exports of 7.3 percent for 2005, following growth of 8.9 percent for 2004. Moreover, the combination of a relative slowdown of the U.S. economy and a depreciated dollar will reduce domestic demand for imports. Import growth is expected to decelerate from 9.7 percent in 2004 to 6.9 percent in 2005.

The large magnitude of the trade deficit relative to U.S. GDP poses a significant threat to the dollar’s value going forward. However, because of the unique position of the U.S. economy as the world’s largest, as well as the perceived safety of U.S. government securities, it is difficult to evaluate the dollar’s risk based on the experience of other nations. The decline in the trade-weighted value of the dollar since early 2002 appears modest relative to the much steeper decline in the dollar against the euro. Since several Asian currencies, including those of China, Hong Kong, and Malaysia, are pegged to the dollar, the broader measure of the dollar’s value may mask the full impact of the nation’s trade deficit on the dollar. Foreign purchases of U.S. financial assets also increase the demand for dollars, and thereby keep the dollar from depreciating further.

The U.S. economy’s own past also gives only a limited clue as to how the trade deficit might be resolved without a major macroeconomic disruption. A broad measure of the U.S. economy’s international transactions balance, known as the current account balance, combines the nation’s balance of trade in goods and services with the much smaller balance in income receipts and unilateral transfers. The ratio between the current account balance and GDP stood at a postwar high of 5.4 percent during the third quarter of 2004. The only other period during which the ratio exceeded 3 percent is the late 1980s. As depicted in Figure 30, the value of the dollar depreciated 15.3 percent between March 1985 and December 1987, after which the trade gap began to close as the U.S. entered a period of low or declining import growth coinciding with the stock market crash of October1987 and lasting through the early 1990s recession. Low import growth and relatively high interest rates precluded the need for any further revaluing of the dollar and, consequently, there was no significant depreciation thereafter.

The experience of the 1980s and early 1990s illustrates the importance of interest rates as part of the adjustment mechanism that prevents a sudden shock to exchange rates. But currently, long-term interest rates remain relatively low, despite a growing economy and growing current account and budget deficits. Part of the explanation for these unusually low rates is the large portfolios of U.S. Treasury securities held by foreign purchasers. Table 3 shows how holdings of U.S. Treasury securities for the two largest foreign holders have evolved over the course of 2003 and 2004. Japan, by far the largest foreign holder, increased its holdings over 40 percent in both years and was very active in the beginning of last year purchasing U.S. dollars and using them to buy U.S. treasuries, but that activity has fallen off somewhat since then, with holdings actually falling in both September and October for the first time since October 2002. Although these holdings remain at historically high levels, a sudden diminishing of demand for U.S. assets could have a substantial impact on the value of the dollar and interest rates.

It is generally agreed that continued growth in the nation's current account deficit is unsustainable in the long run. What macroeconomic changes might accompany its reversal? A recent study that examines such episodes among a cross-section of industrialized countries finds a tendency for a substantial current account reversal to be accompanied by a real currency depreciation of about 20 percent, and nominal depreciation of even greater magnitude, implying relatively high inflation.[23] The study also finds a tendency toward "elevated" short-term interest rates and slower income and spending growth, particularly with respect to investment. Mitigating against the unfolding of similar developments in the U.S. is the unique role of the nation's economy as the world's growth engine, and the unique role of the dollar as a global currency. Until the global position of the U.S. economy is significantly shifted, for example, by the euro area becoming a more cohesive economic power, the U.S. dollar is likely to remain insulated from a major currency crisis. In summary, though the nation's trade deficit poses a significant risk to the U.S. dollar, and therefore to the economy overall, the severity of that risk remains uncertain.

[23] See Carol Freund, "Current Account Adjustment in Industrialized Countries." Board of Governors of the Federal Reserve System, *International Finance Discussion Papers*, Number 692, December 2000.

TABLE 3
Holdings of U.S. Treasury Securities in 2003 and 2004
($ Billions)

Holdings at month's end	Japan Level	Change	Mainland China Level	Change
Jan	385.0		120.7	
Feb	390.7	5.7	121.8	1.1
Mar	399.3	8.6	133.2	11.4
April	401.9	2.6	134.9	1.7
May	442.4	40.5	136.9	2.0
June	457.7	15.3	142.7	5.8
July	463.1	5.5	150.4	7.7
Aug	471.4	8.3	148.4	-2.0
Sept	491.1	19.7	146.7	-1.7
Oct	508.5	17.4	150.9	4.2
Nov	532.0	23.5	152.7	1.8
Dec	551.8	19.8	158.0	5.3
Jan	583.8	32.0	156.6	-1.4
Feb	614.5	30.7	153.8	-2.8
Mar	646.3	31.8	157.3	3.5
April	652.4	6.1	161.0	3.7
May	668.0	15.6	164.1	3.1
June	689.3	21.3	164.9	0.8
July	695.8	6.5	166.9	2.0
Aug	721.9	26.1	172.3	5.4
Sept	720.4	-1.5	174.4	2.1
Oct	715.2	-5.2	174.6	0.2

Source: U.S. Department of the Treasury.

Comparison with Other Forecasters

Table 4 compares DOB's forecast for a selection of U.S. indicators with those of other forecasting groups. Forecasts for real U.S. GDP growth for 2005 range from a low of 3.4 percent (DOB) to a high of 4.0 percent (Macroeconomic Advisers). DOB's 2005 inflation forecast of 2.6 percent is at the high end of the forecast range, but not far above the Blue Chip Consensus and Macroeconomic Advisers forecasts. Unemployment rate forecasts for 2005 are 5.3 percent for all but Economy.com at 5.4 percent and Macroeconomic Advisers at 5.2 percent.

Table 8 and Table 9 on pages 245 and 246, present the Division of the Budget's baseline forecast for selected U.S. economic indicators. The Division's macroeconomic model underwent substantial revision in 2000, followed by an update in 2004. A brief description of the model is presented in Box 2.

TABLE 4
U.S. ECONOMIC FORECAST COMPARISON

	2004 (preliminary)	2005 (forecast)	2006 (forecast)	2007 (forecast)	2008 (forecast)
Real U.S. GDP (% change)					
DOB	4.4	3.4	3.0	3.1	3.2
Blue Chip Consensus	4.4	3.6	3.4	NA	NA
Economy.com	4.5	3.5	NA	NA	NA
Global Insight	4.4	3.6	3.3	3.3	3.2
Macroeconomic Advisers	4.4	4.0	3.9	NA	NA
Consumer Price Index (% change)					
DOB	2.7	2.6	2.3	2.5	2.7
Blue Chip Consensus	2.7	2.5	2.3	NA	NA
Economy.com	2.7	2.2	NA	NA	NA
Global Insight	2.7	2.1	1.6	1.8	2.0
Macroeconomic Advisers	2.7	2.5	2.1	NA	NA
Unemployment Rate (%)					
DOB	5.5	5.3	5.2	5.2	5.2
Blue Chip Consensus	5.5	5.3	5.2	NA	NA
Economy.com	5.5	5.4	NA	NA	NA
Global Insight	5.5	5.3	5.3	5.3	5.3
Macroeconomic Advisers	5.5	5.2	5.1	NA	NA

Source: Projections for 2004-2008 by New York State Division of the Budget, January 2005; *Blue Chip Economic Indicators*, January 2005; Economy.com, *Macro Forecast*, January 2005; Global Insight, *US Executive Summary*, January 2005; and Macroeconomic Advisers, *Economic Outlook*, January 2005.

Risks to the U.S. Forecast

Although the Budget Division believes that the U.S. economy will grow at approximately its long-term trend growth rate through the end of the forecast horizon, many risks attend this forecast. Some of these risks were analyzed above. However, more generally, the forecast is contingent upon the absence of any further severe shocks to the economy. Unpredictable events such as a terrorist attack remain the biggest risk to the economic expansion. Such a shock could induce firms to postpone their spending and hiring plans yet again, reducing future investment and employment, which in turn could result in lower consumption growth. Moreover, successful attacks on oil facilities abroad could send oil prices back up to their Fall 2004 highs, having adverse economic repercussions. A major setback in the Iraqi conflict could have a similar impact.

If energy prices should be higher than projected, causing higher core inflation, the Federal Reserve Board may tighten more quickly than anticipated, restraining economic growth. Higher interest rates could exacerbate the risks to consumption spending already present due to the high levels of consumer debt and the low personal saving rate. Lower consumption growth could weaken corporate profits and, in turn, lower employment and investment growth. A similar result could follow from a collapsed dollar imparting a substantial inflationary impulse to the economy. This problem could be exacerbated by weaker than expected growth among the nation's trading partners, producing weaker export growth than projected.

On the other hand, a more rapid increase in export growth due to either a weakened dollar or faster global growth could generate a somewhat stronger increase in total output than expected. Similarly, lower inflation than expected, perhaps as a result of an even greater drop in the price of oil or stronger productivity growth than expected, could induce the Federal Reserve to be even more measured in its interest rate increases, resulting in stronger consumption and investment growth than projected. Moreover, stronger employment growth could result in higher real wages, supporting faster growth in consumer spending than expected.

BOX 2
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 2004:3. Our analysis borrows heavily from the Federal Reserve Board model which was redesigned 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.

In economic parlance, DOB/U.S. could be termed a neoclassical model. 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 (such as those caused by sticky prices and wages). 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 nonfinancial 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.

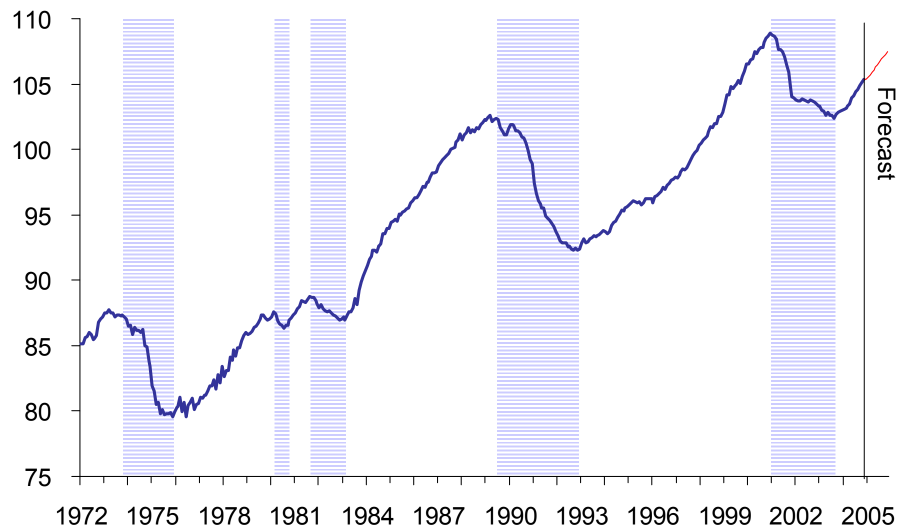
[1] "A Guide to FRB/USA Macroeconomic Model of the United States," edited by F. Brayton and P. Tinsley. Federal Reserve Board, Version 1.0, October 1996.

THE NEW YORK STATE ECONOMY

The New York State economy is making a comeback. The State's recovery from a lengthy recession that lasted almost two and one-half years is now well into its second year (see Figure 31 and Box 3). In 2004, the first full year of a recovery that is reminiscent of that of the early 1990s, the State labor market saw its first annual increase in employment since 2000. The Budget Division is projecting growth in total State employment of 1.1 percent for 2005, accompanied by private sector job growth of 1.2 percent. These growth rates are greater than their long-term averages (see Table 8), and indicate the significant improvement in State economic conditions since the depth of the recession and the attack of September 11. However, total State employment is not expected to reach its pre-recession quarterly peak of 8.6 million, attained in the fourth quarter of 2000, until the fourth quarter of 2007. The extended length anticipated for the labor market recovery is a reflection of the severity of the numerous shocks to the State economy since 2000.

Figure 31

New York Index of Coincident Economic Indicators



Note: Shaded areas represent N.Y. recessions; forecast is derived from the New York Leading Index.
Source: Economy.com; DOB staff estimates.

Grappling with a presidential election, a volatile oil market, and other geopolitical risks, equity markets struggled for a good portion of 2004. However, following the election, financial market activity saw a significant upturn, improving prospects for bonuses and wages. Although the residential real estate market is expected to cool from the exceptional growth of 2004, the market will remain strong, giving a substantial boost to employment in the construction and real estate, rental, and leasing sectors. In addition, accelerated growth in employment is also expected for the information, leisure and hospitality, and business services sectors, which are particularly important to the New York City economy. Wages and total personal income are projected to grow 4.9 percent for 2005, following relatively higher growth for 2004. A detailed analysis of employment and wage trends at the establishment level is presented below that supports the Budget Division's positive outlook for this year.

The State Economy in Recovery

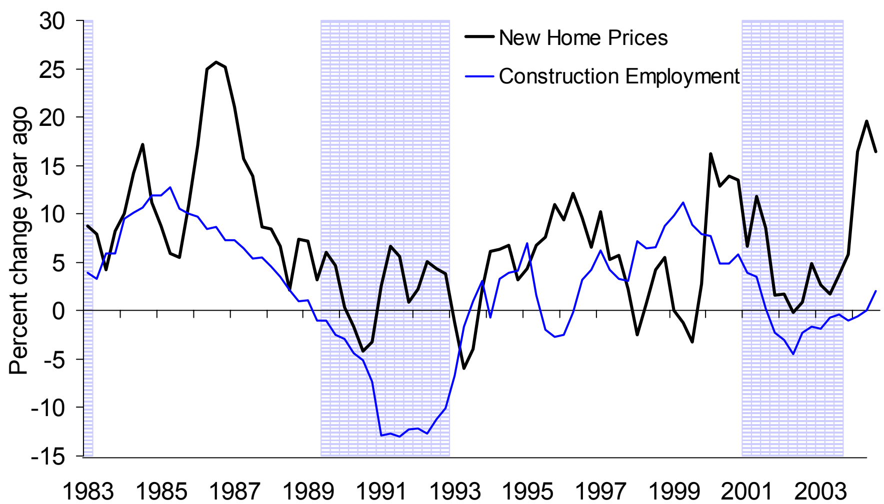
State economic data have consistently indicated that the New York economy had recovered from the most recent recession by September 2003, thus enduring a significantly longer downturn than the nation as a whole. With Wall Street at the center of many of the shocks that rocked the national economy between 2000 and 2003, particularly the attack of September 11, it is no surprise that New York was one of the last states to emerge from recession. But more than three years after September 11, New York City has turned the corner. Preliminary data indicate that the entire downstate regional economy is experiencing solid growth.

For much of the nation, the recovery from the 2001 recession repeated the early 1990s pattern of "jobless recoveries." However, New York entered its recovery phase in 2003 with more momentum than in 1993, the first full year of the State's 1990s expansion. As indicated in Figure 31, the State economy sustained a deep downturn in the early 1990s, including a loss of over 500,000 jobs over a four-year period. Moreover, it took several years for the State economy to gain momentum once the recovery began. The coincident index did not attain its pre-recession peak until October 1998, more than nine years after the prior business cycle peak. In contrast, the State economy is expected to approach its most recent pre-recession peak by the beginning of 2006, after a duration of about five years, based on the Budget Division's New York State Index of Leading Economic Indicators.

One sector that particularly differentiates the current period from the early 1990s recession is the real estate market. The State economy experienced an extraordinary real estate boom during the State's 1980s expansion, with the average price of a new home in New York rising 95 percent over the period. That large and prolonged run-up in real estate prices produced a substantial amount of speculative building that was followed by a virtual collapse of real estate prices in the commercial market and more modest declines in the residential market (see Figure 32). The recession in the real estate market, in turn, resulted in steep declines in construction jobs during the period, with employment falling by more than 10 percent per year in 1992 and 1993.

Figure 32

Growth in Average New Home Prices and Construction Employment



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

In contrast, the State's housing market remained strong during the most recent recession and successfully cushioned the severity of the downturn in many areas. Indeed, the average price of a new home in New York State rose only 5.6 percent over the three-year period from 1989 to 1992, but grew 12.8 percent between 2000 and 2003. New home prices grew 17.5 percent during the first three quarters of 2004, based on the most recent data available.

BOX 3
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 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.

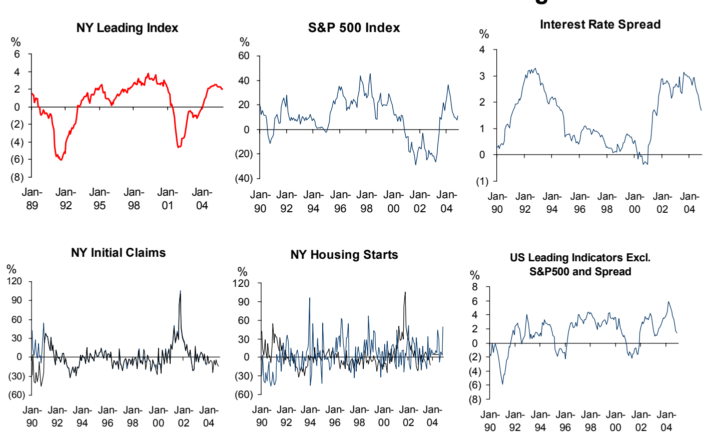
NEW YORK STATE BUSINESS CYCLES

Peak Date	Trough Date	Recession Length (in months)	Private Sector Job Losses
October 1973	November 1975	25	384,800
February 1980	September 1980	7	54,800
August 1981	February 1983	18	76,600
June 1989	November 1992	41	551,700
December 2000	August 2003	32	327,300

Source: DOB staff estimates.

In order to gauge the future direction of the State economy, the Budget Division produces the New York State Index of Leading Economic Indicators, which yields 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 starts, New York initial unemployment insurance claims, stock prices, and the spread between the 10-year and one-year U.S. Treasury rates.

Variables Used in New York Index of Leading Indicators



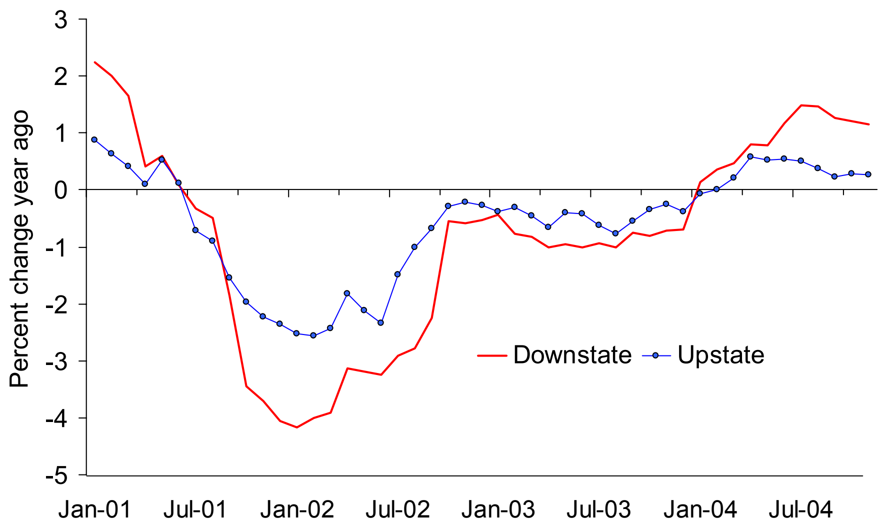
Note: All percent changes are from prior year.
Source: Economy.com, DOB staff estimates.

[1] R. Megna, and Q. Xu (2003). "Forecasting the New York State Economy: The Coincident and Leading Indicators Approach," *International Journal of Forecasting*, Vol 19, pp 701-713.
[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.

The improvement in State employment growth is especially pronounced downstate. Figure 33 compares private sector employment growth for the 10-county downstate region with that of the rest of the State for the period from January of 2001 through November of 2004. With Manhattan as the center of the State's economic downturn, the downstate region experienced much steeper job losses during the recession and was slower to recover than upstate. However, in 2004, the situation reversed. The most recent Current Employment Statistics (CES) data available indicate that through the first 11 months of 2004, the 10-county downstate region added jobs at a significantly faster pace than upstate, with downstate private employment rising 0.9 percent, compared to 0.3 percent upstate. The downstate economy is doing significantly better than upstate in the major leisure, hospitality and other services sector, which includes many of the travel and tourism industries such as accommodations, arts, and entertainment, that are critical to the New York City economy. The downstate region has also surpassed upstate in the major trade, transportation, and warehousing sector and in the information sector.

Figure 33

Private Sector Employment Growth: Upstate vs. Downstate



Source: NYS Department of Labor, CES data.

The New York State Establishment Survey Report

The Budget Division's assessment that the State economy is gaining momentum is supported by the results from a survey of New York businesses produced by the Econometric Research Institute (ERI) at the University at Albany. The establishment survey is conducted twice a year, first in April and again about six months later. The most recent survey, conducted in September 2004, asks establishments to anticipate the direction of change for both 2004 and 2005 for various indicators of firm performance, including employment, wages, bonuses, profits, and sales.[24]

[24] ERI compiles the survey results and computes diffusion index values that allow aggregate comparisons to be made across region, industry, firm size, and time periods. A diffusion index value is the percentage of establishments indicating an increase minus the percentage expecting a decrease. Hence, an index value greater than zero indicates that more firms anticipate an increase than a decrease.

Results from the October 2003 and April 2004 surveys indicate that firms significantly revised their expectations for 2004 upward between those two dates in all five categories. This is consistent with the strong period of job growth experienced by both the State and the nation during the three-month period from March to May of this year. However, expectations receded somewhat between April and September in every category. In addition, results from all three surveys indicate that an overwhelming majority of establishments anticipate increases in prices, particularly input prices, for the current and coming years.

Employers responding to the September 2004 survey were more optimistic about prospects for the coming year (2005), than they were about 2004 in almost every industry. The only industry group where the employment outlook has not improved is the transportation and warehousing sector, possibly reflecting the impact of higher energy costs. Based on the magnitude of the difference between the index values for 2004 and 2005, the industry groups expecting to show the greatest improvement in employment growth for 2005 are agriculture, mining, and utilities, wholesale and retail trade, and manufacturing. Consistent with these results, the Budget Division projects employment to continue to decline in the manufacturing and utilities sectors in 2005, but at significantly lower rates than in 2004.

Figure 34

Business Sentiment for 2004 vs 2005
September 2004 Survey

Source: Econometrics Research Institute.

Expectations for accelerated growth in 2005 extend beyond employment to the other four key indicators as well (see Figure 34). Moreover, firms expressed optimism about the longer term, with 42 percent expecting to expand over the next five years, while only 9 percent expect to contract. In addition to questions on their outlook for the future, respondents were also asked to indicate the three most important factors in their business decisions. The most frequent concerns were labor costs (59 percent), state and local taxes (49.5 percent), government regulations (38 percent), energy costs (37 percent), and availability of skilled labor (30 percent).

Outlook for Employment

Total State nonagricultural employment is projected to rise 1.1 percent in 2005, a substantial improvement from growth of 0.4 percent for 2004. However, the projected growth for 2005 is well below the 1.8 percent expected increase for the nation as a whole. Since1960, the State's rate of employment growth during expansions has been consistently below that of the nation. Private sector employment is projected to grow 1.2 percent in 2005, representing an increase of 84,100 jobs, following growth of 0.6 percent for 2004. Table 5 reports projected changes in employment for selected group of NAICS sectors. The greatest losses are expected to occur in the manufacturing sector, while the greatest gains are expected to be experienced in the health and social assistance sector, followed by the leisure and hospitality sector and the professional, scientific, and technical services sector. The State's average annual unemployment rate is expected to fall to 5.6 percent this year from 5.9 percent in 2004. The State's unemployment rate peaked most recently at 6.6 percent in January 2004, which compares favorably with past recessions (see Table 4, page 204).

TABLE 5
CHANGE IN NEW YORK STATE EMPLOYMENT FOR 2005
SELECTED SECTORS

	Percent	Levels
Total Private	**1.2**	**84,100**
Utilities	(1.8)	(700)
Construction	3.1	9,800
Manufacturing and Mining	(1.3)	(8,100)
Wholesale Trade	0.3	900
Retail Trade	0.7	5,900
Transportation and Warehousing	0.9	1,900
Information	0.4	1,100
Finance and Insurance	0.7	3,400
Real Estate and Rental and Leasing	1.9	3,400
Professional, Scientific and Technical Services	2.1	10,700
Management and Admin. and Support Services	1.2	6,500
Educational Services	2.9	7,700
Healthcare & Social Assistance	2.0	23,000
Leisure, Hospitality and Other Services	1.9	18,600
Government	**0.2**	**3,100**
Total	**1.1**	**87,300**

Note: Management, and administration and support services includes NAICS sectors 55 and 56. Sum of sectors may not match the total due to rounding.
Source: NYS Department of Labor; DOB staff estimates.

Current labor market dynamics support the Budget Division forecast for accelerating growth in the State's labor market. During times when State employment is growing slowly, or even falling, an examination of the underlying dynamics reveals an extremely active labor market — even in the worst of times, new firms are created and existing firms add jobs. Though State private sector employment fell 2.4 percent in 2002, about 39.7 percent of establishments created jobs. As the New York State economy makes the transition from recession to recovery, the number of jobs being added by new firm startups and expanding firms is expected to grow, while the number of jobs being eliminated by firms shutting down and contracting firms is expected to fall. A detailed examination of establishment-level microdata indicates that this is exactly what we see. Box 5 describes the methodology used to perform the analysis.

BOX 4
THE NEW YORK STATE EMPLOYMENT PUZZLE

The dueling employment survey puzzle referred to in Box 1 also holds true at the state level. For example, based on the first 11 months of establishment survey data, New York added about 51,000 jobs in 2004, on a seasonally adjusted basis, representing 0.6 percent growth. In contrast, household survey data indicate that employment increased by 167,000, an increase of almost 2 percent for the same period. In addition, the seasonally adjusted unemployment rate for New York for November 2004, the most recent month for which data are available, is 4.9 percent, down 22 percent from the 6.3 percent reported for the last month of 2003, and 0.5 percentage points below that of the nation. The national rate fell only from 5.7 percent to 5.4 percent over the first 11 months of the year. October 2004 represents the first month that the New York State unemployment rate has fallen below that of the nation since February 1991. However, according to the establishment survey, U.S. employment grew 1.6 percent between December 2003 and November 2004, one percentage point faster than the State.

The unemployment rate statistics for states and local areas are produced by state labor departments under the Local Area Unemployment Statistics (LAUS) program, which covers 7,000 state and local areas. BLS is responsible for administering the program, establishing methodologies and data definitions, and providing technical support. Like the CES data, LAUS data, which are used to distribute Federal funds to state and local governments under various social programs, are very timely. Regional LAUS statistics are usually released two weeks following the release of the national estimates.

The series produced using LAUS data include the size of the labor force, employment, and the number of unemployed. The underlying data come from the Current Population Survey (CPS) which is used to estimate monthly labor force for the nation. However, because the sample sizes are small at the sub-national level, averaging 950 households for small states and 2,200 for large states, the sampling errors are large. Prior to 1996, the LAUS estimates were based purely on the survey responses and had large sampling errors because of the small sample sizes. In order to address the large sampling error, BLS introduced the use of the signal-plus-noise models in 1996 to estimate the employment-to-population ratio and the unemployment rate. To extract the employment-to-population "signal" from the survey response data, a model is constructed that includes the CES employment estimate, the intercensal population estimate, a time trend, and seasonal terms. The unemployment rate model includes initial unemployment benefits claims, as well as a time trend, and seasonal terms. The "noise" is assumed to be represented by the autocorrelation and heteroscedasticity found in the signal model residuals. The Kalman filter method is used to estimate the models.

A comparison of the national and state estimates has led BLS to the conclusion that the method in use since 1996 tends to overestimate employment and underestimate the number of unemployed. Consequently, the agency has been developing yet another method for improving upon the sample data. By January 2005, the published LAUS estimates will be based on the new models. Because of the changes in methodology, caution should be exercised when comparing the data based on the household survey across time periods. For example, while the State unemployment rate appears to have peaked at a relatively low level during the most recent recession compared with past recessions, it is not clear that such comparisons are legitimate. Furthermore, since the models used to estimate LAUS-based series incorporate data series that are subject to revision, such as CES employment estimates, LAUS-based estimates are themselves subject to the same revision. Finally, because the national employment estimate from the household survey is less than the sum of its parts, caution should also be exercised when comparing the state estimates to national statistics. Therefore, the fact that the published data indicate that New York's unemployment rate is half of a percentage point below that of the nation — while good news and indicative of renewed growth — must be interpreted with caution.

BOX 5
ANALYZING PRIVATE SECTOR EMPLOYMENT DYNAMICS AT THE ESTABLISHMENT LEVEL

The expansion or contraction of an industry over time is usually measured by the net change or net growth in jobs. However, a look beneath the net numbers into the mechanics of job creation and destruction at the establishment level facilitates a deeper understanding of the underlying dynamics.[1] The data for this study derive from the Covered Employment and Wages (CEW), or ES-202, program.[2] These data include all establishments subject to Federal unemployment insurance laws and cover approximately 98 percent of all employment. For the second quarter of 2004, the most recent period for which data are available, the CEW data covered 542,451 private sector establishments in New York State and 6,847,699 private sector employees.

Establishment-level data facilitate the investigation of questions that cannot be addressed at the aggregate level. Such questions include whether the primary source of job creation is new firm startups or existing firms that have chosen to expand, or whether net employment growth is the result of an increase in the rate of job creation or a decrease in the rate of job destruction. Two industries may exhibit the same net change in employment but one may have a high job turnover rate, resulting from high gross rates of gains and losses, while the other may have a low turnover rate. Previous studies have found that high turnover rates tend to be associated with high net growth.[3] Hence, the underlying dynamics may give clues as to the near-term direction of the business cycle, and an industry that suddenly starts to experience an increase in firm startups or gross job creation may turn out be a leading industry in the economy's next growth phase. Moreover, one can also determine whether new jobs are being created in relatively high-wage or low-wage industries.

Because CEW data are not seasonally adjusted, comparisons over time should be restricted to the same quarter of various years. We, therefore, analyze job growth relative to the same quarter of the previous year. For example, the gross number of jobs created between the second quarter of 2003 and the second quarter of 2004 is constructed by adding together the number of jobs created by firm startups (firms which existed during the second quarter of 2004 but did not exist four quarters prior), by expanding firms that existed in both quarters, and through firm mergers and acquisitions. Between the second quarter of 2003 and the second quarter of 2004, a total of 1,033,470 jobs were created from these three sources. Comparability across industries requires normalizing by a common base. Because the jobs that were eliminated between the two quarters are no longer in the 2004 job count, we follow BLS and define the base as the average of the two quarters. Performing this calculation for the second quarter of 2004 produces the following:

$$\text{Gross rate of job gain} = \frac{\text{Startup gains + Existing firm gains + M\&A gains}}{\text{Base}} = \frac{1{,}033{,}470}{6{,}828{,}594} = 15.1\%$$

This result indicates that the State's gross rate of job creation for the second quarter of 2004 is 15.1 percent. An analysis of job creation at the establishment level also confirms the conventional wisdom that small firms are the State economy's primary growth engine. For example, of the over one million gross number of jobs created during the second quarter of 2004, fully half were created by firms with less than 50 employees. Another 25 percent were created by medium sized firms of between 50 and 250 workers, and the remaining 25 percent by large firms with workforces exceeding 250.

(continued on next page)

[1] For a similar analysis for the U.S., see U.S. Bureau of Labor Statistics (BLS), "Business Employment Dynamics: First Quarter 2004," <http://www.bls.gov/news.release/pdf/cewbd.pdf>. This study examines CEW data aggregated across industries from the first quarter of 1992 through the first quarter of 2004. The long length of the series permits seasonal adjustment, which in turn allows comparisons relative to the prior quarter. Analysis at the industry level precludes seasonal adjustment since establishment data classified under NAICS are not available prior to the first quarter of 2000. Nevertheless, our findings are generally consistent with the results of the BLS study.
[2] For a detailed description of CEW data, see *2003-04 New York State Executive Budget*, Appendix II, p. 100.
[3] See R. Jason Faberman, "Job Flows and Labor Dynamics in the U.S. Rust Belt." *Monthly Labor Review*, September 2002, Vol. 125, No. 9, pp. 3-10.

BOX 5 *(continued from previous page)*

We similarly construct a gross rate of job destruction by adding together employment at firms that existed in the second quarter of 2003 but not in the second quarter of 2004, jobs lost from contracting firms that existed in both quarters, and jobs lost due to a merger or acquisition. We then divide by the State's job base as defined above, which for the second quarter of 2004 yields:

$$\text{Gross rate of job losses} = \frac{\text{Shutdown losses + Existing firm losses + M\&A losses}}{\text{Base}} = \frac{995{,}260}{6{,}828{,}594} = 14.6\%$$

This result states that the gross rate at which jobs were lost between the two quarters is 14.6 percent.

For the second quarter of 2004, the gross rate of job creation exceeded the gross rate of job destruction. We refer to the net number of jobs lost as the job gap, which for the second quarter of 2004 was a negative 38,210. The net change in employment can also be represented by a net index of job creation, constructed by dividing the gross rate of job gain by the gross rate of job loss. For the second quarter of 2004, this calculation yields:

$$\text{Net index of job creation} = \frac{\text{Gross rate of job gain}}{\text{Gross rate of job loss}} = \frac{15.1\%}{14.6\%} = 103.8\%$$

A net index value of exactly 100 percent implies a job gap of zero; a value above 100 percent, as we see above, indicates that employment is growing, while a value below 100 percent indicates a net job loss.

Clearly two industries could have similar values for the net index but have very different underlying dynamics. For example, by the second quarter of 2004, the construction sector and the finance and insurance sector had similar net indices of job creation equal to 100.1 percent and 100.6 percent, respectively. However, underlying these numbers lie very different dynamics. As indicated in the table below, the construction sector has a much higher turnover rate than the finance and insurance sector. Understanding these differences has implications for fine-tuning the Budget Division employment forecast.

Employment Dynamics Comparison: 2004Q2

Sector (NAICS code)	Gross rate of job creation	Gross rate of job destruction	Net index of job creation
Construction (23)	21.4%	21.3%	100.1%
Finance and Insurance (52)	15.0%	14.9%	100.6%

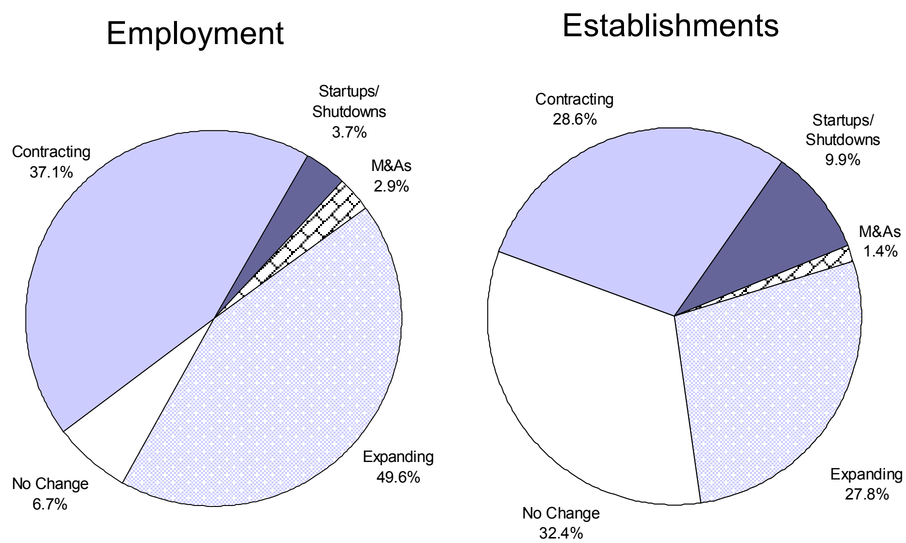
Figure 36 plots the gross rates of creation and destruction (measured on the left scale) along with the net creation index (measured on the right scale) from the first quarter of 1993 to the second quarter of 2004 for the entire State private sector. The State labor market experienced robust growth through the first quarter of 2001, resulting in net index values well above 100 percent. In 2000, the gross job creation index averaged 17 percent, while the gross job destruction index averaged 14.8 percent. The net index averaged 115 percent, resulting in a net addition of 155,000 private sector jobs. On average, about one of every six jobs in 2000 was new relative to 1999.

By the third quarter of 2001, gross job destruction began to exceed gross job creation. However, the underlying dynamics indicate that the net decline in employment derived mainly from an acceleration in gross job destruction. Although gross job creation trended downward as of the first quarter of 2001, it is much flatter than the index of gross job destruction, indicating a relatively slow decline. However, the gross rate of job destruction rose steeply during the fourth quarter of 2001, reflecting the impact of September 11. The decline in the net index to 81.7 percent parallels the loss of 237,000 jobs that occurred between the fourth quarter of 2000 and the fourth quarter of 2001.

Figure 35 shows the composition of the State's employment and establishment base as defined in Box 5 for the second quarter of 2004 by establishment type. Startups and shutdowns accounted for about 9.9 percent of the State's establishment base in the second quarter of 2004. Because these firms tend to be quite small, averaging only about five employees, they accounted for only about 3.7 percent of the State's private sector employment base for that quarter. Meanwhile, startup firms added a net 59,000 employees to total employment. Firms that were either acquired or absorbed by another firm account for 1.4 percent of the establishment base. The average size of these firms was about 27 employees and accounted for 2.9 percent of employment.

Existing firms account for an overwhelming proportion of both private sector establishments and employment — approximately 88.8 percent of the State's establishment base in the second quarter of 2004, and 93.3 percent of the job base. Existing firms are classified according to whether the firm expanded its workforce, reduced its workforce, or remained unchanged relative to the same quarter a year ago. As indicated in Figure 35, these types account for roughly equal shares of establishments but account for very different shares of employment. The average size of existing firms also varies by firm type, with those firms experiencing no change in employment averaging less than three employees, expanding firms averaging 23 employees, and contracting firms averaging 17. Because existing firms account for so large a share of industry employment at any given point in time, they account for an overwhelming share of employment growth over time as well.

Figure 35
Composition of State's Employment and Establishment Base
2004Q2

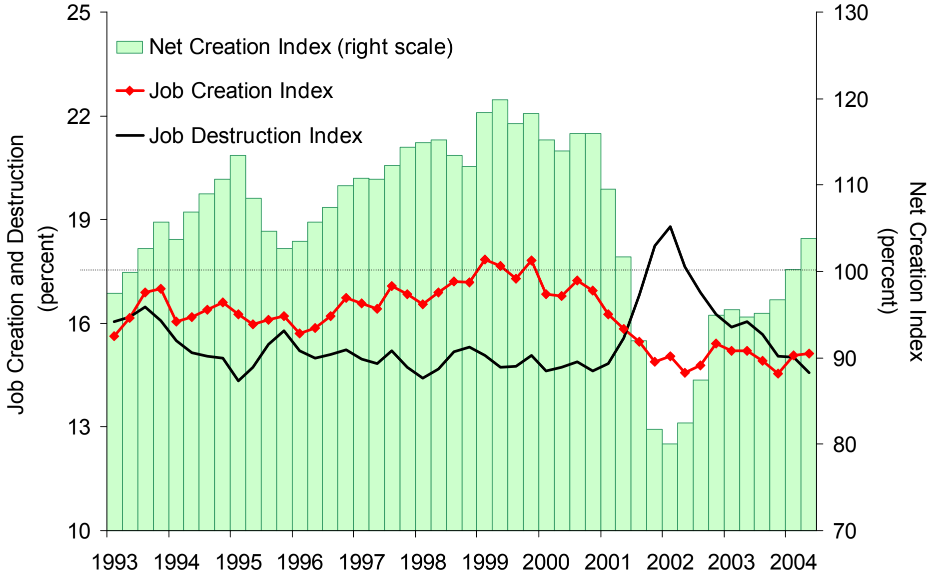


Source: NYS Labor Department; DOB staff estimates.

Figure 36 shows the gross numbers of jobs created and destroyed on a year-over-year basis for the period from the first quarter of 1993 through the second quarter of 2004. When the State economy was booming during the early part of the period, the gross number of jobs created well exceeded the gross number destroyed. However, the tide turned in the third quarter of 2001, with the number of jobs destroyed overtaking the number of jobs created. The full impact of September 11 is seen during the first quarter of 2002, when the gap between gross job destruction and creation is at its widest point. However, the job gap shows a narrowing trend after that, except for a small widening in the second quarter of 2003, perhaps indicating the impact of the Iraqi conflict. Late in 2003, the expanding U.S. and global economies helped stimulate the New York economy, bringing the 2001-2003 recession to an end. Continued national and world growth, even the falling U.S. dollar, are expected to contribute to accelerating State job growth in 2005 (see Figure 37). The rate at which the job gap has narrowed supports the Budget Division forecast for private sector employment growth of 1.2 percent for 2005.

Figure 36

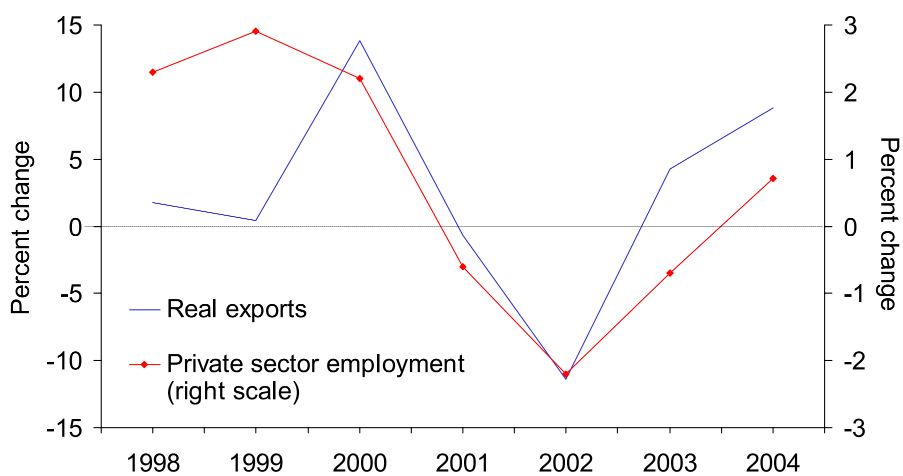
NYS Private Sector Employment Dynamics



Source: NYS Department of Labor; DOB staff estimates.

Figure 37

Growth in Real Exports from New York and Private Sector Employment



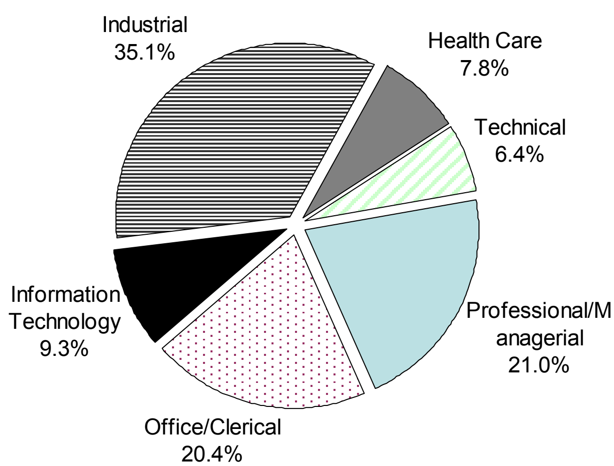
Note: Growth rate for 2004 is based on 10 months of data for real exports and 11 months of data for private employment.
Source: Economy.com.

Manufacturing

The long-term decline in New York manufacturing employment is expected to continue throughout the forecast period. However, manufacturing's rate of job decline is projected to diminish over the course of 2005, in tandem with the improvement in both the U.S. and global economies, but only modestly. Manufacturing and mining employment is expected to fall 1.3 percent in 2005, following a decline of 2.7 percent in 2004.[25] Since the mid-1970s, New York's comparative advantage has been shifting in favor of the production of services. Productivity growth and competitive pressures arising from increased globalization have resulted in the decline of State manufacturing employment each year since 1984. The rate of job loss from this sector accelerated during the recent recession, as it did during the earlier recessions of 1982 and 1991. This acceleration was due to an increase in the gross rate of destruction, while the gross rate of job creation remained relatively flat.

Figure 38
Temporary and Contract Employees by Industry

February 2001



Source: American Staffing Association (ASA).

Although the manufacturing sector continues to bear the brunt of the State's job losses, there has been some improvement. The manufacturing sector lost 50,432 jobs in 2002, a decline of 7.2 percent, the fastest decline reported since the CEW program started in 1975. The rate of job loss eased somewhat in 2003. A total of 38,878 jobs were lost in 2003, a decline of 6.0 percent. A total of 22,772 jobs were lost in the first half of 2004, compared to the same period in 2003. Although the large size of the job gap during the first half of 2004 signals the likelihood that the State's manufacturing sector will continue to lose jobs in 2005, the decline may not be as rapid as it appears. Figure 38 shows the distribution of temporary and contract workers across occupations based on a February 2001 national survey by the

[25] The Budget Division combines manufacturing and mining for forecasting purposes. As of the second quarter of 2004, mining accounted for less than 1 percent of total employment in this category and will be ignored for the remainder of the discussion.

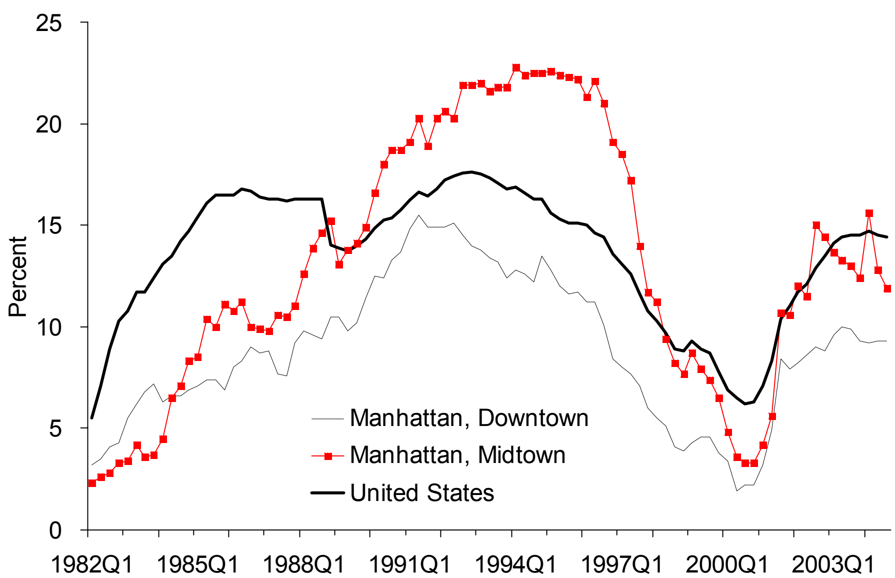
American Staffing Association.[26] Fully 35.1 percent are in industrial occupations which are likely to be with firms classified under NAICS as manufacturing. Although the industrial share may not be as high for New York as for the nation, it remains that a significant number of the State's manufacturing workers may not be classified as such.[27]

Construction and Real Estate

Construction employment is projected to rise 3.1 percent in 2005, following growth of 1.2 percent in 2004. High levels of activity in the construction and real estate markets represent a key factor in distinguishing New York's 2001-03 recession from that of the early 1990s. State construction sector employment fell during all five years from 1989 to 1993, declining at double-digit rates in 1991 and 1992. In contrast, construction sector employment fell only 2.9 percent in 2002, due in part to the impact of historically low interest rates on the demand for housing. This same distinction between the two downturns can be observed in office vacancy rates as well (see Figure 39). Although vacancy rates in Manhattan have increased since 2000, they are far from the high rates attained during the early 1990s. Vacancy rates in downtown Manhattan stabilized during the first three quarters of 2004, while midtown vacancies fell during the second and third quarters of last year.

Figure 39

Office Vacancy Rates



Source: Economy.com.

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[26] See Steven P. Berchem, "The Bright Spot: ASA's Annual Economic Analysis of the Staffing Industry." *Staffing Success*, May-June 2004.

[27] Under the transition in industrial classification from SIC to NAICS, establishments are given two industrial classification codes: a code reflecting the primary activity of the parent company and an "auxiliary" code reflecting the primary activity of the establishment itself. For many multi-establishment firms, these two codes can differ. Indeed, a comparison of the two codes reveals that a significant number of establishments whose parent company's primary industry is manufacturing were themselves engaged primarily in nonmanufacturing activities. For example, establishments performing primarily clerical activities were given an auxiliary code within the administrative and support services class. Moreover, the recent employment declines among establishments whose parent company is manufacturing were greater among those establishments having a nonmanufacturing auxiliary code. Following BLS, the Budget Division classifies firms according to their auxiliary code for the purpose of analyzing employment trends and forecasting. For more information, see 2003-2004 New York State Executive Budget, Appendix II, pp. 126-128.

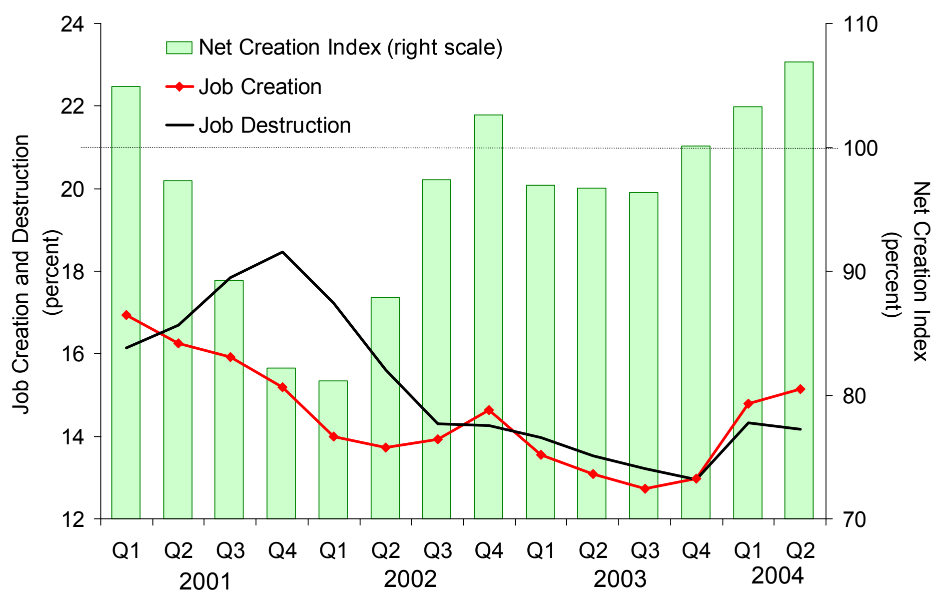
Although construction employment continued to fall during the first half of 2004, the job gap has been gradually narrowing since the second quarter of 2002. By the second quarter of 2004, this sector's index of net job creation was 100 percent. The construction sector is expected to have gained jobs during the second half of 2004 and to grow briskly in 2005 and the outyears. Contributing to these increases will be the reconstruction effort on the site of the World Trade Center. The groundbreaking for the "Freedom Tower" took place in August 2004, with construction expected to be completed in 2008.

The real estate sector took a big hit after September 11, mainly because of an increased rate of job destruction. However, the industry bottomed out during the first quarter of 2002, and thanks to the housing boom of the last two years, the industry's index of net job creation exceeded 100 percent during 2003 and the first half of 2004. Real estate rental and leasing sector employment increased 0.9 percent during the same period, due to a very strong housing market. The job growth of 1.2 percent is projected for all of 2004, followed by growth of 1.9 percent for 2005.

Trade, Transportation, and Warehousing

Wholesale and retail trade jobs are projected to grow 0.3 and 0.7 percent respectively in 2005, following virtually no change in employment for wholesale trade in 2004, and identical growth of 0.7 percent for retail trade. The State's wholesale and retail trade sectors suffered heavy job losses for three consecutive years prior to 2004, due to the long lasting impact of September 11 and the slow pace of the early phase of national economic recovery.

Figure 40
Retail Trade



Source: NYS Department of Labor, DOB staff estimates.

The wholesale trade sector has been dominated by job declines since early 2001. But wholesale trade lost less than 1,000 jobs in the first half of 2004, resulting in a decline of only 0.2 percent and a significant improvement from 2003, when more than 3,000 jobs were eliminated. Wholesale trade is expected to be a net contributor to job growth in 2005 as the

State and national economies improve. The job gap in the retail trade sector narrowed significantly during the second half of 2002 and remained small in 2003. In the first two quarters of 2004, this sector's net index of job creation was above 100 percent, lending support to the expectation that this sector will continue to add jobs in 2005 (see Figure 40).

Transportation and warehousing employment is projected to increase 0.9 percent in 2005, following growth of 0.4 percent for 2004. The impact of September 11 on employment is perhaps seen most dramatically in the transportation sector. The job gap in that sector was at its maximum during the first quarter of 2002, but has gradually narrowed since then, due primarily to a decline in the gross rate of job destruction. Although high energy costs are likely to have been a factor restraining job growth in this sector in 2004, the substantial recent narrowing of the job gap in the State's transportation and warehousing sector suggests that employment in this sector is likely to continue growing in 2005.

Information (Media and Communications)

The Budget Division expects information sector employment to add jobs in 2005 at a rate of 0.4 percent, following a 1.7 percent decline in 2004. Although the projected rate of job growth for 2005 is not high, it represents a substantial improvement for this sector. The information sector, which includes publishing, motion pictures, broadcasting and telecommunications, is one of the most dynamic sectors in the State, exhibiting gross rates of job creation and destruction generally well above statewide averages. However, this sector has been contracting since the start of the State's recession. The job gap remained big in 2003, but started to narrow in the first half of 2004, producing a net job creation index of 88.7 percent for the second quarter of 2004.

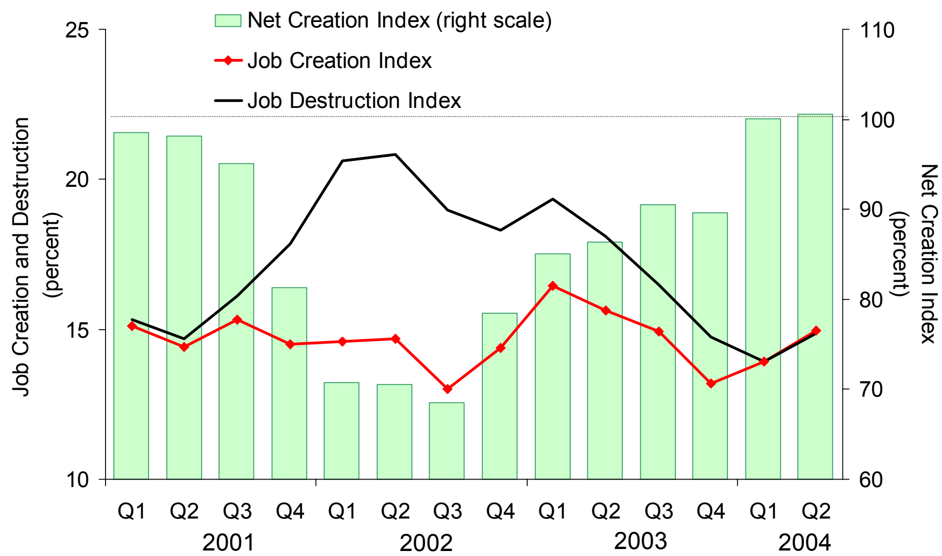
Following the collapse of the "dot-com" sector in 2000 and 2001, the State's media services and telecommunications industries shed jobs at the highest rate of any sector in 2002. Employment in the information sector declined 8.8 percent, representing a loss of 28,478 jobs in 2002. The downward trend for this industry group continued during 2003. This sector lost 19,992 jobs that year, a decline of 6.8 percent. But the pace of this decline slowed significantly in the first half of 2004. The State lost another 8,166 jobs, 3.0 percent, during the first two quarters of 2004 compared to the same period of 2003.

Finance and Insurance

The Budget Division expects finance and insurance sector employment to grow a modest 0.7 percent in 2005, following a growth of 0.2 percent in 2004. This forecast is consistent with a net job creation index value of 100 percent during the first half of 2004. The attacks of September 11, the national recession and corporate scandals all combined to have a significant impact on the State's financial sector; 29,838 jobs in finance and insurance were lost in 2002, a decline of 5.4 percent. As expected, these losses occurred in New York City. This trend continued in 2003, with finance and insurance losing another 10,994 jobs. However, as discussed below, these job losses lowered industry compensation costs and helped Wall Street firms to increase profits significantly in 2003. Indeed, in the aftermath of the stock market crash of 1987 and the recession of 1990-91, it took 10 years for the securities industry to return to its employment peak of 1987. By contrast, the net job creation index for finance and insurance became positive during the first half of 2004, which along with improving equity market conditions toward the end of the year suggests continuing growth for 2005 in this sector (see Figure 41).

Figure 41

Finance and Insurance



Source: NYS Department of Labor; DOB staff estimates.

Business and Professional Services

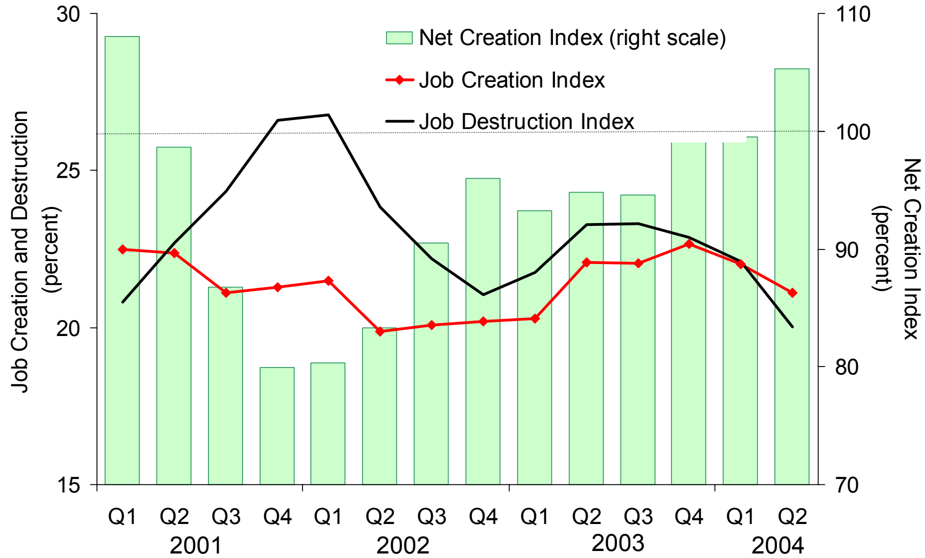
All of the State's business and professional services industries are expected to benefit from the strengthening national expansion in 2005. Professional and technical services industries are expected to grow 2.1 percent in 2005, following growth of 1.1 percent in 2004, while management and administrative support services industries are expected to grow 1.2 percent in 2005, following similar growth of 1.1 percent in 2004.

With the collapse of the high-tech bubble, the State's professional, scientific, and technical services industries saw a significant increase in the rate of gross job destruction during 2001 and early 2002. However, the job gap narrowed substantially during the first three quarters of 2003, with the net index rising above 100 percent by the fourth quarter. The industry continued to produce net job growth through the first half of 2004, due to both an upward trend in the gross rate of job creation and a downward trend in the gross rate of job destruction.

The gross job destruction index rose swiftly in the management, administrative, and support services sectors in 2001, but the job gap had narrowed significantly by the fourth quarter of 2002 (see Figure 42). Management services growth may have been stymied by the desire to avoid expanding management operations in New York City in the wake of September 11, accelerating the decline in the number of corporate headquarters located in the State. This sector also contains temporary help services, one of the first employment classes to grow following a downturn, explaining the substantial improvement in this sector between 2003 and 2004. Many firms hire temporary workers coming out of a recession, uncertain as to whether an increase in the demand for their product will be sustained. Therefore, an increase in temporary service employment is often a good indicator that the labor market is turning upward.

Figure 42

Management, Administrative, and Support Services



Source: NYS Department of Labor; DOB staff estimates.

Education and Healthcare

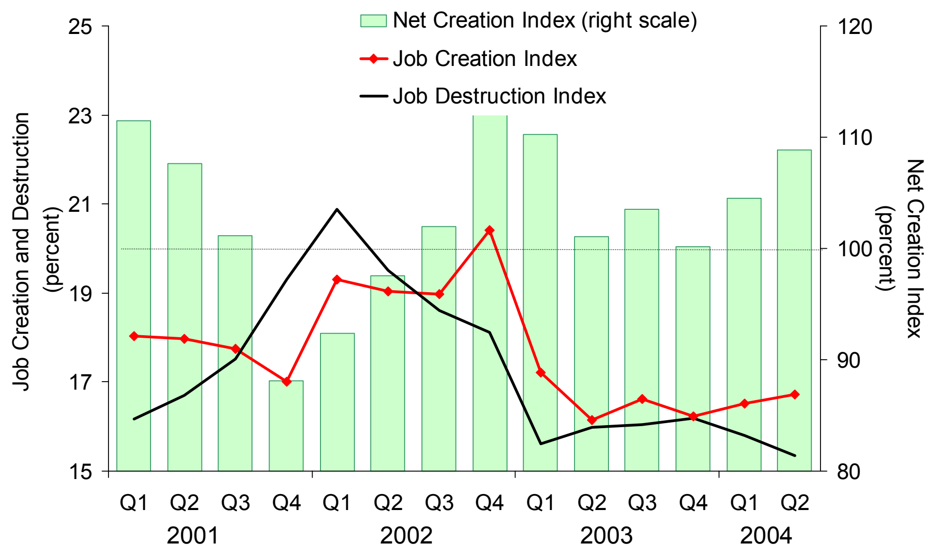
The Budget Division expects education and healthcare employment for 2005 to grow 2.9 percent and 2.0 percent, respectively. Education and healthcare services continued to grow throughout the recession, exhibiting net job creation indices well above 100 percent. Education services grew 2.8 percent during the first half of 2004 compared to the same period in 2003, adding 7,278 jobs. Similarly, healthcare and social assistance services grew 1.4 percent during the first half of 2004, adding 16,049 jobs, following growth of 1.7 percent for 2003.

Leisure, Hospitality, and Other Services

The Budget Division expects leisure, hospitality, and other services employment to grow 1.9 percent in 2005, following growth of 1.4 percent in 2004. September 11 had a severe impact on these industries, particularly the arts and entertainment sectors. The gross rate of job destruction increased steeply during the fourth quarter of 2001 and the first quarter of 2002, although the sector began to bounce back soon thereafter (see Figure 43). This sector experienced both a decline in gross job destruction and an increase in the gross rate of job creation during the first two quarters of 2004, leading to net index values above 100 percent. This sector is expected to continue to add jobs during the second half of 2004 and in 2005 as well, reflecting in part the impact of the weakening dollar on tourism.

Figure 43

Leisure, Hospitality, and Other Services



Source: NYS Department of Labor; DOB staff estimates.

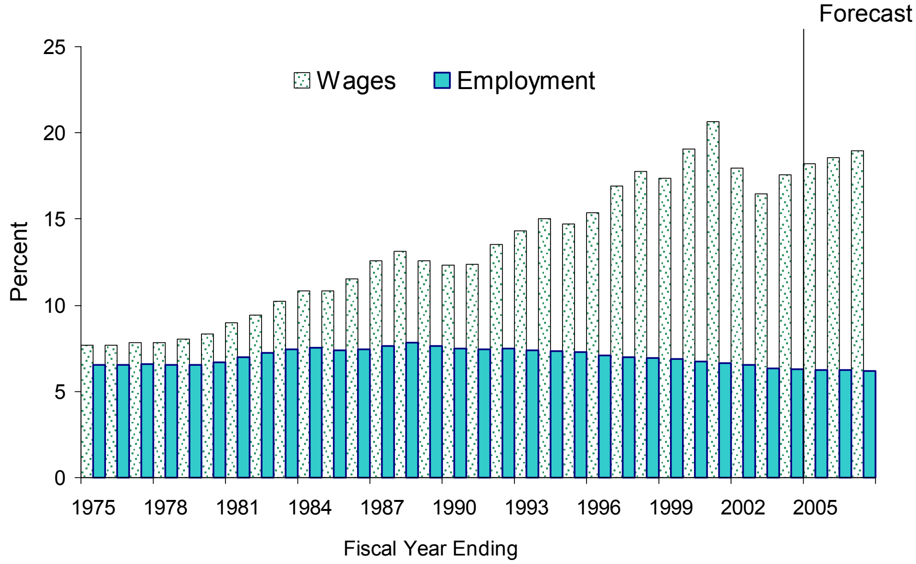
The Securities Industry and the Stock Market

Because of the prominence of New York City in the world of finance, New York State revenues are profoundly affected by the fortunes of the financial markets. Figure 44 shows how finance and insurance sector wages have grown over time as a share of the State total. That share peaked at 20.6 percent during the 2000-2001 State fiscal year, just as the stock market was beginning to collapse. In contrast, finance and insurance sector employment accounted for only 6.6 percent of total State employment during the same year. The financial markets affect employment and incomes in New York City and its surrounding suburbs, both directly, through compensation paid to finance sector workers and purchases made by finance sector firms, and indirectly, as finance sector workers spend their incomes on housing, entertainment, and other purchases. Finance sector workers are, on average, very highly compensated, as demonstrated by a comparison of their average wages to those of other New Yorkers. As indicated in Figure 45, that gap is expected to widen. Between 1975 and 2003, finance and insurance industry wages increased more than tenfold, while employment rose by only 17 percent.

Although the current bull market in equities has endured for over two years, it has had intermittent periods of no growth. As of December 31, 2004, the S&P 500 had risen 56 percent from the October 9, 2002, trough, but will have to rise another 26 percent, or more than 300 points, before reaching its prior peak. Equity market cycles tend to be accompanied by a rise and fall in securities industry employment, although typically with a lag. For example, in the bear market of 1973-1974, the State's securities industry lost 23 percent of its employment from February 1973 to October 1974. The record-setting bull market of the 1990s, the longest and strongest of the postwar period, was accompanied by a 50 percent increase in industry employment. However, since peaking in December 2000, State securities employment has fallen by about 19 percent and has been virtually stagnant since the beginning of 2003.

Figure 44

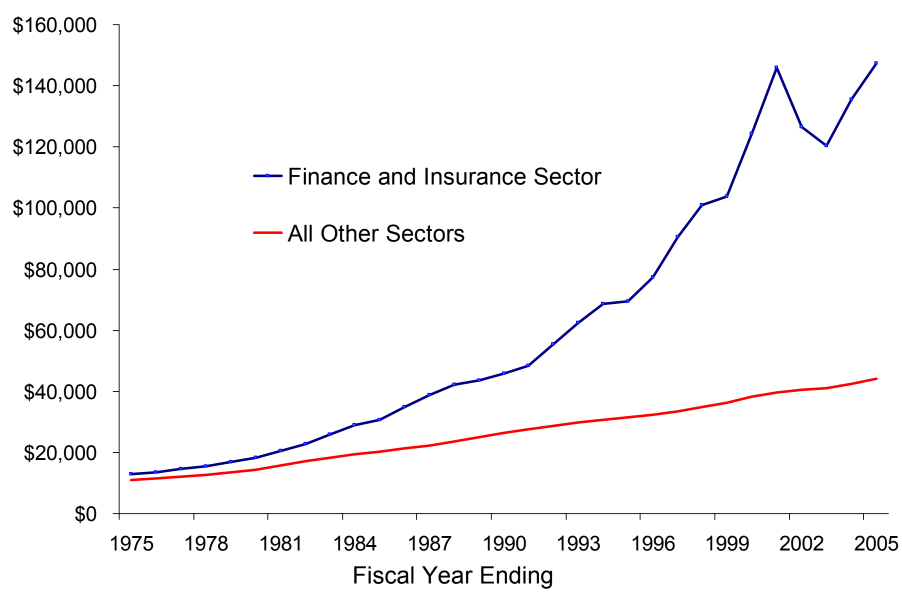
Finance and Insurance Sector Employment and Wages as Share of State Total



Source: NYS Department of Labor; DOB staff estimates.

Figure 45

Average Wages in New York



Note: Data for 2005 are estimates.
Source: NYS Department of Labor; DOB staff estimates.

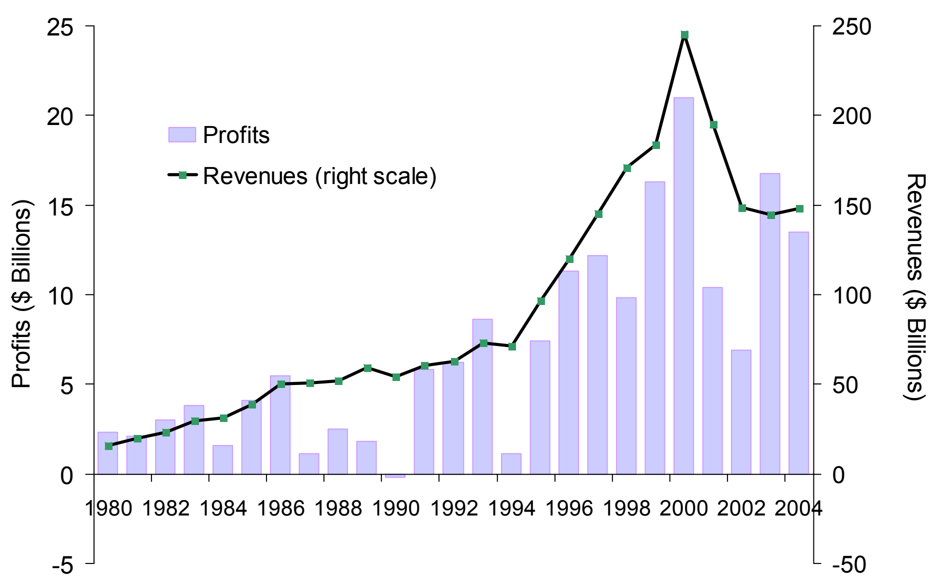
With the recent improvement in equity prices, the securities industry's most lucrative sources of income — initial public offerings (IPOs) and merger and acquisition activity — are picking up as well, though they remain well below their 2000 peaks. Through November, total equity underwriting is up 30.1 percent over the same period in 2003, with 2004 destined to be the highest since 2000 and possibly the second or third highest ever. Among equity underwritings, IPOs tend to generate the highest fees. Through November, IPOs are already about four times their entire value for 2003 and will be the highest since 2000, although the 2004 total is still likely to be about 40 percent below the 2000 record level. Moreover, the industry reports a backlog in the pipeline entering December 2004 worth $21.6 billion. In contrast, corporate debt underwriting is likely to fall about 3 percent below the 2003 record level, but remains high from a historical standpoint.

The rise in the secondary equities market since the election has also had a positive impact on merger and acquisition activity, another important revenue-producing financial market activity. After peaking in number and value in 2000, the number of completed domestic mergers and acquisitions fell 34 percent in 2001 and another 52 percent in 2002. Completed domestic mergers and acquisitions saw a decline in value of about 60 percent in the three-year period from 2000 to 2002. However, in 2003 the value of domestic mergers and acquisitions rose 22.5 percent and was up 68.6 percent during the first three quarters of 2004.[28] However, 2004 shows a steady quarterly decline over the course of the year, though there is some evidence of a year-end resurgence.

Although 2004 started strong, a number of areas weakened over the course of the year, such as commissions, trading gains, and underwriting revenues, while other areas gained. At the same time, rising short-term interest rates produced a steady increase in interest expenses, which were up 32 percent in the third quarter of 2004 compared to the prior quarter and 54 percent compared to the same quarter a year ago. On balance, industry profits are expected to fall 19.4 percent from $16.7 billion in 2003 to $13.5 billion in 2004 (see Figure 46). In the meantime, ongoing structural shifts taking place within the industry, related to intensifying competition and technological change, continue to threaten profit margins and keep the industry focused on cutting costs. The drive to keep costs down appears most prominently in employee compensation, which fell 12.5 percent during the third quarter of 2004 compared to the second quarter. The two quarters combined were down 1.2 percent compared to the same period in 2003.

Figure 46

Securities Industry Profits and Revenues



Note: Values for 2004 are based on SIA estimates.
Source: Securities Industry Association.

[28] Thomson Financial Worldwide M&A, October 1, 2004.

The financial market momentum of early 2004 produced healthy growth in finance and insurance sector bonuses for the 2003-2004 bonus season. Total finance and insurance sector wages grew by 11.1 percent from $62.7 billion in 2002-03 to $69.7 billion in 2003-04. The impact of this growth in finance and insurance sector wages as a share of the State total is clearly visible in Figure 44, while Figure 45 shows the rise in the industry average wage estimated for 2003-04. As the performance of the securities industry continues to improve, the finance and insurance bonus share of total sector wages is expected to rise for both 2004-05 and the following year, though still remaining below its former peak amount. As discussed above, sector employment is projected to grow modestly in 2005 and a rising equity market is expected to result in higher production payouts and discretionary bonuses. However, the impact of this improvement on wage and employment growth will be mitigated by the drive to keep costs to a minimum.

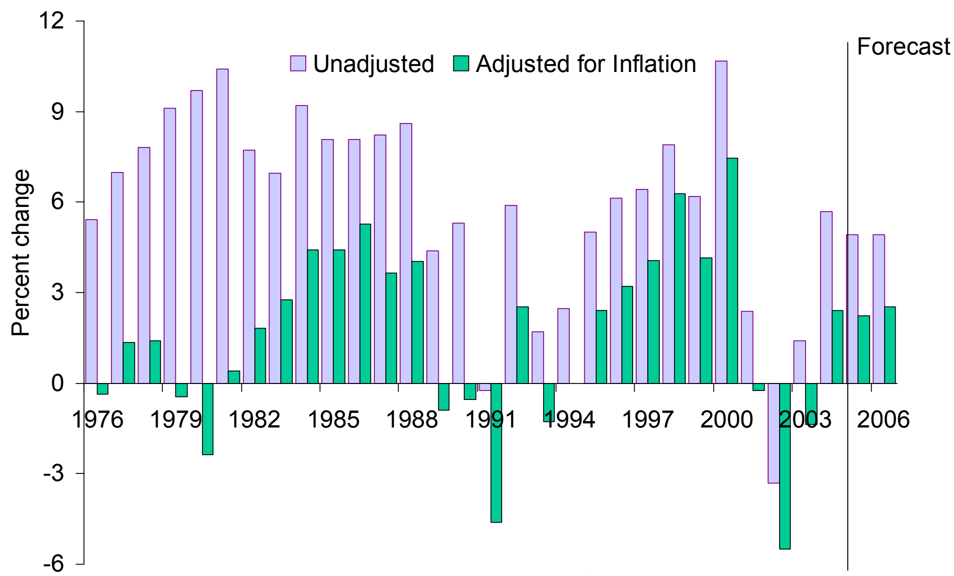
Outlook for Income

Growth in variable compensation and employment is expected to result in total wage growth of 4.9 percent for 2005, following an estimated increase of 5.7 percent for 2004 (see Figure 47). The strong growth in State wages, property income, and proprietors' income projected for 2005 will result in total personal income growth of 4.9 percent, following slightly higher growth of 5.4 percent for 2004.

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 6. The Budget Division's outlook for State income is based on these constructed series.

Figure 47

New York State Wage Growth
With and Without Adjusting for Inflation



Source: NYS Department of Labor; DOB staff estimates.

Variable Income Growth

Variable income is defined as that portion of wages derived primarily from bonus payments and stock incentive income, but also includes other one-time payments. As performance incentives 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 as part of a bonus package during the same quarters as the cash component, an employee may exercise that option, thus transforming it into taxable income, at different times. However, the concentration of variable income payments in the fourth and first calendar-year quarters makes the State fiscal year a logical period of analysis for discussing the determinants of variable income growth.

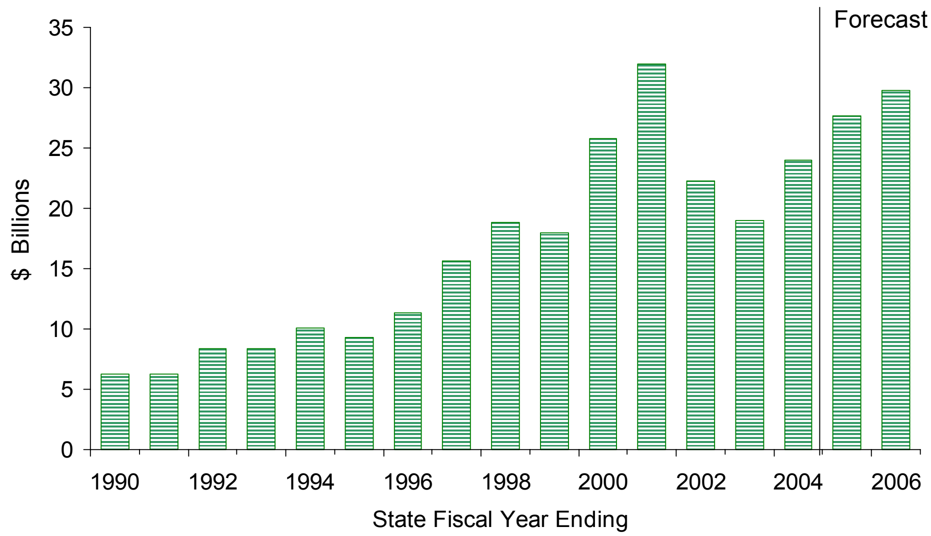
An executive's total variable compensation package often combines cash with longer term incentives such as stock options or restricted shares of company stock. A grant of restricted shares defers employee ownership until some fixed point in time. Should the employee leave the company before that time, the grant becomes worthless. Although long-term incentive payments represent a much larger share of the total bonus package, the Budget Division forecasts the cash portion, which is taxed as ordinary income for the tax year in which it was paid.[29] In contrast, long-term incentive payments are not taxed until options are exercised or shares are actually in the possession of the executive, events that may occur with no regular pattern. State variable income, as forecast by the Budget Division, is projected to rise 13.3 percent for the 2004-05 fiscal year, followed by growth of 5.7 percent in 2005-06. Growth in both years is more than accounted for by the finance and insurance sector, although bonus income in other sectors is expected to increase as well. On a calendar year basis, total State bonus income is estimated to have risen 23.4 percent for 2004, followed by an increase of 6.9 percent for 2005.

Since 1990, there has been a substantial shift in the State's corporate wage structure away from fixed-pay to performance-based pay. Figure 48 portrays how dramatically variable income paid to employees in the finance and insurance industry has grown since the early 1990s. The robust performance of security industry profits during 1999 and 2000 resulted in finance and insurance sector bonus growth of 43.5 percent and 23.7 percent in the 1999-2000 and 2000-01 State fiscal years, respectively, to levels that accounted for more than half of total bonuses paid in the State. 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. For example, when industry profits fell from $10.4 billion in 2001 to $6.9 billion in 2002, finance and insurance sector bonus income is estimated to have fallen 14.9 percent for the 2002-03 State fiscal year. In contrast, nonbonus income for this sector is estimated to have fallen only 6.6 percent, mainly due to the decline in employment.

[29] See Box 6 for a more detailed discussion of bonus estimation.

Figure 48

New York State Finance and Insurance Sector Bonuses



Source: NYS Department of Labor; DOB staff estimates.

The rapid run-up in finance and insurance bonuses was abruptly reversed during the 2001-02 State fiscal year when bonuses dropped 30.2 percent as a result of the national recession, the World Trade Center terrorist attack, and the downslide in equity prices. Securities industry profits further deteriorated in 2002, dropping 67.0 percent from their record 2000 level. With the recent rise in equity prices and the strong performance of the fixed income market, securities industry profits more than doubled in 2003. However, with a relatively flat equity market for much of 2004, industry profits are not expected to match their 2003 level. Therefore, the Division of the Budget projects that variable income for the finance and insurance sector will grow 15.4 percent to $27.7 billion during the 2004-05 State fiscal year, following much stronger growth of 26.4 percent for 2003-04. Although the 2004-05 bonus payout represents the highest for this sector since 2000-01, it is still 13.2 percent below the record $31.9 billion estimated to have been paid out that year. Variable income for the sector is expected to rise 7.7 percent during 2005-06 to $29.8 billion and is not expected to exceed the 2000-01 peak until 2006-07.

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. 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 3.5 percent in calendar 2005, following estimated growth of 3.2 percent for 2004. With a positive boost from employment, total nonbonus wages are projected to grow 4.6 percent for 2005, following an increase of 3.6 percent for 2004.

Average Wage

For the first time in the history of CEW data, which begins in 1975, average wages in New York showed a decline in 2002. This was mostly due to the steep decline in bonuses. However, increases in bonuses contributed to growth in the State's overall average wage of 2.0 percent and 5.3 percent for 2003 and 2004, respectively. For 2005, average wage growth is expected to decelerate to 3.8 percent due to lower growth in bonuses. Average wage growth has recently been significantly below its historical average due to low inflation. The Budget Division projects growth in the composite CPI for New York of 2.7 percent for 2005, following growth of 3.3 percent for 2004. The projected decline in inflation for New York for 2005 parallels that for the nation.

Nonwage Income

The Division of the Budget projects a 4.9 percent increase in the nonwage components of State personal income for 2005, following growth of the same magnitude for 2004. For 2005, stronger growth in property income and proprietors' income will be offset by slower growth in transfer payments.

Risks to the New York Forecast

In addition to the risks described above for the national forecast, there are risks specific to New York. Another attack targeted at New York City would once again disproportionately affect the State economy. Any other such shock that had a strong and prolonged impact on the financial markets would also disproportionately affect New York State, resulting in lower income and employment growth than reflected in the current forecast. In addition, if the national and world economies grow more slowly than expected, demand for New York State goods and services would also be lower than projected, dampening employment and income growth relative to the forecast. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and IPOs is possible, resulting in higher wage growth than projected. It is important to recall that the financial markets, which are so pivotal to the direction of the downstate economy, are notoriously difficult to forecast. In an environment of global uncertainty, the pace of both technological and regulatory change is as rapid as it has ever been, compounding even further the difficulty in projecting industry revenues and profits.

BOX 6
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 rates for the first and second quarters of 2000, on a percent-change-year-ago basis, were 18.3 percent and 8.5 percent, respectively. The comparable growth rates originally published by the BEA were 2.4 percent and 5.4 percent. These estimates have since been revised up to 6.1 percent and 9.9 percent, respectively. However, the lack of timeliness in the revision process limits the usefulness of BEA data 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 is paid on a variable basis, in the form of either bonus payments or proceeds derived from the exercise of stock options. Because no government agency collects data on variable income as distinct from ordinary wages, 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 is 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.

BOX 7
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.[1] 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 1980s 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, since both labor and capital are free to move in a market economy, regional differences in labor costs tend to converge toward their long-run equilibrium values, 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

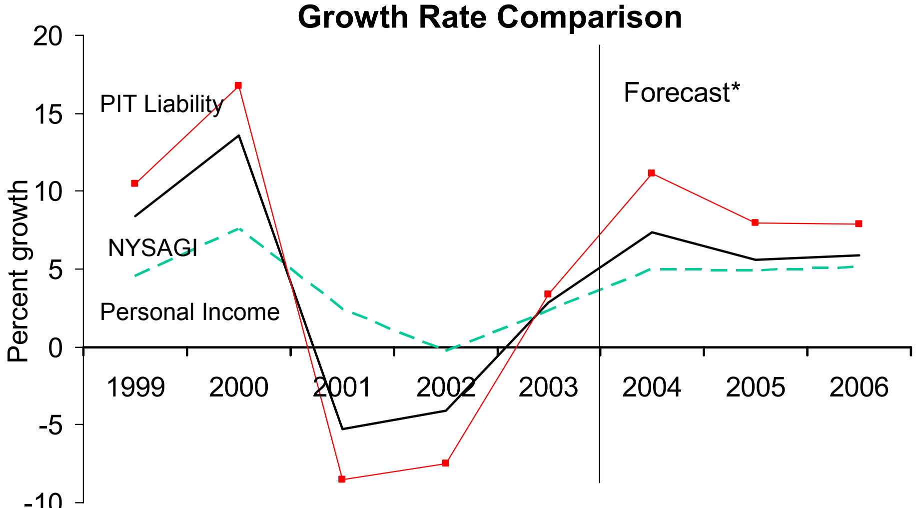
The New York nonwage components, except for the residence adjustment, are all driven by their national counterparts. The relationship is modeled as a change in the New York variable, as a function of a change in the U.S. nonwage counterpart, along with lags of the independent and dependent variables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

[1] For more information, see New York State 2004-05 Executive Budget, Revenue Estimating Methodology, pp. 5-9.

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

As in many states, New York's revenue structure relies heavily upon the personal income tax (PIT). Receipts from the PIT can be extremely volatile, much more variable than conventional measures of personal income as becomes readily apparent when comparing changes in actual liability with alternative indicators of the New York State income base over time (see Figure 49). PIT liability is the amount which State taxpayers actually owe based on total earnings during a given tax year.[30] New York State adjusted gross income (NYSAGI) is a measure of income from which total tax liability is ultimately determined in conformity with State tax returns. Personal income is a National Income and Product Accounts (NIPA) concept, measuring income derived from value added to current production.[31] In 2000, all three indicators reflected strong underlying economic growth. However, while personal income grew a historically robust 7.6 percent, NYSAGI grew at an even stronger 13.5 percent, and PIT liability grew a remarkable 16.8 percent. The same pattern emerges during a downturn in the economy. In 2002 personal income remained almost flat, declining 0.2 percent, while NYSAGI fell 4.1 percent and PIT liability fell an even larger 7.5 percent. PIT liability is estimated to have grown faster in 2003 than both NYSAGI and personal income, and past patterns suggest the same will be true for 2004 and 2005.

Figure 49
Indicators of New York State Tax Base
Growth Rate Comparison



* Growth rates for PIT liability and NYSAGI for 2003 are staff estimates. PIT liability growth rates are at 2002 law.
Source: NYS Department of Taxation and Finance; Economy.com; DOB staff estimates.

A common measure of the sensitivity of an economic variable to changes in the overall economy is commonly referred to as its "elasticity." The percent change in the value of an economic variable in response to the percent change in real U.S. GDP yields such a measure. Typically, NYSAGI has a higher elasticity value than personal income, while PIT liability, has a higher elasticity value than NYSAGI. NYSAGI measures the taxable components of income, including realized capital gains and losses, which are not part of the NIPA concept of personal income because they do not add to the value of current

[30] For more details on personal income tax liability, see Tax Receipt Section "Personal Income Tax."
[31] For a discussion of how DOB constructs State personal income, see Box 6, page 230.

production.[32] Unlike indicators such as GDP and employment, which have relatively stable bases, income from capital gains realizations can fall dramatically if taxpayers refrain from selling financial assets due to depressed market conditions or if taxpayers are carrying forward losses from prior years. Moreover, NYSAGI can fluctuate due to statutory changes in the definition of taxable income, and taxpayers' strategic responses to such changes. In 2001 and 2002, income from positive capital gains realizations declined at 50 percent and 27 percent, respectively, in response to the downturn in the economy and the financial markets. DOB's estimate suggests a strong response of 35 percent growth in 2003 to an upturn in economic activity.

PIT liability is elastic with respect to changes in NYSAGI, primarily due to the progressivity of the State tax system. The volatile components of taxable income referred to above, such as bonuses and capital gains realizations, tend to be concentrated among the State's high-income taxpayers, who are also taxed at the highest marginal tax rate. Growth in those components usually increases the average, or effective, tax rate and contributes to an elastic response of liability to income changes. Liability also tends to grow faster than taxable income because as incomes grow over time, taxpayers are pushed into higher tax brackets, which also raises the effective tax rate.

TABLE 6
CHANGES IN NYSAGI AND ITS MAJOR COMPONENTS

	2000	2001	2002	2003	2004	2005	2006
NYSAGI							
Level in billions of $	514.5	487.5	467.5	480.9	516.5	545.2	577.1
$ Change	61.4	-27.0	-20.0	13.4	35.6	28.7	31.9
% Change	13.5	-5.2	-4.1	2.9	7.4	5.6	5.8
Wages							
Level in billions of $	368.2	376.2	368.7	373.8	395.1	414.5	434.7
$ Change	39.3	8.0	-7.4	5.0	21.3	19.4	20.2
% Change	12.0	2.2	-2.0	1.4	5.7	4.9	4.9
Capital Gains							
Level in billions of $	64.0	32.0	23.3	31.4	40.1	44.3	49.9
$ Change	14.5	-32.0	-8.6	8.1	8.6	4.3	5.6
% Change	29.3	-50.0	-27.0	34.7	27.5	10.7	12.7
Partnership/S-Corporation Gains							
Level in billions of $	38.9	37.9	39.1	40.2	44.6	48.7	53.1
$ Change	3.6	-1.0	1.2	1.1	4.4	4.1	4.4
% Change	10.1	-2.6	3.0	2.8	11.0	9.2	9.0

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

In 2000, capital gains realizations increased $14.5 billion while NYSAGI increased $61.4 billion (see Table 6). The increase in capital gains realizations thus accounted for 23.6 percent of the increase in NYSAGI. For 2001, the $32.0 billion decline in capital gains is larger than the $27.0 billion decline in NYSAGI. The Division of the Budget's projections indicate that capital gains will contribute 60.4 percent, 24.3 percent and 14.9 percent to NYSAGI growth respectively in 2003, 2004 and 2005. The fact that the most volatile

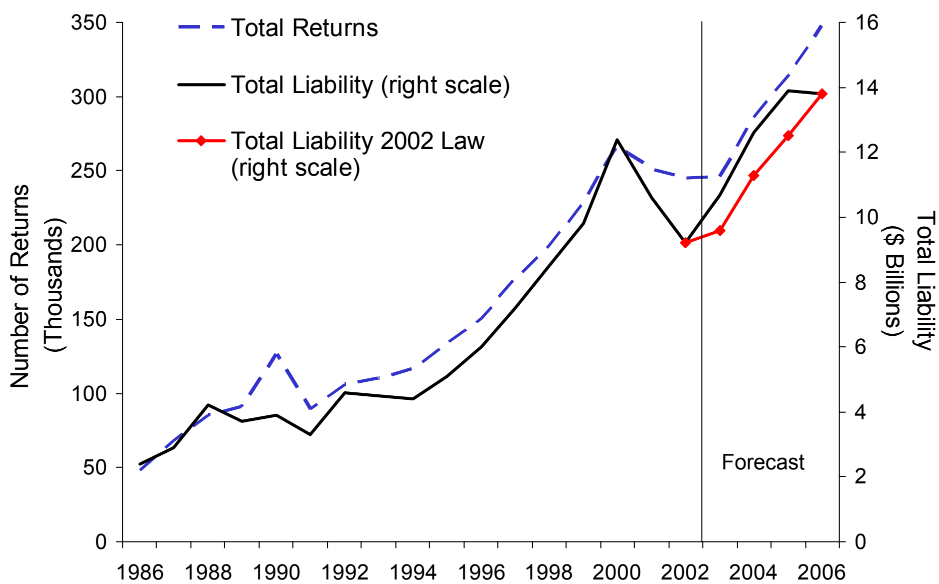
[32] However, any transaction cost generated by such a sale would add value to current production and would therefore be included in personal income.

components of income can and have accounted for a large portion of the changes in NYSAGI poses significant risks to the Division of the Budget's personal income tax forecast.[33] Therefore, the Budget Division has consistently maintained that a conservative approach to projecting these components is warranted.

Changes in the State Distribution of Income and Revenue Risk

Given the progressive nature of the State's tax system, forecasting total income tax liability entails not only forecasting total income, but its distribution as well. Out-year estimation of 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 condition of financial markets, and changes in federal and state tax treatment. As incomes rise, some taxpayers move into higher income tax brackets, increasing the effective tax rate and the amount of liability generated from a given amount of adjusted gross income. The opposite occurs as incomes fall. The effective tax rate fell from a high of 4.76 percent in 2000 to a low of 4.43 percent in 2002 without any significant changes in tax law. For the first full year of the State recovery in 2004, DOB estimates that the effective tax rate would have risen to 4.61 percent due to the improvement in both the economy and equity markets, had tax rates remained at their 2002 values. However, the temporary increase in income tax rates for high-income taxpayers passed by the State Legislature in 2003 raises the effective tax rate even further to an estimated 4.88 percent.

Figure 50
New York State High-Income Tax Returns



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

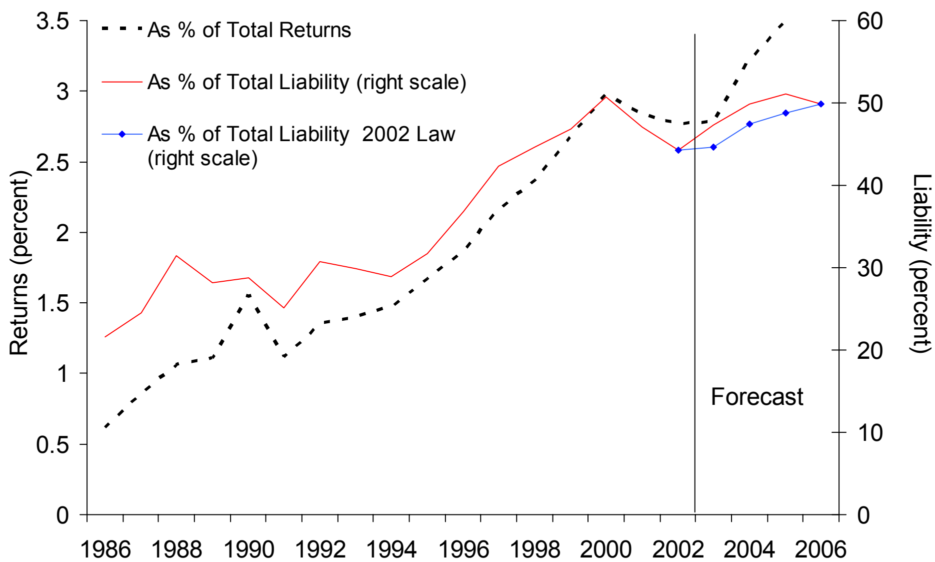
The rising stock market created thousands of millionaires in the late 1990s, causing the share of total personal income tax liability accounted for by high-income taxpayers— those reporting NYSAGI of $200,000 or more — to grow rapidly during that period.[34] Approximately 8.8 million tax returns were filed in New York State for the 2002 tax year, the most recent year

[33] 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.
[34] In 1995, 6,910 New York taxpayers had federal adjusted gross incomes of $1,000,000 or more. This number skyrocketed to 48,856 taxpayers in 2000. Between 1999 and 2000 alone, the number of millionaires almost doubled from 25,537 to 48,856.

for which detailed tax return data are available, reflecting an average annual growth of 1.2 percent since 1992. Over the same period, the number of high-income taxpayers grew from 106,000 to 245,000, reflecting an average annual growth of 9.0 percent (see Figure 50). In 2002, these high-income taxpayers represented a mere 2.8 percent of all taxpayers but accounted for 32.2 percent of NYSAGI and 44.3 percent of personal income tax liability (see Figure 51). In the peak year of 2000, high-income taxpayers represented 3.0 percent of all taxpayers but accounted for 50.8 percent of personal income tax liability.

Figure 51

High-Income Taxpayers as Percent of Total Returns and Liability



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

Table 7 highlights the risk to State tax revenues emanating from the increased concentration of personal income tax liability among high-income taxpayers. The table compares the shares of New York State gross income,[35] wage and salary income, nonwage income, and PIT liability accounted for by the top 1 percent, 5 percent, 10 percent, and 25 percent of tax filers, for 1992 and 2002.[36] A comparison of the two years indicates that the share of PIT liability paid by the wealthiest 25 percent of taxpayers increased from 78.9 percent in 1992 to 84.9 percent in 2002. The share accounted for by the top one percent grew from 27.9 percent in 1992 to 32.2 percent, almost one third, by 2002.

Table 7 indicates that trends in both wage and nonwage income are responsible for the increasing concentration of liability since the early 1990s. The share of nonwage income accruing to the top 25 percent of taxpayers grew 4.2 percentage points between 1992 and 2002, while the wage share grew 2.7 percentage points. Much of the growth in nonwage income during the 1990s has been in capital gains realizations and partnership/S corporation income, which tend to accrue primarily to high-income filers. Although wage income is more evenly distributed across taxpayers than nonwage income, the gains in wages earned since 1992 have accrued disproportionately to the top filers.

[35] Gross income differs from NYSAGI by measuring the sum of all income components prior to Federal and State adjustments to income, and is used in this illustration instead of NYSAGI to avoid creating a sum of components that is larger than the total.
[36] A shift in filer type from single filers to married filing jointly would also have the affect of making income and liability appear as if they are becoming more concentrated. Tax return data from both years indicate that the share of joint returns has fallen as a share of total filers.

TABLE 7
ASSESSING THE CONCENTRATION OF STATE INCOME AND LIABILITY
1992 VERSUS 2002

	Number of Returns	Gross Income	Wage Income	Nonwage Income	Liability
		1992			
Total ($ in millions)	7,867,669	$306,978	$238,813	$68,165	$14,819
Share: Top 1%	—	19.5	13.4	40.8	27.9
Share: Top 5%	—	33.9	27.3	57.2	46.0
Share: Top 10%	—	44.7	39.0	64.4	57.7
Share: Top 25%	—	66.4	63.3	77.4	78.9
		2002			
Total ($ in millions)	8,831,272	$498,015	$368,720	$129,295	$20,731
Share: Top 1%	—	22.4	15.6	41.7	32.2
Share: Top 5%	—	38.2	30.8	59.1	52.8
Share: Top 10%	—	49.1	42.6	67.4	65.0
Share: Top 25%	—	70.0	66.0	81.6	84.9

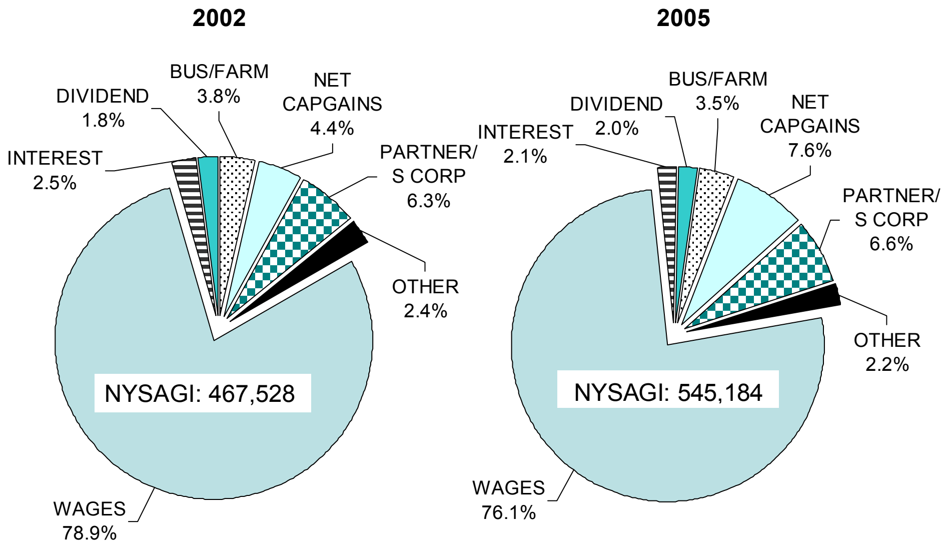
Note: Returns are ranked on the basis of gross income. Share estimates displayed above should be viewed with some caution, since they are based on a weighted statistical sample of all tax returns in the State, rather than the full population of State tax returns. The shares calculated thus could differ from the actual population because of the sampling process, but also due to the method used to assign weights to the individual returns.
Source: NYS Department of Taxation and Finance; DOB staff estimates.

Figure 52 compares the composition of NYSAGI for all taxpayers for 2002, the second year of the State's recession, to that for the 2005 tax year, which will be the second full year of the current State expansion, based on Budget Division projections. The figure shows a shift from wage income to net capital gains income.[37] By 2005, estimated net capital gains income contributes 7.6 percent to NYSAGI, up from the 4.4 percent in 2002. Net capital gains realizations peaked at 12.1 percent of NYSAGI in 2000 at the height of the stock market bubble. At the same time, the wage share is expected to decrease from 78.9 percent in 2002 to 76.1 percent in 2005. Net partnership income is expected to increase from 6.3 percent of NYSAGI in 2002 to 6.6 percent in 2005.

The composition of NYSAGI for high-income taxpayers differs noticeably from that of all other taxpayers (see Figure 53). In particular, net capital gains and partnership/S corporation income make up a much larger share among high-income taxpayers than for taxpayers overall, while the wage share is considerably lower.[38] Their share of net capital gains realizations is projected to increase from 11.7 percent in 2002 to 17.6 percent in 2005. Meanwhile, their shares for partnership/S corporation income and wages are projected to fall.

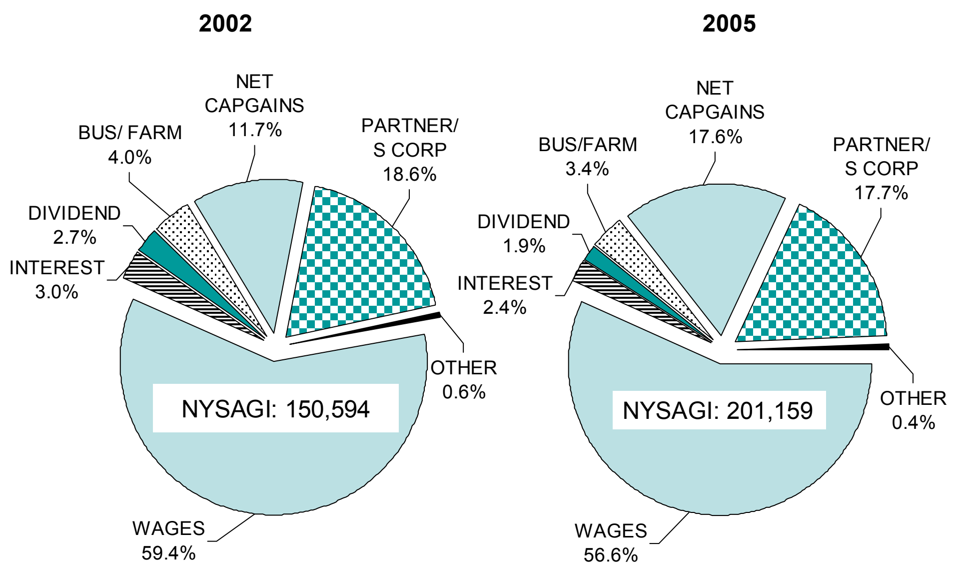
[37] Net capital gains and partnership/S corporation income in these figures are net of the corresponding aggregate losses.
[38] Although tax return data do not differentiate bonus income from nonbonus income, it can be surmised that bonus income represents a much larger share of taxable income among high-income taxpayers than among low-income taxpayers.

Figure 52
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.

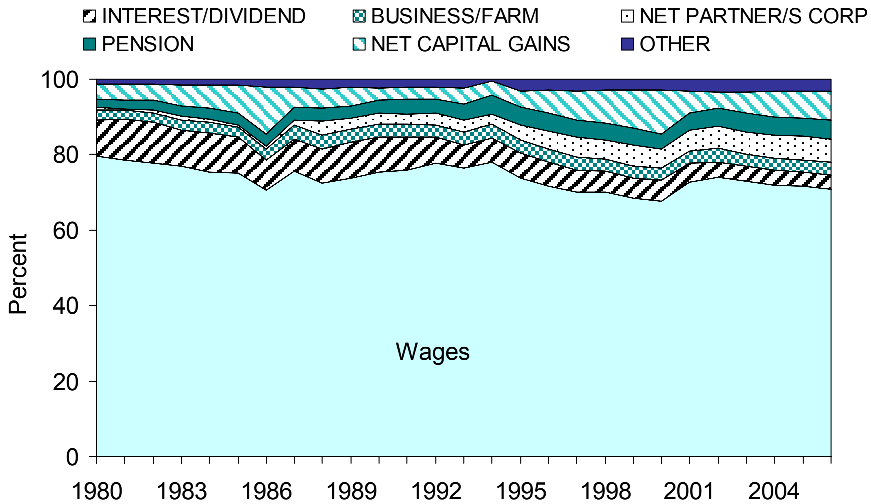
Figure 53
Composition of NYSAGI for High-Income Taxpayers



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

There has been considerable shifting over time in the largest components of income as shares of total New York State Gross Income (see Figure 54). The shares for wages, interest, and dividend income have trended downward. The share for business and farm income has remained stable, while the shares for partnership/S corporation income and pension income have grown steadily. The share for net capital gains is the most volatile, peaking in 1986 in response to tax law changes and growing rapidly with the stock market bubble between 1995 and 2000. After two years of decline, we estimate that the share of net capital gains income has started growing again in 2003.

Figure 54
Major Components of NYSAGI as Percent of Total



Note: NYSAGI is measured gross of deductions.
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 2002 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 Covered Employment and Wages (CEW) data, they tend to follow the same trend. Therefore, for a discussion of the Budget Division forecast for taxable wages, see "Outlook for Income" above.

Positive Capital Gains Realizations

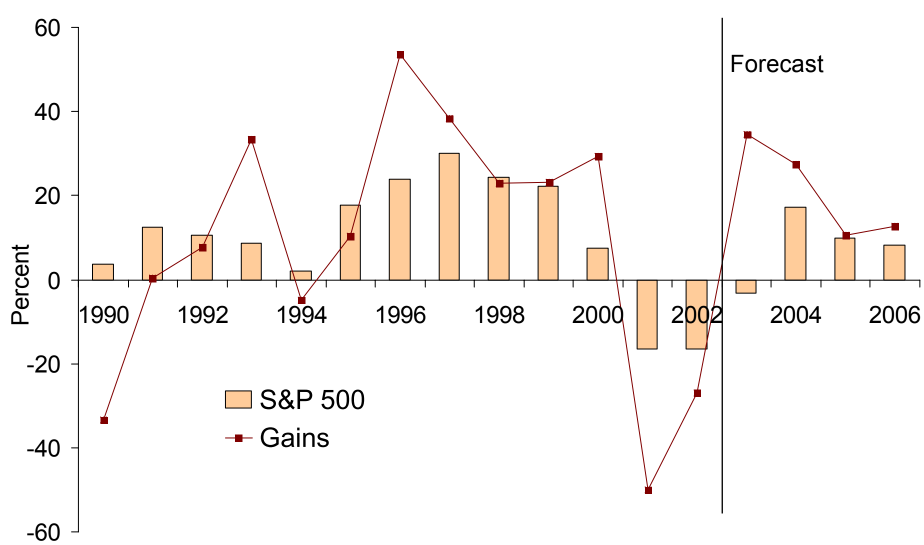
The volatility in capital gains realizations has accounted for a large share of the fluctuation in total NYSAGI in recent years as capital gains income dropped from $ 64.0 billion or 12.4 percent of NYSAGI in 2000 to $23.3 billion or 5.0 percent of NYSAGI in 2002 before rebounding to a projected $31.4 billion or 6.5 percent of NYSAGI in 2003 (see Table 9). 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, financial market activity and real estate market activity.[39]

[39] 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.

The federal and state taxes on capital gains constitute a cost associated with realizing capital gains and greatly affect realization behavior. The anticipated hike in the capital gains tax rate from 20 percent to 28 percent in 1987, for example, caused an increase in realizations of 91 percent in 1986, followed by a decline of 55 percent in 1987. Capital gains realizations are also strongly influenced by fluctuations in equity market prices. Mirroring these fluctuations, capital gains realizations experienced rapid increases in 1999 and 2000, followed by drastic declines in 2001 and 2002 (see Figure 55). Gains from certain real estate transactions are also taxable as capital gains, though taxpayers can claim an exemption of $250,000 ($500,000 if filing jointly) for the sale of their primary residence. National data indicate that in 1993, 22 percent of net capital gains realizations were generated by real estate transactions, with 11 percent from business property and only 2 percent from the sale of personal residences.[40] However, this share is likely to show substantial fluctuation as conditions in the real estate market change. Historical data for California show that 22 percent of positive capital gains realizations were generated by real estate transactions in 2002, the most recent year for which data are available. That share has fallen to as low as 9 percent in both 1999 and 2000 and risen to as high as 32 percent in both 1990 and 1991.[41] Real estate transfer tax data for New York suggest growth of real estate transactions in the range of 50 percent for 2004, after slower growth of 15 percent in 2002 and 3 percent in 2003.

The Budget Division's model predicts very large, but declining, increases in capital gains income of 34.7 percent in 2003, 27.5 percent in 2004, and 10.7 percent in 2005 (see Figure 55.) DOB attributes the large 2003 increase to the reduction in the capital gains tax rate from 20 percent to 15 percent and to a strong real estate market, while much of the 2004 growth originates in the extraordinary upswing in the real estate market. In both years, recovering equity markets are also believed to have generated considerable capital gains.

Figure 55
Growth in Capital Gains Realizations and S&P 500

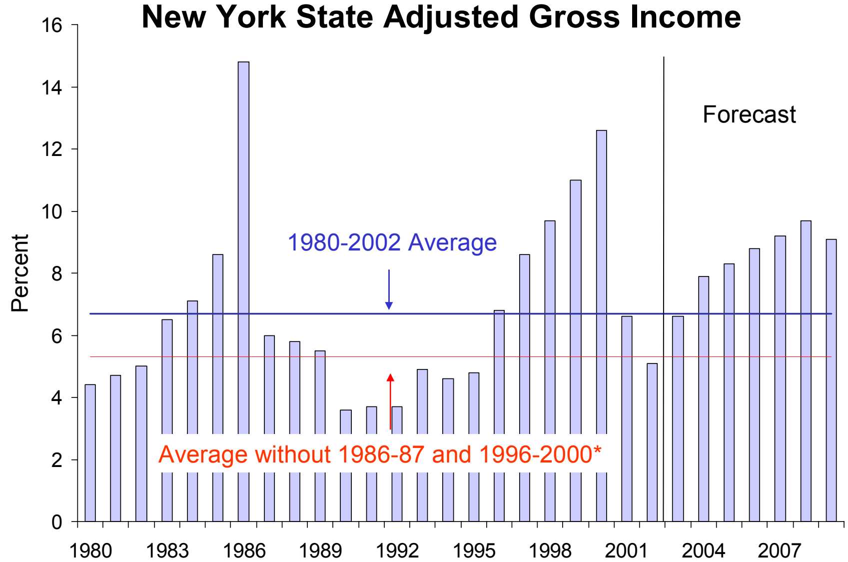


Note: Forecast period for the S&P 500 starts in 2005.
Source: IRS Statistics of Income; NYS Department of Taxation and Finance; DOB staff estimates.

[40] L. E. Burman and P. R. Ricoy, "Capital Gains and the People Who Realize Them "*National Tax Journal* 50(3), September 1997, pp. 427-451.
[41] Unpublished Study, Economics and Statistical Research Bureau, California Franchise Tax Board.

Figure 56

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



*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.

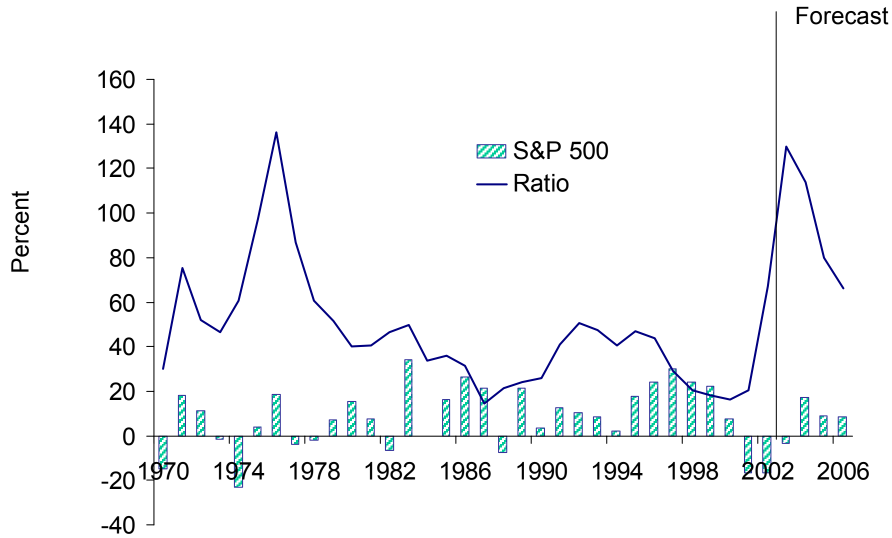
Between 2006 and 2008, growth is expected to be moderate, in the 10 percent to 13 percent range (see Figure 56). Overall, the Budget Division expects the capital gains share of total NYSAGI to return to above average values by 2004 and surpass the 1997 share by 2006, but not approach its 2000 peak at any time during the Budget planning horizon.

DOB projections have emphasized the high degree of uncertainty associated with any capital gains forecast, particularly since realizations are driven by extremely volatile equity and real estate prices. Capital gains realizations tend to be even more volatile than the equity markets that drive them as shown in Figure 55. For the recent two years, the potential for realizing capital gains has been hard to assess in an annual model because the equity markets in 2003 and 2004 experienced intermittent periods of growth and decline. Moreover, DOB's model assumes that losses carried forward from the 2000-2002 bear market continue to negatively affect current and future capital gains realizations.

In any given tax year, taxpayers can only claim a net $3,000 ($1,500 if filing individually) in capital gains losses against ordinary income, but they can carry the remaining losses over an indefinite period in order to offset gains in future years. The most recent bear market for stocks was unprecedented in the period since World War II in both severity and duration, and was therefore accompanied by historically large capital losses. U.S. Department of Treasury Statistics of Income (SOI) data suggest that, at the national level, unused losses grew 43 percent in 2000, 85 percent in 2001 and 41 percent in 2002. This compares to consecutive increases of 44 percent, 26 percent, and 12 percent from 1973 to 1975, during and following the 1973-74 bear market, the only other multiyear downturn in equities in recent history. Unused losses increased from $92 billion in 1999 to $367 billion in 2002, and the ratio of unused losses to taxable net capital gains increased from 18.0 in 1999 to 129.9 in 2002, about the same as the ratio attained during the 1973-74 bear market (see Figure 57). Unused losses appear to have increased in value in 2003 though the ratio is projected to fall to 114.3 because of the strong growth in realizations in response to the Federal tax cut and the strong real estate market.

Figure 57

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



Note: Forecast period for the S&P 500 starts in 2005.
Source: IRS Statistics of Income; DOB staff estimates.

In addition to the high unused but already realized losses, there still exist unrealized capital losses as the equity markets remain below their peak in 2000. Both the unrealized losses and the losses that taxpayers continue to carry forward as of 2004 will dampen future taxable capital gains realizations. Because of the lack of historical experience, manual adjustments are made to the forecast for the period from 2004 to 2008 to more effectively account for the anticipated impact of accumulated losses. These adjustments are based on the ratio of losses to gains derived from national SOI data and applied to New York.

Additional risks to the capital gains forecast emanate from the real estate market because of the exemption on the sale of a primary residence and because of uncertainty about the path of the real estate market in New York. In 2004, the real estate market experienced very strong growth. There is some indication that housing market bubbles exist in pockets in and around major metropolitan areas in the Northeast and the West, and that the real estate market may have peaked in those areas. If the real estate market in New York were to decline by ten percent rather than grow at the projected 3.9 percent in 2005, capital gains realizations would only increase by 5.5 percent, little more than half of the projected 10.7 percent rate, and the tax base would be $2 billion lower.

Rent, Royalty, Partnership, and S Corporation Gains

Positive rent, royalty, estate, trust, partnership and S corporation income has become one of the largest components of NYSAGI, accounting for 8.4 percent of NYSAGI in 2002 and an estimated 8.9 percent by 2005.[42] The largest contributor to this component is partnership income, much of which originates within the finance and real estate industry and is therefore closely tied to both the overall performance of the economy and 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. Over the years, S corporation status has increased dramatically, as rules governing which businesses can form S corporations have

[42] The numbers here differ from those depicted in the pie chart because we are looking at gains rather than gains net of losses.

become less stringent, making this a very flexible business form. Empirical work confirms that the differential between personal income tax and corporate income tax rates can significantly affect election of S corporation status.[43] 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. Together, partnership income and S corporation income contribute more than 90 percent to this category's income total.

While New York proprietors' income (as defined under NIPA and which includes partnership, S corporation, and sole proprietorship income) grew at an average annual rate of 7.7 percent between 1978 and 2002, taxable partnership and S corporation income grew at a significantly faster rate of 11.6 percent. Some of this growth is due to past tax law changes and to easing of the requirements for forming S corporations. In the absence of further policy actions, it is expected that the S corporation income component will grow somewhat more slowly though its liability provisions and flexibility make S corporation status a continued favorite among new businesses. The Budget Division projects an increase in positive partnership and S corporation income of 2.8 percent in 2003, similar to the 3.0 percent growth in 2002. However, for 2004 and 2005, DOB estimates much stronger growth of 11.0 percent and 9.2 percent, respectively, rates that are much closer to historical averages and consistent with an improving economy.

Dividend Income

Dividend income is expected to rise 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. gross domestic product, might have a sustained impact on the payout of dividends, the impact of the business cycle on dividend income is modeled as depending on past growth in real U.S. GDP. 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. Because interest rates incorporate inflation expectations, which in turn incorporate expectations regarding the future strength of the economy, they represent a proxy for the latter. Interest rates are represented by the rate on the 10-year Treasury note.

Historically, changes in State dividend income have ranged from a decline of 6 percent in 1991 to an increase of 22 percent in 1981, proving to be much more variable than U.S. personal 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 in New York grew 21.8 percent, followed by a decline of 2.6 percent the following year. A dummy variable is included to control for what is assumed to be the impact of the Tax Reform Act of 1986 on the reporting of taxable dividend income. Dummy variables are also included to capture the extraordinary impact of recessions (1975, 1990, 1991, 1992, 2001, half of 2002) beyond what is captured by fluctuations in real U.S. GDP.

After two years of rapid declines in response to declining equity markets, the Budget Division estimates dividend income to have grown solidly at 9.4 percent and 9.6 percent in 2003 and 2004. Much of the strong growth in 2003 and 2004 is attributed to a change in dividend taxation. As of the beginning of 2003, dividends are taxed at the lower capital gains tax rate of 15 percent rather than as ordinary income. This has led to higher dividend

[43] 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.

payouts, such as the $32 billion one-time dividend distribution by Microsoft at the end of 2004, and an increasing number of firms paying out dividends. Dividend income is projected to grow at more average growth rates in 2005 and beyond, with 4.3 percent growth in 2005 and 5.2 percent in 2006.

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. However, taxable interest income for New York is much more volatile than the latter measure. For the period 1976 to 2002, the average growth rate for U.S. interest income was 8.0 percent, with a standard deviation of 8.4 percentage points. In contrast, New York's interest income over the same period averaged 4.8 percent growth, with a standard deviation of 14.7 percentage points.

Interest income declined in 2002 by 26.7 percent because of falling interest rates. Interest rates declined further in 2003, with the Federal Reserve lowering its federal funds rate target to 1.0 percent in June, producing an estimated decline in taxable interest income of 10.7 percent for that year. Ten-year Treasury bond rates rebounded slightly in 2004 and are expected to continue increasing in 2005. Slow growth of 3.0 percent and 3.3 percent is estimated for 2004 and 2005 respectively, and more moderate growth of 4.7 percent for 2006.

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 operating a farm. This component of income is expected to vary with the overall strength of the State and national economies. Consequently, DOB's forecasting model includes real U.S. GDP, as well as New York State proprietors' income, as defined under NIPA. Historically, business and farm income grows more slowly than proprietors' income. Between 1976 and 2002, business and farm income grew at an annual rate of 7.1 percent compared with proprietors' income growth of 8.6 percent. The Joint Committee on Taxation (JCT) and the Congressional Budget Office (CBO) estimate that the level of taxable business income will be substantially lower in 2003-2005 because of the provisions of the Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA).[44] This decline is reflected in the Budget Division's forecast of a 3.5 percent decline in business and farm income in 2003. Because of strong economic growth in 2004, business income is expected to grow 7.4 percent. For 2005 and 2006, DOB shows growth rates of 5.3 percent and 4.9 percent, respectively, as the State and national economic growth moderate.

Pension Income

Pension income includes payments from retirement plans, life insurance annuity contracts, profit-sharing plans, military retirement pay, and employee savings plans. Pension income is linked to growth in the New York State population and to long-term interest rates, suggesting that firms base the level of pension and life-insurance benefits they offer to employees on their expectations of future profitability, which is in turn tied to the future strength of the economy. Pension income has grown steadily over the years, although the growth rate has declined considerably over time despite an aging population. While the average annual growth rate between 1978 and 1989 was 13.4 percent, it fell to 7.6 percent

[44] See Congressional Budget Office, Congressional Budget Cost Estimate, H.R. 2, "Jobs and Growth Tax Relief Reconciliation Act of 2003," May 23, 2003.

between 1990 and 2002. This coincides with a decline in the 10-year Treasury rate from 10.3 percent in the earlier years to 6.3 percent in the later years. For pension income, DOB's forecasting model estimates 3.9 percent growth in 2003, followed by 5.0 percent and 4.5 percent growth for 2004 and 2005.

Summary

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 the income from these realizations, 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. The effect of the loss carryover and of yet unrealized losses on capital gains realizations could very easily exceed our current forecast. Should the momentum in GDP growth slow in 2005 relative to the forecast, business and farm income and partnership and S corporation income could be lower than expected. Rough estimates suggest that a one percentage point reduction in GDP growth translates into a decline in NYSAGI of about $1 billion and a decline in PIT liability of about $50 million.

TABLE 8
SELECTED ECONOMIC INDICATORS
(Calendar Year)

	2003 (actual)*	2004 (estimate)	2005 (forecast)	2006 (forecast)	2007 (forecast)	2008 (forecast)	1976-2003 Average[2]
U.S. Indicators[1]							
Gross Domestic Product (current dollars)	4.9	6.6	5.8	5.6	5.7	5.8	7.1
Gross Domestic Product	3.0	4.4	3.4	3.0	3.1	3.2	3.2
Consumption	3.3	3.7	3.3	3.2	3.3	3.4	3.4
Residential Fixed Investment	8.8	9.5	0.8	-1.4	-0.3	0.3	4.2
Nonresidential Fixed Investment	3.3	10.5	9.8	7.0	5.9	5.5	5.0
Change in Inventories (dollars)	-0.7	44.4	45.4	39.9	32.1	28.5	26.5
Exports	1.9	8.9	7.3	7.6	7.7	7.5	5.7
Imports	4.4	9.7	6.9	6.7	6.5	6.4	7.3
Government Spending	2.8	2.0	2.0	2.2	2.2	2.1	2.3
Corporate Profits[3]	16.8	14.2	7.8	6.7	5.7	5.5	7.9
Personal Income	3.2	5.4	5.2	5.7	5.9	6.1	7.2
Wages	2.6	4.7	5.5	5.6	5.8	6.1	6.8
Nonagricultural Employment	-0.3	1.0	1.8	1.8	1.6	1.6	1.9
Unemployment Rate (percent)	6.0	5.5	5.3	5.2	5.2	5.2	6.3
S&P 500 Stock Price Index	-3.2	17.3	9.8	8.3	8.7	7.6	9.8
Federal Funds Rate	1.1	1.3	3.1	4.2	4.8	4.9	6.9
Treasury Note (10-year)	4.0	4.3	4.6	5.3	5.7	6.0	8.0
Consumer Price Index	2.3	2.7	2.6	2.3	2.5	2.7	4.5
New York State Indicators							
Personal Income[4]	2.3	5.4	4.9	5.2	5.2	5.2	6.4
Wages and Salaries[4]							
Total	1.4	5.7	4.9	4.9	4.7	4.7	6.0
Without Bonus[5]	2.4	3.6	4.6	4.8	4.5	4.5	5.8
Bonus[5]	-6.5	23.4	6.9	5.8	6.4	6.6	9.8
Wage Per Employee	2.0	5.3	3.8	3.9	3.8	3.9	5.2
Property Income	-2.0	2.5	3.9	4.5	5.0	4.8	6.7
Proprietors’ Income	6.5	8.1	8.4	8.1	7.6	7.2	8.6
Transfer Income	4.2	4.6	4.4	5.2	6.3	6.3	6.8
Nonfarm Employment[4]							
Total	-0.6	0.4	1.1	1.0	0.9	0.8	0.7
Private	-0.7	0.6	1.2	1.1	1.0	0.9	0.8
Unemployment Rate (percent)	6.3	5.9	5.6	5.5	5.5	5.5	6.7
Composite CPI of New York[5]	2.8	3.3	2.7	2.4	2.3	2.5	4.5
New York State Adjusted Gross Income							
Positive Capital Gains	34.7	27.5	10.7	12.7	10.2	11.2	14.8
Partnership/ S Corporation Gains	2.8	11.0	9.2	9.0	8.5	8.4	11.6
Business and Farm Income	-3.5	7.4	5.3	4.9	4.2	4.4	7.0
Interest Income	-10.7	3.0	3.3	4.7	3.8	3.0	4.8
Dividends	9.4	9.6	4.3	5.2	5.5	4.2	5.0
Total NYSAGI	2.9	7.4	5.6	5.8	5.5	5.0	6.5

* For NYSAGI variables, 2003 is an estimate.
[1] All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 2000 dollars, unless otherwise noted.
[2] For the NYSAGI variables, averages are calculated using data through 2002. Partnership and S corporation gains and NYSAGI data start in 1978.
[3] Includes inventory valuation and capital consumption adjustments.
[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 9
SELECTED ECONOMIC INDICATORS*
(State Fiscal Year)

	2003-04 (actual)	2004-05 (estimate)	2005-06 (forecast)	2006-07 (forecast)	2007-08 (forecast)	1976-77 - 2003-04 Average
U.S. Indicators[1]						
Gross Domestic Product (current dollars)	5.6	6.4	5.7	5.6	5.7	7.0
Gross Domestic Product	3.8	4.1	3.3	3.0	3.1	3.2
Consumption	3.6	3.5	3.2	3.3	3.3	3.4
Residential Fixed Investment	10.0	7.9	-0.7	-1.1	-0.1	4.0
Nonresidential Fixed Investment	6.9	10.7	8.9	6.6	5.8	5.1
Change in Inventories (dollars)	6.9	45.3	45.3	38.1	30.4	26.6
Exports	3.5	8.7	7.3	7.7	7.7	5.8
Imports	5.0	9.5	6.7	6.7	6.4	7.3
Government Spending	2.8	1.7	2.1	2.1	2.2	2.3
Corporate Profits[2]	21.4	9.0	8.2	6.4	5.7	7.8
Personal Income	3.9	5.5	5.3	5.8	5.9	7.1
Wages	3.3	5.0	5.5	5.6	5.8	6.8
Nonagricultural Employment	-0.2	1.4	1.9	1.8	1.6	1.9
Unemployment Rate (percent)	5.9	5.5	5.2	5.2	5.2	6.3
S&P 500 Stock Price Index	11.2	11.4	10.0	8.6	8.5	9.8
Federal Funds Rate	1.1	1.7	3.4	4.4	4.8	6.9
Treasury Note (10-year)	4.0	4.4	4.8	5.4	5.8	8.0
Consumer Price Index	2.0	3.0	2.5	2.3	2.6	4.5
New York State Indicators						
Personal Income[3]	4.0	5.1	4.8	5.3	5.2	6.4
Wages and Salaries[3]						
Total	4.1	5.2	4.7	4.9	4.7	6.1
Without Bonus[4]	2.6	4.1	4.6	4.8	4.4	5.8
Bonus[4]	16.9	13.3	5.7	6.2	6.2	10.0
Wage Per Employee	4.6	4.4	3.7	4.0	3.7	5.3
Property Income	-1.1	3.1	4.2	4.6	5.0	6.6
Proprietors' Income	8.2	7.8	8.4	8.0	7.4	8.5
Transfer Income	4.3	4.7	4.3	5.7	6.3	6.7
Nonfarm Employment[3]						
Total	-0.5	0.7	1.0	1.0	0.9	0.7
Private	-0.5	0.9	1.2	1.1	1.0	0.8
Unemployment Rate (percent)	6.4	5.8	5.5	5.5	5.5	6.7
Composite CPI of New York[4]	2.6	3.5	2.4	2.4	2.4	4.5

[1] All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 2000 dollars, unless otherwise noted.
[2] Includes inventory valuation and capital consumption adjustments.
[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.

INTRODUCTION TO RECEIPTS ESTIMATES

This section of the Financial Plan overview provides a detailed description of the receipt estimates for the upcoming fiscal year. A comprehensive review of the methodology used in determining the tax receipt projections is published under separate cover as the Revenue Estimating Methodology and is released with the submission of the 30-day amendments to the Executive Budget.

The receipts side of the New York State Financial Plan comprises a variety of taxes, fees, charges for State provided services, Federal grants, and other miscellaneous receipts, which can include the realization of one-time resources. The accompanying charts detail the composition of actual State receipts by fund type over the past decade along with projections of receipts for fiscal years 2004-05 and 2005-06. Following the summary graphs and tables, a more detailed examination of changes in tax receipts is provided. This analysis includes:

- an examination of historical trends in receipts changes, including inflation adjusted growth over more than three decades;
- a summary of base receipts growth, which adjusts out the impact of various tax law changes, allowing an analysis of underlying growth in receipts;
- a detailed report on estimated quarterly cash flow for the upcoming fiscal year;
- a report on dedicated tax receipt estimates, with an emphasis on transportation related dedicated taxes;
- a summary of the revenue actions proposed with the 2005-06 Budget;
- a summary of the tax reduction program conducted over the past decade; and
- a detailed report on each tax and miscellaneous receipts source describing the tax and providing projections for the current and upcoming fiscal years.

OVERVIEW

ALL FUNDS TAX RECEIPTS ESTIMATES
(percent growth)

	2003-04	2004-05	2005-06	2006-07	2007-08
Base growth	5.5	10.2	6.5	6.6	6.2
Current law	3.9	13.8	3.2	3.6	5.4
Proposed law	3.9	13.8	5.4	3.6	5.5

After two fiscal years where tax receipts actually declined (2001-02 and 2002-03), a significant rebound in All Funds tax receipts growth began in fiscal year 2003-04 and is expected to continue into fiscal year 2007-08. This growth has been fueled by two primary factors: the resurgence in economic growth in New York, especially in the vital areas of financial services and real estate activity, and the revenue-supporting policy actions taken over the past three fiscal years.

Comparisons of receipts estimates across fiscal years are complicated by changes in tax policy and accounting procedures that can make underlying growth trends difficult to interpret. The above table reports estimated growth in All Funds tax receipts for fiscal years 2003-04 through 2007-08 from various perspectives to show both the underlying base increases and the impact of policy changes on receipts growth. The first row reports base growth, which removes the impact of law changes, administrative actions and other adjustments that can distort growth comparisons on a year-to-year basis. This is a more accurate measure of movements in the tax base over time as determined by economic conditions. From this perspective, the projected increases in tax receipts contained in this Budget are high by historical standards but consistent with the expansion phase of the economic cycle. Base growth in taxes is expected to exceed 10 percent in fiscal year 2004-05 and slow only modestly to 6.5 percent for fiscal year 2005-06. Average base growth is estimated to remain above 6 percent through fiscal year 2007-08.

The next row entry reports current law growth. This reflects what growth would be in 2005-06 and the out-years of the Financial Plan absent any of the proposed law changes contained in this Budget. Current and proposed law growth match in fiscal years 2003-04 and 2004-05, reflecting law changes actually in effect in those years. Current law growth is estimated at 13.8 percent for fiscal year 2004-05, falling to a projected 3.2 percent in 2005-06. The large drop in growth reflects the expiring tax provisions in current law that sunset during the 2005-06 fiscal year. Finally, the third row reports proposed law estimates. These growth projections incorporate all of the revenue proposals, both administrative and statutory, contained in the fiscal year 2005-06 Budget. Overall, tax receipts growth for 2005-06 is higher on a proposed law basis (5.4 percent), reflecting the net positive receipts impact of the proposals contained in the fiscal year 2005-06 Budget.

Current Law Receipts
(millions of dollars)

2005-06 Executive Budget Current Law Receipts Projections
(millions of dollars)

	2003-04 Actual	Percent Share	2004-05 Estimated	Percent Share	Percent Change	2005-06 Projected	Percent Share	Percent Change
ALL FUNDS RECEIPTS								
Taxes	42,254	42.7%	48,078	47.5%	13.8%	49,637	48.4%	3.2%
Federal grants	37,323	37.7%	37,420	37.0%	0.3%	36,559	35.7%	-2.3%
Miscellaneous receipts	19,412	19.6%	15,631	15.5%	-19.2%	16,285	15.9%	3.8%
Total Receipts	**98,989**		**101,129**		2.2%	**102,481**		1.3%
STATE FUNDS RECEIPTS								
Personal income tax	24,050	38.7%	28,138	44.2%	17.0%	29,799	45.3%	5.9%
Net change in refund reserve	(597)	-1.0%	531	0.8%	n.a.	149	0.2%	-71.9%
Personal income tax adjusted	**24,647**	**39.6%**	**27,607**	**43.4%**	**12.0%**	**29,650**	**45.0%**	**7.4%**
User taxes and fees	11,919	19.2%	13,003	20.4%	9.1%	12,519	19.0%	-3.7%
Business taxes	5,007	8.1%	5,473	8.6%	9.3%	5,802	8.8%	6.0%
Other taxes	1,278	2.1%	1,464	2.3%	14.6%	1,517	2.3%	3.6%
Total taxes	**42,254**	**68.0%**	**48,078**	**75.5%**	**13.8%**	**49,637**	**75.4%**	**3.2%**
Total taxes adjusted *	**42,851**	**68.9%**	**47,515**	**74.7%**	**11.0%**	**49,488**	**75.2%**	**4.1%**
Miscellaneous receipts & federal grants	19,918	32.0%	15,515	24.5%	-21.8%	16,196	24.6%	4.0%
Lottery	1,835	3.0%	2,074	3.3%	13.0%	2,174	3.3%	4.8%
Other	18,083	29.1%	13,441	21.2%	-25.3%	14,022	21.3%	3.9%
Total receipts	**62,172**		**63,593**		**2.4%**	**65,833**		**3.4%**
GENERAL FUND RECEIPTS								
Personal income tax	15,774	37.3%	18,932	43.5%	20.0%	19,970	45.5%	5.5%
User taxes and fees	7,979	18.9%	8,752	20.1%	9.7%	8,244	18.8%	-5.8%
Business taxes	3,413	8.1%	3,764	8.6%	10.3%	3,982	9.1%	5.8%
Other taxes	768	1.8%	730	1.7%	-4.9%	778	1.8%	6.6%
Total taxes	**27,934**	**66.0%**	**32,178**	**73.9%**	**15.2%**	**32,974**	**75.1%**	**2.5%**
Miscellaneous receipts & federal grants	6,571	15.5%	2,301	5.3%	-65.0%	1,796	4.1%	-21.9%
Transfers	7,822	18.5%	9,037	20.8%	15.5%	9,133	20.8%	1.1%
Total receipts	**42,327**		**43,516**		**2.8%**	**43,903**		**0.9%**
						387		
GENERAL FUND TAX RECEIPTS								
Personal income tax	15,774	56.5%	18,932	58.8%	20.0%	19,970	60.6%	5.5%
Gross - refunds	24,647	88.2%	27,607	85.8%	12.0%	29,650	89.9%	7.4%
Net change in refund reserve	(597)	-2.1%	531	1.7%	n.a.	149	0.5%	-71.9%
STAR	(2,820)	-10.1%	(3,072)	-9.5%	9.0%	(3,222)	-9.8%	4.9%
RBTF	(5,457)	-19.5%	(6,134)	-19.1%	12.4%	(6,607)	-20.0%	7.7%
User taxes and fees	7,979	28.6%	8,752	27.2%	9.7%	8,244	25.0%	-5.8%
Sales tax	7,241	25.9%	8,097	25.2%	11.8%	7,611	23.1%	-6.0%
Other user taxes and fees	738	2.6%	655	2.0%	-11.3%	633	1.9%	-3.4%
Business taxes	3,413	12.2%	3,764	11.7%	10.3%	3,982	12.1%	5.8%
Other taxes	768	2.7%	731	2.3%	-4.9%	778	2.4%	6.6%
Total taxes	**27,934**	**100.0%**	**32,178**	**100.0%**	**15.2%**	**32,974**	**100.0%**	**2.5%**
Total taxes adjusted **	**28,531**		**31,647**		**10.9%**	**32,825**		**3.7%**

* Nets out impact of refund reserve.
** Nets out impact of refund reserve, STAR and the RBTF on the personal income tax.

Proposed Law Receipts (millions of dollars)

2005-06 Executive Budget Receipts Projections (millions of dollars)

	2003-04 Actual	Percent Share	2004-05 Estimated	Percent Share	Percent Change	2005-06 Projected	Percent Share	Percent Change
ALL FUNDS RECEIPTS								
Taxes	42,254	42.7%	48,078	47.5%	13.8%	50,657	48.0%	5.4%
Federal grants	37,323	37.7%	37,420	37.0%	0.3%	36,560	34.6%	-2.3%
Miscellaneous receipts	19,412	19.6%	15,631	15.5%	-19.5%	18,303	17.3%	17.1%
Total Receipts	**98,989**		**101,129**		2.2%	**105,520**		4.3%
STATE FUNDS RECEIPTS								
Personal income tax	24,050	38.7%	28,138	44.2%	17.0%	29,616	43.0%	5.3%
Net change in refund reserve	(597)	-1.0%	531	0.8%	-188.9%	134	0.2%	-74.8%
Personal income tax adjusted	**24,647**	**39.6%**	**27,607**	**43.4%**	**12.0%**	**29,482**	**42.8%**	**6.8%**
User taxes and fees	11,919	19.2%	13,003	20.4%	9.1%	13,638	19.8%	4.9%
Business taxes	5,007	8.1%	5,473	8.6%	9.3%	5,886	8.5%	7.5%
Other taxes	1,278	2.1%	1,464	2.3%	14.6%	1,517	2.2%	3.6%
Total taxes	**42,254**	**68.0%**	**48,078**	**75.6%**	**13.8%**	**50,657**	**73.6%**	**5.4%**
Total taxes adjusted *	**42,851**	**68.9%**	**47,548**	**74.8%**	**11.0%**	**50,523**	**73.4%**	**6.3%**
Miscellaneous receipts & federal grants	19,918	32.0%	15,515	24.4%	-22.1%	18,214	26.4%	17.4%
Lottery	1,835	3.0%	2,074	3.3%	13.0%	2,321	3.4%	11.9%
Other	18,083	29.1%	13,441	21.1%	-25.7%	15,890	23.1%	18.2%
Total receipts	**62,172**		**63,593**		**2.3%**	**68,871**		**8.3%**
GENERAL FUND RECEIPTS								
Personal income tax	15,774	37.3%	18,932	43.5%	20.0%	19,844	44.0%	4.8%
User taxes and fees	7,979	18.9%	8,752	20.1%	9.7%	8,622	19.1%	-1.5%
Business taxes	3,413	8.1%	3,764	8.6%	10.3%	4,066	9.0%	8.0%
Other taxes	768	1.8%	730	1.7%	-4.9%	778	1.7%	6.6%
Total taxes	**27,934**	**66.0%**	**32,178**	**73.9%**	**15.2%**	**33,310**	**73.9%**	**3.5%**
Miscellaneous receipts & federal grants	6,571	15.5%	2,301	5.3%	-65.0%	2,455	5.4%	6.7%
Transfers	7,822	18.5%	9,037	20.8%	15.5%	9,326	20.7%	3.2%
Total receipts	**42,327**		**43,516**		**2.8%**	**45,091**		**3.6%**
GENERAL FUND TAX RECEIPTS								
Personal income tax	15,774	56.5%	18,932	58.8%	20.0%	19,844	59.6%	4.8%
Gross - refunds	24,647	88.2%	27,607	85.8%	12.0%	29,482	-	6.8%
Net change in refund reserve	(597)	-2.1%	531	1.7%	-188.9%	134	-	-74.8%
STAR	(2,820)	-10.1%	(3,072)	-9.5%	9.0%	(3,202)	-	4.2%
RBTF	(5,457)	-19.5%	(6,134)	-19.1%	12.4%	(6,570)	-	7.1%
User taxes and fees	7,979	28.6%	8,752	27.2%	9.7%	8,622	25.9%	-1.5%
Sales tax	7,241	25.9%	8,097	25.2%	11.8%	7,951	23.9%	-1.8%
Other user taxes and fees	738	2.6%	655	2.0%	-11.3%	671	2.0%	2.5%
Business taxes	3,413	12.2%	3,764	11.7%	10.3%	4,066	12.2%	8.0%
Other taxes	768	2.7%	730	2.3%	-4.9%	778	2.3%	6.6%
Total taxes	**27,934**	**100.0%**	**32,178**	**100.0%**	**15.2%**	**33,310**	**100.0%**	**3.5%**
Total taxes adjusted **	**28,531**		**31,647**		**10.9%**	**33,176**		**4.8%**

* Nets out impact of refund reserve.

** Nets out impact of refund reserve, STAR and the RBTF on the personal income tax.

For a more detailed list of proposals, please see the Revenue Actions section later in this volume.

CASH IMPACT OF SIGNIFICANT TAX ACTIONS
(millions of dollars)

	2003-04	2004-05	2005-06	2006-07
1/4 percent sales tax temporary increase	445	584	132	0
Sales tax on clothing (current law)	441	586	107	0
Sales tax on clothing (proposed law)	441	586	563	584
Income tax temporary rate increase (current law)	1,140	1,402	1,253	359
Income tax temporary rate increase (proposed law)	1,140	1,402	1,063	229

SUMMARY RECEIPT ESTIMATES AND PROJECTIONS

Fiscal Year 2004-05

- Total All Funds receipts are expected to reach $101 billion, an increase of $2.1 billion, or 2.2 percent from 2003-04 results. The majority of this increase is attributable to significant growth in tax receipts ($5.8 billion or 13.8 percent) from the recession depleted receipt base of the past several fiscal years. Federal funds are expected to increase by $105 million, or 0.3 percent. Miscellaneous receipts are estimated to decrease by $3.8 billion, or 19.5 percent.
- Total State Funds receipts are estimated to be $63.6 billion, an increase of $1.4 billion, or 2.3 percent from 2003-04 actual results. The increase in tax receipts is largely offset by the loss of one-time resources reflected in the decline in miscellaneous receipts.
- Total General Fund receipts are estimated at $43.5 billion, an increase of $1.8 billion, or 4.4 percent from 2003-04 actuals. General Fund tax receipt growth is estimated at 15.2 percent. Correcting for the net carry-in of reserves to pay tax refunds, this growth falls to 10.9 percent. General Fund miscellaneous receipts are estimated to decrease by 65 percent, reflecting the loss of one-time resources from fiscal year 2003-04.

Estimated results for fiscal year 2004-05 reflect major fiscal policy changes made over the past several years. These changes include:

- the recurring revenue actions including adjusting the sales tax on clothing to two tax-free weeks and other changes primarily in the form of increased fees and charges;
- the temporary income and sales tax surcharges imposed in 2003; and
- the use of one-time revenue actions to help close the financial plan gaps.

Fiscal Year 2005-06

- Total All Fund receipts are expected to reach $105.5 billion, an increase of $4.5 billion, or 4.3 percent from 2004-05 estimates. Again, the increase is primarily attributable to significant growth in tax receipts ($2.6 billion or 5.4 percent) reflecting continued improvement in economic conditions. Federal funds are expected to decrease by $861 million, or 2.3 percent. Miscellaneous receipts are projected to increase by $2.7 billion, or 17.1 percent.
- Total State Fund receipts are projected to be $68.9 billion, an increase of $5.4 billion, or 8.3 percent from 2004-05 estimates.
- Total General Fund receipts are projected at $45.1 billion, an increase of $1.6 billion, or 3.6 percent from 2004-05 estimates.

Projected results for fiscal year 2005-06 reflect the continuing impact of several significant recently enacted fiscal actions, as well as, newly proposed policy changes that include:

- the Statewide quarter of a percent increase in the sales tax rate expires on May 31, 2005 and will depress receipts growth by $486 million;
- the three-year personal income tax rate increase continues to phase-down for taxpayers with incomes in the $150 - $500 thousand range (January 1, 2005) and this Budget proposes accelerating the phase-down for these taxpayers and taxpayers above the $500,000 income threshold. These actions reduce 2005-06 receipts by $190 million;
- the permanent elimination of the $110 clothing sales tax exemption, replacing it with two tax free clothing weeks per year, and two sales tax weeks for certain large appliances that meet Energy Star guidelines will provide a net positive of $452 million; and
- the Budget includes a total net State Funds positive benefit of $1 billion ($449 million in General Fund revenue actions).

Receipt Shares

- Prior to fiscal year 2002-03, tax receipts accounted for an average of 54.9 percent of All Fund receipts, 79.8 percent of State Fund receipts, and 95.3 percent of General Fund receipts. As a direct result of the shortfall in tax receipts caused by recession, the shares of Federal funds and miscellaneous receipts increased in fiscal year 2002-03, reflecting one-time increases in Federal aid and miscellaneous receipts (tobacco securitization and other actions) used to balance the Financial Plan in these fiscal years.
- Federal funds before fiscal year 2002-03 typically accounted for between 30 percent and 32 percent of All Fund receipts. Several primarily one-time beneficial actions largely in the Medicaid Program drove the Federal receipt share higher in fiscal years 2002-03 and 2003-04. The Federal share is expected to return to a lower share of receipts over the Financial Plan forecast.
- The All Funds miscellaneous receipts share, which includes Lottery receipts and SUNY charges such as tuition and other fees, has increased in recent fiscal years, reflecting the use of one-time actions, increases in fees, and other changes needed to close Financial Plan gaps in the absence of adequate tax receipt growth.
- As can be seen, the share of taxes, Federal grants, and miscellaneous receipts can vary widely in any given year. The share of total receipts may depend on special factors, such as the one-time increase in Federal aid, or a large asset sale that can significantly boost miscellaneous receipts or Federal grants in a given year.
- It is expected the increase in the relative shares of receipts derived from Federal grants and miscellaneous receipts will remain relatively high by historical standards. This is partially due to phase-out of the temporary sales and personal income tax increases that continue in fiscal year 2005-06.

RECENT TRENDS IN ALL FUNDS TAX RECEIPTS

Historically, growth in All Funds tax receipts has been very volatile, reflecting both underlying economic conditions and significant changes in tax policy. This variability is evident in the tables accompanying this section that detail changes in tax receipts over more than three decades. During the mid-1970s and early 1980s, tax revenue growth rates were quite high reflecting the inflationary environment of the times. Tax revenue growth in the mid-to-late 1980s was fueled by a bull market on Wall Street and large increases in real estate values. Tax growth dipped in the late 1980s, partly as a result of the implementation of a multi-year personal income tax cut program. The relatively small annual average growth in receipts during the 1990s was largely due to three factors: the severe economic downturn experienced in New York during the early 1990s, reduced inflation rates, and the significant tax reductions enacted over the 1995-2000 period. Most recently, the decline in tax receipts for 2001-02 and 2002-03 was directly related to the adverse effects of the national economic recession, the decline in stock market values, the disproportionate impact of the World Trade Center disaster on the New York economy and the continued impact of previously enacted tax reductions. The back-to-back decline in tax receipts was the first in many years, including the fiscally turbulent 1970s.

Tax receipts growth has rebounded significantly in the past two fiscal years. The increases in receipts growth have exceeded expectations as important segments of the economy have grown at unexpectedly rapid rates. The rapid recovery of the financial services industry and the growth in real estate market transactions and values have fueled much of the economic improvement. In addition, the relative weakness in the dollar compared to foreign currencies has had a positive impact on the tourism industry, especially in New York City. These positive economic trends are expected to continue into fiscal year 2005-06, supporting significant receipts growth in fiscal year 2005-06 and above average growth in subsequent fiscal years.

Receipts growth in fiscal year 2004-05 continued to be supported by revenue actions taken in 2003, including the temporary three-year increase in personal income tax rates, the two-year one quarter of one percent sales tax surcharge, the replacement of the sales tax on clothing exemption with tax-free weeks and other actions including more aggressive efforts to reach non-residents with New York tax liability. The temporary quarter of a percent sales tax surcharge ends in the 2005-06 fiscal year and this will have a negative impact on the upcoming fiscal year tax base. This Budget proposes accelerating the phase-out of the temporary income tax increase in 2005. The income tax phase-out will serve as a net negative to receipts in fiscal year 2005-06. This Budget also proposes permanently eliminating the sales tax clothing exemption and replacing it with two annual tax-free weeks for clothing and certain Energy Star related appliances. This action is similar to the actions taken in the 2002-03 and 2004-05 fiscal years and will support the receipts base in fiscal year 2005-06 and the out-years of the Financial Plan.

During past economic expansions, tax receipt growth has lagged behind changes in economic conditions. This lag has been especially true for the current expansion as the lack of significant employment growth, the continued depressing effects of the decline in equity markets, and the other aftershocks of the 2001 recession continued to depress tax receipts growth in fiscal years 2002-03 and 2003-04. However, in the current fiscal year the improvement in economic conditions and the full revenue benefit of the temporary tax increases are clearly evident. This Budget assumes that the rebound in receipts growth continues in fiscal year 2005-06 and beyond.

Over the past three decades, tax receipts growth has averaged 5.8 percent. However, the volatility around average growth has been significant with receipt changes ranging from a positive 12.2 percent in fiscal year 1981-82 to a negative 6.7 percent in fiscal year 2002-03. Much of this volatility was the result of law changes that can distort year-to-year growth comparisons. Base growth, adjusting for statutory and administrative changes, has averaged 3.7 percent over the period from fiscal year 1986-87 to fiscal year 2003-04. It is projected that base growth will average 7.3 percent over the 2004-05 to 2007-08 forecast period. This rapid growth significantly exceeds the historical average but is consistent with the rapid growth more typical at this stage of an economic expansion.

IMPACT OF INFLATION

When receipts are adjusted for inflation, the impact of economic contractions and the corrosive impact of inflation on real growth in receipts become much more apparent. There were significant consecutive declines in real receipts growth during the 1970s, as New York suffered through the deep mid-1970s recession and the oil shocks of 1973 and 1980. The 1970s and early 1980s were characterized by significant inflation including periods of double digit annual price increases. In addition, the State began a program to reduce the State's relative tax burden. The inflationary environment changed dramatically in the 1980s and the impact on receipts growth became more muted. The negative real growth rates in the late 1980s and early 1990s reflect the large 1987 personal income tax cut and the 1990 economic recession. The declines in the rate of growth in the mid-1990s 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 2002-03 are by far the most significant of the period and, again, reflect the impact of the national recession, the deflation in stock values, the adverse impact of September 11th, and the impact of previously enacted tax cuts. In fact, the 2001 recession had a far larger negative impact on tax receipts than any recession over the past 30 years. The accompanying tables show that, adjusting for tax policy changes and inflation, the decline in fiscal year 2001-02 and 2002-03 receipts was much more severe than for the other economic downturns of the previous three decades. Inflation-adjusted growth rebounded in fiscal year 2003-04 (5.7 percent)and was quite high (8.1 percent) in the current fiscal year, again reflecting improvements in real economic conditions and tax changes to support growth imposed in recent years. It is expected that tax receipts, adjusted for inflation, will grow significantly above the historical average for fiscal years 2005-06 through 2007-08 (average of 2.7 percent).

SHIFTING TAX SHARES — IMPACT OF POLICY AND ECONOMICS

The series of charts and tables in this section detail both the shift in tax shares over time among the major tax sources and the growth in receipts for a selected set of primary tax sources both before and after adjusting 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 are major factors that have impacted receipts growth over the past 30 years.

The share of total tax collections attributable to a tax source is related to: economic activity, tax policy shifts, changes in taxpayer behavior, and structural changes in the economy. For example, the temporary personal income tax and sales tax increases adopted in 2003, holding other factors constant, should increase receipts beyond what could be expected from economic growth alone. However, it takes taxpayers time to adjust to law changes. As a result, the 2004-05 impact of the income tax increase appears much stronger than in 2003-04 as taxpayers became more aware of their increased liability and, consequently, increased their cash payments. Other policy changes, when interacting with economic change, can have more long-term impacts on tax shares. For example, part of the increase in the personal income tax share and decline in the corporate tax share in recent years can be traced to the movement of business income from the corporate to the individual income tax base. This movement was facilitated by State and Federal actions allowing for the formation of limited liability companies (LLCs) and S corporations. These entities have many characteristics of a business, but the flow of income to members (or shareholders) is taxed under the personal income tax. Over the past decade, the number of LLCs in New

York has increased from zero in 1993 to over 150,000 in 2004. In addition, the growth in S corporations, which are companies with a small number of shareholders, has also been dramatic. New York first allowed S corporation status in 1981, but the number of S corporations grew dramatically in the 1990s. The combination of changing taxpayer behavior (filing status), aided by changes in policy facilitating the change in behavior, has resulted in significant changes in tax shares. In this case, the business share of total taxes shrinks and the personal income tax share increases.

In other instances, changes in the economic environment can be so large as to conceal the impact of large tax policy shifts. For example, despite the significant income tax reductions of the late 1990s, income tax growth remained relatively high. This was the consequence of the rapid income growth associated with the large increases in financial service incomes. This shifted the income tax share upward despite the large reductions in income tax rates over the 1995-97 period.

It is also often the case that economic and policy changes reinforce or magnify the impact of each change taken in isolation. This is especially true when there are unanticipated changes in economic conditions. Current events confirm this point. It now appears that a combination of renewed and partially unexpected economic activity, especially in the real estate and financial services sectors, is driving up tax payments by increasing the impact of the temporary income tax rate increases imposed in 2003 beyond what was originally anticipated.

In addition, structural changes in the underlying economy can significantly impact the share of a receipt source. For example, the long-term decline in smoking per capita for health related reasons has had an important negative impact on cigarette tax collections. Another more rapidly developing change in the economy impacting receipt shares is the shift to Internet purchases of commodities subject to the sales tax. In many cases, these sales are beyond the reach of the State's efforts to collect tax. These and other changes in consumer tastes or in technology can have important impacts on tax receipts.

Competitive pressures with other taxing jurisdictions also have had a long-term impact on the tax structure in New York. A half century ago, New York was a dominant economy in the United States with more population, employment, and income than any other state. The gradual erosion of that dominant position, along with continued competitive pressures on a global scale, has led New York policy makers, primarily in the last decade, to change the State tax structure by lowering tax rates, providing special incentives to promote certain industries, establishing tax preferred regions, and taking other actions to promote competitiveness with other states.

Overall, as expected, there is a strong relationship between growth in the economy and in tax receipts adjusted for law changes. One of the accompanying charts shows that growth in tax receipts responds positively to changes in personal income tax growth. The relationship is to be expected given the sensitivity of the personal income tax and sales tax to changes in economic conditions, and especially to changes in personal income. However, there is significant noise in the overall relationship, even after correcting for law changes, as unusual factors and changes in taxpayer behavior act to disturb this relationship over time. As is clear in the following tables reporting All Funds tax receipts from fiscal year 1975-76, the receipts base has grown with the economy but at a slower overall pace over the past three decades. The slower growth reflects, in large part, the policy choices to lower the tax burden facing New Yorkers over this period. Inflation-adjusted All Funds receipts grew by 33 percent over the past 30 years, while real personal income increased by more than 59 percent. The slower growth primarily reflects the predominant policy choices over this period, which were to reduce tax burdens at the State level.

PERSONAL INCOME TAX

Personal income tax collections are strongly affected by both the economic cycle and changes in tax rates, as can be seen in the accompanying charts and tables. During periods of economic growth, collections from the income tax tend to increase more rapidly than the overall economy. During recessionary periods, income tax collections continue to increase but at a lower rate, with the exception of 2001-02 and 2002-03, when the September 11th attacks led to a more concentrated and lengthy economic impact in New York that depressed receipts. Holding economic factors constant, lowering tax rates has the obvious effect of reducing 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 overshadowed by strong wage growth, particularly in financial sector bonuses, and, as a consequence, tax collections growth remained robust.

The share of total tax receipts derived from the personal income tax has increased to historically high percentages in recent years, reaching 60 percent for the first time in 2000-01. In recent years, growth in employment and rapid increases in the income of high-income individuals drove the income tax share upward, while the shares of most other tax sources have declined. (See Economic Backdrop section.) This upward shift in share was reversed in 2001-02 and 2002-03 as the income earned by high-income individuals, in the form of bonuses, stock options, and taxable capital gains declined significantly, due to a depressed economy. The income tax share of All Funds tax receipts fell to 57 percent in fiscal year 2002-03. The share rebounded in 2003-04, reflecting a marked recovery in these areas of economic activity.

The estimated personal income tax share is expected to continue to increase in 2004-05 (to 58.1 percent on an adjusted All Funds basis), reflecting improved economic conditions as well as the continued impact of the temporary rate increase in income tax rates for taxpayers over $150,000. As the New York economic recovery continues over the next few fiscal years, growth in wages and other personal income components and in capital gains are projected to accelerate. The temporary tax increase will be phased-out over the 2004-06 period. On balance, personal income tax growth is expected to average 7.5 percent over the 2004-05 to 2007-08 period, above the historical average of 7.1 percent over the past three decades. With overall receipts expected to grow at a slower 6.7 percent average over the period, the income tax share is expected to rise and again go above 59 percent of tax receipts by State fiscal year 2007-08.

USER TAXES AND FEES

Overall, user taxes and fees have declined as a share of total taxes since the early 1970s, 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 that include price increases in their base and they tend to decline less rapidly during economic downturns. As a result, changes to the share of total taxes represented by user taxes are often a product of volatility in other more economically sensitive taxes. The sales tax share has increased in 2003-04 and 2004-05 reflecting revenue actions temporarily increasing the rate and eliminating the exemption on clothing. The percentage share of the sales tax to total receipts declines in 2005-06 and 2006-07 as the temporary sales tax surcharge is eliminated.

In general for this category, periods with low- or negative-growth rates coincide with recessionary periods (1980-82, 1990-92, 2001-02) or with a major policy shift such as the first year of the exemption on clothes and shoes. Higher growth rates are associated with periods of recovery or sustained economic growth. Sales tax growth averaged 5.7 percent over the

1975-76 to 2003-04 period. For the 2005-06 Budget planning horizon, average growth of 4.6 percent is assumed. The rapid base growth over the forecast period is associated with a recovering economy, primarily increases in the employment and income base. This growth is offset by the phasing-out of the one quarter of one percent temporary tax increase in May of 2005. The Budget includes a proposal to replace the permanent clothing sales tax exemption with two tax-free weeks per year. This action will increase receipts in the upcoming fiscal year and in the outyears of the financial planning period.

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. The volatility inherent in business taxes means that its share of total taxes fluctuates above and 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 tax payments made by business taxpayers and, more recently, reflects the impact of significant tax reductions. 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 1990s, which may be explained by aggressive tax planning by corporations, given Federal law changes at the State level. In addition, a significant fraction of new businesses are being formed as LLC's or S corporations, and the income from these companies is primarily taxed under the personal income tax as discussed above. The graph and associated tables also reveal that the impact of tax cuts and tax increases tends to have a lagged effect on collections growth. Business tax growth averaged just under 5 percent for the past 30 years. The 2005-06 Budget assumes growth of 5.6 percent over the 2004-05 to 2007-08 time frame. The 2004-05 fiscal year has witnessed a continued resurgence in business tax receipt growth (from a positive 2003-04 result). Much of this change can be attributed to the return to profitability in the corporate sector and the gradual working off of prior year losses by business taxpayers.

The share of other taxes has been dominated by the repeal of the real property gains tax and the gift tax, and the reductions in the pari-mutuel tax and the estate tax. Average growth of 7.5 percent is expected for this tax category over the 2004-05 to 2007-08 period.

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 on historical base growth since fiscal year 1986-87 reports 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 1990s 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 reduced actual revenue growth substantially. However, this trend is estimated to reverse itself in the period between 2003-04 and 2004-05 as a result of temporary tax increases, which caused actual growth in receipts to exceed base growth. It is expected that over the 2005-06 to 2007-08 period base growth will again exceed actual receipts growth as temporary tax increases are phased out.

EXPLANATION OF RECEIPT ESTIMATES

The following tables provide detail on historical growth in actual All Funds tax receipts. In addition, receipts are adjusted to show the impact of inflation on overall receipts and on major tax categories.

ALL FUNDS TAX RECEIPTS GROWTH AND SELECTED ECONOMIC INDICATORS
(millions of dollars)

Fiscal Year	All Funds Receipts (1)	Percent Change	All Funds Inflation Adjusted (2)	Percent Change	New York Personal Income	Percent Change	Inflation Adjusted New York Personal Income	Percent Change	CPI	Percent Change
1975-76	9,421.5	8.8	17,503.9	0.7	130.8	7.2	243.0	(1.8)	0.54	9.2
1976-77	10,347.7	9.8	18,175.1	3.9	142.2	8.7	249.7	2.7	0.57	5.8
1977-78	10,505.4	1.5	17,330.9	(4.8)	153.9	8.2	253.9	1.7	0.61	6.5
1978-79	11,153.9	6.2	17,096.3	(2.1)	168.1	9.2	257.6	1.5	0.65	7.6
1979-80	12,137.6	8.8	16,722.3	(3.2)	187.7	11.7	258.6	0.4	0.73	11.3
1980-81	13,496.0	11.2	16,382.0	(1.4)	210.2	12.0	255.2	(1.3)	0.82	13.5
1981-82	15,143.3	12.2	16,653.2	2.5	229.0	8.9	251.8	(1.3)	0.91	10.4
1982-83	16,025.0	5.8	16,600.5	0.6	244.9	6.9	253.7	0.7	0.97	6.2
1983-84	18,644.3	16.3	18,722.3	12.5	271.3	10.8	272.4	7.4	1.00	3.2
1984-85	20,391.8	9.4	19,620.1	5.0	289.2	6.6	278.2	2.1	1.04	4.4
1985-86	22,571.8	10.7	20,977.5	7.1	308.2	6.6	286.5	3.0	1.08	3.5
1986-87	24,358.3	7.9	22,206.2	6.1	328.7	6.7	299.7	4.6	1.10	1.9
1987-88	25,858.9	6.2	22,759.8	2.0	359.4	9.3	316.3	5.5	1.14	3.6
1988-89	26,261.7	1.6	22,203.9	(2.4)	386.5	7.6	326.8	3.3	1.18	4.1
1989-90	28,050.4	6.8	22,631.9	1.9	409.1	5.8	330.1	1.0	1.24	4.8
1990-91	27,818.2	(0.8)	21,290.8	(5.9)	419.5	2.5	321.0	(2.7)	1.31	5.4
1991-92	29,846.6	7.3	21,919.2	3.0	438.5	4.5	322.0	0.3	1.36	4.2
1992-93	31,661.2	6.1	22,565.4	2.9	446.8	1.9	318.4	(1.1)	1.40	3.0
1993-94	33,026.2	4.3	22,859.5	1.3	461.0	3.2	319.1	0.2	1.44	3.0
1994-95	33,050.3	0.1	22,297.4	(2.5)	486.9	5.6	328.5	2.9	1.48	2.6
1995-96	33,927.1	2.7	22,264.3	(0.1)	514.0	5.6	337.3	2.7	1.52	2.8
1996-97	34,620.3	2.0	22,071.1	(0.9)	543.0	5.6	346.2	2.6	1.57	2.9
1997-98	35,920.6	3.8	22,377.0	1.4	577.4	6.3	359.7	3.9	1.61	2.3
1998-99	38,494.6	7.2	23,615.1	5.5	603.6	4.5	370.3	3.0	1.63	1.5
1999-00	41,389.2	7.5	24,845.9	5.2	649.2	7.6	389.7	5.3	1.67	2.2
2000-01	44,657.9	7.9	25,936.3	4.4	664.8	2.4	386.1	(0.9)	1.72	3.4
2001-02	42,474.6	(4.9)	23,991.3	(7.5)	663.3	(0.2)	374.6	(3.0)	1.77	2.8
2002-03	39,626.4	(6.7)	22,031.0	(8.2)	678.7	2.3	377.3	0.7	1.80	1.6
2003-04	42,851.2	8.1	23,295.0	5.7	712.6	5.0	387.4	2.7	1.84	2.3
2004-05*	47,547.5	11.0	25,170.7	8.1	747.5	4.9	395.7	2.1	1.89	2.7
2005-06**	50,522.8	6.3	26,065.8	3.6	785.9	5.1	405.5	2.5	1.94	2.6
2006-07**	52,520.5	4.0	26,477.8	1.6	826.9	5.2	416.9	2.8	1.98	2.3
2007-08**	55,392.5	5.5	27,248.5	2.9	869.6	5.2	427.7	2.6	2.03	2.5
Percent Growth (75-76 to 03-04)		354.8		33.1		444.8		59.4		241.8
Historical Average (75-76 to 03-04)		5.8		1.1		6.3		1.6		4.7
Standard Deviation (75-76 to 03-04		5.0		4.6		3.0		2.5		3.1
Average Forecast (04-05 to 07-08)		6.7		4.0		5.1		2.5		2.5
Average Recessionary Growth		4.8		(0.7)		5.1		(0.7)		5.9
Average Expansionary Growth		6.3		2.1		6.9		2.8		4.1

[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 stories.

PERSONAL INCOME TAX
(millions of dollars)

	State Funds Receipts Accounted for By:			
Fiscal Year	**Personal Income Tax(1)**	**Percent Change**	**Inflation Adjusted Personal Income Tax(2)**	**Percent Change**
1975-76	3,948.8	10.0	7,336.4	0.8
1976-77	4,527.0	14.6	7,951.4	8.4
1977-78	4,506.2	(0.5)	7,433.9	(6.5)
1978-79	5,057.8	12.2	7,752.4	4.3
1979-80	5,780.0	14.3	7,963.3	2.7
1980-81	6,612.3	14.4	8,026.3	0.8
1981-82	8,034.0	21.5	8,835.0	10.1
1982-83	8,275.8	3.0	8,573.0	(3.0)
1983-84	9,374.0	13.3	9,413.2	9.8
1984-85	10,395.1	10.9	10,001.7	6.3
1985-86	11,582.3	11.4	10,764.2	7.6
1986-87	12,477.0	7.7	11,374.6	5.7
1987-88	13,569.3	8.8	11,943.1	5.0
1988-89	13,844.4	2.0	11,705.3	(2.0)
1989-90	15,301.0	10.5	12,345.3	5.5
1990-91	14,467.0	(5.5)	11,072.4	(10.3)
1991-92	14,942.6	3.3	10,973.8	(0.9)
1992-93	15,960.7	6.8	11,375.4	3.7
1993-94	16,502.0	3.4	11,422.0	0.4
1994-95	16,727.9	1.4	11,285.5	(1.2)
1995-96	17,398.5	4.0	11,417.6	1.2
1996-97	17,554.4	0.9	11,191.2	(2.0)
1997-98	18,289.0	4.2	11,393.2	1.8
1998-99	20,576.1	12.5	12,622.7	10.8
1999-00	23,194.4	12.7	13,923.6	10.3
2000-01	26,942.5	16.2	15,647.6	12.4
2001-02	25,573.7	(5.1)	14,445.0	(7.7)
2002-03	22,648.4	(11.4)	12,591.8	(12.8)
2003-04	24,647.2	8.8	13,398.9	6.4
2004-05*	27,607.4	12.0	14,614.8	9.1
2005-06**	29,482.0	6.8	15,210.4	4.1
2006-07**	30,673.0	4.0	15,463.5	1.7
2007-08**	32,828.0	7.0	16,148.6	4.4

Percent Growth (75-76 to 03-04)		524.2		82.6
Historical Average (75-76 to 03-04)		7.1		2.3
Standard Deviation (75-76 to 03-04)		7.3		6.4
Average Forecast (04-05 to 07-08)		7.5		4.8
Average Recessionary Growth		4.6		(1.3)
Average Expansionary Growth		9.4		4.3

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 stories.

SALES TAX
(millions of dollars)

	State Funds Receipts Accounted for By:			
Fiscal Year	**Sales Tax**	**Percent Change**	**Inflation Adjusted Sales Tax**	**Percent Change**
1975-76	2,148.9	7.4	3,992.4	(1.6)
1976-77	2,218.2	3.2	3,896.1	(2.4)
1977-78	2,432.9	9.7	4,013.6	3.0
1978-79	2,588.7	6.4	3,967.9	(1.1)
1979-80	2,829.1	9.3	3,897.7	(1.8)
1980-81	2,948.4	4.2	3,578.8	(8.2)
1981-82	3,112.5	5.6	3,422.8	(4.4)
1982-83	3,383.9	8.7	3,505.5	2.4
1983-84	3,720.6	9.9	3,736.1	6.6
1984-85	4,039.2	8.6	3,886.3	4.0
1985-86	4,544.7	12.5	4,223.7	8.7
1986-87	4,866.9	7.1	4,436.9	5.0
1987-88	5,262.1	8.1	4,631.5	4.4
1988-89	5,490.3	4.3	4,642.0	0.2
1989-90	5,730.1	4.4	4,623.2	(0.4)
1990-91	5,479.6	(4.4)	4,193.8	(9.3)
1991-92	5,735.7	4.7	4,212.3	0.4
1992-93	6,000.1	4.6	4,276.4	1.5
1993-94	6,072.2	1.2	4,202.9	(1.7)
1994-95	6,529.1	7.5	4,404.9	4.8
1995-96	6,638.5	1.7	4,356.5	(1.1)
1996-97	7,008.2	5.6	4,467.9	2.6
1997-98	7,258.4	3.6	4,521.7	1.2
1998-99	7,598.8	4.7	4,661.6	3.1
1999-00	8,159.9	7.4	4,898.4	5.1
2000-01	8,351.7	2.4	4,850.5	(1.0)
2001-02	8,185.7	(2.0)	4,623.6	(4.7)
2002-03	8,796.0	7.5	4,890.3	5.8
2003-04	9,907.2	12.6	5,385.8	10.1
2004-05*	11,012.8	11.2	5,829.9	8.2
2005-06**	11,039.6	0.2	5,695.6	(2.3)
2006-07**	11,366.5	3.0	5,730.3	0.6
2007-08**	11,826.2	4.0	5,817.5	1.5

Percent Growth (75-76 to 03-04)	361.0	34.9
Historical Average (75-76 to 03-04)	5.7	1.1
Standard Deviation (75-76 to 03-04)	3.8	4.5
Average Forecast (04-05 to 07-08)	4.6	2.0
Average Recessionary Growth	4.9	(0.8)
Average Expansionary Growth	6.1	1.3

* Estimated
** Projected

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

OTHER USER TAXES AND FEES
(millions of dollars)

State Funds Receipts Accounted for By:

Fiscal Year	Other User Taxes and Fees	Percent Change	Inflation Adjusted Other User Taxes and Fees	Percent Change
1975-76	1,288.9	0.3	2,394.6	(8.1)
1976-77	1,313.1	1.9	2,306.4	(3.7)
1977-78	1,277.3	(2.7)	2,107.2	(8.6)
1978-79	1,316.5	3.1	2,017.8	(4.2)
1979-80	1,300.5	(1.2)	1,791.7	(11.2)
1980-81	1,292.2	(0.6)	1,568.6	(12.5)
1981-82	1,322.3	2.3	1,454.2	(7.3)
1982-83	1,389.1	5.0	1,438.9	(1.0)
1983-84	1,755.8	26.4	1,763.2	22.5
1984-85	1,696.9	(3.4)	1,632.7	(7.4)
1985-86	1,774.7	4.6	1,649.3	1.0
1986-87	1,736.6	(2.1)	1,583.1	(4.0)
1987-88	1,809.8	4.2	1,592.9	0.6
1988-89	1,777.4	(1.8)	1,502.7	(5.7)
1989-90	2,127.4	19.7	1,716.4	14.2
1990-91	2,185.1	2.7	1,672.4	(2.6)
1991-92	2,357.7	7.9	1,731.5	3.5
1992-93	2,331.7	(1.1)	1,661.8	(4.0)
1993-94	2,525.4	8.3	1,748.0	5.2
1994-95	2,538.0	0.5	1,712.3	(2.0)
1995-96	2,514.2	(0.9)	1,649.9	(3.6)
1996-97	2,372.4	(5.6)	1,512.4	(8.3)
1997-98	2,464.0	3.9	1,535.0	1.5
1998-99	2,468.5	0.2	1,514.3	(1.3)
1999-00	2,454.5	(0.6)	1,473.4	(2.7)
2000-01	2,317.8	(5.6)	1,346.1	(8.6)
2001-02	2,357.1	1.7	1,331.4	(1.1)
2002-03	2,008.3	(14.8)	1,116.5	(16.1)
2003-04	2,011.8	0.2	1,093.7	(2.0)
2004-05*	1,989.5	(1.1)	1,053.2	(3.7)
2005-06**	2,598.4	30.6	1,340.6	27.3
2006-07**	2,785.5	7.2	1,404.3	4.8
2007-08**	2,807.9	0.8	1,381.3	(1.6)

Percent Growth (75-76 to 03-04)	56.1	(54.3)
Historical Average (75-76 to 03-04)	1.8	(2.7)
Standard Deviation (75-76 to 03-04)	7.4	7.6
Average Forecast (04-05 to 07-08)	9.4	6.7
Average Recessionary Growth	0.4	(5.1)
Average Expansionary Growth	2.4	(2.2)

* Estimated
** Projected

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

BUSINESS TAXES
(millions of dollars)

	State Funds Receipts Accounted for By:			
Fiscal Year	**Business Taxes**	**Percent Change**	**Inflation Adjusted Business Taxes**	**Percent Change**
1975-76	1,699.0	16.7	3,156.5	6.9
1976-77	1,908.0	12.3	3,351.3	6.2
1977-78	1,998.8	4.8	3,297.4	(1.6)
1978-79	1,904.8	(4.7)	2,919.6	(11.5)
1979-80	1,973.3	3.6	2,718.7	(6.9)
1980-81	2,350.2	19.1	2,852.8	4.9
1981-82	2,392.1	1.8	2,630.6	(7.8)
1982-83	2,567.2	7.3	2,659.4	1.1
1983-84	3,203.9	24.8	3,217.3	21.0
1984-85	3,399.6	6.1	3,270.9	1.7
1985-86	3,606.1	6.1	3,351.4	2.5
1986-87	3,813.8	5.8	3,476.8	3.7
1987-88	3,923.5	2.9	3,453.3	(0.7)
1988-89	3,809.0	(2.9)	3,220.5	(6.7)
1989-90	3,725.8	(2.2)	3,006.1	(6.7)
1990-91	4,484.4	20.4	3,432.2	14.2
1991-92	5,699.0	27.1	4,185.3	21.9
1992-93	6,223.4	9.2	4,435.5	6.0
1993-94	6,798.3	9.2	4,705.5	6.1
1994-95	6,143.6	(9.6)	4,144.8	(11.9)
1995-96	6,240.1	1.6	4,095.0	(1.2)
1996-97	6,517.0	4.4	4,154.7	1.5
1997-98	6,585.6	1.1	4,102.5	(1.3)
1998-99	6,400.8	(2.8)	3,926.7	(4.3)
1999-00	6,133.2	(4.2)	3,681.8	(6.2)
2000-01	5,846.2	(4.7)	3,395.3	(7.8)
2001-02	5,184.8	(11.3)	2,928.6	(13.7)
2002-03	4,983.2	(3.9)	2,770.5	(5.4)
2003-04	5,006.8	0.5	2,721.8	(1.8)
2004-05*	5,473.4	9.3	2,897.5	6.5
2005-06**	5,885.4	7.5	3,036.4	4.8
2006-07**	6,061.6	3.0	3,055.9	0.6
2007-08**	6,225.9	2.7	3,062.6	0.2

Percent Growth (75-76 to 03-04)	194.7	(13.8)
Historical Average (75-76 to 03-04)	4.8	0.1
Standard Deviation (75-76 to 03-04)	9.7	8.8
Average Forecast (04-05 to 07-08)	5.6	3.0
Average Recessionary Growth	8.7	2.6
Average Expansionary Growth	3.4	(1.3)

* Estimated
** Projected

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

OTHER TAXES
(millions of dollars)

State Funds Receipts Accounted for By:

Fiscal Year	Other Taxes	Percent Change	Inflation Adjusted Other Taxes	Percent Change
1975-76	335.9	1.1	624.1	(7.4)
1976-77	381.4	13.5	669.9	7.3
1977-78	290.2	(23.9)	478.7	(28.5)
1978-79	286.1	(1.4)	438.5	(8.4)
1979-80	254.7	(11.0)	350.9	(20.0)
1980-81	292.9	15.0	355.5	1.3
1981-82	282.4	(3.6)	310.6	(12.7)
1982-83	409.0	44.8	423.7	36.4
1983-84	590.0	44.3	592.5	39.8
1984-85	861.0	45.9	828.4	39.8
1985-86	1,064.0	23.6	988.8	19.4
1986-87	1,464.0	37.6	1,334.7	35.0
1987-88	1,294.2	(11.6)	1,139.1	(14.7)
1988-89	1,340.6	3.6	1,133.5	(0.5)
1989-90	1,166.1	(13.0)	940.8	(17.0)
1990-91	1,202.1	3.1	920.0	(2.2)
1991-92	1,111.6	(7.5)	816.4	(11.3)
1992-93	1,145.3	3.0	816.3	(0.0)
1993-94	1,128.3	(1.5)	781.0	(4.3)
1994-95	1,111.7	(1.5)	750.0	(4.0)
1995-96	1,135.8	2.2	745.4	(0.6)
1996-97	1,168.3	2.9	744.8	(0.1)
1997-98	1,323.6	13.3	824.5	10.7
1998-99	1,450.4	9.6	889.8	7.9
1999-00	1,447.2	(0.2)	868.8	(2.4)
2000-01	1,199.7	(17.1)	696.8	(19.8)
2001-02	1,173.3	(2.2)	662.7	(4.9)
2002-03	1,190.5	1.5	661.9	(0.1)
2003-04	1,278.2	7.4	694.9	5.0
2004-05*	1,464.5	14.6	775.3	11.6
2005-06**	1,517.4	3.6	782.9	1.0
2006-07**	1,633.9	7.7	823.7	5.2
2007-08**	1,704.5	4.3	838.5	1.8

Percent Growth (75-76 to 03-04)	280.5	11.3
Historical Average (75-76 to 03-04)	6.1	1.5
Standard Deviation (75-76 to 03-04)	18.0	17.8
Average Forecast (04-05 to 07-08)	7.5	4.9
Average Recessionary Growth	6.3	0.4
Average Expansionary Growth	6.0	1.4

* Estimated
** Projected

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

ALL FUNDS TAX RECEIPTS SHARES
(percent share)

Fiscal Year	Personal Income Tax(1)	Sales Tax	Other User Taxes and Fees	Business Taxes	Other Taxes
	Percent of All State Funds Receipts Accounted for By:				
1973-74	41.9	22.8	15.6	15.8	3.9
1974-75	41.4	23.1	14.8	16.8	3.8
1975-76	41.9	22.8	13.7	18.0	3.6
1976-77	43.7	21.4	12.7	18.4	3.7
1977-78	42.9	23.2	12.2	19.0	2.8
1978-79	45.3	23.2	11.8	17.1	2.6
1979-80	47.6	23.3	10.7	16.3	2.1
1980-81	49.0	21.8	9.6	17.4	2.2
1981-82	53.1	20.6	8.7	15.8	1.9
1982-83	51.6	21.1	8.7	16.0	2.6
1983-84	50.3	20.0	9.4	17.2	3.2
1984-85	51.0	19.8	8.3	16.7	4.2
1985-86	51.3	20.1	7.9	16.0	4.7
1986-87	51.2	20.0	7.1	15.7	6.0
1987-88	52.5	20.3	7.0	15.2	5.0
1988-89	52.7	20.9	6.8	14.5	5.1
1989-90	54.5	20.4	7.6	13.3	4.2
1990-91	52.0	19.7	7.9	16.1	4.3
1991-92	50.1	19.2	7.9	19.1	3.7
1992-93	50.4	19.0	7.4	19.7	3.6
1993-94	50.0	18.4	7.6	20.6	3.4
1994-95	50.6	19.8	7.7	18.6	3.4
1995-96	51.3	19.6	7.4	18.4	3.3
1996-97	50.7	20.2	6.9	18.8	3.4
1997-98	50.9	20.2	6.9	18.3	3.7
1998-99	53.5	19.7	6.4	16.6	3.8
1999-00	56.0	19.7	5.9	14.8	3.5
2000-01	60.3	18.7	5.2	13.1	2.7
2001-02	60.2	19.3	5.5	12.2	2.8
2002-03	57.2	22.2	5.1	12.6	3.0
2003-04	57.5	23.1	4.7	11.7	3.0
2004-05*	58.1	23.2	4.2	11.5	3.1
2005-06**	58.4	21.9	5.1	11.6	3.0
2006-07**	58.4	21.6	5.3	11.5	3.1
2007-08**	59.3	21.3	5.1	11.9	3.2
Historical Average 75-76 to 03-04	51.4	20.6	8.1	16.5	3.5
Historical Average 94-95 to 03-04	54.8	20.3	6.2	15.5	3.2
Forecast Average 04-05 to 07-08	58.5	22.0	4.9	11.6	3.1

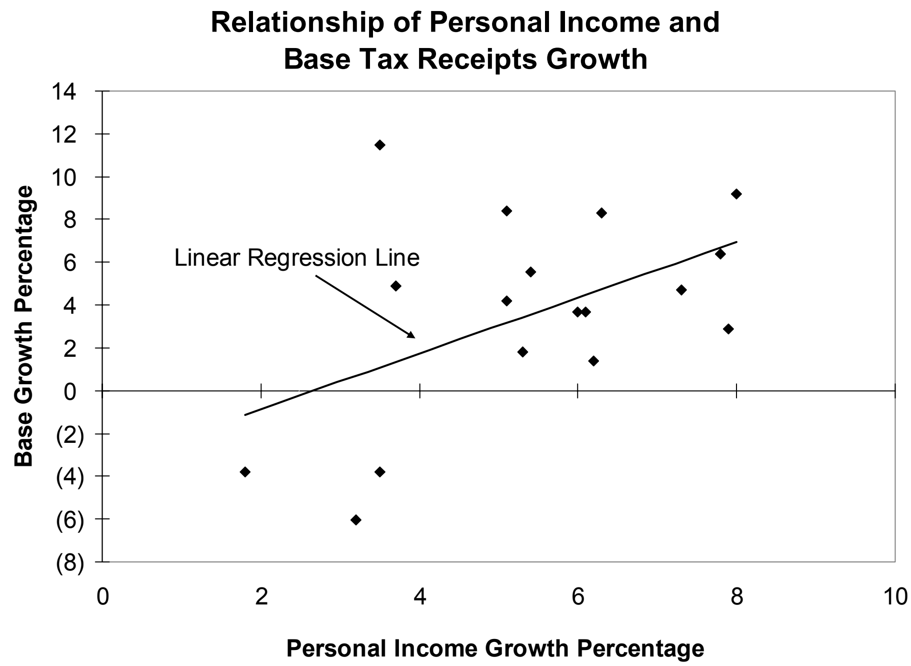
1. Personal Income Tax defined as gross receipts less refunds - 2000-01 receipts reflect an adjustment for the timely payment of refunds.

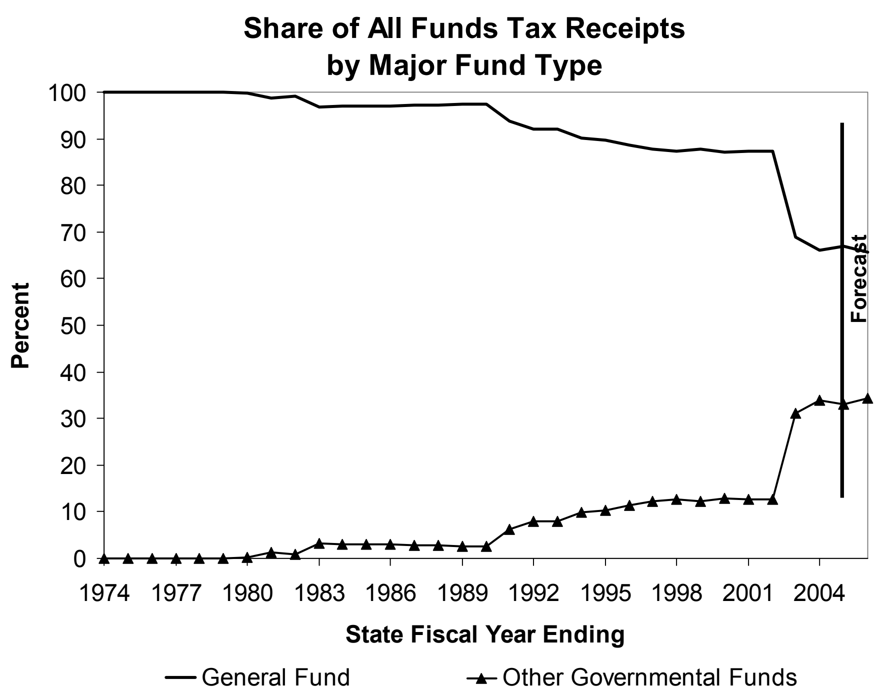
* Estimated
** Projected

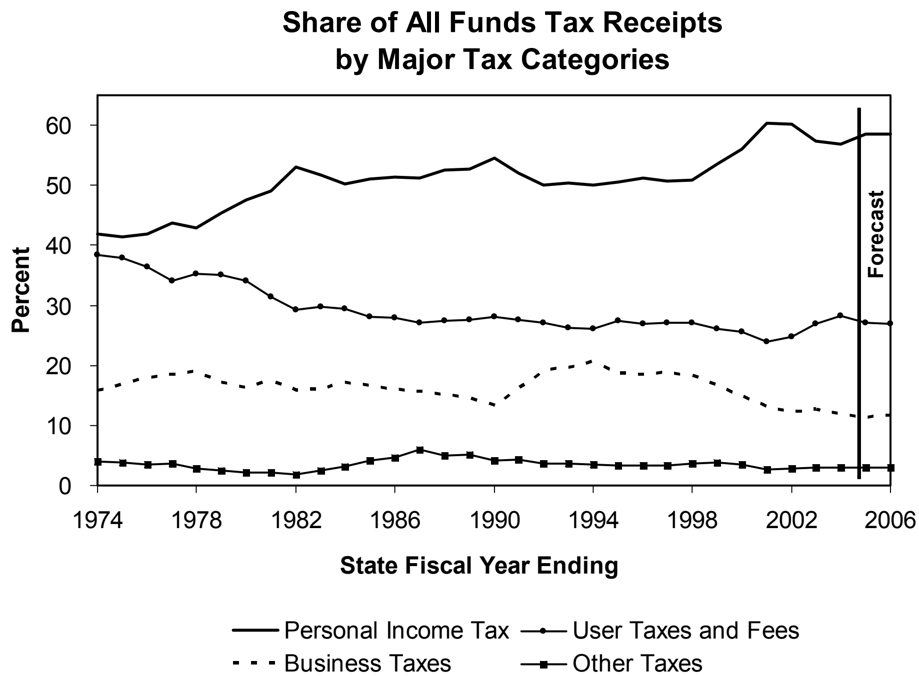
Governmental Funds
Actual and Base Tax Receipts Growth
(percent growth)

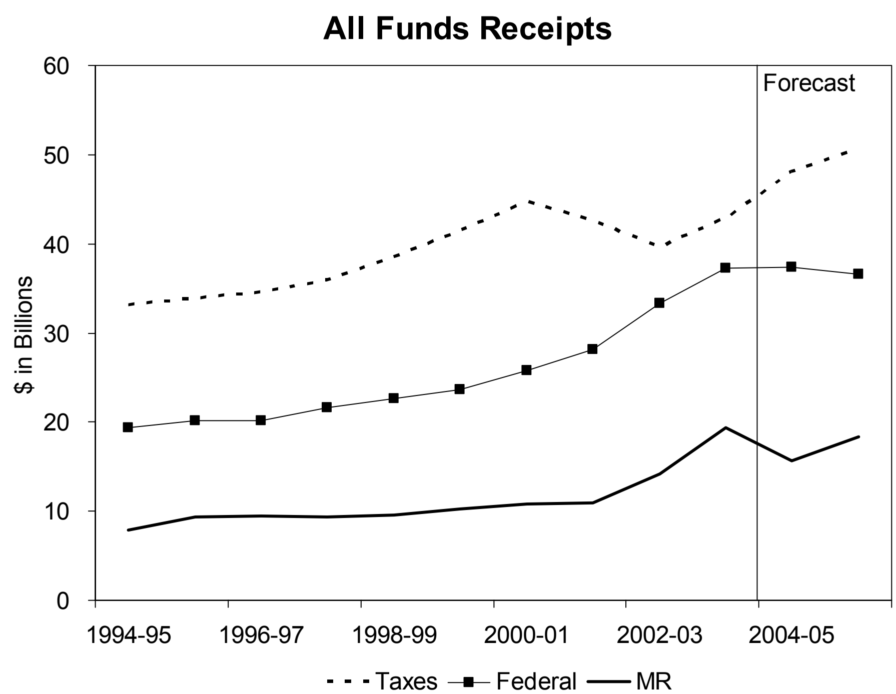
State Fiscal Year	Actual Receipts	Base Receipts	Inflation Adjusted Base Receipts
1987-88	6.2	6.4	2.2
1988-89	1.6	2.9	(1.8)
1989-90	6.8	8.3	2.7
1990-91	(0.8)	(3.8)	(7.7)
1991-92	7.3	1.4	(1.6)
1992-93	6.1	4.9	1.9
1993-94	4.3	4.2	1.6
1994-95	0.1	1.8	(1.0)
1995-96	2.6	3.7	0.7
1996-97	2.0	3.7	1.3
1997-98	3.7	4.7	3.1
1998-99	7.2	8.4	6.1
1999-00	7.5	9.3	5.7
2000-01	7.9	11.5	8.4
2001-02	(4.9)	(4.0)	(5.5)
2002-03	(6.7)	(6.0)	(8.1)
2003-04	8.1	5.5	2.8
2004-05	11.0	10.2	7.0
2005-06	6.3	6.5	4.2
2006-07	3.9	6.6	2.6
2007-08	5.5	6.2	3.4

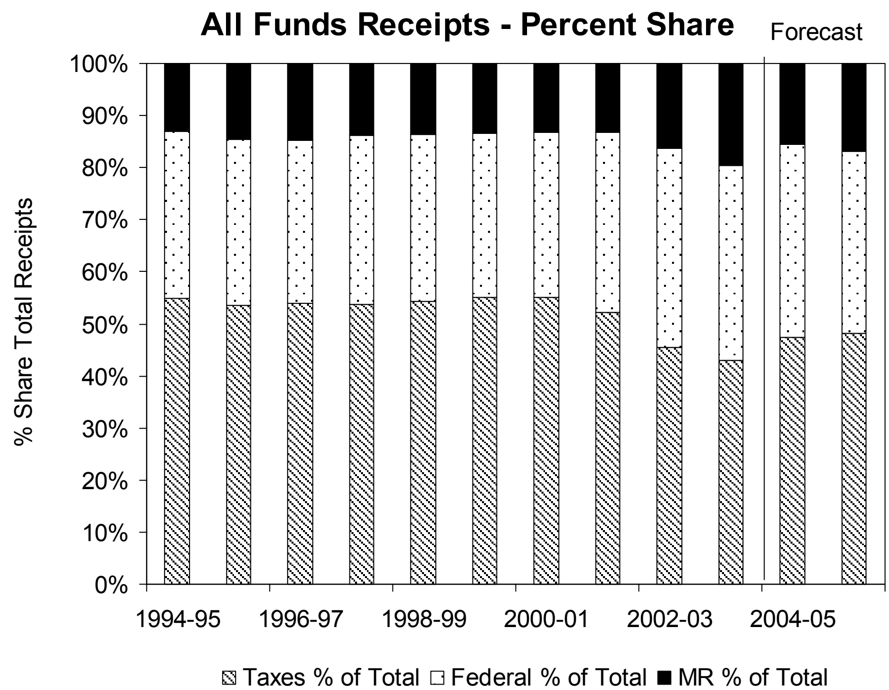
	Actual Change	Base Change	Adjusted Base Change
Historical Average (87-88 to 03-04)	**3.5**	**3.7**	**0.6**
Forecast Average (04-05 to 07-08)	**6.7**	**7.3**	**4.3**
Recessions	**1.5**	**(0.3)**	**(3.0)**
Expansions	**4.5**	**5.9**	**2.7**


Relationship of Personal Income and
Base Tax Receipts Growth
14
12
10
8
6
4
2
0
(2)
(4)
(6)
(8)
Base Growth Percentage
Linear Regression Line
0
2
4
6
8
10
Personal Income Growth Percentage

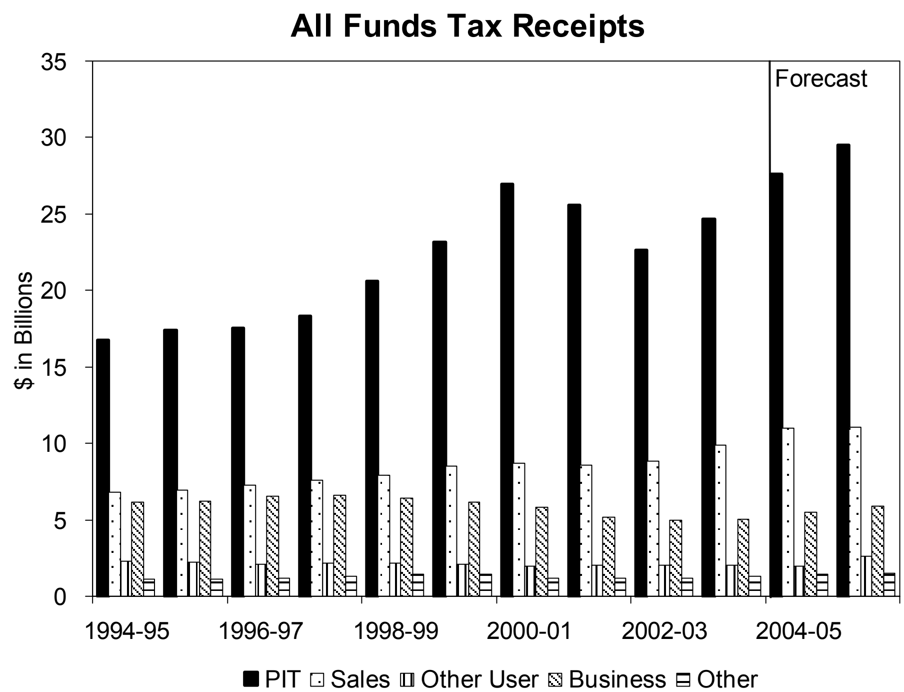

Share of All Funds Tax Receipts
by Major Fund Type
100
90
80
70
60
50
40
30
20
10
0
Percent
Forecast
1974
1977
1980
1983
1986
1989
1992
1995
1998
2001
2004
State Fiscal Year Ending
General Fund
Other Governmental Funds


Share of All Funds Tax Receipts
by Major Tax Categories
Percent
60
50
40
30
20
10
0
1974
1978
1982
1986
1990
1994
1998
2002
2006
Forecast
State Fiscal Year Ending
Personal Income Tax
User Taxes and Fees
Business Taxes
Other Taxes

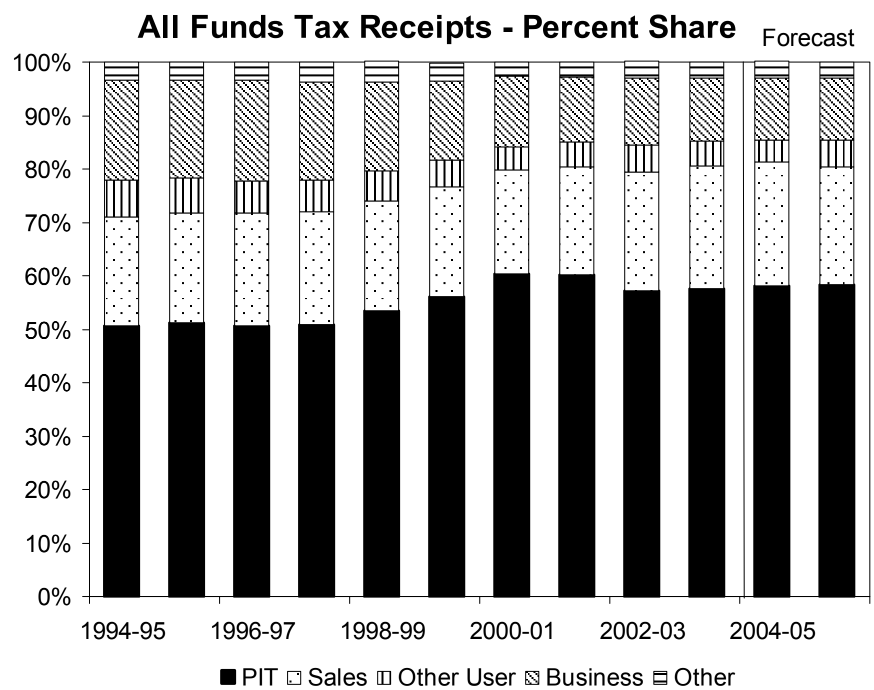

All Funds Receipts
$ in Billions
60
50
40
30
20
10
0
Forecast
1994-95
1996-97
1998-99
2000-01
2002-03
2004-05
Taxes
Federal
MR

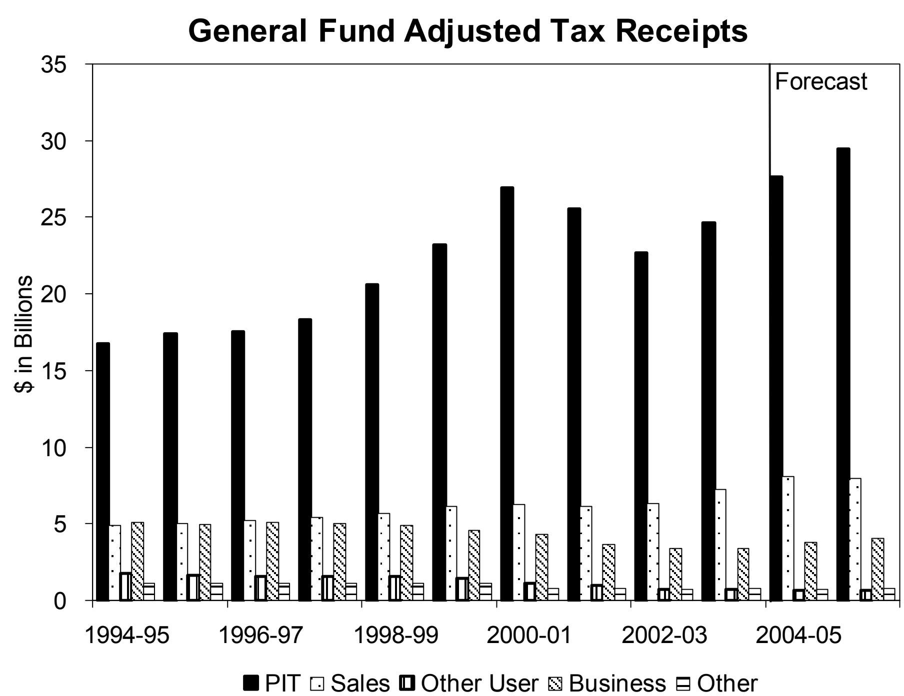


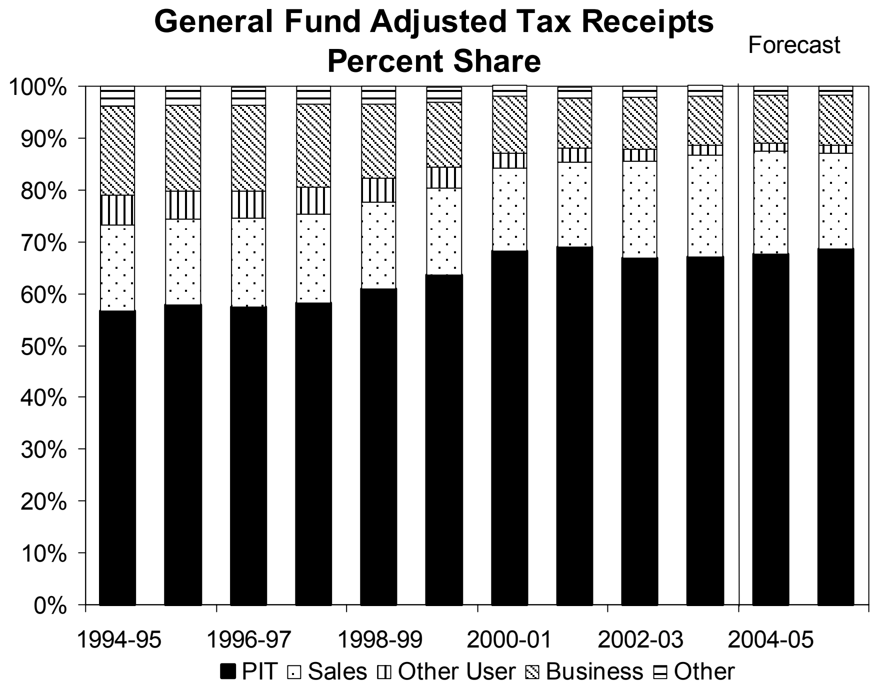
All Funds Receipts - Percent Share
Forecast
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
% Share Total Receipts
1994-95
1996-97
1998-99
2000-01
2002-03
2004-05
Taxes % of Total
Federal % of Total
MR % of Total

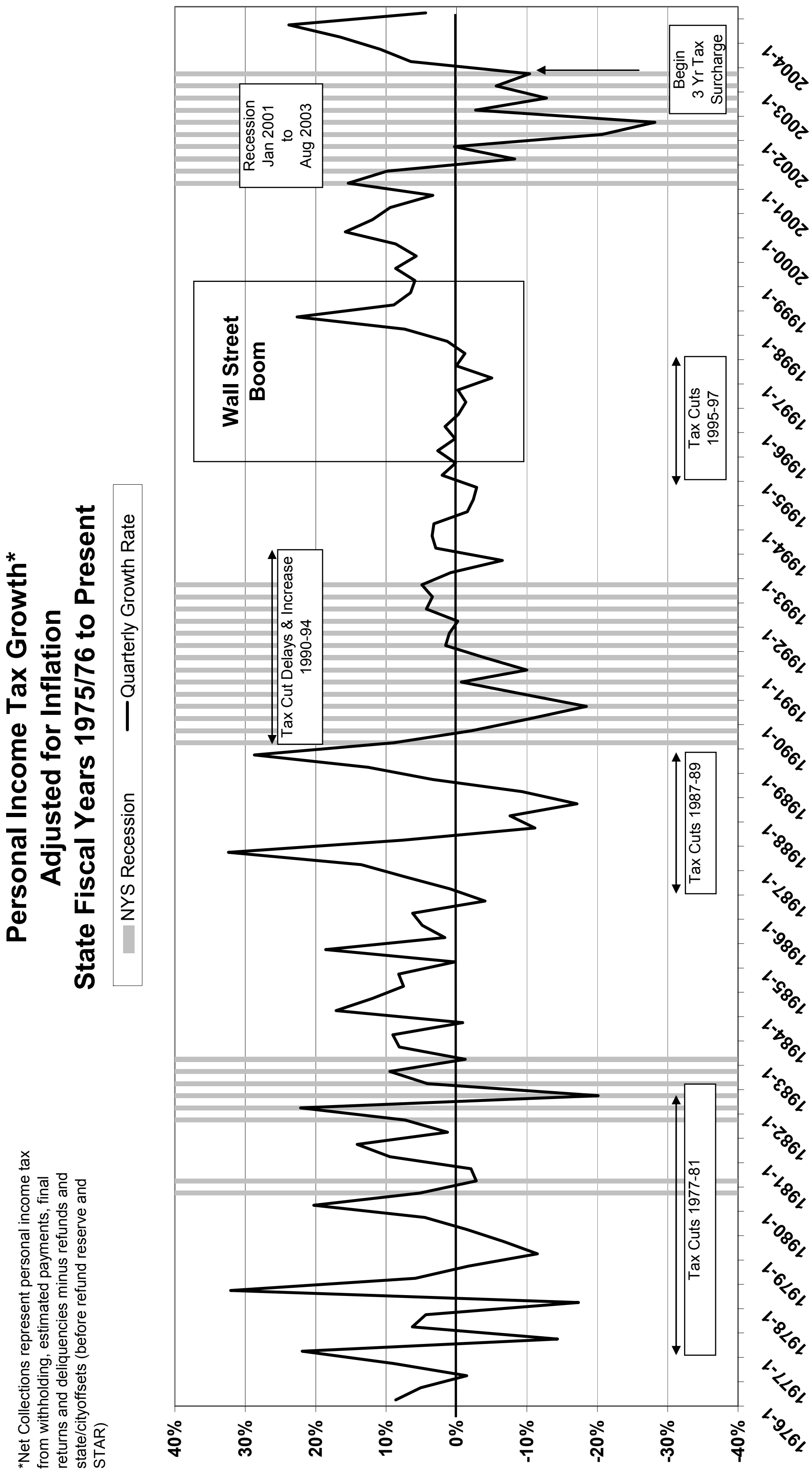


All Funds Tax Receipts
Forecast
35
30
25
20
15
10
5
0
$ in Billions
1994-95
1996-97
1998-99
2000-01
2002-03
2004-05
PIT
Sales
Other User
Business
Other


All Funds Tax Receipts - Percent Share
Forecast
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1994-95
1996-97
1998-99
2000-01
2002-03
2004-05
PIT
Sales
Other User
Business
Other


General Fund Adjusted Tax Receipts
Forecast
$ in Billions
35
30
25
20
15
10
5
0
1994-95
1996-97
1998-99
2000-01
2002-03
2004-05
PIT
Sales
Other User
Business
Other


General Fund Adjusted Tax Receipts
Percent Share
Forecast
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
1994-95
1996-97
1998-99
2000-01
2002-03
2004-05
PIT
Sales
Other User
Business
Other


Personal Income Tax Growth*
Adjusted for Inflation
State Fiscal Years 1975/76 to Present
NYS Recession
Quarterly Growth Rate
Wall Street Boom
Recession Jan 2001 to Aug 2003
Begin 3 Yr Tax Surcharge
Tax Cuts 1995-97
Tax Cut Delays & Increase 1990-94
Tax Cuts 1987-89
Tax Cuts 1977-81
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
1985-1
1986-1
1987-1
1988-1
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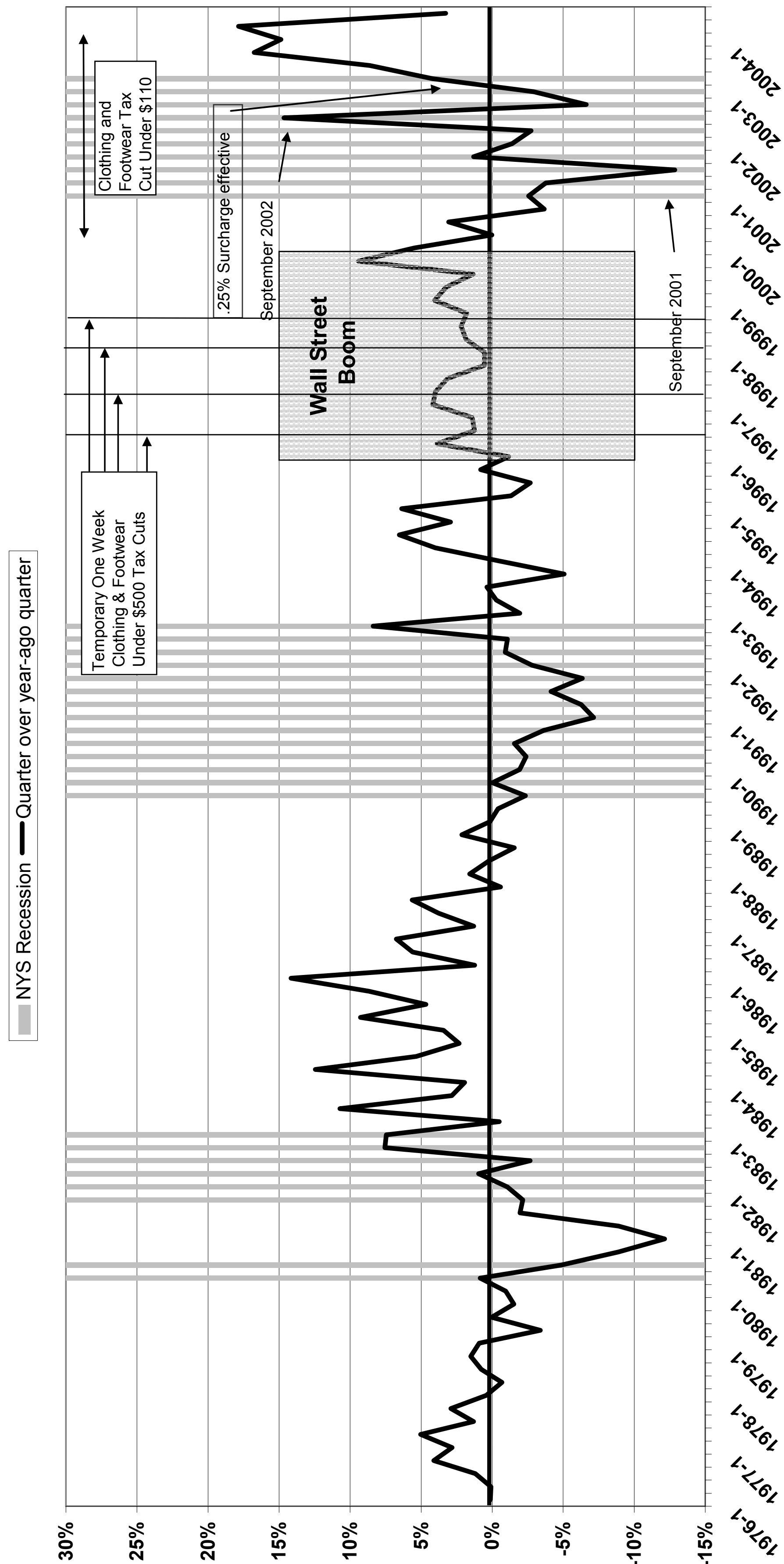
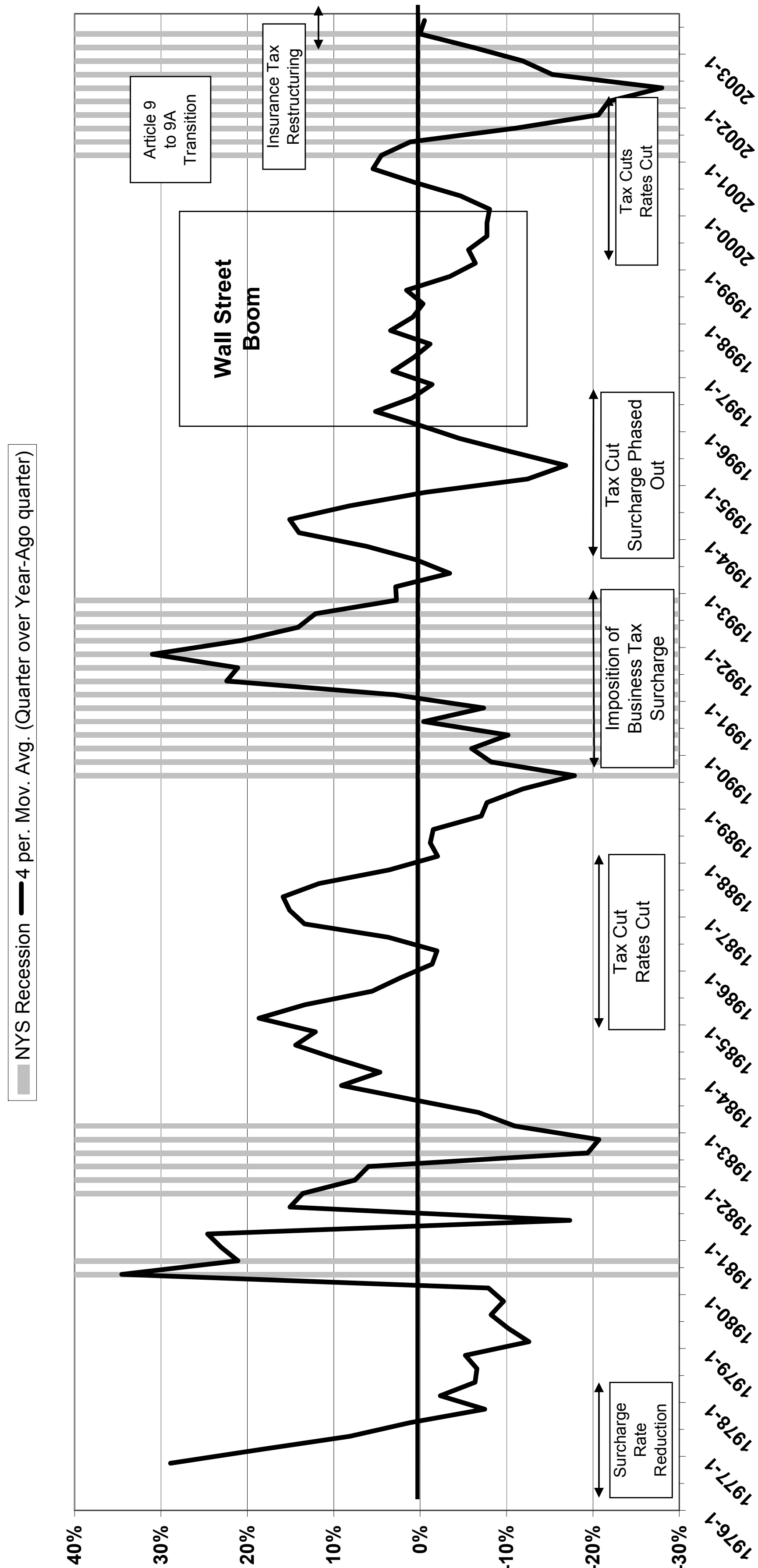
1992-1
1993-1
1994-1
1995-1
1996-1
1997-1
1998-1
1999-1
2000-1
2001-1
2002-1
2003-1
2004-1
*Net Collections represent personal income tax from withholding, estimated payments, final returns and deliquencies minus refunds and state/cityoffsets (before refund reserve and STAR)

Sales Tax Growth
Adjusted for Inflation
State Fiscal Years -- 1975/76 to Present



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



CASH FLOW

The following tables report quarterly cash flow for General Fund tax receipts. Actual results are provided for 2003-04 and the first three quarters of the current State fiscal year, and estimates are reported for the remainder of 2004-05 and for all of 2005-06. The table highlights the impact of STAR, refund reserve, and revenue bond fund transactions on General Fund cash flow. The quarterly estimates for 2004-05 and 2005-06 are consistent with average shares from prior years adjusted for proposed and previously enacted law changes that will impact normal cash flow. Through December, the values included in the tax stories and the following tables, reflect actual results from the Department of Taxation and Finance. These values may differ in a minor way from Office of the State Comptroller results, which were not final for the month of December at the time of publication of the fiscal year 2005-06 Executive Budget.

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 the first quarter; high levels of refund payments in the first and fourth quarter of a State fiscal year; high withholding tax collections reflecting bonus payments in the fourth quarter; and STAR deposits primarily in the third quarter of the State fiscal year.

Several significant factors combined to change the 2003-04 personal income tax cash flow pattern from the pattern seen in a typical year. The largest variations were due to the enactment of the three-year temporary surcharge and the pattern of resulting additional withholding and estimated tax payments. Since withholding tables were changed in July 2003 and the Legislature required that the tables be designed to collect the full 2003 increase during 2003-04, there was a doubling-up of withholding increases in the second and third quarters of the fiscal year. In addition, taxpayers required to make quarterly estimated tax payments also increased their payments for the tax increase starting in the second quarter, again raising the share of collections received after the first quarter. Also, before technical corrections were made in estimated tax provisions, partnerships making estimated tax payments for their nonresident partners made extra payments in September, thereby depressing the level of estimated tax payments collected in December and January. The pattern of underlying growth in the State economy also affected the cash flow pattern. While there was very little wage growth early in the fiscal year, the second half of the fiscal year showed increasingly strong growth.

The personal income cash flow pattern generally returned to a more typical pattern in 2004-05, withholding tables were reflective of actual rates and estimated tax was not impacted by extra payments. However, several other factors affected cash flow, especially compared to the prior year. Large personal income tax payments in April of 2004 increased first quarter cash flow significantly from the prior year. This resulted from taxpayers catching up to higher 2003 liability in their final payments. In addition, higher wage growth toward the end of the fiscal year will result in a higher share of withholding collections in the final quarter compared to a typical year. Fiscal year 2005-06 is expected to have a more normal cash flow pattern, except that withholding collections in the final quarter should drop because of the sunset of the temporary tax increase at the conclusion of tax year 2005.

Growth in user taxes and fees returns to more normal rates after the first quarter of 2004-05 as the impact of law changes is reflected in the prior year base. Negative growth rates in 2005-06 are the result of the scheduled decrease in the sales and use tax rate from 4.25 percent to 4 percent effective June 1, 2005, which is partially offset by a proposed increase in the wine tax.

GENERAL FUND 2003-04 QUARTERLY CASHFLOW ACTUALS

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Personal income tax	4,600	4,131	2,550	4,492	15,774
Gross collections	7,758	6,004	6,471	8,857	29,090
Refunds	(2,462)	(316)	(595)	(1,070)	(4,442)
Refund reserve	628	-	-	(1,225)	(597)
STAR Fund deposit	-	(180)	(2,475)	(165)	(2,820)
DRRF deposit/RBTF	(1,324)	(1,377)	(850)	(1,906)	(5,457)
User taxes and fees	1,820	2,107	2,074	1,978	7,979
Sales and use taxes	1,602	1,917	1,923	1,798	7,241
Cigarette and tobacco taxes	112	112	105	90	419
Motor vehicle fees	43	13	(9)	35	82
Alcoholic beverage taxes	49	50	47	46	191
ABC License fees	14	14	9	9	46
Business taxes	650	887	754	1,122	3,413
Corporation franchise tax	190	424	295	573	1,482
Corp. & utilities taxes	142	174	197	203	715
Insurance taxes	205	226	185	314	930
Bank Taxes	114	63	77	32	286
Other taxes	176	223	223	145	768
Estate & Gift tax	168	213	217	139	736
Real property gains tax	2	1	0	0	4
Pari-mutuel taxes	7	9	6	6	27
Other taxes	-	0	0	0	1
TOTAL	7,246	7,348	5,602	7,738	27,934
TOTAL TAXES (Before Transfers, STAR and Refund Reserve)	8,582	9,624	9,659	11,720	39,585

Note: Values may be slightly different due to rounding.

GENERAL FUND 2004-05 QUARTERLY CASHFLOW ACTUALS AND ESTIMATES

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Personal income tax	6,322	4,445	2,816	5,349	18,932
Gross collections	9,406	6,420	7,132	9,292	32,250
Refunds	(2,609)	(305)	(678)	(1,051)	(4,643)
Refund reserve	1,225	-	-	(694)	531
STAR Fund deposit	-	(187)	(2,699)	(187)	(3,072)
DRRF deposit/RBTF	(1,699)	(1,485)	(939)	(2,011)	(6,134)
User taxes and fees	2,231	2,206	2,200	2,115	8,752
Sales and use taxes	2,059	2,044	2,045	1,949	8,097
Cigarette and tobacco taxes	106	109	103	85	403
Motor vehicle fees	11	(4)	(7)	26	26
Alcoholic beverage taxes	45	47	48	45	184
ABC License fees	10	9	11	12	42
Business taxes	866	953	867	1,077	3,764
Corporation franchise tax	391	420	398	466	1,674
Corp. & utilities taxes	120	145	186	148	600
Insurance taxes	202	225	185	301	912
Bank Taxes	154	164	99	162	578
Other taxes	196	169	183	182	730
Estate & Gift tax	189	160	178	177	704
Real property gains tax	1	0	(1)	-	1
Pari-mutuel taxes	6	8	6	5	26
Other taxes	0	0	-	0	1
TOTAL	9,615	7,773	6,066	8,723	32,178
TOTAL TAXES (Before Transfers, STAR and Refund Reserve)	10,915	10,274	10,523	12,361	44,073

Note: Values may be slightly different due to rounding.

GENERAL FUND QUARTERLY CASHFLOW COMPARISON
SFY 2004-05 vs. SFY 2003-04
(percent)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Personal income tax	37.4	7.6	10.4	19.1	20.0
Gross collections	21.2	6.9	10.2	4.9	10.9
Refunds	6.0	(3.5)	13.8	(1.7)	4.5
Refund reserve	95.2	N/A	N/A	(43.4)	(188.9)
STAR Fund deposit	N/A	3.7	9.0	13.5	9.0
DRRF deposit/RBTF	28.3	7.8	10.5	5.5	12.4
User taxes and fees	22.6	4.7	6.1	7.0	9.7
Sales and use taxes	28.5	6.6	6.4	8.4	11.8
Cigarette and tobacco taxes	(5.1)	(3.2)	(2.0)	(5.5)	(3.9)
Motor vehicle fees	(75.4)	(126.9)	(26.2)	(27.1)	(68.6)
Alcoholic beverage taxes	(8.4)	(6.0)	2.3	(2.7)	(3.8)
ABC License fees	(27.7)	(33.8)	21.8	31.1	(8.7)
Business taxes	33.3	7.4	15.1	(4.1)	10.3
Corporation franchise tax	105.5	(1.1)	35.0	(18.7)	13.0
Corp. & utilities taxes	(15.0)	(16.2)	(5.4)	(27.0)	(16.1)
Insurance taxes	(1.5)	(0.8)	(0.0)	(4.2)	(2.0)
Bank Taxes	35.0	159.7	27.4	411.1	102.0
Other taxes	11.5	(24.3)	(17.9)	25.1	(4.9)
Estate & Gift tax	12.7	(24.7)	(17.9)	27.0	(4.4)
Real property gains tax	(42.1)	(76.9)	(1,500.0)	(100.0)	(80.8)
Pari-mutuel taxes	(6.2)	(7.9)	(2.3)	(10.2)	(6.7)
Other taxes	N/A	200.0	(100.0)	28.6	9.7
TOTAL	32.7	5.8	8.3	12.7	15.2
TOTAL TAXES (Before Transfers, STAR and Refund Reserve)	27.2	6.8	9.0	5.5	11.3

GENERAL FUND 2005-06 QUARTERLY CASHFLOW PROJECTIONS

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Personal income tax	6,308	4,734	2,993	5,809	19,844
Gross collections	10,252	6,849	7,458	9,748	34,307
Refunds	(2,766)	(339)	(660)	(1,060)	(4,825)
Refund reserve	694	-	-	(560)	134
STAR Fund deposit	-	(198)	(2,806)	(198)	(3,202)
DRRF deposit/RBTF	(1,872)	(1,578)	(999)	(2,121)	(6,570)
User taxes and fees	2,252	2,164	2,167	2,039	8,622
Sales and use taxes	2,092	1,981	1,993	1,886	7,951
Cigarette and tobacco taxes	105	111	101	84	401
Motor vehicle fees	-	-	-	-	-
Alcoholic beverage taxes	45	60	62	57	224
ABC License fees	10	12	11	12	46
Business taxes	962	999	927	1,177	4,066
Corporation franchise tax	412	457	403	547	1,819
Corp. & utilities taxes	144	161	164	174	643
Insurance taxes	214	227	215	314	969
Bank Taxes	192	155	145	143	635
Other taxes	203	178	204	194	778
Estate & Gift tax	196	169	199	189	752
Real property gains tax	-	-	-	-	-
Pari-mutuel taxes	7	8	5	5	25
Other taxes	0	0	0	0	1
TOTAL	9,725	8,075	6,291	9,220	33,310
TOTAL TAXES (Before Transfers, STAR and Refund Reserve)	10,903	9,851	10,096	12,098	42,948

Note: Values may be slightly different due to rounding.

GENERAL FUND QUARTERLY CASHFLOW COMPARISON
SFY 2005-06 vs. SFY 2004-05
(percent)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Personal income tax	(0.2)	6.5	6.3	8.6	4.8
Gross collections	9.0	6.7	4.6	4.9	6.4
Refunds	6.0	11.3	(2.6)	0.8	3.9
Refund reserve	(43.4)	N/A	N/A	(19.3)	(74.8)
STAR Fund deposit	N/A	6.1	4.0	6.1	4.2
DRRF deposit/RBTF	10.2	6.3	6.4	5.5	7.1
User taxes and fees	1.0	(1.9)	(1.5)	(3.6)	(1.5)
Sales and use taxes	1.6	(3.1)	(2.5)	(3.2)	(1.8)
Cigarette and tobacco taxes	(1.1)	2.0	(2.6)	(0.6)	(0.5)
Motor vehicle fees	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
Alcoholic beverage taxes	1.1	27.0	29.9	27.5	21.6
ABC License fees	2.5	24.3	7.6	5.5	9.5
Business taxes	11.1	4.8	6.9	9.3	8.0
Corporation franchise tax	5.4	9.0	1.2	17.3	8.6
Corp. & utilities taxes	19.8	10.5	(11.7)	17.3	7.2
Insurance taxes	6.3	0.9	16.1	4.2	6.3
Bank Taxes	24.9	(5.3)	47.3	(11.5)	10.0
Other taxes	3.2	5.0	11.5	6.7	6.6
Estate & Gift tax	3.7	5.7	11.6	6.9	6.9
Real property gains tax	(100.0)	(100.0)	(100.0)	N/A	(100.0)
Pari-mutuel taxes	7.7	(0.4)	(8.3)	(2.5)	(0.7)
Other taxes	(50.0)	(66.7)	N/A	11.1	(11.8)
TOTAL	1.1	3.9	3.7	5.7	3.5
TOTAL TAXES (Before Transfers, STAR and Refund Reserve)	27.2	6.8	9.0	5.5	11.3

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 2005-06, the annual value of the tax reduction program is estimated to total nearly $15.0 billion.

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

	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Personal Income Taxes	4,484.0	4,780.0	5,333.0	5,570.0	5,126.1	5,319.1	6,030.1	6,580.0	6,698.7
User Taxes and Fees	**268.6**	**388.9**	**560.0**	**1,103.8**	**1,212.3**	**1,232.5**	**825.7**	**734.1**	**841.2**
Sales and use tax	101.5	154.1	243.6	782.5	871.0	889.1	472.6	375.9	476.7
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	14.1	15.5	17.5	17.8	17.6	17.6	18.6	18.6	18.6
Motor vehicle fees	0.0	49.3	69.7	69.5	75.4	73.6	74.9	73.9	76.7
Highway use tax	33.4	38.7	73.1	75.4	85.2	87.6	90.8	94.3	97.8
Alcoholic beverage tax	17.1	18.0	24.6	25.5	28.3	28.2	30.7	33.3	33.3
ABC license fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hotel/Motel tax	76.5	78.0	79.5	81.1	82.8	84.4	86.1	86.1	86.1
Container tax	26.0	35.3	52.0	52.0	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	**1,187.5**	**1,241.8**	**1,565.8**	**2,081.7**	**2,401.9**	**2,714.3**	**3,060.1**	**3,172.8**	**3,289.9**
Corporation franchise tax	472.2	496.5	682.0	524.4	836.7	958.7	1,066.0	1,061.0	1,143.1
Corporation and utilities tax	289.9	306.9	425.8	1,077.8	999.7	1,115.0	1,294.5	1,401.3	1,422.5
Insurance tax	116.4	119.4	114.7	127.7	160.5	193.0	216.3	216.3	216.3
Bank tax	100.8	90.0	108.1	116.1	160.1	198.7	231.4	239.3	253.8
Petroleum business tax	208.2	229.0	235.2	235.7	244.9	248.4	251.9	254.9	254.2
Other Taxes	**178.9**	**322.3**	**317.9**	**582.9**	**785.6**	**823.9**	**851.4**	**898.4**	**949.4**
Estate/Gift tax	81.7	86.0	133.0	423.0	616.5	648.0	676.0	723.0	762.0
Real property gains tax	81.6	220.6	168.1	142.1	147.0	156.0	156.0	156.0	170.0
Real estate transfer tax	1.6	2.2	2.2	2.2	2.2	1.3	0.8	0.8	0.8
Pari-mutuel tax	14.0	13.5	14.5	15.5	19.8	18.5	18.5	18.5	16.5
Other	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Subtotal	**6,119.0**	**6,733.0**	**7,776.7**	**9,338.4**	**9,525.9**	**10,089.8**	**10,767.3**	**11,385.3**	**11,779.2**
STAR	0.0	582.2	1,194.6	1,876.5	2,510.1	2,664.1	2,819.5	3,072.0	3,202.0
Grand Total	**6,119.0**	**7,315.2**	**8,971.3**	**11,214.9**	**12,036.0**	**12,753.9**	**13,586.8**	**14,457.3**	**14,981.2**

REVENUE ACTIONS

The 2005-06 Budget includes a net positive increment of $1.0 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 or loss from the proposed action. This table represents gross revenue adds and reductions without any adjustments for associated spending changes, movements across funds or General Fund spending offsets.

FEE AND REVENUE ACTIONS LIST

Agency	Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY 2005-06	New Full Annual Revenue SFY 2007-08
						(000)	(000)
I. ADMINISTRATIVE							
AGMKTS	First violation food inspections – 1/1/05	GFMR	None	$300	N/A	$400	$400
GSC	Medicare Part D subsidy – 1/1/06	GFMR	None	None	N/A	$5,900	$70,300
PARKS	Increase camping fees – 4/1/05	SFMR	$13	$17	2001	$1,400	$1,400
			Administrative Actions Subtotals			**$7,700**	**$72,100**
II. STATUTORY							
AGMKTS	Subsequent violations food inspections – 4/1/05	GFMR	$300 & $600	$1,000	1990	$700	$700
CPB	Unfair/Deceptive Business Practices Increase – 4/1/05	GFMR	$500	$5,000	1963	$600	$600
DCJS	Work zone automated speed enforcement – 10/1/05	GFMR	None	Various	N/A	$18,000	$36,000
DMV	ATV registration fee increase – 4/1/05	GFMR	$10	$45	1986	$5,833	$6,430
INS	Agent license fee increase – 4/1/05	GFMR	$20	$40	1984	$2,482	$2,670
INS	Service of process fee increase – 4/1/05	GFMR	$20	$40	1984	$1,356	$1,356
INS	Reinsurance license fee increase – 4/1/05* *No impact until 2006-07	GFMR	$100	$500	1984	$0	$0
NYPA	Pilot payments – 4/1/05	GFMR	None	None	N/A	$75,000	$100,000
DMV	Data search fee increase – 1/1/06	SFMR/CFMR	Electronic: $5 Manual: $6	$7 $10	2003	$3,779	$15,123
DMV	Photo image fee increase – 1/1/06	SFMR/CFMR	$5	$10	2003	$2,363	$9,450
ENCON	Title V operational permit fee increase – 4/1/05	SFMR	$45	$58	1999	$3,614	$3,614

Agency	Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY 2005-06 (000)	New Full Annual Revenue SFY 2007-08 (000)
HLTHOTH	Reestablish 0.7% assessment on hospital receipts – 4/1/05	SFMR	0.0%	0.7%	2000	$194,300	$212,000
HLTHOTH	Nursing home reimbursable assessment increase – 4/1/05	SFMR	5.0%	6.0%	2004	$69,200	$452,800
LABOR	Asbestos handling license renewal fee increase – 4/1/05	SFMR	$300	$500	1989	$185	$185
LOTTERY	Extend quick draw program and ease restrictions – 4/1/05	SFTX	None	None	N/A	$39,000	$57,000
LOTTERY	VLT Legislation – Immediately	SFTX	None	None	2003	$108,000	$652,000
RWB	Racing fee increase – 4/1/05	SFMR	0.39%	0.50%	2003	$2,800	$2,600
SLRB	New annual registration fee – 4/1/05	SFMR	None	$50 - $250	N/A	$1,129	$1,129
SWN	Service surcharge clarifications – 9/1/05	SFMR	$1.20	$1.20	2002	$3,500	$8,500
				Statutory Actions - Subtotal		**$531,841**	**$1,562,157**
			ADMINISTRATIVE AND STATUTORY - TOTAL			**$539,541**	**$1,634,257**

III. OTHER REVENUE ACTIONS

Agency	Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY 2005-06 (000)	New Full Annual Revenue SFY 2007-08 (000)
AGMKTS	Direct wine shipments – 6/1/05	GFTX/DFTX	None	None	N/A	$2,600	$3,800
T&F	Adopt tax shelter provisions – 1/1/05	GFTX	None	None	N/A	$25,000	$0
T&F	Allow tax department to enter into reciprocal offset agreements with other states – Immediately	GFTX/DFTX	None	None	N/A	$0	$2,000
T&F	Change computation of long term care insurance credit for nonresidents – 1/1/05	GFTX/DFTX	None	None	N/A	$1,500	$6,000
T&F	Change tax treatment of REITS and RICS – 1/1/05	GFTX	None	None	N/A	$50,000	$50,000
T&F	Extend higher LLC fees – 1/1/05	GFTX/DFTX	None	None	N/A	$22,000	$22,000
T&F	Increase capital base cap under Article 9A – 1/1/05	GFTX	Current cap - $350,000	Proposed cap - $1,000,000	N/A	$26,000	$26,000
T&F	Maintain Manhattan parking reporting requirements – Immediately	GFTX/DFTX	None	None	N/A	$700	$700
T&F	Raise wine excise tax – 6/1/05	GFTX/DFTX	$0.05/liter	$0.28/liter	1994	$37,700	$44,500

Agency	Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY 2005-06 (000)	New Full Annual Revenue SFY 2007-08 (000)
T&F	Remove premiums tax exclusion on certain mutual insurance companies – 1/1/05	GFTX	None	None	N/A	$18,000	$18,000
T&F	Replace permanent clothing exemption with two $250 weeks & offer local options – 6/1/05	GFTX/DFTX	None	None	N/A	$455,900	$604,800
T&F	Require tax clearance for certain licensers – 1/1/06	GFTX/DFTX	None	None	N/A	$0	$1,000
T&F	SPUR extend empire zones program – 1/1/05	GFTX	None	None	N/A	$0	$25,000
DMV	Dealer issued temporary registration fee increase – 10/1/05	SFTX/CFTX	$2	$5	1989	$1,200	$2,400
DMV	Dealer/transporter registration fee increase – 10/1/05	SFTX/CFTX	Registration Fee: $300 Application Fee: $25	$450 $37.50	1989	$600	$1,200
DMV	Insurance buyback program expansion – 1/1/06	SFTX/CFTX	$8	$12	1998	$2,750	$11,000
DMV	Salvaged vehicle inspection fee increase – 10/1/05	SFTX/CFTX	$100	$150	1989	$800	$1,600
DMV	Title fee increase – 1/1/06	SFTX/CFTX	Original: $10 Mobile & Manufactured: $25 Duplicate: $10	$50 $125 $20	2003	$31,250	$125,000
DMV	Vehicle registration fee increases – 1/1/06	SFTX/CFTX	Various	Various	1998	$29,250	$117,000
					Other Revenue Actions - Subtotal	**$705,250**	**$1,062,000**

IV. REVENUE REDUCTIONS

Agency	Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY 2005-06 (000)	New Full Annual Revenue SFY 2007-08 (000)
T&F	Accelerated income tax phase-out – 1/1/05	GFTX/DFTX	None	None	N/A	$(190,000)	$0
T&F	EITC strengthening families through stronger fathers – 1/1/05	GFTX/DFTX	None	None	N/A	$(4,000)	$(22,000)
T&F	Green buildings tax credit – 1/1/06	GFTX	None	None	N/A	$0	$(2,000)
T&F	Low-Income Housing – 1/1/05	GFTX/DFTX	None	None	2002	$0	$(2,000)
T&F	Personal income tax deduction for payers of the nursing home assessment – 1/1/05	GFTX/DFTX	None	None	N/A	$(500)	$(2,000)
T&F	SPUR centers of excellence – 1/1/05	GFTX	None	None	N/A	$(1,000)	$(3,000)
T&F	SPUR extension of power for jobs – 1/1/05	GFTX	None	None	N/A	$0	$0

Agency	Description Effective Date	Fund Type and Category	Current Fee	Proposed Fee	Year of Last Change	New Annual Revenue SFY 2005-06	New Full Annual Revenue SFY 2007-08
						(000)	(000)
T&F	Reform and extend alternative fuels vehicle credit – Immediately	GFTX/DFTX	None	None	N/A	$0	$(2,500)
T&F	SPUR single sales factor for manufacturers – 1/1/05	GFTX	None	None	N/A	$(4,000)	$(7,000)
T&F	SPUR single sales/ eliminate AMT – 1/1/05	GFTX	None	None	N/A	$(5,000)	$(5,000)
T&F	SPUR targeted wage credit – 1/1/05	GFTX	None	None	N/A	$(25,000)	$(35,000)
T&F	STAR plus – 1/1/05	GFTX/DFTX	None	None	N/A	$8,000	$(99,000)
T&F	Tax free week on certain energy star products – 6/1/05	GFTX/DFTX	None	None	N/A	$(4,000)	$(4,200)
					Revenue Reductions - Subtotal	**$(225,500)**	**$(183,700)**
					REVENUE ACTIONS AND REDUCTIONS - TOTAL	**$479,750**	**$878,300**
					ALL FEE AND REVENUE ACTIONS - GRAND TOTAL	**$1,019,291**	**$2,512,557**

Key:

CF = Capital Projects Fund
DF = Debt Service Funds
GF = General Fund
MR = Miscellaneous Receipts
SF = Special Revenue Funds
TX = Tax

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)

	2003-04 Actual	2004-05 Estimate	2005-06 Recommended
SPECIAL REVENUE FUNDS			
School Tax Relief Fund (STAR)			
Personal income tax	2,819.5	3,072.0	3,202.0
Dedicated Mass Transportation Trust Fund	550.5	599.4	642.0
Petroleum business tax	340.8	355.5	370.7
Motor fuel tax	105.1	110.7	111.4
Motor vehicle fees	104.6	133.2	159.9
Mass Trans. Operating Assistance Fund	1,072.2	1,164.1	1,253.3
Corporate Surcharges			
Corporation franchise tax	218.2	230.3	250.2
Corporation and utilities tax	109.8	109.6	117.4
Insurance tax	100.7	109.4	116.3
Bank tax	55.5	89.1	107.3
Other			
Sales and use tax	399.3	429.8	452.2
Petroleum business tax	131.3	137.1	143.1
Corporation and utilities — sections 183 & 184	57.4	58.8	66.8
HCRA Resources Fund			
Cigarette Tax	0.0	0.0	561.0
Total Tax Receipts: - Special Revenue Funds-Other	4,442.2	4,835.5	5,658.3
DEBT SERVICE FUNDS			
Debt Reduction Reserve Fund			
Personal income tax	0.0	0.0	0.0
Revenue Bond Tax Fund			
Personal income tax	5,456.9	6,134.0	6,570.0
Emergency Highway Reconditioning and Preservation Fund			
Motor fuel tax	0.0	0.0	0.0
Emergency Highway Construction and Reconstruction Fund			
Motor fuel tax	0.0	0.0	0.0
Clean Water/Clean Air Fund			
Real estate transfer tax	398.4	622.0	627.0
Local Government Assistance Tax Fund			
Sales and use tax	2,266.8	2,458.8	2,636.0
Total Tax Receipts - Debt Service Funds	8,122.1	9,214.8	9,833.0
CAPITAL PROJECTS FUNDS			
Dedicated Highway and Bridge Trust Funds	1,644.0	1,711.1	1,743.3
Petroleum business taxes	580.3	605.4	631.2
Motor fuel tax	410.4	419.9	421.7
Motor vehicle fees	468.1	481.2	472.5
Highway use tax	146.6	152.7	162.6
Transmission tax	0.0	14.7	16.7
Auto rental tax	38.6	37.2	38.6
Environmental Protection Fund			
Real estate transfer tax	112.0	112.0	112.0
Total Tax Receipts - Capital Projects Funds	1,756.0	1,823.1	1,855.3
Total Tax Receipts - Other Funds	**14,320.3**	**15,873.4**	**17,346.6**

TRANSPORTATION RELATED RECEIPTS

The following table shows the State revenue distributions to the Metropolitan Mass Transportation Authority and for other dedicated transportation funds for State fiscal year 2003-04 and estimated amounts for the current and upcoming fiscal years. The 2005-06 estimates include the revenue proposals included in the Executive Budget necessary to address the 5-year transportation capital plan.

2003-04 DEDICATED TRANSPORTATION RECEIPTS
ACTUALS
(millions of dollars)

	MTA	OTHER TRANSPORTATION	TOTAL TRANSPORTATION DEDICATED COLLECTIONS
Auto rental tax	0.0	38.6	38.6
Highway use tax	0.0	146.6	146.6
Petroleum business tax	377.6	674.8	1,052.4
Motor fuel tax	96.6	418.9	515.5
Motor vehicle fees	96.1	476.6	572.7
MTA business tax surcharges			
Corporate franchise tax	194.7	23.5	218.2
Corporation and utility tax	98.0	11.8	109.8
Insurance tax	89.8	10.9	100.7
Bank tax	49.5	6.0	55.5
Sales Tax	356.3	43.0	399.3
Transportation and Transmission taxes	51.2	6.2	57.4
TOTAL	**1,409.8**	**1,856.9**	**3,266.7**

2004-05 DEDICATED TRANSPORTATION RECEIPTS
ACTUAL AND ESTIMATED
(millions of dollars)

	MTA	OTHER TRANSPORTATION	TOTAL TRANSPORTATION DEDICATED COLLECTIONS
Auto rental tax	0.0	37.2	37.2
Highway use tax	0.0	152.7	152.7
Petroleum business tax	394.0	704.0	1,098.0
Motor fuel tax	101.7	428.9	530.6
Motor vehicle fees	122.4	492.0	614.4
MTA business tax surcharges			
Corporate franchise tax	205.5	24.8	230.3
Corporation and utility tax	97.8	11.8	109.6
Insurance tax	97.6	11.8	109.4
Bank tax	79.5	9.6	89.1
Sales Tax	383.5	46.3	429.8
Transportation and Transmission taxes	52.5	21.0	73.5
TOTAL	**1,534.4**	**1,940.2**	**3,474.6**

2005-06 DEDICATED TRANSPORTATION RECEIPTS
PROJECTIONS
(millions of dollars)

	MTA	OTHER TRANSPORTATION	TOTAL TRANSPORTATION DEDICATED COLLECTIONS
Auto rental tax	0.0	38.6	38.6
Highway use tax	0.0	162.6	162.6
Petroleum business tax	410.9	734.1	1,145.0
Motor fuel tax	102.4	430.7	533.1
Motor vehicle fees	144.8	481.3	625.8
MTA business tax surcharges			
Corporate franchise tax	223.2	27.0	250.2
Corporation and utility tax	104.8	12.7	117.5
Insurance tax	103.8	12.5	116.3
Bank tax	95.7	11.6	107.3
Sales Tax	403.5	48.7	452.2
Transportation and Transmission taxes	59.6	23.9	83.5
TOTAL	**1,648.7**	**1,983.7**	**3,632.4**

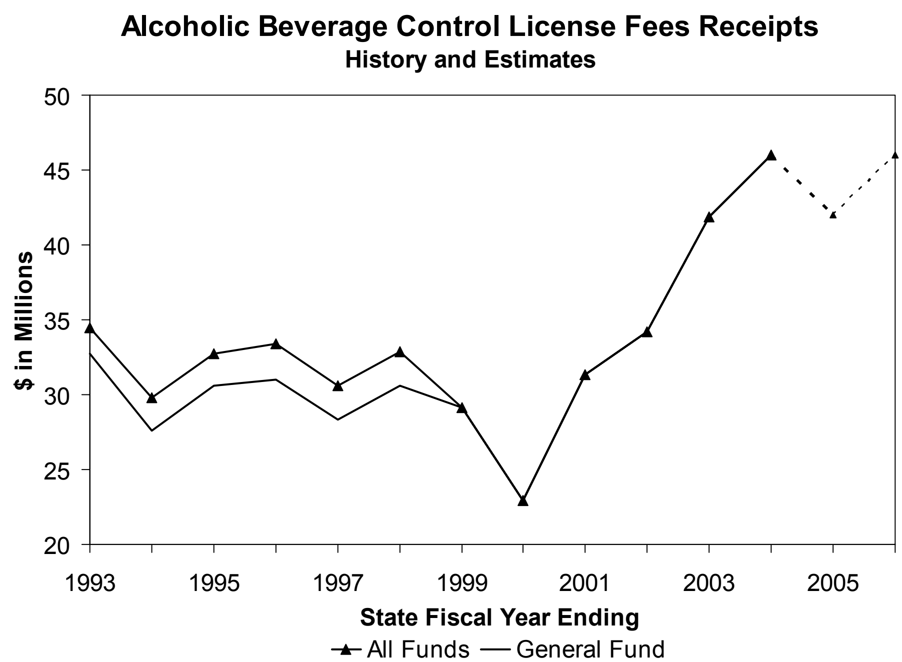
ALCOHOLIC BEVERAGE CONTROL LICENSE FEES

SUMMARY

In 2004-05, All Funds net collections from alcoholic beverage control license fees are estimated to be $42 million. This is a decrease of $4 million, or 8.7 percent, from the prior year.

In 2005-06, All Funds net collections from alcoholic beverage control license fees are projected to be $46 million. This is an increase of $4 million, or 9.5 percent, compared with 2004-05.

No new legislation for these fees is proposed with this Budget.



DESCRIPTION

Fee Base and Rate

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 the class of beverage for which the license is issued.

Administration

Fees are paid directly to the State Liquor Authority on or before the expiration date of the current one-, two-, or three-year license, or with the application for a new license.

NUMBER OF LICENSES BY CATEGORY
(calendar year)

	Liquor Stores	Bars and Restaurants: Beer, Wine and Liquor	Beer and Wine	Beer Only	Subtotal	Grocery Stores	Wholesale	Total
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
2002	2,494	21,192	4,256	2,066	27,514	19,051	1,202	50,261
2003	2,501	19,666	4,470	1,977	26,113	18,726	1,233	48,573
2004	2,525	19,772	4,606	1,984	26,362	18,496	1,254	48,637

Significant Legislation

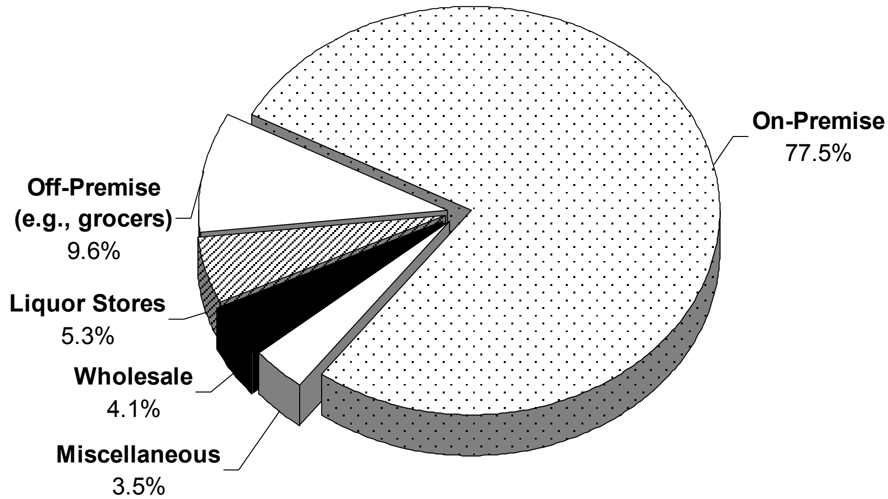
The significant statutory changes for this revenue source since 1994 are summarized below.

Subject	Description	Effective Date
Legislation Enacted in 1997		
License Renewal	Changed the required purchase of a triennial license 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	Increased license fees for most licensees by 28 percent.	September 1, 2002
Legislation Enacted in 2003		
Open Sundays	Allowed liquor stores to have an option of closing a day other than Sunday.	May 15, 2003
Legislation Enacted in 2004		
Seven Day Sales	Allowed liquor stores to open seven days per week.	August 20, 2004

FEE LIABILITY

The most significant source of revenue is the licensing of about 2,500 retail liquor outlets, including package stores engaged in carry-out sales, and about 26,400 bars and restaurants that offer on-premise consumption. The majority of State-licensed bars and restaurants (about 19,800 in 2004) are authorized to sell beer, wine, and liquor. Approximately 4,600 licensees are permitted to sell only beer and wine. The remaining 2,000 licensees in 2004 sold only beer. In addition, there were about 18,500 grocery stores licensed to sell beer for off-premise consumption and 1,300 alcoholic beverage wholesalers. Finally the miscellaneous licenses (not shown above), which account for roughly 3.5 percent of revenue, are made up of specialty and seasonal licenses (for example, veterans' clubs and seasonal tour boats).

Alcoholic Beverage Control License Fees
Share of 2003 Receipts by Licensee Category



PROPOSED LEGISLATION

No new legislation for these fees is proposed with this Budget.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $29.6 million, a decrease of $7.4 million, or 20.1 percent below the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $42 million, a decrease of $4 million, or 8.7 percent below last year. The decrease is attributable to the 2002 elimination of the two-year installment option for two-year licenses which resulted in one-time revenue increases in 2002-03 and 2003-04 and the smaller number of two-year licensees who renew in odd years.

2005-06 Projections

Total net All Funds receipts are projected to be $46 million, an increase of $4 million, or 9.5 percent above 2004-05. The increase is attributable to the larger number of two-year licensees who renew in even years.

General Fund

Effective April 1, 1998, all proceeds from alcoholic beverage control license fees are deposited in the General Fund.

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.

RECEIPTS BY FUND TYPE

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						
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
2002-03	43,124	1,183	41,941	0	0	0	41,941
2003-04	47,814	1,796	46,017	0	0	0	46,017
	Estimated						
2004-05	43,900	1,900	42,000	0	0	0	42,000
2005-06	48,300	2,300	46,000	0	0	0	46,000

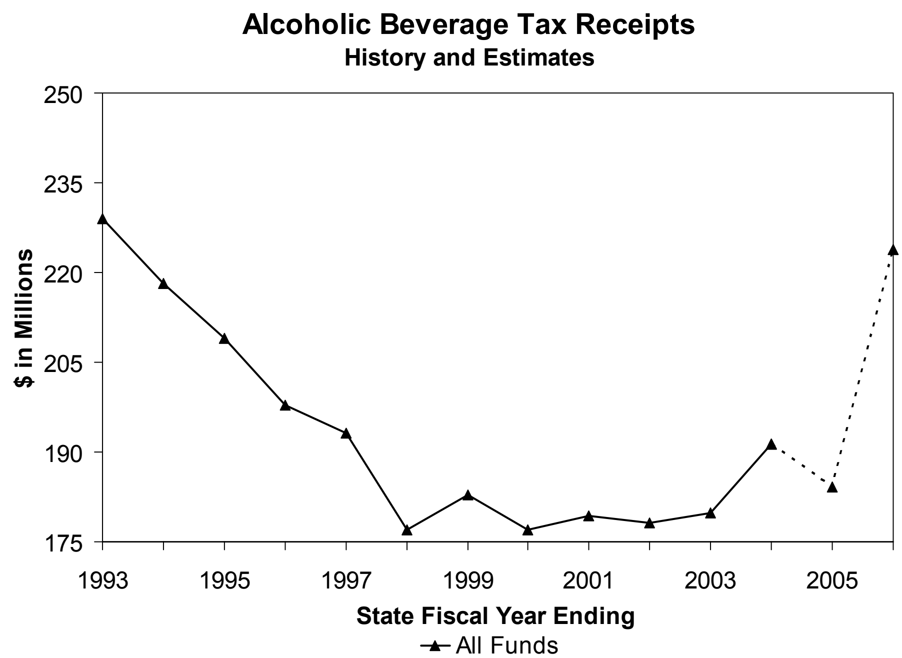
ALCOHOLIC BEVERAGE TAXES

SUMMARY

In 2004-05, All Funds net collections from alcoholic beverage taxes are estimated to be $184.1 million. This is a decrease of $7.3 million, or 3.8 percent from the prior year.

In 2005-06, All Funds net collections from alcoholic beverage taxes are projected to be $223.9 million. This is an increase of $39.8 million, or 21.6 percent, compared with 2004-05.

Legislation proposed with this Budget will allow for the direct shipment of wine to individual consumers in New York State and increase the wine tax from $0.05 to $0.28 per liter, effective June 1, 2005. A portion ($3.5 million) of the wine tax increase will be used to promote New York wines.



DESCRIPTION

Tax Base and Rate

New York State imposes excise taxes at various rates on liquor, beer, wine and specialty beverages.

State tax rates for 2004-05 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
Liquor with not more than 2 percent alcohol	0.01	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	0.11	per gallon
Cider with more than 3.2 percent alcohol	0.01	per liter

National Wine Excise Tax Rates Ranking By State**

January 2004

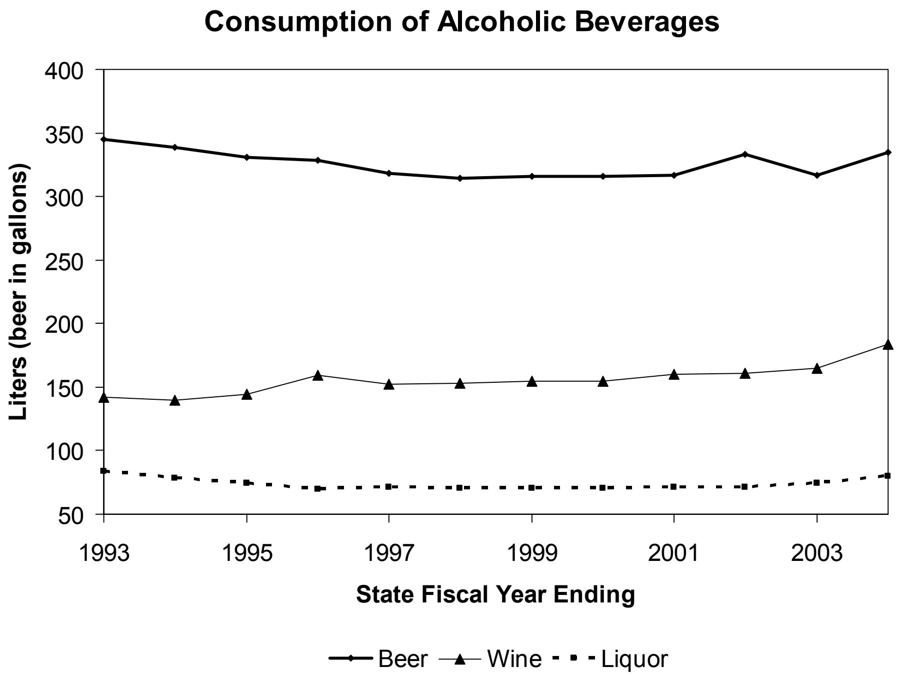
Current Wine Tax Rates			Proposed Wine Tax Rates		
Rank	**State**	**$/Liter**	**Rank**	**State**	**$/Liter**
1	Alaska	$0.66	1	Alaska	$0.66
2	Florida	$0.59	2	Florida	$0.59
3	Iowa	$0.46	3	Iowa	$0.46
4	Alabama	$0.45	4	Alabama	$0.45
5	New Mexico	$0.45	5	New Mexico	$0.45
6	Georgia	$0.40	6	Georgia	$0.40
7	Virginia	$0.40	7	Virginia	$0.40
8	Hawaii	$0.36	8	Hawaii	$0.36
9	Tennessee	$0.32	9	Tennessee	$0.32
10	Montana	$0.28	10	Montana	$0.28
11	West Virginia	$0.26	**11**	**New York**	**$0.28**
12	Delaware	$0.26	12	West Virginia	$0.26
13	Nebraska	$0.25	13	Delaware	$0.26
14	South Dakota	$0.25	14	Nebraska	$0.25
15	South Carolina	$0.24	15	South Dakota	$0.25
16	Washington	$0.23	16	South Carolina	$0.24
17	Arizona	$0.22	17	Washington	$0.23
18	North Carolina	$0.21	18	Arizona	$0.22
19	Arkansas	$0.20	19	North Carolina	$0.21
20	Illinois	$0.19	20	Arkansas	$0.20
21	Oklahoma	$0.19	21	Illinois	$0.19
22	Nevada	$0.18	22	Oklahoma	$0.19
23	New Jersey	$0.18	23	Nevada	$0.18
24	Oregon	$0.18	24	New Jersey	$0.18
25	Connecticut	$0.16	25	Oregon	$0.18
26	Maine	$0.16	26	Connecticut	$0.16
27	Rhode Island	$0.16	27	Maine	$0.16
28	Massachusetts	$0.15	28	Rhode Island	$0.16
29	Vermont	$0.15	29	Massachusetts	$0.15
30	Michigan	$0.13	30	Vermont	$0.15
31	Kentucky	$0.13	31	Michigan	$0.13
32	North Dakota	$0.13	32	Kentucky	$0.13
33	Indiana	$0.12	33	North Dakota	$0.13
34	Idaho	$0.12	34	Indiana	$0.12
35	Maryland	$0.11	35	Idaho	$0.12
36	Missouri	$0.10	36	Maryland	$0.11
37	Mississippi	$0.09	37	Missouri	$0.10
38	Colorado	$0.08	38	Mississippi	$0.09
39	Ohio	$0.08	39	Colorado	$0.08
40	Dist. Of Columbia	$0.08	40	Ohio	$0.08
41	Kansas	$0.08	41	Dist. Of Columbia	$0.08
42	Minnesota	$0.08	42	Kansas	$0.08
43	Wisconsin	$0.07	43	Minnesota	$0.08
44	California	$0.05	44	Wisconsin	$0.07
45	Texas	$0.05	45	California	$0.05
46	**New York**	**$0.05**	46	Texas	$0.05
47	Louisiana	$0.03	47	Louisiana	$0.03
48	New Hampshire	*	48	New Hampshire	*
49	Pennsylvania	*	49	Pennsylvania	*
50	Utah	*	50	Utah	*
51	Wyoming	*	51	Wyoming	*

*Wine sales are through state stores. Revenue in these states is generated from various taxes, fees and net profits.

**Data courtesy of Federation of Tax Administrators

Administration

The tax is remitted by licensed distributors and noncommercial importers of such beverages in the month following the month of delivery.



Significant Legislation

The significant statutory changes to this tax source since 1994 are summarized below.

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 tax exemption from 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

TAX LIABILITY

Overall, per capita consumption of taxed beverages and receipts has remained fairly constant in recent years with declines in one beverage class being offset with increases in others, due to 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 relative prices on beverages with higher alcohol content.

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 (see table below). 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 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.
Failure by a distributor to pay the tax		10 percent of the tax amount 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.
Failure by any other person 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.

PROPOSED LEGISLATION

Legislation proposed with this Budget will:

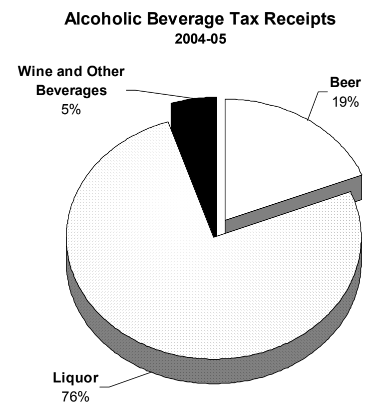
- allow for the direct shipment of wine to individual consumers in New York State, effective June 1, 2005; and
- increase the wine tax, from $0.05 to $0.28 per liter, effective June 1, 2005. A portion ($3.5 million) of the wine tax increase will be used to promote New York wines.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $139.6 million, a decrease of $6 million, or 4.1 percent below the comparable period in the prior fiscal year.



Total net All Funds receipts for 2004-05 are estimated to be $184.1 million, a decrease of $7.3 million, or 3.8 percent below last year.

The majority of the decline was due to a late 2002-03 payment that caused 2003-04 receipts to be inflated.

The bulk of estimated receipts, $140.1 million, are derived from the tax on liquor. Beer will generate an estimated $34.6 million and wine and other taxed beverages an estimated $9.4 million.

COMPONENTS OF ALCOHOLIC BEVERAGE TAX RECEIPTS
(millions of dollars)

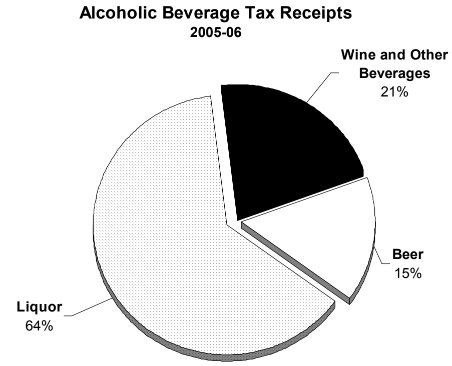
	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
	Actual					--Estimated--	--Projected--
Beer	42.7	42.8	41.8	38.9	39.0	34.6	34.7
Liquor	125.2	128.0	127.9	132.9	142.6	140.1	141.4
Wine and Other	8.3	8.5	8.5	8.7	9.6	9.4	47.8
Subtotal	176.2	179.3	178.2	180.5	191.4	184.1	223.9
Reconciliation	0.8	0.0	0.0	-0.7	0.0	0.0	0.0
Net Total	177.0	179.3	178.2	179.8	191.4	184.1	223.9

2005-06 Projections

Total net All Funds receipts are projected to be $223.9 million, an increase of $39.8 million, or 21.6 percent above 2004-05.

Based on recent trends, the consumption of liquor and wine is expected to grow modestly, while beer consumption is expected to be flat in 2005-06.

The proposal to allow direct wine shipments noted above will generate an estimated $600,000 in 2005-06. The proposal to increase the wine tax from $0.05 per liter to $0.28 per liter is expected to generate $37.7 million.



Of the total projected alcoholic beverage tax receipts, $141.4 million is derived from liquor, $34.7 million from beer, and $47.8 million from wine and other specialty beverages.

General Fund

Currently, all receipts from the alcoholic beverage tax are deposited in the General Fund.

RECEIPTS BY FUND TYPE

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			
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
2002-03	180,686	931	179,755	0	0	0	179,755
2003-04	191,380	23	191,357	0	0	0	191,357
				Estimated			
2004-05	184,150	50	184,100	0	0	0	184,100
2005-06							
(current law)	185,650	50	185,600	0	0	0	185,600
(proposed law)	223,950	50	223,900	0	0	0	223,900

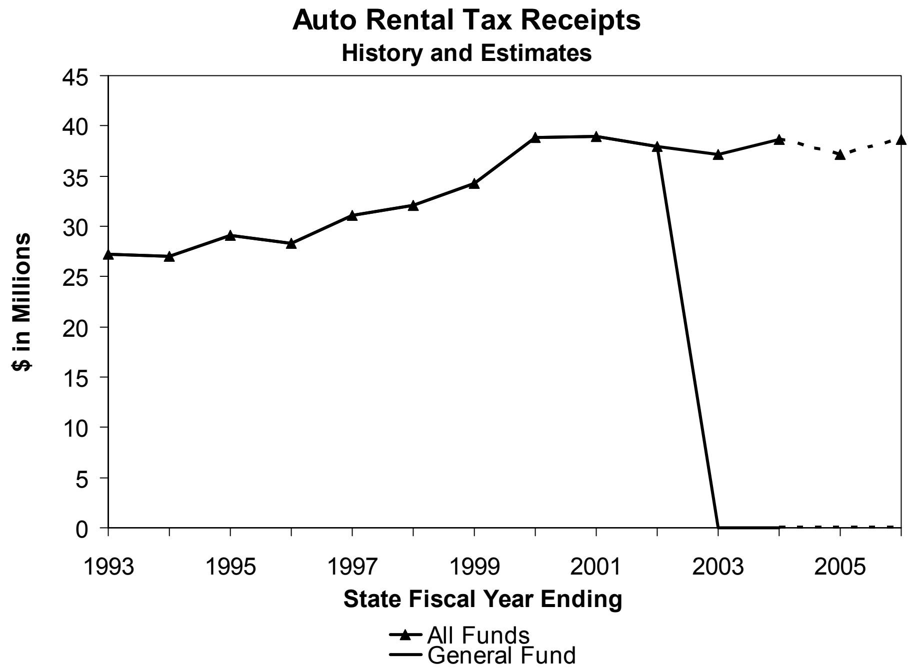
AUTO RENTAL TAXES

SUMMARY

In 2004-05, All Funds net collections from auto rental taxes are estimated to be $37.2 million. This is a decrease of $1.4 million, or 3.6 percent, from the prior year.

In 2005-06, All Funds net collections from auto rental taxes are projected to be $38.6 million. This is an increase of $1.4 million, or 3.8 percent, compared with 2004-05.

No new legislation for these taxes is proposed with this Budget.



DESCRIPTION

Tax Base and Rate

The auto rental 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 one year or more.

Since June 1, 1990, the State has imposed a 5 percent tax on charges for the rental or use in New York State of a passenger car with a gross vehicle weight of 9,000 pounds or less.

Administration

The auto rental tax is remitted quarterly by the vendor on the vendor's sales tax return to the Department of Taxation and Finance.

TAX LIABILITY

Receipts from the auto rental tax are influenced by the overall health of the economy, particularly consumer and business spending on travel. Unusual events that affect travel, such as the World Trade Center attacks, can influence receipts.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $32.4 million, an increase of $1.7 million, or 5.2 percent above the comparable period in the prior fiscal year.

Expenditures on travel have lagged behind the recovery in other sectors of the economy. Therefore, total net All Funds receipts for 2004-05 are estimated to be $37.2 million, a decrease of $1.4 million, or 3.6 percent below last year.

2005-06 Projections

Projected auto rental tax All Funds receipts in 2005-06 are projected to be $38.6 million, an increase of $1.4 million, or 3.8 percent above 2004-05.

General Fund

Since April 1, 2002, no auto rental tax receipts have been deposited in the General Fund.

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.

RECEIPTS BY FUND TYPE

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				
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
2002-03	0	0	0	0	37,191	0	37,191	0	37,191
2003-04	0	0	0	0	38,593	0	38,593	0	38,593
					Estimated				
2004-05	0	0	0	0	37,200	0	37,200	0	37,200
2005-06	0	0	0	0	38,600	0	38,600	0	38,600

[1] Dedicated Highway and Bridge Trust Fund.

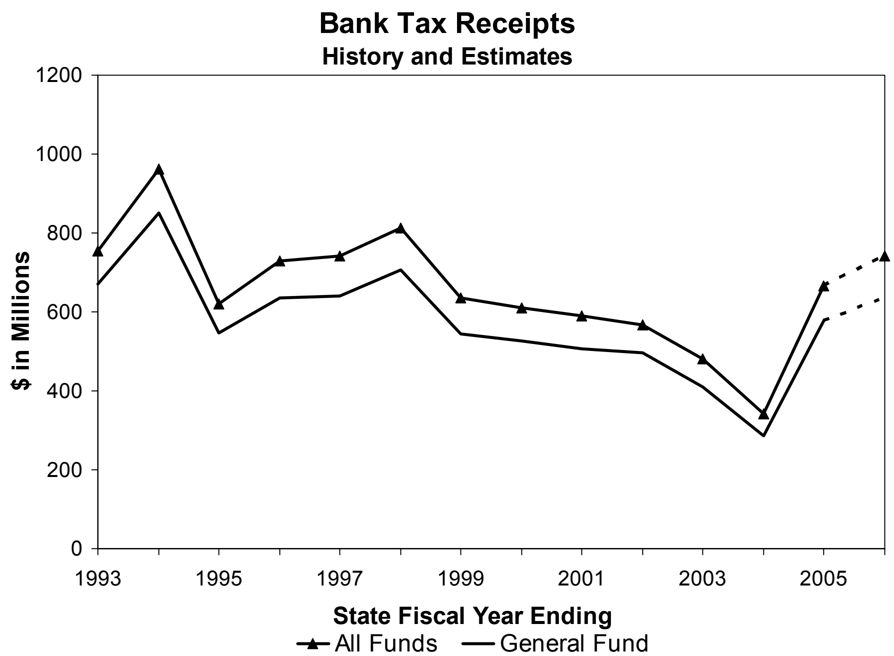
BANK TAX

SUMMARY

In 2004-05, All Funds net collections from the bank tax are estimated to be $666.6 million. This is an increase of $325.2 million, or 95.3 percent, compared with 2003-04. Collections have been affected by improved banking sector profitability in recent years that tends to have a lagged impact on current year receipts.

In 2005-06, All Funds net collections from the bank tax are projected to be $742.5 million. This is an increase of $75.9 million, or 11.4 percent, compared with 2004-05, resulting mainly from expected continued improvement in bank profits.

Legislation proposed with this Budget will change the treatment of income received from real estate investment trust (REIT) subsidiaries.



DESCRIPTION

Tax Base and Rate

The bank tax is levied by Article 32 of the Tax Law on banking corporations conducting business in New York State. The Article 32 bank 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 are:

1. An allocated entire net income (ENI) base, which begins with Federal taxable income before net operating loss deductions and special deductions. A rate of 7.5 percent is applied to this base after the exclusion, deduction, or addition of certain items and the base is allocated to New York. Tax credits will further reduce tax otherwise due.
2. An alternative minimum tax (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 3 percent.

3. An assets base at the rate of 1/10, 1/25, or 1/50 of a mill of allocated taxable assets, depending on the size of the bank's net worth relative to assets and mortgages as a percent of total assets.
4. A fixed dollar minimum of $250.

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. Banks are classified as commercial banks, savings banks, savings and loan associations, foreign banks and alien banks. Foreign banks are those formed under the laws of another state, whereas alien banks consist of banks formed under the laws of another country. The annual study of bank tax returns indicates that 791 taxpayers filed tax returns as banking corporations in 2001, a 4 percent decrease from the prior year.

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

Tax Expenditures

Tax expenditures are defined as features of the tax law that reduce the amount of a taxpayer's liability to the State. These provisions include 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 and specifically to strengthen the banking industry in New York. The major tax expenditure items for the bank tax include: the deduction of 60 percent of dividends, gains, and losses from subsidiary capital, the deduction of 22.5 percent of interest income from government obligations, and the international banking facility formula allocation election.

Significant Legislation

The significant statutory changes since 1994 are summarized below.

Subject	Description	Effective Date
Legislation Enacted in 1994		
Subsidiary Capital	Specified subsidiary capital taxation rules to 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	Allowed employers who employ individuals with disabilities to claim a credit for a portion of wages paid to such individuals.	January 1, 1998
Net Operating Loss	Allowed 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	Allowed bank taxpayers that are brokers/dealers in securities to 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

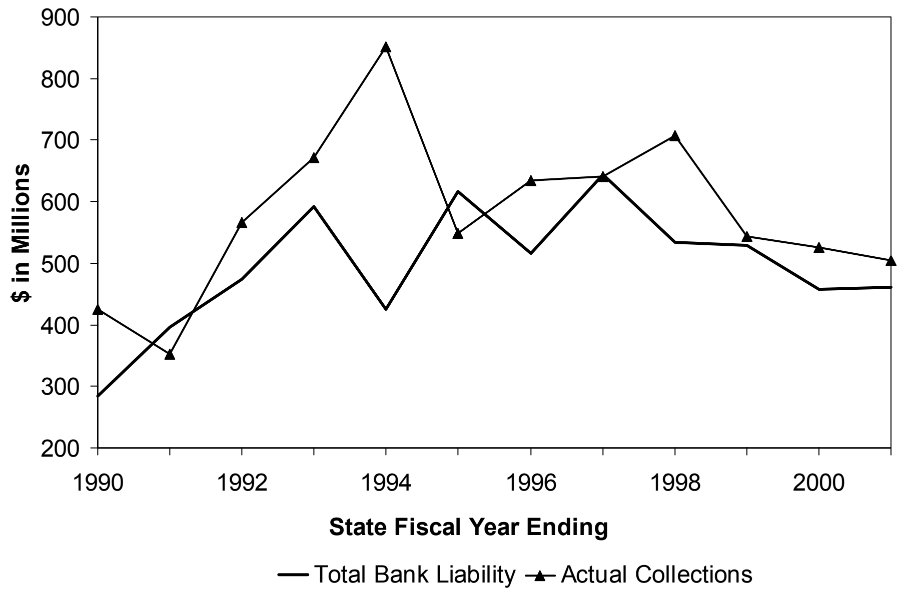
Subject	Description	Effective Date
Legislation Enacted in 2000		
Empire Zones (EZ)	Transformed Economic Development Zones (EDZ) to Empire Zones, effectively providing for virtual "tax free" zones for certain businesses. The enhanced benefits include a tax credit for real property taxes, a tax reduction 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.	Various
Legislation Enacted in 2003		
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, 2003. Sunsets for tax years beginning on or after January 1, 2005.	January 1, 2003
Modification for Decoupling from Federal Bonus Depreciation	Required taxpayers to make modifications to Federal taxable income for property placed in service on or after June 1, 2003, that qualified for the special bonus depreciation allowance allowed by the Federal Job Creation and Worker Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. The modifications do not apply to qualified resurgence zone property or qualified New York Liberty Zone property.	2003
Intangible Holding Companies	Required taxpayers to modify Federal taxable income relating to certain royalty and interest payments made with respect to the use of intangible property by related members or royalty and interest payments received from related members.	January 1, 2003
Superfund-Brownfield Tax Credits	Created tax incentives for the redevelopment of brownfields through three refundable tax credits: a redevelopment tax credit, a real property tax credit, and an environmental remediation insurance credit. There are three components in the redevelopment tax credit: a site preparation component; a tangible property component; and an onsite groundwater remediation component.	April 1, 2005
Legislation Enacted in 2004		
Bank Tax Extension	Extended for one year, until January 1, 2006, certain provisions of the Tax Law and the Administrative Code of the City of New York relating to the taxation of commercial banks. Also extended for two years, until January 1, 2006, the transitional provisions relating to the Federal *Gramm-Leach Bliley Act.*	January 1, 2004
Empire Zones Program Extension	Extended the Empire Zones (EZ) Program to March 31, 2005.	January 1, 2004
Brownfield Tax Credits	Expanded criteria for environmental zones (EN-Zones) and made technical changes. To qualify for new EN-Zones, brownfields must have a cleanup agreement prior to September 1, 2006. Also eliminated recapture provisions for disposition of property.	April 1, 2005

TAX LIABILITY

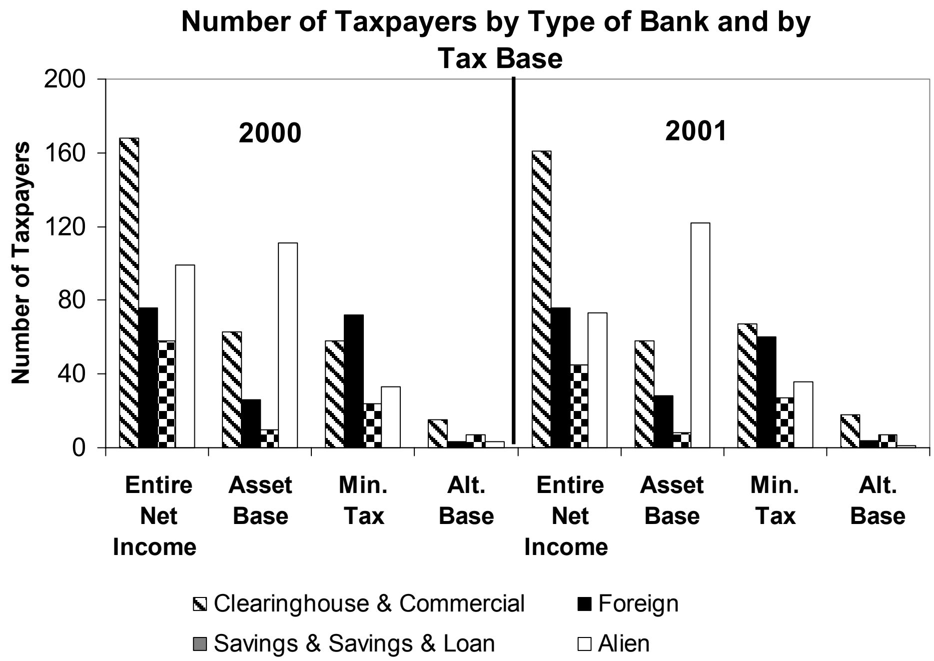
There is no clear relationship between tax liability and collections in any given State fiscal year. Tax collections are the net payments and adjustments made by taxpayers on returns and extensions over the course of a State fiscal year. These include a mandatory first installment payment based on 30 percent of the prior year's liability. Throughout the tax year, banks must also make estimated payments based on their expectation of tax liability at the end of their tax year. Taxpayers may make adjustments to these payments to better reflect their financial status. In contrast, tax liability is determined based on actual performance for a given year. It is generally calculated by tax bases, tax rates, special deductions and additions, losses and tax credits. Taxpayers have generous extensions under current law that allow the filing of returns many months after the end of their tax year.

The following graph compares total bank tax liability and collections over a ten-year period. Since taxpayers must pay estimated taxes months in advance of knowing actual liability, it is difficult for taxpayers to determine the proper level of payments to make over the course of a year. This is especially true if business or economic conditions change. The point illustrated is that there is significant volatility in the underlying relationship between payments and liability, which is further compounded by the potential difference between a taxpayer's tax year and the State fiscal year.

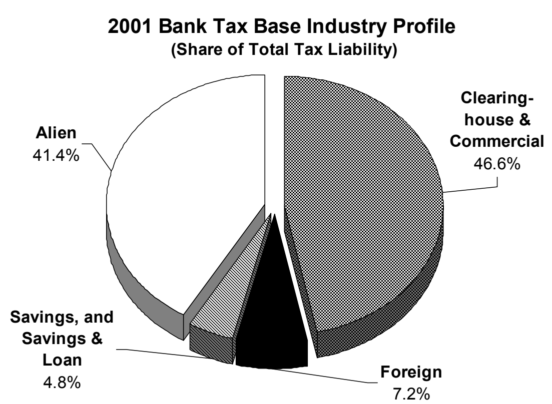
Total Bank Liability and Collections
General Fund (1990-2001)

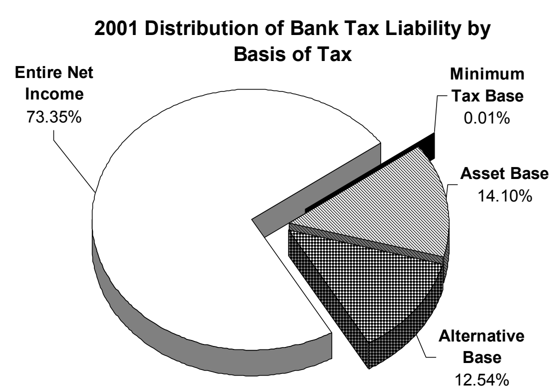


Between 2000 and 2001 (2001 representing the latest year for which tax data are available), total General Fund tax liability increased by roughly 0.6 percent, from $457 million, to $460 million. The number of taxpayers decreased by 4.2 percent, with the majority of the decrease in alien banking institutions and commercial banks headquartered outside New York State. The following graph illustrates that, consistent with the overall decline in the number of taxpayers, the number of alien banks paying under the entire net income tax base decreased by roughly 26 percent.



The following pie charts show that clearinghouse and commercial banking institutions accounted for 46.6 percent of total tax liability in 2001, and alien banking institutions accounted for 41.4 percent of total liability, while foreign banking institutions and savings and savings and loan institutions together accounted for the remaining 12.0 percent of total liability. Additionally, payments under the ENI base comprised about 73.3 percent of total tax liability.





PROPOSED LEGISLATION

The legislation proposed with this Budget will change the treatment of income received from real estate investment trust (REIT) subsidiaries.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $484.6 million, an increase of $180.1 million, or 59.2 percent, above the comparable period in the prior fiscal year. Total net All Funds receipts for 2004-05 are estimated to be $666.6 million, an increase of $325.2 million, or 95.3 percent above last year.

The relative strength in current year net collections is the result of several factors. The continued growth of the national and State economies, and more specifically, the profitability of the banking sector have begun to show strongly in bank tax receipts, which generally lag profits.

Another major factor contributing to the growth in banking receipts is the continued restructuring of the banking sector in New York. While the increasing number of mergers and acquisitions has led to fee cuts and the offering of other incentives to attract customers, these consolidations will also provide cost cutting opportunities and other synergies that should bolster profits.

2005-06 Projections

Total net All Funds receipts are projected to be $742.5 million, an increase of $75.9 million, or 11.4 percent, above 2004-05. The increase is based, in part, on the underlying relationship between tax liability and expected bank profitability.

While the Executive Budget proposal to change the treatment of REIT dividends received from subsidiaries is expected to add roughly $50 million to 2005-06 receipts or 65.9 percent of the total increase, the bank tax gains for State fiscal year 2005-06 are mainly due to the continued improvement in banking industry profitability. Overall, bank earnings, which have improved over the course of the 2004-05 State fiscal year, are expected to improve again in 2005-06. In spite of a reduction in the volume of mortgage refinancing, business loans are expected to increase.

General Fund

Based on collections to date, General Fund net collections for State fiscal year 2004-05 are estimated to reach $577.5 million, an increase of $291.6 million, or 102.0 percent from State fiscal year 2003-04 levels, primarily due to the economic and industry influences already discussed. Audit payments are estimated to be $50 million, while refunds are expected to total roughly $100 million.

Bank tax receipts for State fiscal year 2005-06 are expected to increase by 11.4 percent, primarily driven by improved profitability and an optimistic economic outlook, and the additional $50 million associated with the Executive Budget proposal to change the tax treatment of REITs, which accounts for roughly 86.7 percent of the General Fund increase.

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

	State Banks, Trust Companies and National Banks	Savings Banks	Savings and Loan Associations	Total
	Actual			
1996-97	637	(3)	5	640
1997-98	700	1	6	707
1998-99	527	12	5	544
1999-2000	516	5	5	526
2000-01	496	5	4	505
2001-02	487	5	5	496
2002-03	398	5	6	409
2003-04	280	2	4	286
	Estimated			
2004-05	562	8	8	578
2005-06	619	8	8	635

Other Funds

Based on collections to date, the bank tax contribution to MTOAF for 2004-05 is estimated to reach approximately $89.1 million. These receipts are expected to increase to $107.3 million in 2005-06.

RECEIPTS BY FUND TYPE

BANK TAX RECEIPTS
(millions of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Refunds	Net Special Revenue Funds[1]	All Funds Net Collections
	Actual						
1996-97	724	84	640	110	9	101	741
1997-98	766	58	707	114	8	105	812
1998-99	624	80	544	102	11	91	635
1999-2000	598	72	526	94	9	85	611
2000-01	598	92	505	97	11	86	591
2001-02	565	69	496	80	10	70	566
2002-03	525	114	409	84	12	72	481
2003-04	431	142	286	71	15	56	342
	Estimated						
2004-05	678	100	578	99	10	89	667
2005-06	735	100	635	117	10	107	742

[1]MCTD 17 percent surcharge deposited in Mass Transportation Operating Assistance Fund.
Note: Components may not add to net collections due to rounding.

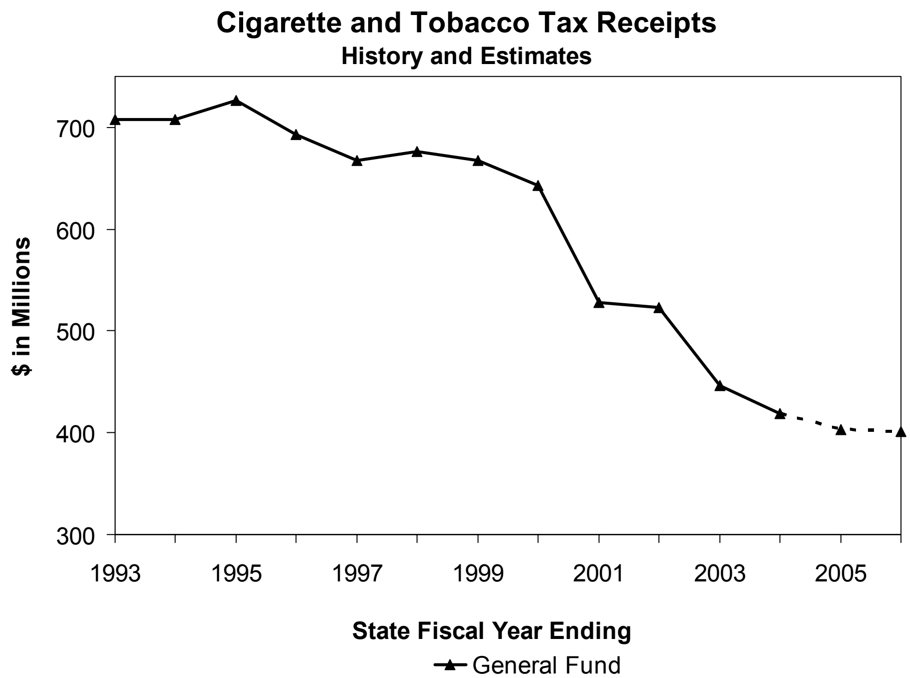
CIGARETTE AND TOBACCO TAXES

SUMMARY

In 2004-05, total collections from cigarette and tobacco taxes are estimated to be $970.2 million. This is a decrease of $42.3 million, or 4.2 percent from the prior year.

In 2005-06, All Funds net collections from cigarette and tobacco taxes are projected to be $961.9 million. This is a decrease of $8.3 million, or 0.8 percent, compared with 2004-05.

No new legislation for these taxes is proposed with this Budget.



DESCRIPTION

Tax Base and Rate

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, Federal and City tax rates are shown in the following table.

STATE, FEDERAL AND NEW YORK CITY
CIGARETTE EXCISE TAX RATES
PER PACK OF 20 CIGARETTES
(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, snuff, cigars, pipe tobacco and roll-your-own cigarette 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.

Retail establishments that sell cigarettes are required to purchase licenses, and vending machine owners are required to purchase stickers from the Department of Taxation and Finance.

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 Native American lands, 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 otherwise would have occurred.

In 2000, the Governor signed comprehensive legislation targeted at combating cigarette bootlegging and reducing youth and adult smoking by banning Internet sales and the delivery by common carrier of cigarettes to individual consumers in New York. This law does not apply to the U.S. Postal Service. After a lawsuit by Brown and Williamson Tobacco, 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 the law became effective in March 2003 when the U.S. Circuit Court of Appeals ruled for the State. Appeals in this case have been exhausted. Currently, the statute is the subject of other litigation. In April 2003, trucking associations from New York, New Jersey and Connecticut filed suit to have the statute declared unconstitutional. Currently, the case is pending a decision by the U.S. District Court of the Southern District of New York. Four other cases filed by Native American tribes in New York seek to allow the tribes to ship cigarettes directly to New York consumers via common carriers and are pending decisions by various courts. In November 2004, the Governor vetoed a bill that would have applied a cigarette tax to cigarettes on New York reservations. Cigarette tax regulations have expired and the State is considering the appropriate response to this issue.

CIGARETTE TAX RATES
Cents Per Pack Ranked by Maximum State and Local
As of January 1, 2005

Rank (Low to High)	State Rate	Maximum Local Rate	Maximum State and Local Rate
Kentucky	3.0		3.0
North Carolina	5.0		5.0
South Carolina	7.0		7.0
Mississippi	18.0		18.0
Tennessee	20.0	1.0	21.0
Missouri	17.0	7.0	24.0
Florida	33.9		33.9
Virginia	20.0	15.0	35.0
Iowa	36.0		36.0
Louisiana	36.0		36.0
Georgia	37.0		37.0
Texas	41.0		41.0
North Dakota	44.0		44.0
Minnesota	48.0		48.0
Alabama	42.5	6.0	48.5
New Hampshire	52.0		52.0
South Dakota	53.0		53.0
Delaware	55.0		55.0
Ohio	55.0		55.0
West Virginia	55.0		55.0
Indiana	55.5		55.5
Idaho	57.0		57.0
Arkansas	59.0		59.0
Wyoming	60.0		60.0
Nebraska	64.0		64.0
Utah	69.5		69.5
Colorado	84.0		84.0
Wisconsin	77.0		77.0
Kansas	79.0		79.0
Nevada	80.0		80.0
California	87.0		87.0
New Mexico	91.0		91.0
District of Columbia	100.0		100.0
Maine	100.0		100.0
Maryland	100.0		100.0
Oklahoma	103.0		103.0
Arizona	118.0		118.0
Oregon	118.0		118.0
Vermont	119.0		119.0
Pennsylvania	135.0		135.0
Hawaii	140.0		140.0
Washington	142.5		142.5
Connecticut	151.0		151.0
Massachusetts	151.0		151.0
Alaska	160.0		160.0
Montana	170.0		170.0
Illinois	98.0	100.0	198.0
Michigan	200.0		200.0
New Jersey	240.0		240.0
Rhode Island	246.0		246.0
New York	150.0	150.0	300.0

Significant Legislation

The significant statutory changes since 1994 are summarized below.

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.	July 1, 2004
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

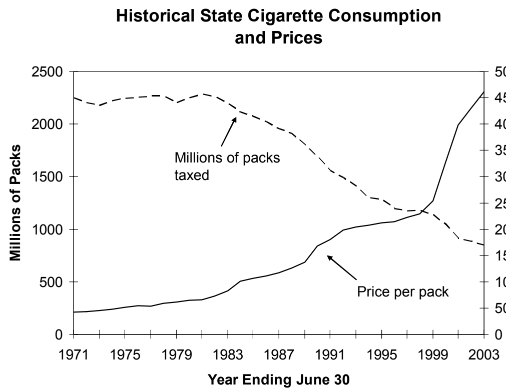
TAX LIABILITY

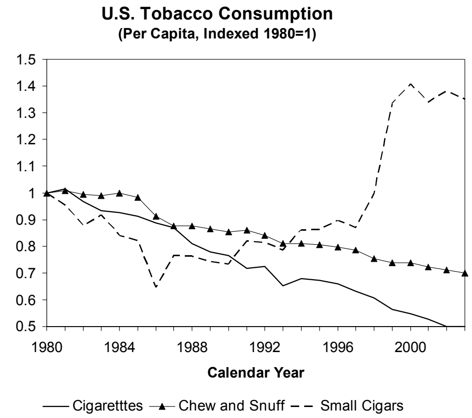
Taxable cigarette consumption is a function of retail cigarette prices, and a long-term downward trend in consumption reflecting the negative impact of public awareness of the adverse health effects of smoking, smoking restrictions imposed by governments, anti-smoking education programs, and changes in consumer preferences toward other types of tobacco. Recently, declines in taxable consumption have been exacerbated by evasion.

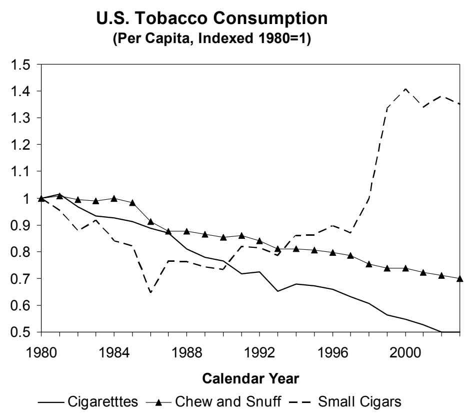
Cigarette Prices Compared To State and Federal Tax as a Percent of Retail Price

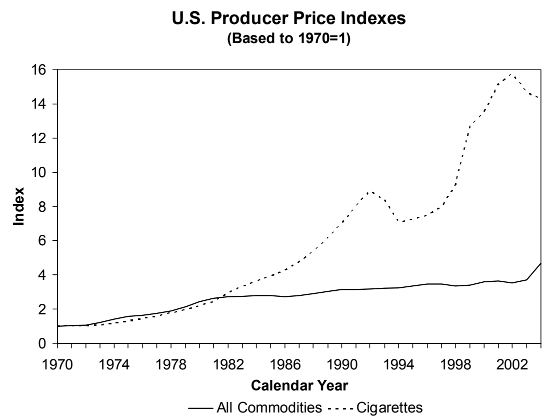
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Cents Per Pack	203.8	207.7	212.1	214.2	222.5	229.3	253.6	326.8	398.5	431.3	461.1
Tax as a Percent of Retail Price	28.9	38.5	37.7	37.3	36.0	34.9	31.9	24.5	36.4	33.6	33.3

Taxable cigarette consumption in New York has declined by more than 69 percent since 1970, due to the factors noted in the previous paragraph. The following graphs summarize the most important trends, which are the inverse relationship between cigarette prices and consumption, the large magnitude of wholesale cigarette price increases relative to other goods, and consumer substitution of other tobacco products for cigarettes.









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. An adjustment for volume of packs is based on national consumption, not consumption in New York.

PROPOSED LEGISLATION

No new legislation for these taxes is proposed with this Budget.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Total net collections to date are $766 million, a decrease of $28 million, or 3.5 percent below the comparable period in the prior fiscal year.

Total net collections for 2004-05 (including HCRA) are estimated to be $970.2 million, a decrease of $42.3 million, or 4 percent below last year. Declines in fiscal year 2004-05 consumption remain consistent with factors that have influenced consumption for the past several years.

2005-06 Projections

Total net collections are projected to be $961.9 million, $8.3 million or 0.8 percent below 2004-05.

The long-term factors reducing cigarette consumption will continue to exert negative pressure on receipts. Price increases are expected to resume and have a significant effect on underlying taxable cigarette consumption in 2005-06. Wholesale prices are expected to rise 2.3 percent, and retail prices are expected to rise 4 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.

Health Care Reform Act (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. Based on the percentage distribution of cigarette tax receipts in effect between April 1, 2003, and March 31, 2005 (see table below), the pool will receive an estimated $567 million in 2004-05 and a projected $561 million in 2005-06 from State cigarette tax receipts. Beginning in 2005-06 this fund will be included into All Funds net collections as a Special Revenue Fund within the State's fund structure.

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 of dollars)

	General Fund					
Fiscal Year	**Cigarette Tax**	**Tobacco Tax**	**Other**	**Total**	**HCRA Cigarette Tax**	**General Fund Plus HCRA**
2001-02	499.0	21.9	2.2	523.1	481.4	1,004.5
2002-03	404.4	37.6	4.6	446.7	674.6	1,121.3
2003-04	375.8	40.4	3.0	419.2	593.3	1,012.5
2004-05*	359.4	40.5	3.0	402.9	567.3	970.2
2005-06*	355.4	42.3	3.0	400.8	561.1	961.9

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

General Fund

General Fund cigarette and tobacco tax receipts for 2004-05 are estimated at $402.9 million, a decline of $16.3 million, or 3.9 percent, from 2003-04. To date, General Fund cigarette and tobacco tax receipts are an estimated $316 million, a decline of $10.8 million, or 3.3 percent below the comparable period in the prior fiscal year.

For 2005-06, General Fund cigarette tax receipts are projected to be $355.4 million. The tax on tobacco products is expected to total $42.3 million, an increase of $1.8 million from 2004-05. This increase is due to continuation of consumption trends, and an expected shift of cigarette smokers to tobacco products, including roll-your-own tobacco, as a result of continued price increases for cigarettes. Sales of retail licenses and vending machine stickers are projected to yield $3 million. Under current law, the State receives 46 percent of New York City's cigarette revenue. The funds are transferred directly to the Health Care Reform Act (HCRA) fund.

RECEIPTS BY FUND TYPE

CIGARETTE AND TOBACCO TAX RECEIPTS
(millions of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1996-97	676	9	667	0	0	0	667
1997-98	681	5	676	0	0	0	676
1998-99	672	5	667	0	0	0	667
1999-2000	649	5	643	0	0	0	643
2000-01	533	4	528	0	0	0	528
2001-02	530	7	523	0	0	0	532
2002-03	454	8	446	0	0	0	446
2003-04	428	9	419	0	0	0	419
				Estimated			
2004-05*	409	6	403	0	0	0	403
2005-06**	406	5	401	561	0	0	962

* In 2004-05, an estimated $567 million will be deposited in the Tobacco Control and Insurance Initiatives Pool.
** HCRA in 2005-06.

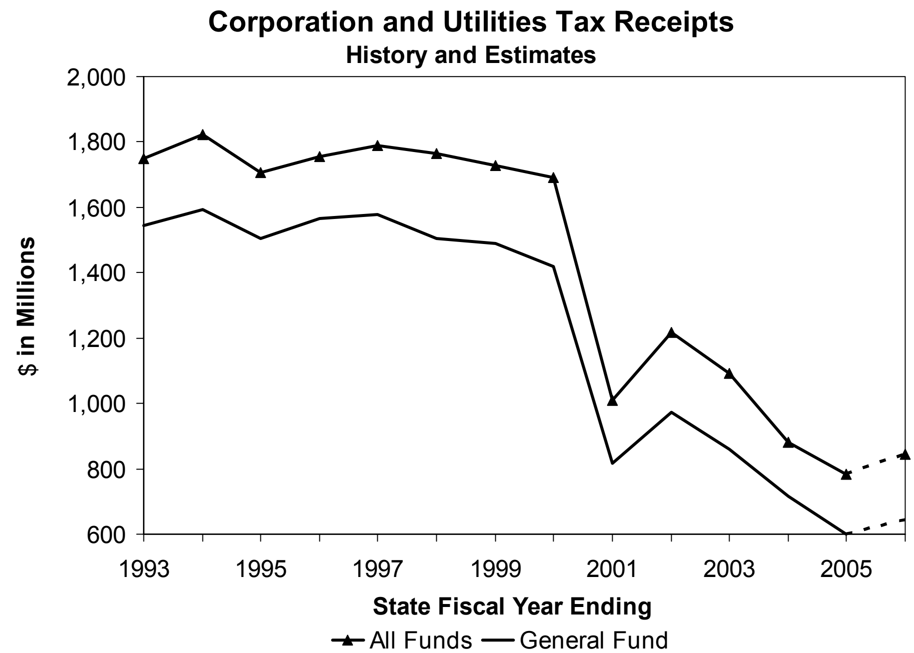
CORPORATION AND UTILITIES TAXES

SUMMARY

In 2004-05, All Funds net collections from corporation and utilities taxes are estimated to be $783 million. This is a decrease of $99 million, or 11 percent, from the prior year resulting from the phase in of previously enacted tax law changes for utility taxpayers.

In 2005-06, All Funds net collections from corporation and utilities taxes are projected to be $844 million. This is an increase of $61 million, or 8 percent, compared with 2004-05. Collections will be affected by growth in the telecommunications sector, especially wireless businesses. Offsetting this increase, to a small extent, is the final phase of the utility tax reform legislation enacted in 2000.

No new legislation affecting the corporation and utilities taxes is proposed with this Budget.



DESCRIPTION

Tax Base and Rate

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. Statutory and regulatory changes enacted in 2000 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.

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 (such as adjustment to the par value, or a change in the number of "no-par" value stocks), 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. The fee is assessed 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 corporations 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 earnings, 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 receipts from charges for the transportation, transmission, distribution, or delivery of energy. The current tax rate is 2 percent. Prior to January 1, 2005, section 186-a also imposed a 0.4 percent tax rate on the commodity portion of the sale of energy. The tax rate schedule for the transmission/distribution and commodity portions is reported in the table below.

TAX RATES CONTAINED IN SECTION 186-a OF THE TAX LAW

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 was eliminated as of January 1, 2005 through a phased-in exclusion of gross receipts according to the following schedule.

PHASE-IN SCHEDULE FOR EXCLUSION OF TRANSMISSION AND DISTRIBUTION FOR 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. The tax rate was reduced to 2.5 percent on January 1, 2000.

Section 189, effective August 1, 1991, imposed a tax on the importation of natural gas for consumption. The tax was eliminated as of January 1, 2005. The table below shows the phase out of the tax.

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

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.

Administration

Taxpayers subject to sections 184, 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 in March, rather than 25 percent.

Special Revenue Funds (SRFs) are dedicated funds used to support activities that are outside the scope of the General Fund.

Section 205 of the Tax Law requires that portions of the taxes imposed under sections 183 and 184 be deposited in the Metropolitan Mass Transportation Operating Assistance Fund (MTOAF). Legislation enacted in 2003 allocated the remaining 20 percent of sections 183 and 184 collections to the Dedicated Highway and Bridge Trust Fund (DHBTF), beginning on April 1, 2004. The table below reports the statutory allocation of tax receipts by fund.

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	0.0	80.0	20.0

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.

Significant Legislation

The significant statutory changes to this tax source since 1994 are summarized below.

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 service 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.	

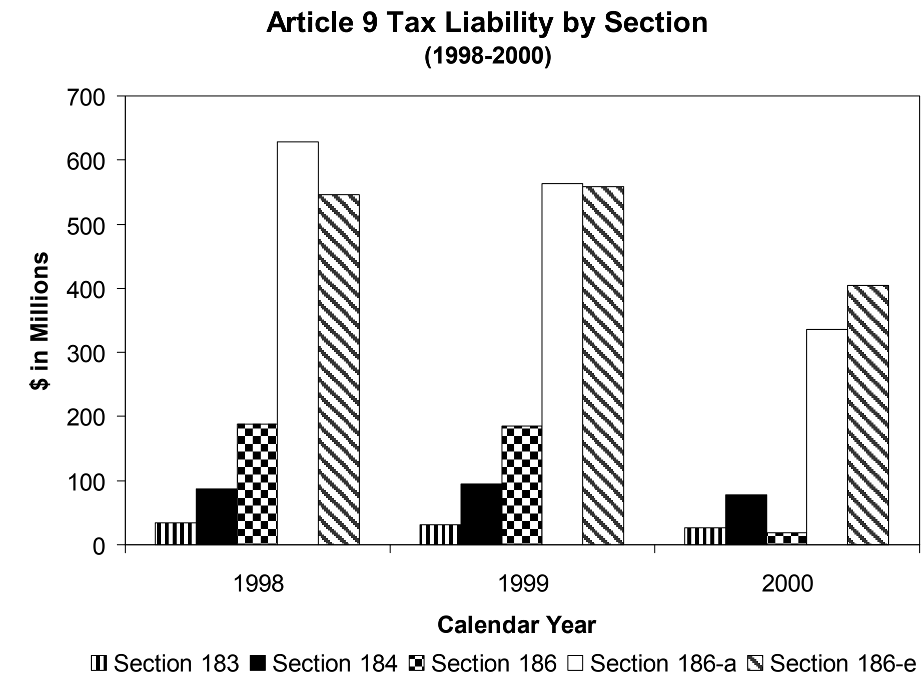
Subject	Description	Effective Date
Section 184	Exempted 30 percent of intra-LATA toll receipts.	January 1, 1996
Legislation Enacted in 1996		
Trucking and Railroad Companies	Allowed these companies the option of being taxed under the general corporate franchise tax (Article 9-A). Reduced the tax rate on section 184 for these companies from 0.75 percent to 0.6 percent.	January 1, 1997
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. 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.	January 1, 1998
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
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. 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.	Various

Subject	Description	Effective Date
Legislation Enacted in 2003		
Superfund-Brownfield Credits	Created tax incentives for the redevelopment of brownfields through three tax credits: a redevelopment tax credit, a real property tax credit, and an environmental remediation insurance credit. There are three components in the redevelopment tax credit: a site preparation component, a tangible property component, and an onsite groundwater remediation component.	April 1, 2005
Sections 183 & 184	Allocated the remaining 20 percent of section 183 and 184 collections to the Dedicated Highway and Bridge Trust Fund (DHBTF).	April 1, 2004
Legislation Enacted in 2004		
Power for Jobs Program	Modified the Power for Jobs Program to allow prior recipients of low cost power an option of a credit or rebate.	March 1, 2004
Alternative Fuels Credit	Extended for one year, until January 2005, the alternative fuels credit available for clean-fuel, electric, and hybrid vehicles and clean-fuel vehicle refueling property. Sunset for tax years beginning after December 31, 2004.	January 1, 2004
Empire Zones Program Extension	Extended the Empire Zones (EZ) Program to March 31, 2005.	January 1, 2004
Brownfield Tax Credits	Expanded criteria for environmental zones (EN-Zones) and made technical changes. To qualify for EN-Zones, brownfields must have cleanup agreement prior to September 1, 2006. Also eliminated recapture provisions for disposition of property.	April 1, 2005

TAX LIABILITY

The *2000 New York State Corporate Tax Statistical Report* contains the most recent data available on Article 9 tax liability. The corporation and utilities tax represented almost 24 percent of the total New York State corporate tax liability in 2000. The total tax liability for Article 9 was $1.4 billion in 1999 and $861 million in 2000. The total tax liability declined by approximately $572 million over this period.

The chart below summarizes information from the *2000 New York State Corporate Tax Statistical Report* for Article 9 corporations. A noticeable decline is evident in the liability under section 186 due to utility tax reform legislation enacted in 2000 that repealed this section for tax years after 1999. The legislation also cut the tax rate of section 186-a. Liability for this section dropped significantly in 2000.

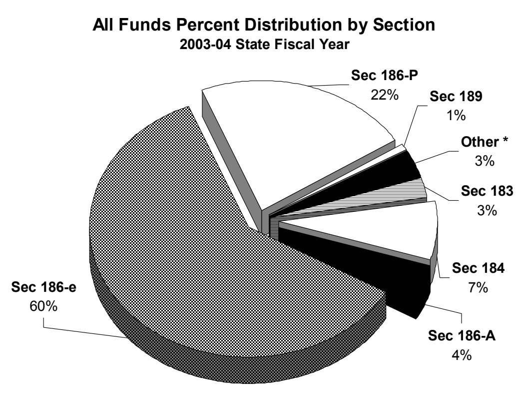


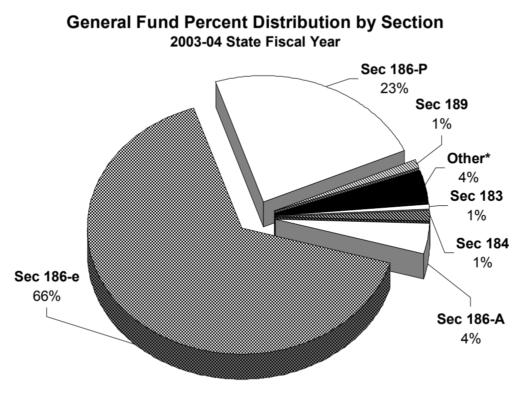
PROPOSED LEGISLATION

No new legislation affecting the corporation and utilities taxes is proposed with this Budget.

RECEIPTS: ESTIMATES AND PROJECTIONS

The pie charts below depict the share of total 2003-04 Article 9 All Funds and General Fund collections accounted for by each section of the Article. The All Funds graph reflects collections for each section before the distribution for sections 183 and 184 to MTOAF.





All Funds

2004-05 Estimates

Net All Funds collections to date are $566 million, a decrease of $50 million, or approximately 8 percent, from the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $783 million, a decrease of $99 million, or 11 percent below last year. This decrease is due mainly to the final phase of tax rate reductions for power producers and transmission companies.

The primary factors affecting section 186-a collections include the quantity consumed of electricity and natural gas, and the associated price of each commodity. Quantity is affected by unusual weather and changes in oil and natural gas prices, that affect electricity prices.

Some utilities have long-term contracts for the purchase of electric power and natural gas. If additional energy is needed to meet load requirements, utilities can purchase the commodity from independent power producers, other utilities, or through the New York Independent System Operator at market prices. The tax on receipts from the sale of commodities dropped from 0.4 percent to 0 percent as of January 1, 2005. The tax on receipts from transportation and distribution of gas or electricity also dropped from 2.125 percent to 2 percent as of January 1, 2005. Transportation and distribution costs are not affected by commodity contract prices, however, these costs could be affected by increased volume due to changes in weather.

The tables below report annual consumption and price data for electricity and natural gas. The information shown for the years 1995 to 2002 is based on published reports of the Public Service Commission. The 2002 report reflects the most recent data available. The quantities in the table report sales to ultimate consumers and include sales for resale. The electric and gas prices now reflect an average of the residential, commercial and industrial prices. Previously, the table reflected only residential and commercial prices.

CALENDAR YEAR HISTORY OF ELECTRICITY AND NATURAL GAS SALES
1995 TO 2002
(quantity in millions)

	Electricity Sales (kilowatt hours)	Percent Change	Gas Sales (MCF)	Percent Change
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
2001	103,390	(2.1)	551.6	(13.3)
2002	97,360	(5.8)	580.7	5.3

CALENDAR YEAR HISTORY OF ELECTRICITY AND NATURAL GAS PRICES
1995 TO 2002

	Electricity Price Per Kilowatt Hour Sold (cents)	Percent Change	Gas Price Per MCF Sold ($)	Percent Change
1995	11.88	(2.83)	7.10	(6.21)
1996	11.91	0.23	8.06	13.57
1997	11.87	(0.35)	8.22	1.94
1998	11.51	(3.03)	8.42	2.48
1999	11.42	(0.77)	8.12	(3.57)
2000	11.00	(3.64)	7.57	(6.75)
2001	11.71	6.43	10.55	39.34
2002	11.20	(4.35)	9.02	(14.48)

2005-06 Projections

Total net All Funds receipts are projected to be $844 million, an increase of $61 million, or 8 percent above 2004-05. All Funds collections are expected to be affected by growth in the telecommunications industry through momentum in the wireless, digital, and data services sectors.

General Fund

General Fund collections for 2004-05 are estimated to be $600 million, a decrease of $115 million, or 16 percent from last year. This decline reflects $14.7 million in sections 183 and 184 collections earmarked to the DHBTF. It includes an estimated $35 million in audit collections, offset by $18 million in refunds.

For 2005-06, General Fund collections are projected to be $643 million, an increase of $43 million or, approximately, 7 percent from 2004-05. This includes an estimated $35 million in audit receipts, offset by $18 million in refunds.

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

Section of Law	Type of Companies	Collections[1] 2003-04 Actual	2004-05 Estimated	2005-06 Projected
180	Organizations and reorganizations	1.0	1.0	1.0
181	Foreign corporations and maintenance fees	27.7	27.7	27.7
183	Transportation and transmission companies	23.2	23.5	23.5
184	Additional tax on transportation and transmission companies	48.5	50.0	60.0
185	Agricultural cooperatives	0.1	0.1	0.1
186	Water, steam, gas, electric, light and power companies	2.4	2.4	2.4
186a & e	Public utilities/telecommunication	661.7	566.0	611.8
189	Natural gas importers	7.7	2.8	0
	Subtotal	772.3	673.5	726.5
		Special Revenue Funds		
	Less Other Funds			
	MTOAF[2]	57.4	58.8	66.8
	DHBTF[3]	0.0	14.7	16.7
	Net General Fund	715.0	600.0	643.0

[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.
[3] Per statute, 20 percent of sections 183 and 184 receipts after April 1, 2004 are dedicated to the DHBTF.

Other Funds

As mentioned previously, a portion of Article 9 receipts is deposited into special revenue funds. Sections 183 and 184 collections deposited in the MTOAF will total an estimated $58.8 million for 2004-05 and $66.8 million for 2005-06. The remaining portion of sections 183 and 184 is earmarked for the DHBTF.

The MCTD business tax surcharge will result in deposits of an estimated $109.6 million for 2004-05 and $117.5 million for 2005-06 into the MTOAF.

RECEIPTS BY FUND TYPE

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]	All Funds Net Collections
	Actual						
1996-97	1,616	39	1,577	214	2	212	1,789
1997-98	1,517	13	1,504	243	2	241	1,745
1998-99	1,509	20	1,489	242	2	240	1,729
1999-2000	1,450	32	1,418	276	2	274	1,692
2000-01	847	30	817	193	1	192	1,009
2001-02	999	27	972	247	1	246	1,218
2002-03	909	49	860	232	1	231	1,091
2003-04	732	17	715	170	3	167	882
	Estimated						
2004-05	618	18	600	186	3	183	783
2005-06	661	18	643	204	3	201	844

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

CORPORATION FRANCHISE TAX

SUMMARY

In 2004-05, All Funds net collections from the corporation franchise tax are estimated to be $1,904.3 million, an increase of $204.3 million, or 12.0 percent, compared with 2003-04. Collections have been positively impacted by increasing corporate profits in recent years, which tend to have a lagged impact on current year receipts. Additionally, recently enacted legislation has had a positive impact on receipts.

In 2005-06, All Funds net collections from the corporation franchise tax are projected to be $2,068.7 million. This is an increase of $164.4 million, or 8.6 percent, compared with 2004-05, resulting mainly from expected continued improvement in the profitability of corporations and the impact of recently enacted tax policy changes, coupled with the effects of legislation proposed with this Budget.

Legislation proposed with this Budget will increase the limitation amount for the capital base from $350,000 to $1 million for non-manufacturers; extend and further reform the Empire Zones Program; provide an additional $25 million for the Green Buildings Tax Credits Program; and enhance the Low income Housing Tax Credit.

In addition, legislation proposed in this budget will provide tax benefits related to the Strategic Partnership for Upstate Resurgence (SPUR) including allowing manufacturers to use a single sales factor allocation formula and allowing such manufacturers to eliminate the alternative minimum tax (AMT); providing an additional Wage Tax Credit in SPUR areas; and providing a credit to certain taxpayers linked to a Center of Excellence based on net operating losses.

DESCRIPTION

Tax Base and Rate

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. 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 *2000 New York State Corporation Tax Statistical Report* indicates that 265,876 taxpayers filed as C corporations, while 300,435 taxpayers filed as S corporations. This report contains the most recent data available on C and S corporations. The number of C corporations increased by roughly 2.3 percent from the prior year, while the number of S corporations increased by nearly 3.7 percent.

For C corporations, 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 are:

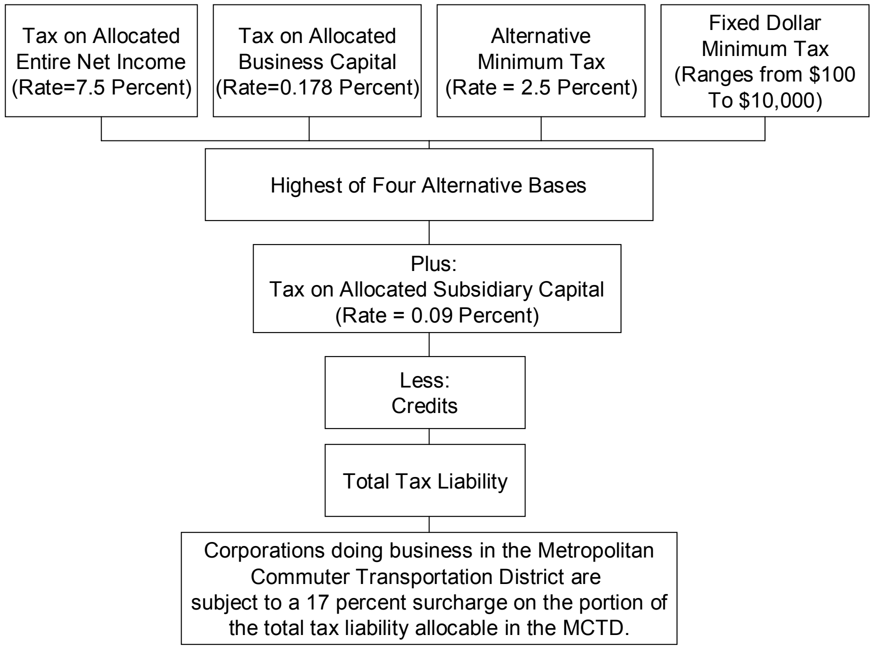
1. An allocated entire net income (ENI) base, which begins with Federal taxable income before net operating loss deductions and special deductions. A rate of 7.5 percent applies to this base after the exclusion, deduction, or addition of certain items and the base is allocated to New York. Tax credits will further reduce tax otherwise due.
2. An alternative minimum tax (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, taxed at a rate of 2.5 percent.
3. A capital base, taxed 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 $10,000, depending on the size of the corporation's gross payroll, including general executive officers, during the applicable tax period.

For S corporations, the Article 9-A corporation franchise tax requires a taxpayer to pay a fixed dollar minimum, ranging from $100 to $10,000, depending on the size of the corporation's gross payroll during the applicable tax period. S corporations are subject only to the fixed dollar minimum for tax years 2003, 2004 and 2005 (the period of the personal income tax surcharge), after which they will revert back to the prior tax structure of the greater of an entity level tax based on a differential rate or the fixed dollar minimum.

Additionally, corporations doing business in the Metropolitan Commuter Transportation District (MCTD) are currently 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



Tax Expenditures

Tax expenditures are defined as features of the tax law that reduce the amount of a taxpayer's liability to the State by providing either economic incentives or tax relief to particular classes of persons or entities to achieve a public purpose. The corporate franchise tax structure includes various exclusions, exemptions, tax credits, and other statutory devices designed to reduce State tax liability. The distribution of these benefits varies widely among firms. Among the major tax expenditure items for the corporate franchise tax are the exclusion of interest, dividends and capital gains from subsidiary capital, the investment tax credit, the Empire Zone credits, and the preferential tax rates for qualifying small business corporations.

Significant Legislation

The significant statutory changes since 1994 are summarized below.

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 three-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

Subject	Description	Effective Date
Investment Tax Credit/ Employment Incentive Credit (EIC)	Extended carryover period for this credit from seven to ten years.	January 1, 1994
Rate Reduction – Alternative Minimum Tax (AMT)	Reduced rate from 5.0 percent to 3.5 percent.	January 1, 1995
Legislation Enacted in 1996		
Rehabilitation Credit for Historic Barns	Allowed taxpayers to claim corporate franchise tax credit for the rehabilitation of historic barns in New York State.	January 1, 1997
Agricultural Property Tax Credit	Allowed eligible farmers to claim a real property tax credit against the corporate franchise tax.	January 1, 1997
Legislation Enacted in 1997		
Investment Tax Credit Carryforward	Allowed any unused pre-1987 investment tax credit to remain available until 2002. Post-1986 investment tax credit extended to 15-year carry forward.	January 1, 1998
Alternative Fuel Vehicle Credit	Provided corporations and individuals with a tax credit for a portion of the cost of purchasing or converting 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 two years.	June 30, 1998
Investment Tax Credit	Allowed 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.	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 June 30, 1999.	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	Reformed energy taxation for energy companies, previously taxed under section 186 of Article 9, to pay tax under the Article 9-A corporate franchise tax.	January 1, 2000
Industrial or Manufacturing Business Credit (IMB)	Provided a refundable credit 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	Provided a State credit based on the structure of the Federal low-income housing tax credit for 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

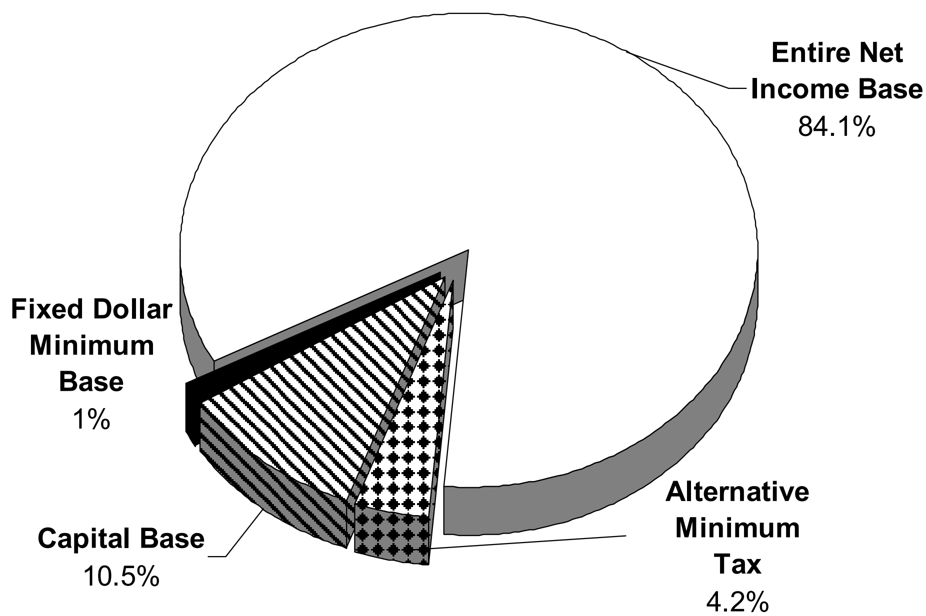
Subject	Description	Effective Date
Securities and Commodities Brokers or Dealers Customer Sourcing	Allowed securities broker/dealers to allocate receipts, which constitute commissions, margin interest or account maintenance fees, as a service performed at the customer's mailing address.	January 1, 2001
Empire Zones (EZ)	Transformed the Economic Development Zones (EDZ) 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 a 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	Reduced tax rate for small businesses with entire net income of $200,000 or less to 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.	Various
Legislation Enacted in 2003		
Modification for Decoupling from Federal Bonus Depreciation	Decoupled from Federal depreciation allowances for property placed in service on or after June 1, 2003, that qualified for the special bonus depreciation allowance allowed by the Federal Job Creation and Worker Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. The modifications do not apply to qualified resurgence zone property or qualified New York Liberty Zone property.	June 1, 2003
Intangible Holding Companies	Required taxpayers to modify Federal taxable income relating to certain royalty and interest payments made with respect to the use of intangible property by related members or royalty and interest payments received from related members.	January 1, 2003
S Corporation Tax Change	Taxed S corporations on a fixed dollar minimum amount for tax years 2003, 2004 and 2005 only. The fixed dollar minimum amounts are those imposed under Article 9-A, ranging from $100 to $1,500.	January 1, 2003
Superfund-Brownfield Tax Credits	Created tax incentives for the redevelopment of brownfields through three tax credits: a redevelopment tax credit, a real property tax credit, and an environmental remediation insurance credit. There are three components in the redevelopment tax credit: a site preparation component, a tangible property component, and an onsite groundwater remediation component.	April 1, 2005
Legislation Enacted in 2004		
Fixed Dollar Minimum Tax	Provided a temporary adjustment to the corporate franchise tax fixed dollar minimum tax schedule, with tax amounts ranging from $100 to $10,000.	January 1, 2004-05
Empire State Film Production Credit	Provided a new tax credit for film production activity in New York State for corporate franchise taxpayers. The credit sunsets in four years.	January 1, 2004
Low-Income Housing Credit	Increased the Statewide, aggregate credit limit for the low income housing tax credit from $4 million to $6 million.	January 1, 2004
Empire Zones Program Extension	Extended the Empire Zones (EZ) Program to March 31, 2005.	January 1, 2004
Alternative Fuels Credit	Extended for one year, until January 2005, the alternative fuels credit available for clean-fuel, electric, and hybrid vehicles and clean-fuel vehicle refueling property. Sunsets for tax years beginning after December 31, 2004.	January 1, 2004
Brownfield Tax Credits	Expanded criteria for environmental zones (EN-Zones) and made technical changes. To qualify for new En-Zones, brownfields must have cleanup agreement prior to September 1, 2006. Also eliminated recapture provisions for disposition of property.	April 1, 2005

TAX LIABILITY

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 for certain fixed dollar minimum tax filers and S corporations. The most current liability information is for the 2001 tax year.

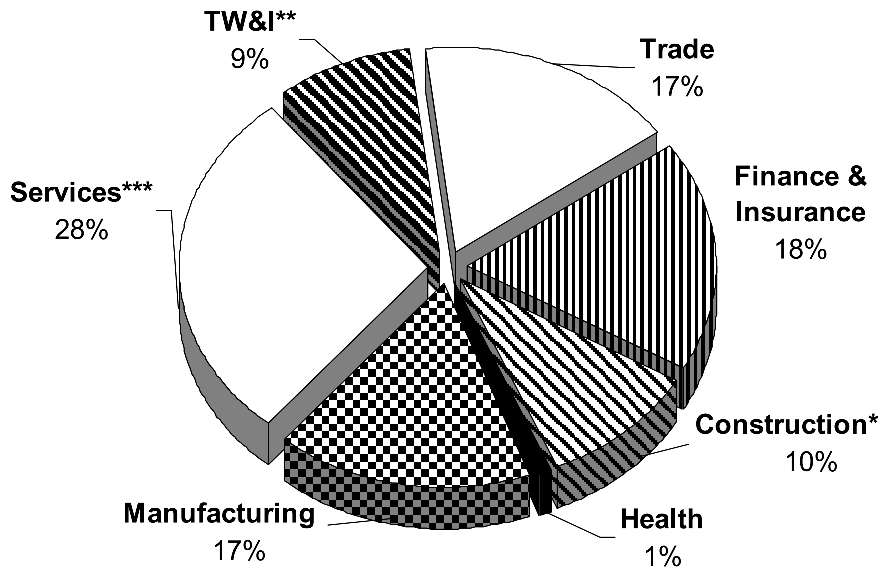
As noted above, C corporations pay under the highest of four bases. In 2001, roughly 84 percent of liability was paid under the entire net income base. The capital base was the second largest base, at 10.5 percent of liability. These percentages are fairly constant over time with the exception of the AMT base, which has begun to diminish due to tax law changes.

2001 Distribution of Tax Liability by Basis of Tax



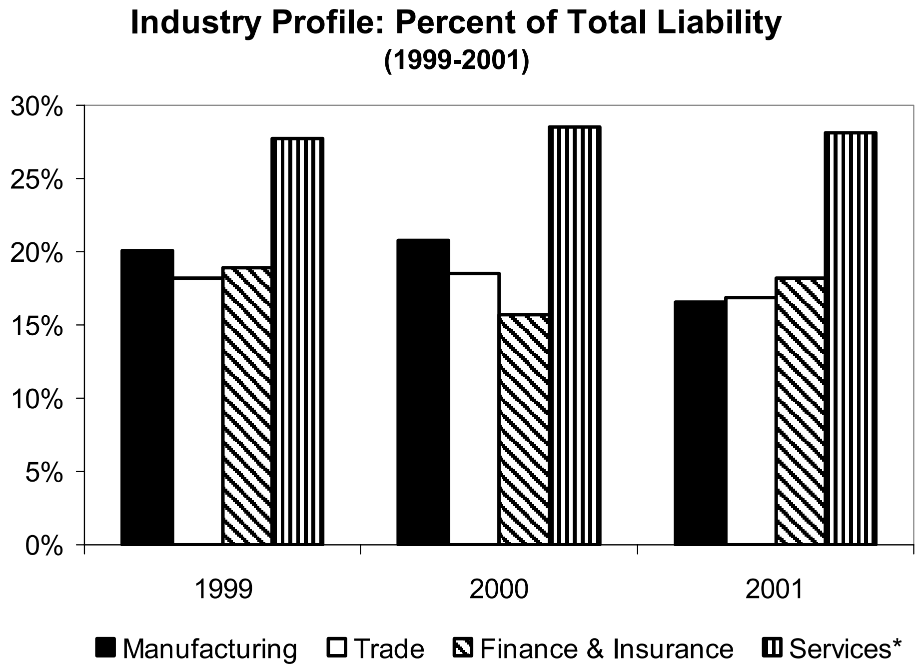
The next chart shows the distribution of tax liability by major industry sector. Liability paid by the finance and insurance sector made up 18 percent of total tax liability paid by C corporation taxpayers on the 2001 study file, with the manufacturing sector accounting for 17 percent of liability. The service industries share has grown quite significantly throughout the 1990s and, in 2001, represented approximately 28 percent of total liability on the file.

2001 Tax Base Industry Profile
(Share of Total Tax Liability of C Corporation Taxpayers)



* Construction, agriculture, mining, and utilities. (NAICS Sectors 11, 21, 22, and 23)
** Transportation and warehousing and information. (NAICS Sectors 48, 49, and 51)
*** Services consist of real estate and rental and leasing; professional, scientific, and technical services; management of companies and enterprises; administrative and support and waste management and remediation services; art, entertainment, and recreation services; accommodation and food services; and other services. (NAICS Sectors 53, 54, 55, 56, 71, 72, and 81)

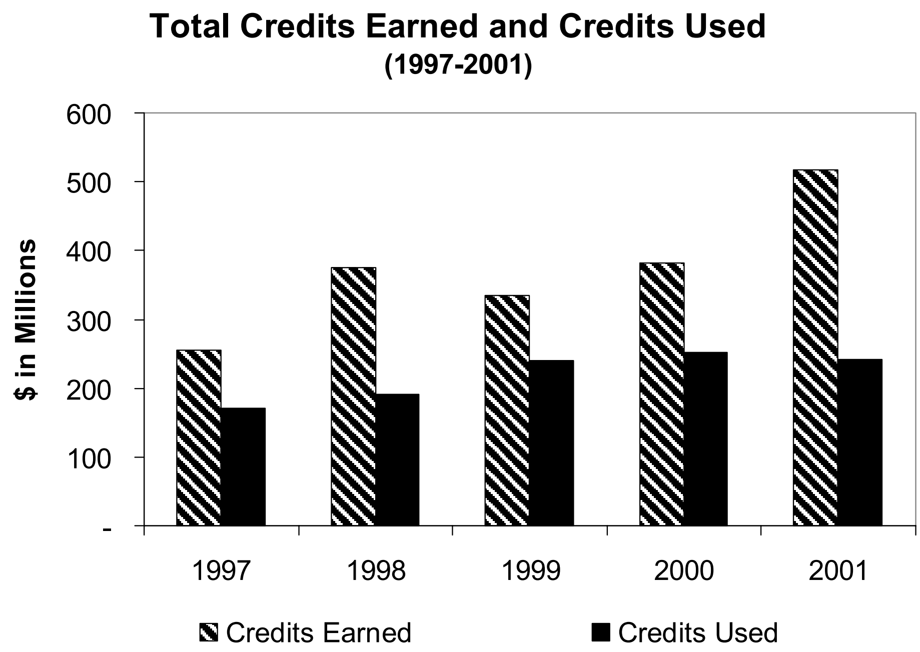
The following chart illustrates the fluctuation in the percentage of liability paid by the four industry groups that typically made up the vast majority of total tax liability for the period of 1999 to 2001: finance and insurance, trade, manufacturing, and services. Liability for the finance and insurance sector tends to fluctuate significantly over time. Liability shares for this industry were 18.9 percent in 1999, dipped to 15.7 percent in 2000, and then rebounded to 18.2 percent in 2001. In comparison, the service industry's share of total liability has remained relatively constant for this same three-year period. The manufacturing industry's share of total liability is also quite volatile and depends on both economic conditions and the ability of the companies in this sector to take advantage of tax credit programs designed to stimulate the industry. For manufacturers, liability increased from 1999 to 2000, then decreased in 2001.



* Services consist of real estate and rental and leasing; professional, scientific, and technical services; management of companies and enterprises; administrative and support and waste management and remediation services; art, entertainment, and recreation services; accommodation and food services; and other services. (NAICS Sectors 53, 54, 55, 56, 71, 72, and 81)

Credits

The following 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), the Empire Zone credits, the alternative minimum tax (AMT) credit, the agricultural property tax credit, and the special additional mortgage recording credit. 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 2001, the ITC, a benefit to manufacturing companies, accounted for about 49.6 percent of all of the above tax credits earned and about 41.9 percent of all tax credits used.



For the most part, tax law provisions prevent taxpayers from using tax credits to reduce final tax liability below the fixed dollar minimum tax or the AMT. This has resulted in taxpayers carrying forward a significant amount of tax credits into subsequent tax years. Noticeably, the amount of credits earned increased in the 2001 tax year as a result of the Empire Zones Program. Simultaneously, the amount of credits used in 2001 declined due to the overall decline in tax liability coupled with the limitations described above. It is expected that after 2001, refundable credits, especially those in the Empire Zones Program, will significantly increase the amount of credits used.

PROPOSED LEGISLATION

Legislation proposed with this Budget will:

- increase the limitation amount on the capital base from $350,000 to $1 million;
- extend and further reform the Empire Zones Program;
- enhance the Green Buildings Tax Credits Program by providing an additional $25 million;
- enhance the Low Income Housing Tax Credit by providing an additional allocation of $2 million annually; and
- enact legislation necessary to implement the Strategic Partnership for Upstate Resurgence (SPUR).

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections through December are $1,386.5 million, an increase of $344.3 million, or 33.0 percent, compared with the comparable period in the prior fiscal year. The increase is due to several factors, but primarily the strong growth of corporate profitability.

In addition, there have been fewer prior year adjustments that reduce collections. Total net All Funds receipts for 2004-05 are estimated to be $1,904.3 million, an increase of $204.3 million, or 13.8 percent, compared with the prior fiscal year.

Significant tax law changes have also helped to support collections in the current fiscal year. This is due primarily to more recent initiatives, including decoupling from Federal depreciation provisions, increasing the fixed dollar minimum for certain taxpayers, and requiring the add-back of certain income related to intangible holding companies. The MTA surcharge was also recently extended for four years to 2009, and will maintain the existing revenue stream available to support transportation services in the Metropolitan Commuter Transportation District.

2005-06 Projections

Total net All Funds receipts are projected to be $2,068.7 million, an increase of $164.4 million, or 8.6 percent above 2004-05.

The growth in tax receipts is driven mainly by corporate profitability that is expected to continue in 2005. In addition, the estimate takes into account savings expected to be realized as a result of the Empire Zones Program reforms proposed with this Budget.

General Fund

Based on collections to date, General Fund net collections for State fiscal year 2004-05 are projected to be $1,674.0 million, an increase of $192.2 million, or 13.0 percent, compared with State fiscal year 2003-04. Audit collections are expected to total $300 million, while refunds are projected to lessen net receipts by approximately $500 million.

General Fund receipts for State fiscal year 2005-06 are expected to increase by 8.6 percent over 2004-05 levels to $1,818.5 million. This increase is the result of continuing corporate profitability and an overall upswing in economic conditions. Audit collections are expected to total $300 million, while refunds are projected to lessen net receipts by approximately $500 million.

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. Based on collections to date, the Article 9-A MTOAF contribution for 2004-05 is projected to reach approximately $230.3 million, a 5.5 percent increase from 2003-04. 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, 2005-06 State fiscal year collections are expected to increase by roughly 8.6 percent.

RECEIPTS BY FUND TYPE

CORPORATION FRANCHISE TAX RECEIPTS
(millions of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Refunds	Net Special Revenue Funds[1]	All Funds Net Collections
				Actual			
1996-97	2,414	348	2,067	274	36	239	2,306
1997-98	2,381	300	2,081	289	27	262	2,343
1998-99	2,479	429	2,050	243	30	213	2,262
1999-2000	2,422	483	1,939	272	43	229	2,168
2000-01	2,817	482	2,335	316	21	295	2,630
2001-02	2,012	497	1,515	236	48	188	1,703
2002-03	1,940	533	1,407	247	42	205	1,612
2003-04	2,005	523	1,482	266	48	218	1,700
				Estimated			
2004-05	2,174	500	1,674	275	45	230	1,904
2005-06							
(current law)	2,303	500	1,803	295	45	250	2,053
(proposed law)	2,319	500	1,819	295	45	250	2,069

[1]MCTD 17 percent surcharge deposited in Mass Transportation Operating Assistance Fund.
Note: Components may not add to net collections due to rounding.

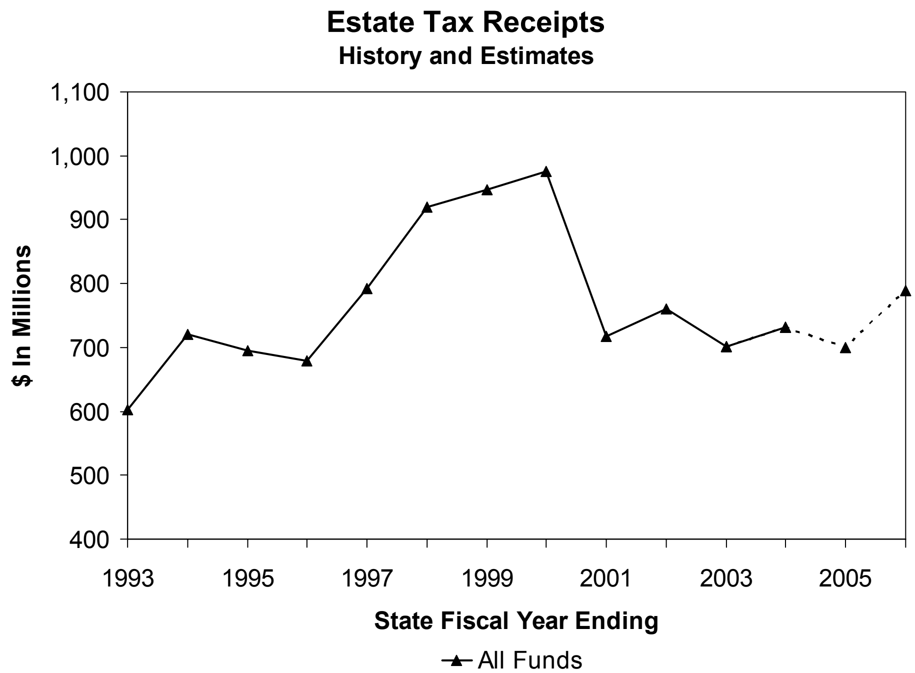
ESTATE TAX

SUMMARY

In 2004-05, All Funds net collections from the estate tax are estimated to be $700.3 million. This is a decrease of $32 million, or 4.4 percent, from the prior year, reflecting residual impact of recent tax cuts.

In 2005-06, All Funds net collections from the estate tax are projected to be $752.4 million. This is an increase of $52.1 million, or 7.4 percent, compared with 2004-05.

No new legislation for this tax is proposed with this Budget.



DESCRIPTION

Tax Base and Rate

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.

The tax base is calculated by first determining the value of the gross estate using Federal estate tax provisions in effect as of July 22, 1998. The Federal gross estate is comprised of the total amount of real estate, stocks and bonds, mortgages, notes, cash, insurance on decedent's life, jointly owned property, other miscellaneous property, transfers during decedent's life, powers of appointment, and annuities that the decedent owned.

The Federal gross estate is reduced by the Qualified Conservation Easement Exclusion and the following deductions: funeral expenses and expenses incurred in administering property subject to claims; debts of the decedent; mortgages and liens; net losses during administration, and expenses incurred in administration of the estate not subject to claims;

bequests to a surviving spouse (marriage deduction); certain property interests; charitable, public, and similar gifts; and a qualified family-owned business interest deduction. This yields the Federal taxable estate for New York and becomes the basis for calculating New York's estate tax.

The total value of all items of real and tangible personal property of the taxpayer located outside of New York State is divided by the taxpayer's Federal gross estate to arrive at the proportion of the estate outside New York State. This proportion is then used to allocate the Federal credit for state death taxes.

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 will 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 million in the taxable value of an estate. 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.

Estates of decedents dying after 2004 will be subject to a graduated rate structure with tax rates that range from 0.8 percent on adjusted taxable estates in excess of $40,000 but less than $90,000, to 16 percent on adjusted taxable estates of $10,040,000 or more.

Federal Legislation

Current Federal law converted the old unified credit to an exemption and will continue to increase the value of the exemption until it reaches $3.5 million in 2009. As reported, State law capped the exemption at $1 million, effective in 2002. (See table below.)

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, Federal law phases out the Federal credit for state death taxes over four years, by 25 percent per year. The credit is repealed for the estates of decedents dying after 2004. In 2005, it will become a deduction until the phase-out of the Federal estate tax in

2010. 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.

Administration

The Surrogate Court has jurisdiction of the probate of the estate and the authority to finalize the amount of the tax. The tax due is required to be paid on or before the date fixed for filing the return, nine months after the decedent's date of death. A twelve-month extension may be granted by the Commissioner of Taxation and Finance for paying the tax.

If the payment of the tax will cause undue hardship, the Commissioner may authorize a payment extension for up to four years from the decedent's date of death. It may be necessary for the taxpayer to provide a bond in an amount of no more than twice the amount due if an extension is approved for payment of the tax.

If the payment of the tax due is not made within nine months of the decedent's date of death, additional interest is charged to the remaining payments of the tax. The interest for extended payments is computed and compounded daily on the portion remaining from the first day of the 10th month following the decedent's date of death to the date of the payment. There is no discount for early payment of the estate tax.

The executor and the spouse are personally liable for the payment of the estate tax. If there is no will, the Federal, New York and foreign death taxes paid or payable by estate representative are apportioned among the beneficiaries.

There is reciprocity with other states with the collection of inheritance and estate taxes in nonresident estates. Refund claims of an overpayment of the tax must be filed by the executor within three years from the time the return was filed or two years from the time the tax was paid, whichever is later.

Tax Expenditures

Since the tax is equal to the Federal credit for state death taxes, as it existed on July 22,1998, there are no New York specific tax expenditures.

Significant Legislation

The significant statutory changes since 1994 are summarized below.

Subject	Description	Effective Date
Legislation Enacted in 1994		
Unified Credit for Estate and Gift Taxes	Increased credit from $2,750 to $2,950, thereby eliminating the tax on taxable gifts/estates of $115,000 or below, up from $108,600.	June 9, 1994
Legislation Enacted in 1995		
Deduction	Authorized a principal residence deduction of $250,000 (maximum).	June 7, 1995
Legislation Enacted in 1997		
Unified Credit for Estate and Gift Taxes	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 State's 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

Subject	Description	Effective Date
Estate Tax Rate	Set the New York estate tax rates equal to the Federal credit for State estate taxes paid.	February 1, 2000
Gift Tax	Repealed.	January 1, 2000
Tax Liability Due Date	Increased from six to seven months.	October 1, 1998
	Increased from seven to nine months (same as Federal).	February 1, 2000
Legislation Enacted in 1998		
Closely-Held Business	Reduced interest on deferred payments of estate tax, where estate consists largely of a closely-held business, from 4 percent to 2 percent.	January 1, 1998
Legislation Enacted in 1999		
Federal Conformity	Conformed 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	Repealed family-owned business exclusion and replaced with family-owned business deduction, conforming to Federal law changes.	December 31, 1997
Penalty and Interest	Waived penalty and interest 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

TAX LIABILITY

The recent yield of this tax has been heavily influenced by three factors: tax law changes, annual 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 potential tax. As a result, the volatility in receipts from this source is expected to increase, due to the more random nature of collections from large estates.

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. In addition to the value of equities, a distributional analysis is utilized to estimate receipts and the number of estates where payments exceed $4 million.

PROPOSED LEGISLATION

No new legislation for this tax is proposed with this Budget.

RECEIPTS: ESTIMATES AND PROJECTIONS

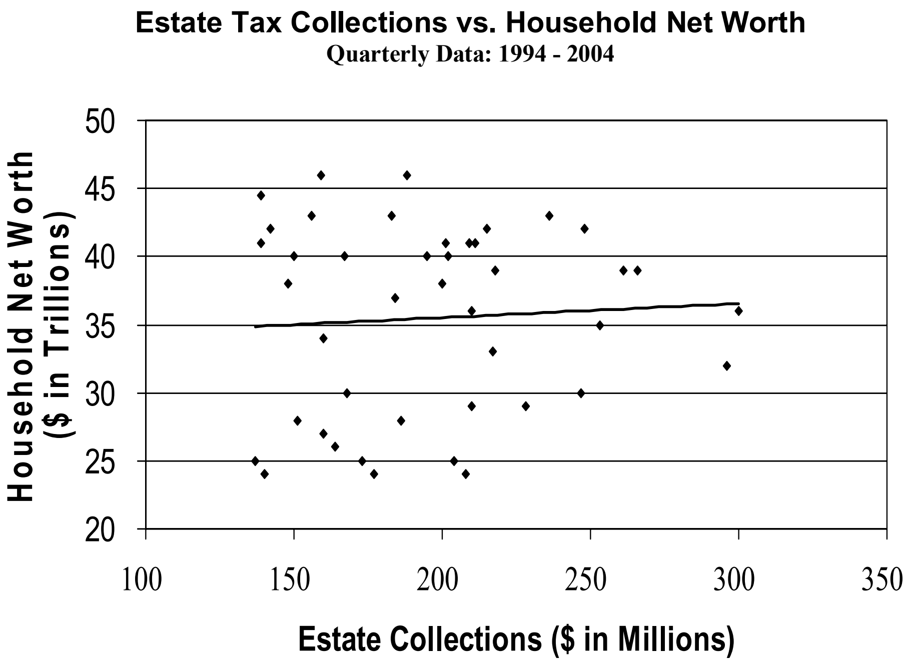
All Funds

2004-05 Estimates

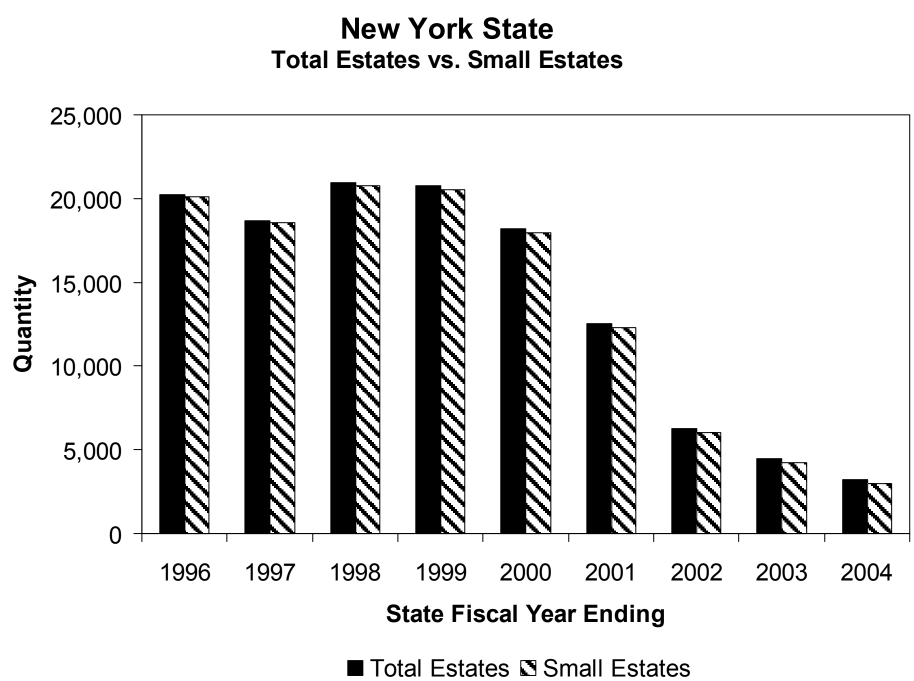
Net All Funds collections to date are $524 million, a decrease of $69.4 million, or 12 percent below the comparable period in the prior fiscal year.

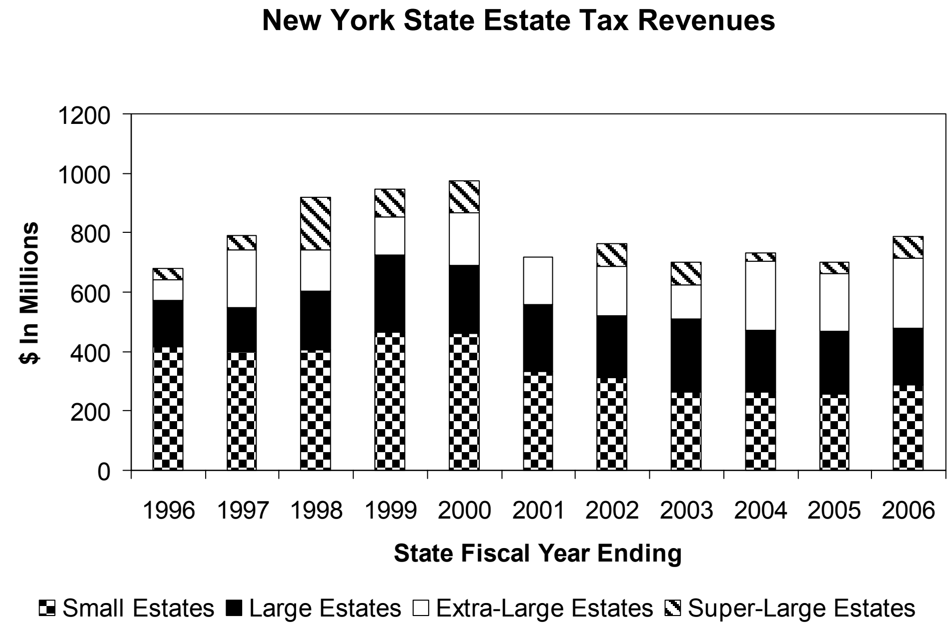
CARTS collections through nine months of 2004-05 were $23 million, an increase of 6 percent from the same period of 2003-04. Year-to-date refunds for 2004-05 are $32 million, 41 percent above the same period of 2003-04.

Total net All Funds receipts for 2004-05 are estimated to be $700.3 million, a decrease of $32 million, or 4.4 percent below last year. Receipts for the remainder of the year are expected to be comparable to the collection experience of the first part of the fiscal year. (See table below.)



Extra-large estates year-to-date collections are $81 million, a decrease of $114.4 million, or 59 percent from the comparable period in 2003-04, reflecting in part the $1 million unified exemption that reduces payments that otherwise will have been in the super-large estate category to the extra-large category and actual growth in the equity markets. Collections from small estate payments have experienced a decrease of $5.3 million, down 3 percent to $202 million from the similar period of 2003-04. This trend reflects a substantial impact from the $1 million unified exemption. It is estimated that the full year effects of the tax reductions enacted in 1997 have reduced total receipts by $502.4 million or 30 percent, from the 1993-94 base.





2005-06 Projections

All Funds receipts are projected to be $752.4 million, an increase of $52.1 million or 7.4 percent above 2004-05. The estimate includes CARTS collections of $32 million and refunds of $40 million.

The estate collections will continue to be affected by the Federal unified credit amount of $1 million and the recent move to a pick-up tax, which will partially offset an estimated 12.6 percent increase in the base liability of the tax.

Super-large estate payments are projected to increase by $34.1 million, or 89 percent, to $72.4 million. The payments from extra-large estates are expected to increase to $226 million. The projections for the super-large and extra-large estates are based upon the distributional analysis that suggests the number of estates in this category will shrink in 2005-06. Large estate payments are estimated to decrease by 14 percent to $182 million and small estates are expected to increase by 6 percent to $272 million. The results for the large and small estate payments are based on the projected value of household net worth, which is expected to increase by 8 percent in 2005-06.

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
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	0.0	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
2002-03	3	77.8	13	112.7	200	247.6	262.8	700.9
2003-04	1	27.7	25	231.4	169	209.1	264.1	732.3
	Estimated							
2004-05	1	38.3	15	194.0	191	211.5	256.5	700.3
2005-06	1	72.4	20	226.0	185	182.0	272.0	752.4

[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.)

RECEIPTS BY FUND TYPE

ESTATE TAX RECEIPTS
(millions of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
	Actual						
1996-97	842	50	792	0	0	0	792
1997-98	968	48	919	0	0	0	919
1998-1999	993	47	946	0	0	0	946
1999-2000	1,029	54	975	0	0	0	975
2000-01	777	60	717	0	0	0	717
2001-02	791	30	761	0	0	0	761
2002-03	736	35	701	0	0	0	701
2003-04	760	28	732	0	0	0	732
	Estimated						
2004-05	743	43	700	0	0	0	700
2005-06	792	40	752	0	0	0	752

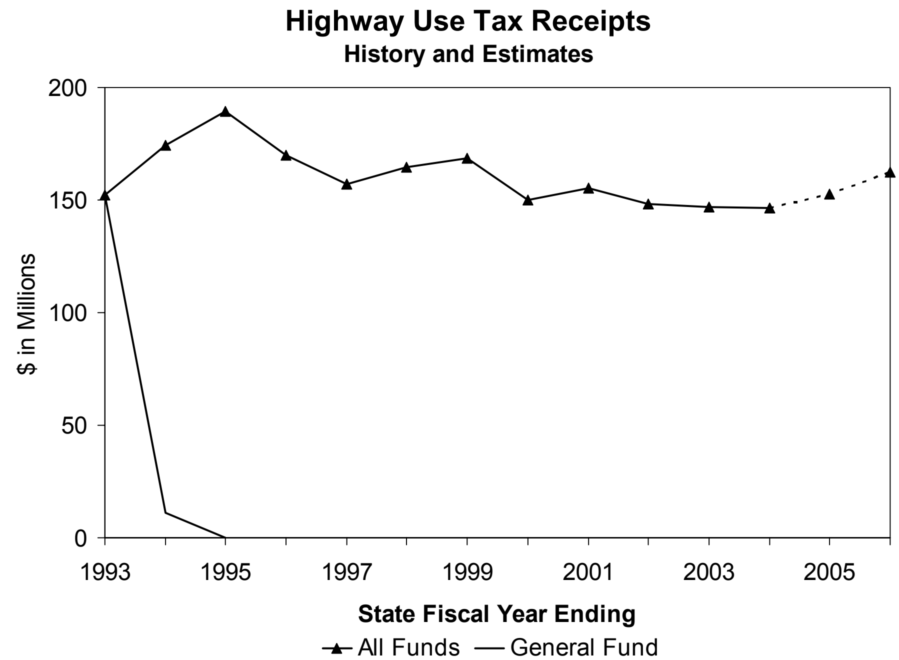
HIGHWAY USE TAX

SUMMARY

In 2004-05, All Funds net collections from the highway use tax are estimated to be $152.7 million. This is an increase of $6.1 million, or 4.2 percent, from the prior year.

In 2005-06, All Funds net collections from the highway use tax are projected to be $162.6 million. This is an increase of $9.9 million, or 6.5 percent, compared with 2004-05.

No new legislation for this tax is proposed with this Budget.



DESCRIPTION

Articles 21 and 21-A of the Tax Law impose a highway use tax on commercial vehicles using the public highways of the State. 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

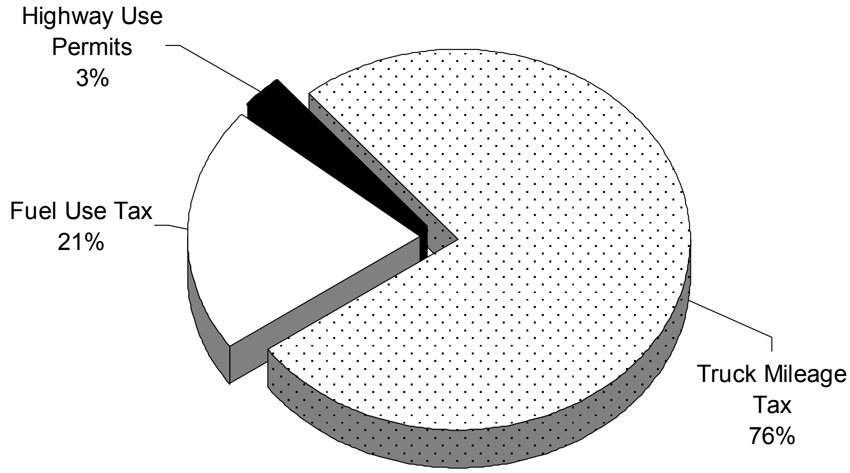
Highway Use Permits

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) having 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 2004-05



Administration

Most taxpayers remit the truck mileage tax on a monthly basis. The tax is remitted on or before the last day of each month for the preceding month. Fuel use taxpayers file quarterly with their home state under the rules of the International Fuel Tax Agreement (IFTA). The home state subsequently distributes the funds to the state where the liability occurred.

Significant Legislation

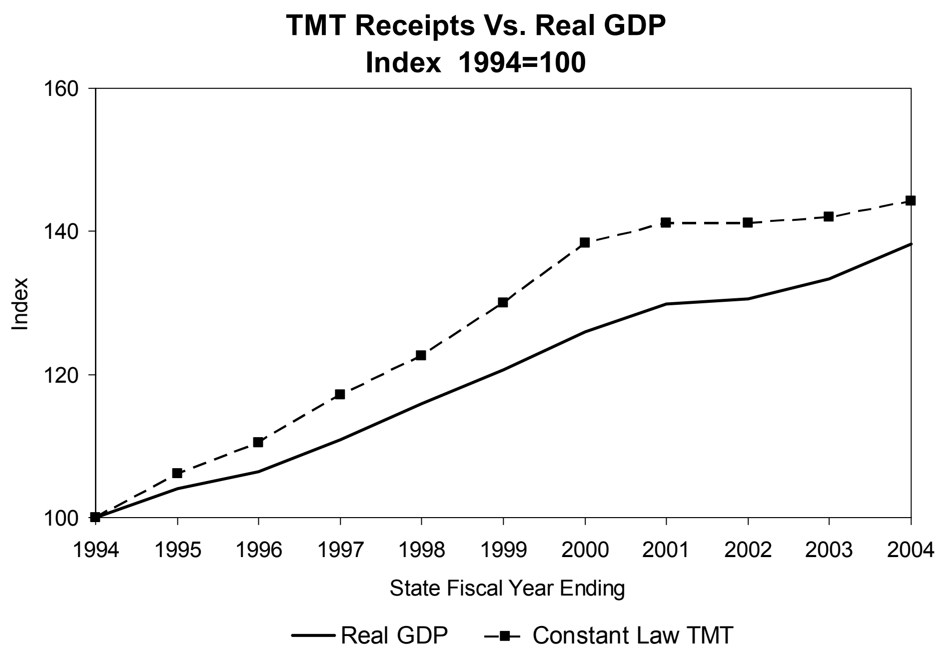
The significant statutory changes to this tax source since 1994 are summarized below.

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.	January 1, 1996
Legislation Enacted in 1995		
Fuel Use Tax Rate Cut	Reduced the diesel fuel excise tax rate from ten cents per gallon to eight cents per gallon. As a result, the diesel fuel tax component of the fuel use tax was also reduced to eight cents per gallon.	January 1,1996

Subject	Description	Effective Date
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

TAX LIABILITY

Highway use tax receipts are a function of the demand for trucking, which fluctuates with national economic conditions.



PROPOSED LEGISLATION

No new legislation for this tax is proposed with this Budget.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $116.5 million, an increase of $2.8 million, or 2.4 percent above the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $152.7 million, an increase of $6.1 million, or 4.2 percent above last year.

In the current fiscal year, the economic recovery contributed to an increase in trucking receipts. Truck mileage tax receipts to date in 2004-05 are 2.8 percent above the comparable 2003-04 period. Fuel use tax receipts to date in 2004-05 are 11.9 percent above the comparable 2003-04 period due to higher fuel prices.

Based on collection experience to date, and the improved economic outlook (see Economic Backdrop section), highway use tax receipts will continue to grow in line with real growth in the economy for the rest of the State fiscal year. Net truck mileage tax receipts are projected at $116.4 million and fuel use tax receipts at $32.1 million. Permit fees of $4.2 million reflect a non-peak triennial renewal year.

2005-06 Projections

Total net All Funds receipts are projected to be $162.6 million, an increase of $9.9 million, or 6.5 percent above 2004-05.

The base of the truck mileage tax (demand for trucking) is expected to increase by 3.6 percent as a result of economic growth. Net truck mileage tax receipts are estimated at $120.5 million. Due to the effect of increased fuel prices, the sales tax component of the fuel use tax is estimated to increase by 16.7 percent. As a result, fuel use tax receipts are expected to grow to $35 million. Permit fees of $7.1 million reflect a peak triennial renewal year.

General Fund

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

Other Funds

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

RECEIPTS BY FUND TYPE

HIGHWAY USE TAX RECEIPTS
(millions 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				
1996-97	0	0	0	0	164	7	157	0	157
1997-98	0	0	0	0	168	3	165	0	165
1998-99	0	0	0	0	172	3	169	0	167
1999-2000	0	0	0	0	152	2	150	0	150
2000-01	0	0	0	0	157	2	155	0	155
2001-02	0	0	0	0	150	2	148	0	148
2002-03	0	0	0	0	149	2	147	0	147
2003-04	0	0	0	0	149	2	147	0	147
					Estimated				
2004-05	0	0	0	0	155	2	153	0	153
2005-06	0	0	0	0	165	2	163	0	163

[1] Dedicated Highway and Bridge Trust Fund

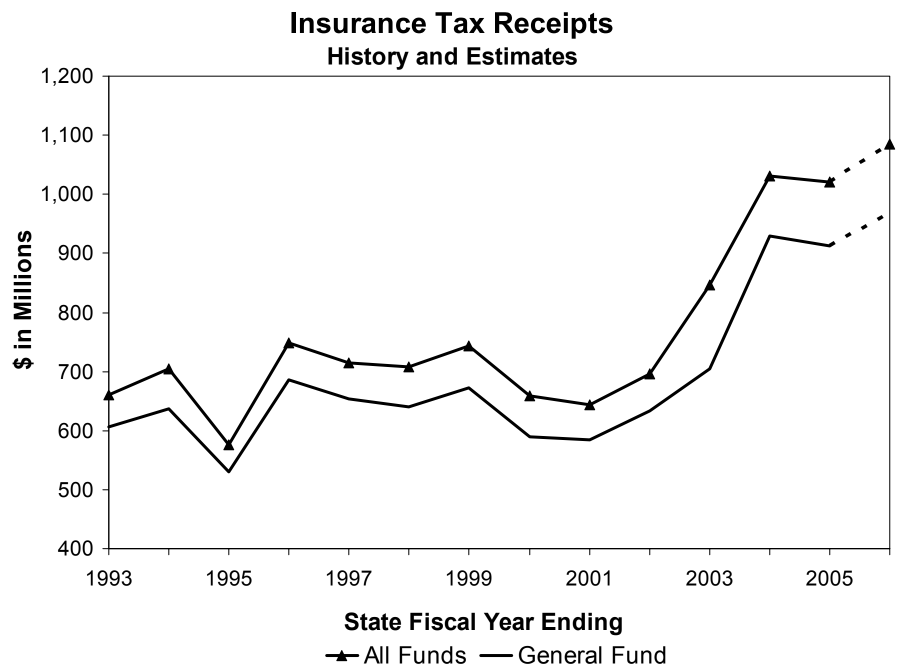
INSURANCE TAXES

SUMMARY

In 2004-05, All Funds net collections from insurance taxes are estimated to be $1,021 million. This is a decrease of $10 million, or 1 percent from the prior year.

In 2005-06, All Funds net collections from insurance taxes are projected to be $1,085 million. This is an increase of $64 million, or 6 percent, compared to 2004-05.

Legislation proposed with this Budget will remove the premiums tax exclusion for certain cooperative insurance companies.



DESCRIPTION

Tax Base and Rate

Under Article 33 of the Tax Law and the Insurance Law, the State collects taxes from insurance corporations, insurance brokers and certain insureds for the privilege of doing business or otherwise exercising a corporate franchise in New York. The Department of Taxation and Finance's Insurance Franchise Tax Study File contains the most recent data available on the tax liability of these taxpayers under Article 33 of the Tax Law. The most current liability information is for the 2001 tax year.

Tax Rate on Non-Life Insurers

Beginning in 2003, non-life insurance companies are subject to a premiums-based tax based solely on gross direct premiums, less return premiums. These premiums are taxed at the rate of 2.0 percent, except non-life accident and health premiums, which are taxed at the rate of 1.75 percent. A $250 minimum tax applies to non-life insurers.

Tax Rate on Life Insurers

The 2003 law also imposed a different tax structure on life insurers. The franchise tax on life insurers 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 the table below. In addition, a 0.08 percent tax rate applies to subsidiary capital allocated to New York.

RATES FOR THE NET INCOME COMPONENT OF THE FRANCHISE TAX ON LIFE INSURERS 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 tax rate on premiums is 0.7 percent.

Maximum and minimum tax limitations are computed based on net premiums. Life insurers determine their maximum limitation by multiplying net premiums by 2.0 percent. Life insurers also determine a minimum limitation of 1.5 percent of net premiums.

Generally, taxpayers with tax liability that exceeds the limitation may not reduce their liability with tax credits to a level below the limitation. However, taxpayers may use Empire Zone and Zone Equivalent Area tax credits to reduce their tax liability below the limitation.

Other Tax Rates Imposed on Insurers

Article 33-A of the Tax Law imposes a tax of 3.6 percent of premiums on independently procured insurance. 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.

The Insurance Law 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.

Furthermore, 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 temporary 17 percent surcharge on their tax liability attributable to the MCTD area.

Administration

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.

Additionally, receipts from the 17 percent temporary business tax surcharge on tax liability within the MCTD region 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.

Tax Expenditures

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.

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. CAPCO Program Two increased the cap by $30 million, to $130 million in 1999. CAPCO Program Three increased the cap by $150 million, to $280 million in 2000. CAPCO Program Four increased the cap by $60 million, to $340 million in 2004.
Special Additional Mortgage Recording Tax (SAMRT) Credit	Provides credit for 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.

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; however, such entities may be subject to tax under other articles of the tax law.

Significant Legislation

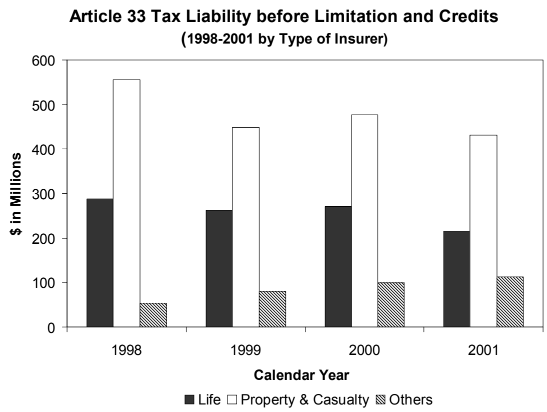
The significant statutory changes to this tax source since 1994 are summarized below.

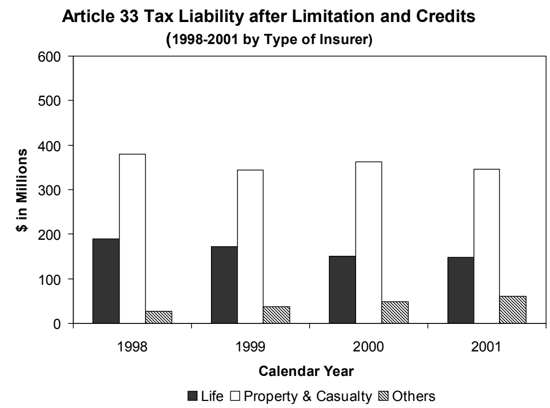
Subject	Description	Effective Date
Legislation Enacted in 1994		
Temporary Business Tax Surcharge	Eliminated the surcharge over a three-year period.	January 1, 1994
Legislation Enacted in 1997		
Premium Tax Rate for Life Insurers	Reduced the premium tax rate from 0.8 percent to 0.7 percent.	January 1, 1998
Cap on Tax Liability	Reduced 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 (CAPCOs)	Changed credit to equal 100 percent of amount invested in CAPCO's for taxable years beginning after 1998. The rate was changed to equal 10 percent per year for ten years. The statewide cap was set at $100 million.	January 1, 1999
Captive Insurance Companies	Allowed 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	Established CAPCO Program Two. Increased Statewide cap from $100 million to $130 million.	January 1, 2001
State Insurance Fund	Conformed the State Insurance Fund tax treatment to the regular insurance tax.	January 1, 2001
Entire Net Income (ENI) Tax Rate	Reduced 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	Reduced 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	Established CAPCO Program Three. Increased the statewide cap from $130 million to $280 million.	January 1, 2002
Investment Tax Credit	Allowed 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.	Available for property placed in service between January 1, 2002 and October 1, 2003.
Long-Term Care Insurance Credit	Created a 10 percent credit for cost of purchasing long-term care insurance as defined in the Insurance Law.	January 1, 2002
Empire Zones Program	Provided Qualified Empire Zone Enterprises (QEZE) tax incentives in Empire Zones. Transformed 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

Subject	Description	Effective Date
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.	Various
Legislation Enacted in 2003		
Insurance Tax Structure	Changed the tax base for insurance taxpayers as follows: • Life and Health insurance taxpayers covering life and accident/health premiums are taxed on the four tax bases and are now subject to a minimum tax of 1.5 percent of premiums. • Non-life insurers covering accident & health premiums are subject to tax on 1.75 percent of premiums. • All other non-life insurers are subject to tax on 2.0 percent of premiums.	January 1, 2003
Modification for Decoupling from Federal Bonus Depreciation	Required modifications to Federal taxable income for property placed in service on or after June 1, 2003 that qualified for the special bonus depreciation allowance allowed by the Federal Job Creation and Worker Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. The modifications do not apply to qualified resurgence zone property or qualified New York Liberty Zone property.	2003
Intangible Holding Companies	Required modifications to Federal taxable income relating to certain royalty and interest payments made with respect to the use of intangible property by related members or royalty and interest payments received from related members.	January 1, 2003
Superfund-Brownfield Credits	Created tax incentives for the redevelopment of brownfields through three tax credits: a redevelopment tax credit, a real property tax credit, and an environmental remediation insurance credit. There are three components in the redevelopment tax credit: a site preparation component, a tangible property component, and an onsite groundwater remediation component.	April 1, 2005
Legislation Enacted in 2004		
Fourth Certified Capital Company (CAPCO) Credit	Established CAPCO Program Four. Increased the Statewide cap from $280 million to $340 million.	January 1, 2006
Empire Zones Program Extension	Extended the Empire Zones (EZ) Program to March 31, 2005.	January 1, 2004
Brownfield Tax Credits	Expanded criteria for environmental zones (EN-Zones) and made technical changes. To qualify for new EN-Zones, brownfields must have cleanup agreement prior to September 1, 2006. Also eliminated recapture provisions for disposition of property.	April 1, 2005

TAX LIABILITY

The following graphs show insurance tax liability from 1998 through 2001 before and after limitation and credits.





Property and Casualty Companies

The property and casualty sector is the largest sector of the industry and typically accounts for over half of the State's insurance tax collections. The five largest lines of business under the property and casualty sector are automobile, workers' compensation, commercial multi-peril, general liability, and homeowners' multi-peril. In 2003 these lines accounted for more than 80 percent of premiums. The table below reports actual property and casualty premiums and growth from 1997 through 2003 for New York State.

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

Lines of Insurance	1997	1998	1999	2000	2001	2002	2003
Automobile	9,490	9,631	9,594	9,664	10,773	11,910	12,566
percent change	*0.26*	*1.49*	*(0.38)*	*0.73*	*11.48*	*10.55*	*3.86*
Workers' Compensation	2,725	2,686	2,725	3,154	3,282	3,412	3,404
percent change	*(12.70)*	*(1.41)*	*1.44*	*15.74*	*4.06*	*3.96*	*9.41*
Commercial Multi-Peril	2,031	2,071	2,002	2,085	2,178	2,680	2,767
percent change	*(3.15)*	*1.99*	*(3.33)*	*4.15*	*4.46*	*23.05*	*3.25*
General Liability	2,091	2,734	1,825	2,148	2,455	3,319	3,494
percent change	*12.99*	*30.90*	*(33.25)*	*17.70*	*14.29*	*35.19*	*2.21*
Homeowners' Multi-Peril	2,133	2,181	2,230	2,326	2,469	2,661	2,901
percent change	*3.91*	*2.33*	*2.25*	*4.30*	*6.15*	*7.78*	*4.14*
Other	3,620	3,641	3,635	3,720	4,476	5,164	5,624
percent change	*1.29*	*0.61*	*(1.53)*	*2.34*	*20.32*	*15.37*	*8.91*
TOTAL P/C PREMIUMS	22,090	22,945	22,011	23,098	25,808	29,146	30,717
Annual Increase/Decrease							
percent change	*(0.32)*	*3.87*	*(4.07)*	*4.94*	*11.73*	*12.93*	*5.39*

Net premiums for property and casualty companies overall grew by over 5 percent in 2003. This growth is generally consistent with years prior to 2001. Premiums in 2004 are expected to be somewhat lower compared to 2003 levels. Premium prices in 2005 and after are expected to grow slightly compared to 2004 levels.

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, a mature and relatively slow growth industry, are expected to grow modestly throughout the forecast period.

Changes in the demographic and competitive landscape have forced insurers to contend simultaneously with an aging population's need to save for retirement and the ongoing competitive threat from banks and securities brokers.

The Federal Gramm-Leach-Bliley Act of 1999, which permits insurance companies, banks and brokerages to form consolidated companies offering a full range of financial services, has broken down the barriers that once separated the various sectors of the financial services industry. Banks and brokerage houses now sell more annuities than life insurance agents. Life insurance agents, in turn, now sell investment-oriented products, including mutual funds.

PROPOSED LEGISLATION

Legislation proposed with this Budget will remove the premiums tax exclusion for certain cooperative insurance companies.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $696 million, a decrease of $64 million, or 8 percent below the comparable period in the prior fiscal year. The prior fiscal year included an unusual insurance premiums tax payment of $85 million.

Total net All Funds receipts for 2004-05 are estimated to be $1,021 million, a decrease of $10 million or 1 percent below last year. This decrease is due mainly to contraction of the industry and flat premium growth.

2005-06 Projections

Total net All Funds receipts are projected to be $1,085 million, an increase of $64 million, or 6 percent above 2004-05. The State fiscal year 2005-06 receipt gains are primarily due to modest growth in the life insurance and property and casualty lines of insurance. The forecast assumes an increase in homeowner's insurance because of near-record low interest rates and an increase in receipts by $18 million due to the Executive Budget proposal to remove the premiums tax exclusion for certain cooperative insurance companies. These increases are expected to be offset by a decrease in automobile insurance premium rates as insurance fraud declines.

The forecast of receipts from property and casualty insurers is based on a moderate increase in premium liability of approximately 5 percent in 2005, primarily resulting from continued growth in the general liability sector. The forecast assumes that the life and health sector will be nearly flat through the 2004 tax year. Premium liability for this sector is projected to grow by approximately 1.0 percent.

A continuing significant risk to the forecast will be changes in the factors that impact overall premium growth and the economic performance of industry members. Given industry and economic conditions over the past few years, some companies have withdrawn from certain lines of business, such as homeowners and private passenger automobile. It is unclear how consolidation in the industry may affect premium rates.

Analysts believe the hurricanes in Florida will not significantly affect premiums overall, because insurance companies have increased their reserves. Major risks will be weather-related catastrophes, as well as a decline in investment income affecting investment portfolios and annuity sales.

The New York State Attorney General's Office and the New York State Insurance Department are conducting joint investigations into current insurance company practices related to commissions and bid-rigging. To date, the investigations appear to have had little effect on the industry; however, it is anticipated that compliance costs will increase as a result of anticipated reforms and new regulations being imposed.

General Fund

Based on collections to date, net collections for 2004-05 are estimated to be $912 million. This represents a decrease of $18 million from the prior year. The receipts estimate for 2004-05 includes $22 million in audit collections, $50 million in refunds and $40 million in insurance premiums tax collections.

For 2005-06, collections are projected at $969 million. This estimate includes $20 million in audits, offset by $55 million in refunds. It also includes $40 million in insurance premiums tax collections. The table below provides the receipts estimate for 2004-05 and the forecast for 2005-06, as well as a history of receipts for 1996-97 through 2003-04. The gross General Fund amounts include the insurance premiums tax.

Other Funds

Collections deposited into MTOAF are estimated at $109 million for 2004-05 and $116 million for 2005-06.

RECEIPTS BY FUND TYPE

INSURANCE TAX RECEIPTS
(millions of dollars)

	Gross General Fund	Refunds	Net General Fund	Gross Special Revenue Funds	Refunds	Net Special Revenue Funds[1]	All Funds Net Collections
	Actual						
1996-97	682	29	653	68	8	60	713
1997-98	673	32	641	69	3	66	707
1998-99	718	45	673	76	6	70	743
1999-2000	634	45	589	79	10	69	658
2000-01	647	64	583	70	10	60	643
2001-02	667	34	633	69	6	63	696
2002-03	755	59	696	82	10	72	768
2003-04	983	53	930	109	8	101	1,031
	Estimated						
2004-05	962	50	912	119	10	109	1,021
2005-06	1,024	55	969	127	11	116	1,085

[1] Mass Transportation Operating Assistance Fund

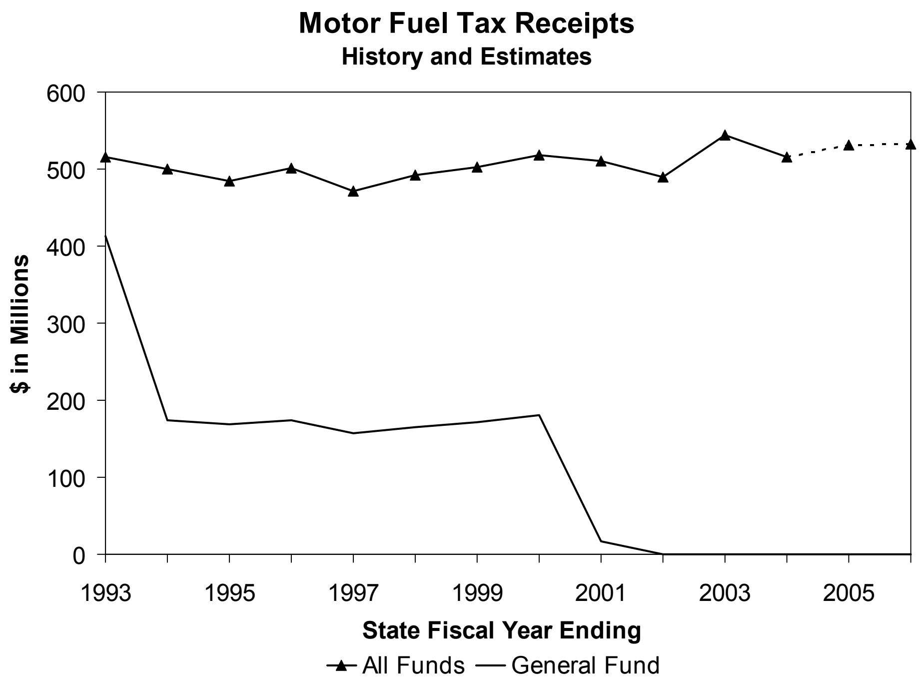
MOTOR FUEL TAX

SUMMARY

In 2004-05, All Funds net collections from the motor fuel tax are estimated to be $530.6 million. This is an increase of $15.1 million, or 2.9 percent, from the prior year.

In 2005-06, All Funds net collections from the motor fuel tax are projected to be $533.1 million. This is an increase of $2.5 million, or 0.5 percent, compared with 2004-05.

No new legislation for this tax is proposed with this Budget.



DESCRIPTION

Tax Base and Rate

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 motorboats operating on the State's waterways. Exemptions, credits and refunds are allowed for certain other uses of gasoline and diesel motor fuel.

The table below displays New York's fuel tax rank. The "additional tax" for New York is the Petroleum Business Tax (PBT).

Gasoline Tax Rates
Cents Per Gallon
January 1, 2004

	State	Excise Tax	Add'l Tax	Total Tax
1	Rhode Island	30.0	1.0	31.0
2	Wisconsin	28.5		28.5
3	Washington	28.0		28.0
4	Montana	27.0		27.0
5	Pennsylvania	12.0	14.2	26.2
6	Nebraska	24.8	0.9	25.7
7	West Virginia	20.5	4.9	25.4
8	Connecticut	25.0		25.0
9	Idaho	25.0		25.0
10	Maine	24.6		24.6
11	North Carolina	24.3	0.3	24.6
12	Utah	24.5		24.5
13	Kansas	24.0		24.0
14	Nevada	24.0		24.0
15	Ohio	24.0		24.0
16	Oregon	24.0		24.0
17	Maryland	23.5		23.5
18	Delaware	23.0		23.0
19	**New York**	**8.0**	**14.6**	**22.6**
20	Colorado	22.0		22.0
21	South Dakota	22.0		22.0
22	Arkansas	21.5		21.5
23	Tennessee	20.0	1.4	21.4
24	Massachusetts	21.0		21.0
25	North Dakota	21.0		21.0
26	Iowa	20.3		20.3
27	Louisiana	20.0		20.0
28	Minnesota	20.0		20.0
29	Texas	20.0		20.0
30	Vermont	19.0	1.0	20.0
31	Dist. of Columbia	20.0		20.0
32	Illinois	19.0	0.8	19.8
33	New Hampshire	18.0	1.5	19.5
34	Michigan	19.0		19.0
35	New Mexico	17.0	1.9	18.9
36	Mississippi	18.0	0.4	18.4
37	Alabama	16.0	2.0	18.0
38	Arizona	18.0		18.0
39	California	18.0		18.0
40	Indiana	18.0		18.0
41	Virginia	17.5		17.5
42	Missouri	17.0		17.0
43	Oklahoma	16.0	1.0	17.0
44	Kentucky	15.0	1.4	16.4
45	Hawaii	16.0		16.0
46	South Carolina	16.0		16.0
47	New Jersey	10.5	4.0	14.5
48	Florida	4.0	10.3	14.3
49	Wyoming	13.0	1.0	14.0
50	Alaska	8.0		8.0
51	Georgia	7.5		7.5

Courtesy Federation of Tax Administrators

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.

The tax is generally remitted monthly, although vendors whose average monthly tax is less than $200 may remit quarterly. 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 PBT combined. These taxpayers are required to 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 by the twentieth of the following month.

Tax Expenditures

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.

Significant Legislation

The significant statutory changes for this tax source since 1994 are summarized below.

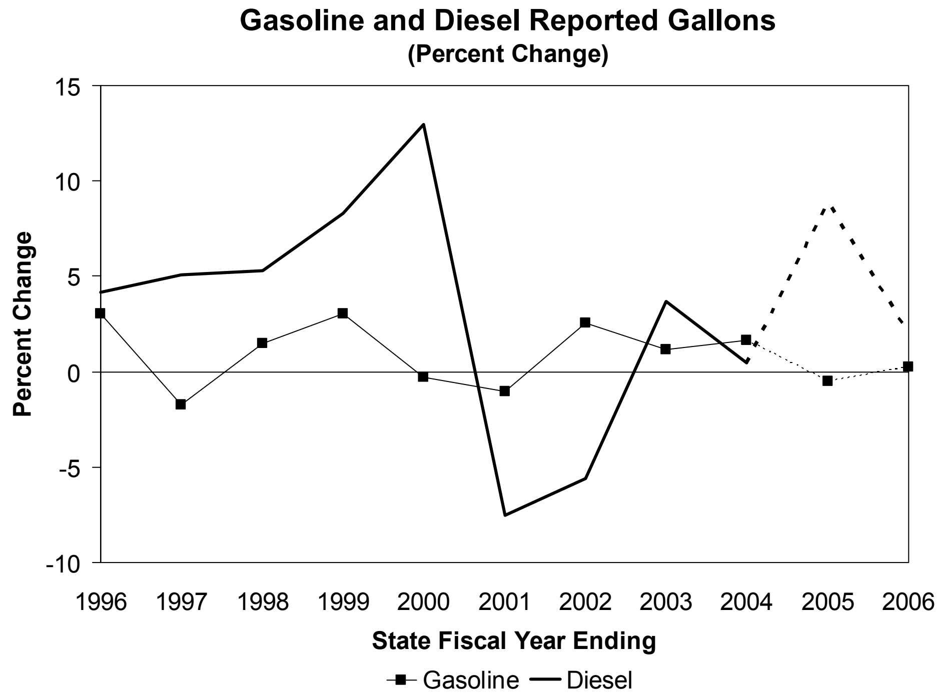
Subject	Description	Effective Date
Legislation Enacted in 1995		
Tax Liability	Reduced the diesel motor fuel tax from 10 cents to 8 cents per gallon.	January 1, 1996
Exemption	Provided an up-front exemption from the motor fuel excise tax for retail sales of aviation gasoline.	September 1, 1995

TAX LIABILITY

Motor fuel tax collections are a function of the number of gallons of fuel imported into the State by distributors. Gallonage is determined in large part by: fuel prices, the amount of fuel held in inventories, the fuel efficiency of motor vehicles, and overall state economic performance.

Taxable Gallonage History

As the following graph illustrates, taxable diesel gallonage increased rapidly 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 reflect, in part, higher prices for diesel fuel and the economic slowdown. Taxable diesel gallonage increased sharply in 2002-03 due to improved national economic growth. Taxable gasoline gallonage has grown more slowly, but increased sharply in 1998-99, partially due to low gasoline prices during that period. Taxable gasoline gallonage declined slightly in 1999-2000 and 2000-01 due in part to price increases, and increased in 2001-02 due to price declines. In 2002-03 and 2003-04, gasoline gallonage increased despite gasoline price increases. This reflects the economic recovery.



PROPOSED LEGISLATION

No new legislation for this tax is proposed with this Budget.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $410.1 million, an increase of $25.4 million, or 6.6 percent above the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $530.6 million, an increase of $15.1 million, or 2.9 percent over last year. Diesel tax receipts are estimated to increase significantly due to improved economic conditions.

In 2003-04, corrections were made to motor fuel tax receipts for allocation errors made within the tax in prior fiscal years by reclassifying diesel receipts as motor fuel receipts in May and July 2003. As a result, 2003-04 diesel receipts appear artificially low and 2003-04 gasoline receipts appear artificially high. These adjustments limit the value of a more specific discussion of year-over-year receipts changes by fuel type.

2005-06 Projections

Total net All Funds receipts are projected to be $533.1 million, an increase of $2.5 million, or 0.5 percent above 2004-05.

Increases in taxable gasoline and diesel gallonage are projected to be modest, consistent with improved economic conditions, but tempered by estimated increases in fuel prices.

General Fund

Motor fuel tax revenues are no longer deposited in the General Fund.

Other Funds

Since 2000, motor fuel tax revenues have been distributed by law to four funds: the Dedicated Highway and Bridge Trust Fund (DHBTF), the Dedicated Mass Transportation Trust Fund (DMTTF), the Emergency Highway Reconditioning and Preservation Fund, and the Emergency Highway Construction and Reconstruction Fund. Currently, all motor fuel receipts are deposited into the DHBTF and DMTTF. The fund distribution since 1993 is shown in the following table.

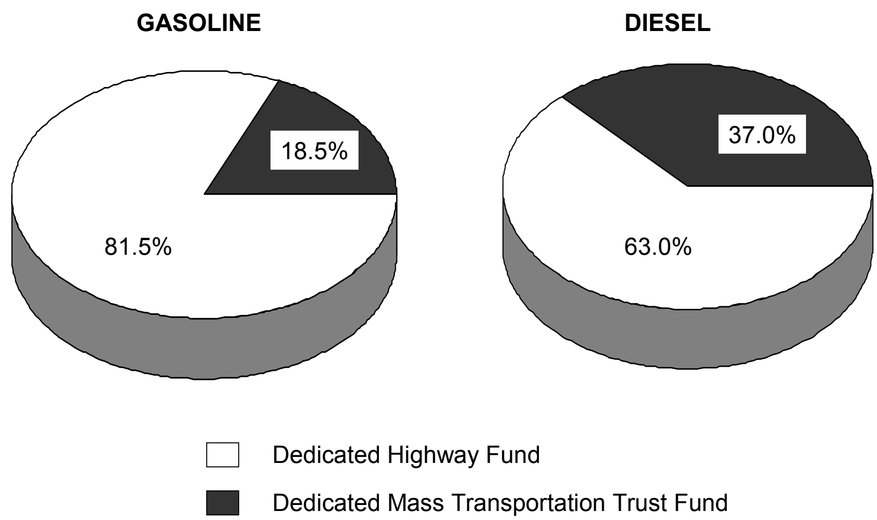
MOTOR FUEL TAX FUND DISTRIBUTION
(percent)

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
April 1, 2003 and After				
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 2004-05 and 2005-06 are displayed in the following charts.

Motor Fuel Tax Distributions by Fund
State Fiscal Years 2004-05 and 2005-06



RECEIPTS BY FUND TYPE

MOTOR FUEL TAX RECEIPTS
(millions 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			
1996-97	484	158	0	211	103	13	472
1997-98	504	165	0	219	108	12	492
1998-99	512	171	0	221	110	10	502
1999-2000	534	180	0	225	113	15	519
2000-01	524	17	58	323	112	14	510
2001-02	503	0	62	321	107	13	489
2002-03	560	0	69	356	119	16	544
2003-04	528	0	105	411	0	12	516
				Estimated			
2004-05	544	0	111	420	0	13	531
2005-06	546	0	111	422	0	13	533

[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.

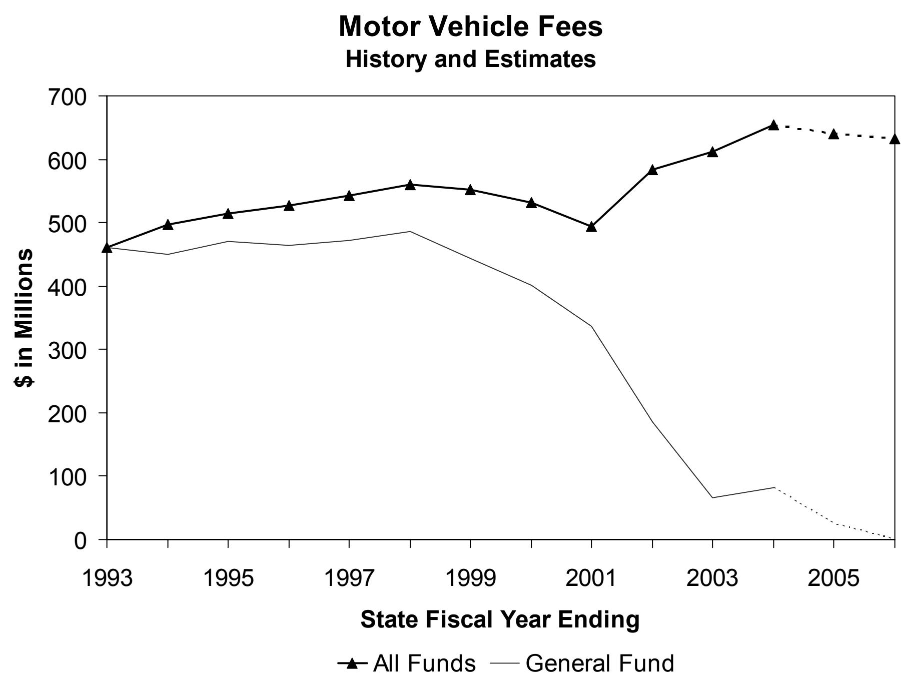
MOTOR VEHICLE FEES

SUMMARY

In 2004-05, All Funds net collections from motor vehicle fees are estimated to be $640 million. This is a decrease of $14.3 million, or 2.2 percent, from the prior year.

In 2005-06, All Funds net collections from motor vehicle fees are projected to be $632.4 million. This is a decrease of $7.6 million, or 1.2 percent, compared with 2004-05.

Legislation proposed with this Budget will increase vehicle registration fees; increase title fees; increase salvaged vehicle inspection fees; increase dealer/transporter registration fees; increase dealer temporary registration fees; and expand the insurance buyback program.



DESCRIPTION

Fee Base

Motor vehicle fees are imposed by the Vehicle and Traffic Law. In general, motor vehicles, motorcycles, trailers, semi-trailers, 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. Numerous other fees, related to the processes of registration or licensing, are another component of motor vehicle fees. Examples are: fees for inspection and emission stickers; repair shop certificates; and insurance civil penalties.

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 semi-trailers, which are charged a flat fee. Registration for vehicles weighing less than 18,000 pounds is biennial. 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 semi-trailers)	Each 100 lbs. maximum gross weight or fraction thereof	1.21
Trailers	Each 500 lbs. maximum gross weight or fraction thereof	4.31
Semi-trailers – pre-1989 model year		23.00 per year
Semi-trailers – 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 main licensing fees are listed below.

MAIN LICENSING FEES

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
License renewal – chauffeur's driver's license	5.00 – for each six months

The following table displays New York's rank for the fees on an average weight vehicle before and after the proposed registration fee increases. The table is based on 2001 data and other states may have changed their fees during the past four years.

Comparative Impact of Proposed Registration Fee Increase (1) (2)

Current Law			Proposed Law		
Rank	**State**	**Amount**	**Rank**	**State**	**Amount**
1	Minnesota	$125.00	1	Minnesota	$125.00
2	Oklahoma	$100.25	2	Oklahoma	$100.25
3	Iowa	$75.00	3	Iowa	$75.00
4	Hawaii	$73.90	4	Hawaii	$73.90
5	Connecticut	$70.00	5	Connecticut	$70.00
6	Alaska	$68.00	6	Alaska	$68.00
7	North Dakota	$60.00	7	North Dakota	$60.00
8	Michigan	$58.00	8	Michigan	$58.00
9	DC	$55.00	9	DC	$55.00
10	Texas	$50.80	10	Texas	$50.80
11	Illinois	$48.00	11	Illinois	$48.00
12	Wisconsin	$45.00	12	Wisconsin	$45.00
13	Vermont	$42.00	13	Vermont	$42.00
14	Florida	$35.10	14	Florida	$35.10
15	Maryland	$35.00	15	Maryland	$35.00
16	Nevada	$33.00	**16**	**New York**	**$33.05**
17	Washington	$33.00	17	Nevada	$33.00
18	New Hampshire	$31.20	18	Washington	$33.00
19	Massachusetts	$30.00	19	New Hampshire	$31.20
20	Oregon	$30.00	20	Massachusetts	$30.00
21	Rhode Island	$30.00	21	Oregon	$30.00
22	South Dakota	$30.00	22	Rhode Island	$30.00
23	West Virginia	$30.00	23	South Dakota	$30.00
24	Idaho	$29.25	24	West Virginia	$30.00
25	California	$28.00	25	Idaho	$29.25
26	Kansas	$27.25	26	California	$28.00
27	Colorado	$26.60	27	Kansas	$27.25
28	Virginia	$26.50	28	Colorado	$26.60
29	New Jersey	$25.00	29	Virginia	$26.50
30	**New York**	**$24.85**	30	New Jersey	$25.00
31	Alabama	$24.25	31	Alabama	$24.25
32	Missouri	$24.00	32	Missouri	$24.00
33	Pennsylvania	$24.00	33	Pennsylvania	$24.00
34	South Carolina	$24.00	34	South Carolina	$24.00
35	Mississippi	$23.75	35	Mississippi	$23.75
36	Maine	$23.00	36	Maine	$23.00
37	New Mexico	$23.00	37	New Mexico	$23.00
38	Tennesee	$23.00	38	Tennesee	$23.00
39	Ohio	$22.25	39	Ohio	$22.25
40	Utah	$21.00	40	Utah	$21.00
41	Delaware	$20.00	41	Delaware	$20.00
42	Georgia	$20.00	42	Georgia	$20.00
43	North Carolina	$20.00	43	North Carolina	$20.00
44	Nebraska	$17.50	44	Nebraska	$17.50
45	Arkansas	$17.00	45	Arkansas	$17.00
46	Montana	$15.25	46	Montana	$15.25
47	Louisiana	$15.00	47	Louisiana	$15.00
48	Wyoming	$15.00	48	Wyoming	$15.00
49	Kentucky	$14.50	49	Kentucky	$14.50
50	Indiana	$12.75	50	Indiana	$12.75
51	Arizona	$8.00	51	Arizona	$8.00

(1) For a "typical" passenger vehicle defined as 4-dr sedan weighing 3,111 lbs.

(2) Based on 2001 Federal data

Administration

Registration and licensing occur in person or by mail at the central and district offices of the Department of Motor Vehicles, and county clerks' offices in most counties. The county clerks were historically compensated with a fixed portion of each fee, but, since 1997, they have received 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

Fee Exemptions

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. The revenue lost from these exemptions is minimal.

Significant Legislation

The significant statutory changes to motor vehicle fees since 1994 are summarized below.

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	Added $2.50 to annual fee for registration and $0.50 for each six months to license or permit and earmarked 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
Administrative Changes in 2003		
Photo Image Fee	Photo image fee raised to $5.00.	February 1, 2003

PROPOSED LEGISLATION

Legislation proposed with this Budget will:

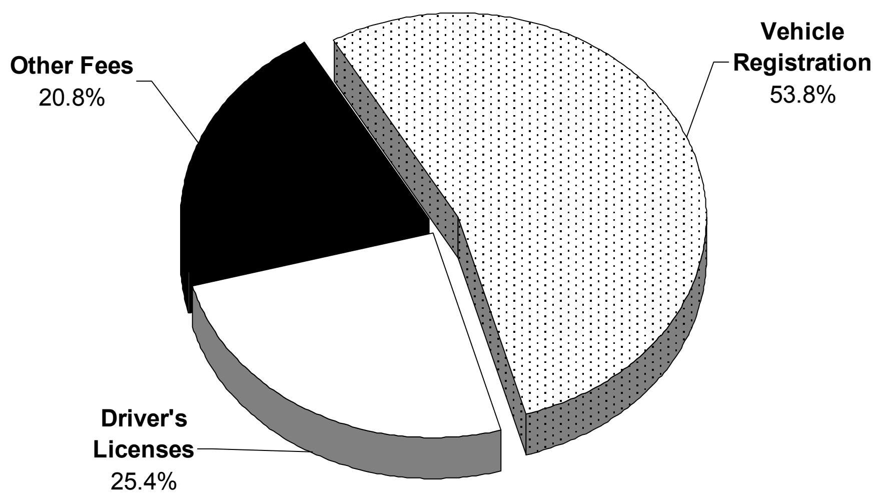
- increase vehicle registration fees;
- increase title fees;
- increase salvaged vehicle inspection fees;
- increase dealer/transporter registration fees;
- increase dealer temporary registration fees; and
- expand the insurance buyback program.

Fee Liability

The two main sources of motor vehicle fees are motor vehicle registrations and driver licensing.

Other fees relating to the operation of motor vehicles in the State yield relatively minor amounts of revenue. The chart below shows the shares of revenue from vehicle registrations, licenses, and other fees.

Motor Vehicle Fees Receipts by Source
State Fiscal Year 2003-04



Vehicle registration and driver licensing fees are a function of the fee schedules, the number of licensed drivers and registered vehicles, and the number of years between license and vehicle registration renewals. Historically, these motor vehicle fees fluctuate little as a result of economic conditions. In general, collections change when fee or renewal schedules change.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $506.4 million, an increase of $10.4 million, or 2.1 percent above the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $640 million, a decrease of $14.3 million, or 2.2 percent below last year. The estimate for net receipts from registrations is $419.7 million, and the estimate for net receipts from licenses and other fees is $220.3 million.

The estimate reflects a slight decline in registration fees due to marginally lower registrations in the passenger car category and the declining impact of extension of a driver's license renewal to eight years.

2005-06 Projections

Total net All Funds receipts are projected to be $632.4 million, a decrease of $7.6 million, or 1.2 percent, below 2004-05.

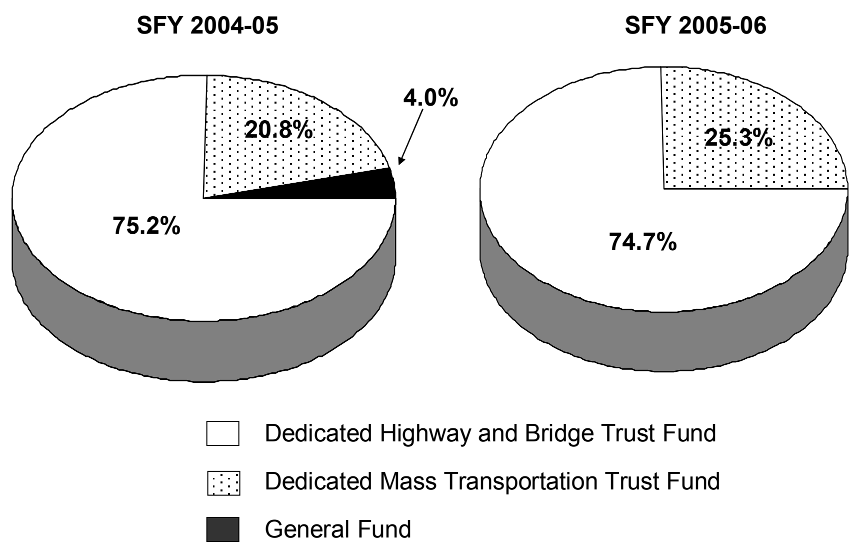
Net receipts from registrations are projected at $461.8 million and net receipts from licenses and other fees are projected at $170.6 million.

These projected receipts reflect the positive impact of registration fee increases resulting from higher average vehicle weights offset by a decline in receipts due to the declining impact of the eight-year renewal cycle for driver's licenses. The proposed fee increases are expected to add $65.9 million in 2005-06.

General Fund

As a result of shifting motor vehicle receipts to dedicated transportation related funds, there has been a reduction in General Fund receipts from this source. Beginning in 2005-06 no receipts from this source will be deposited in the General Fund. The charts below show the estimated fund distribution from all sources of motor vehicle fees in 2004-05 and 2005-06.

Motor Vehicle Fees Distributions by Fund
State Fiscal Years 2004-05 and 2005-06



In State fiscal year 2004-05, the General Fund will receive an estimated $25.6 million in motor vehicle fees. In State fiscal year 2005-06, the General Fund will receive no motor vehicle fees.

Other Funds

Since April 1, 1993, a percentage of registration fees has been earmarked to the Dedicated Highway and Bridge Trust 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 was 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.

Also 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 State fiscal year 2004-05, the Dedicated Highway and Bridge Trust Fund will receive an estimated $481.2 million and the Dedicated Mass Transportation Trust Fund will receive an estimated $133.2 million.

In State fiscal year 2005-06, the Dedicated Highway and Bridge Trust Fund will receive a projected $472.5 million and the Dedicated Mass Transportation Trust Fund will receive a projected $159.9 million.

RECEIPTS BY FUND TYPE

MOTOR VEHICLE FEES
(millions 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									
1996-97	494	22	472	0	0	0	71	0	71	543
1997-98	497	11	486	0	0	0	73	0	73	560
1998-99	438	14	444	0	0	0	108	0	108	552
1999-2000	419	18	401	0	0	0	130	0	130	531
2000-01	356	19	337	0	0	0	157	0	157	495
2001-02	208	23	185	28	0	28	371	0	371	583
2002-03	92	25	67	76	0	76	470	0	470	612
2003-04	100	18	82	105	0	105	468	0	468	654
	Estimated									
2004-05	47	21	26	133	0	133	481	0	481	640
2005-06										
(current law)	0	0	0	141	5	136	446	15	430	566
(proposed law)	0	0	0	166	6	160	490	17	472	632

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

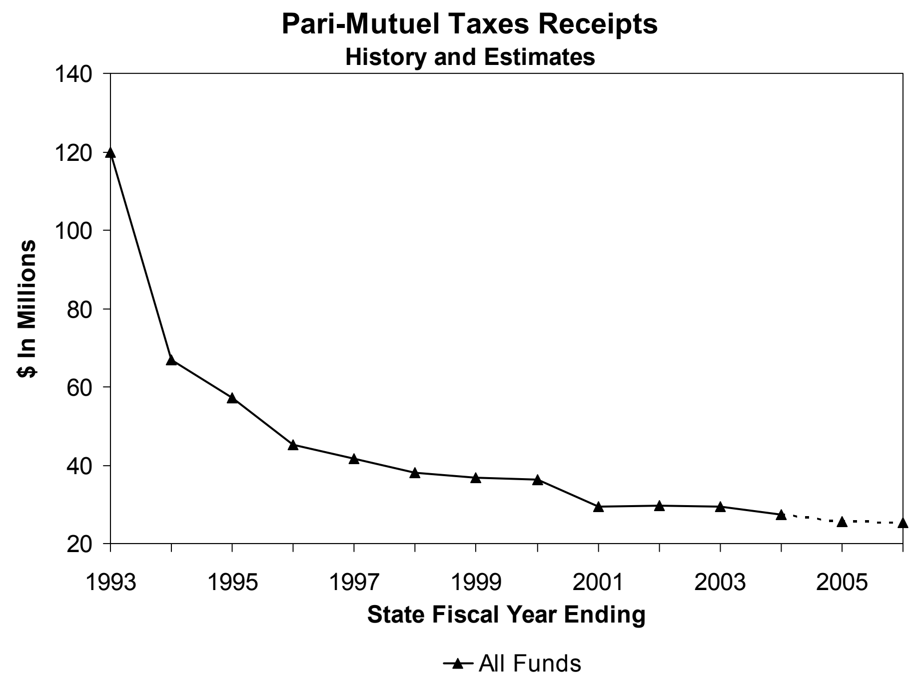
PARI-MUTUEL TAX

SUMMARY

In 2004-05, All Funds collections from the pari-mutuel tax are estimated to be $25.6 million, a decrease of $1.9 million, or 6.9 percent, from the prior year.

In 2005-06 All Funds collections from the pari-mutuel tax are projected to be $25.4 million. This is a decrease of $0.2 million, or 0.8 percent, compared with 2004-05. Collections will continue to be affected by the expected decline in overall handle and attendance at racetracks.

No new legislation for this tax is proposed with this Budget.



DESCRIPTION

Tax Base and Rate

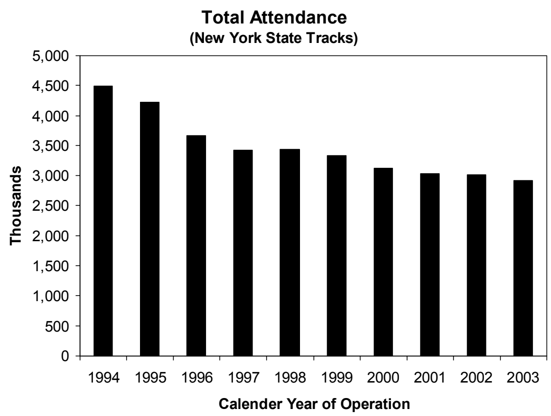
The State has levied taxes on pari-mutuel wagering activity conducted at horse racetracks since 1940. Off-track betting (OTB) parlors were first authorized in 1970 and simulcasting was first authorized in 1984. Each racing association or corporation and Off Track Betting Corporation pays the State a 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. There are numerous tax rates imposed on wagering on horse races. The rates vary depending upon the type of racing (thoroughbred or harness), the type of wager (regular, multiple, or exotic) and whether the wager is placed at the track, or off-track through simulcasting or at an Off Track Betting Corporation. The average effective pari-mutuel tax rate is currently 1.05 percent of the handle.

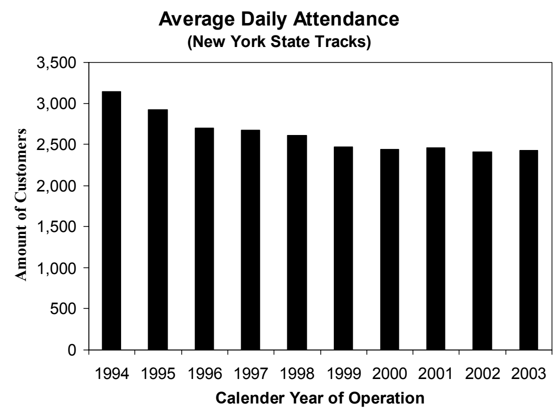
In an effort to support the New York agricultural and breeding industries, a portion of the takeout is allocated to the State's thoroughbred and standard bred (harness) horse breeding and development funds. During calendar year 2002, $13.3 million and $6.9 million were allocated to the thoroughbred and harness funds, respectively.

With the increase in OTB activity and simulcasting over the last 20 years, off-track bets now account for 70 percent of the statewide handle. The expansion of OTBs has contributed, in part, to the corresponding decline in handle and attendance at racetracks.

The State has 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.

To promote growth of the industry, the State has authorized the expansion of simulcasting at racetracks and OTB facilities, in-home simulcasting experiments, and telephone betting. In addition, 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.





Administration

The New York State Racing and Wagering Board has general jurisdiction over all horse racing activities and all pari-mutuel betting activities, both on-track and off-track, in the State and over the corporations, associations, and persons engaged in gaming activities. The racetracks and OTBs calculate the pari-mutuel tax owed to the State based upon the handle, then remit the taxes as prescribed by law.

Significant Legislation

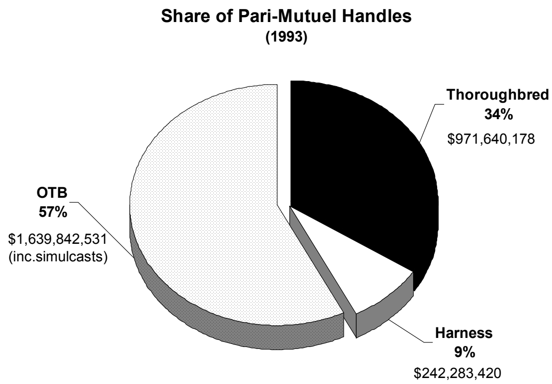
The significant statutory changes to this tax source since 1994 are summarized below.

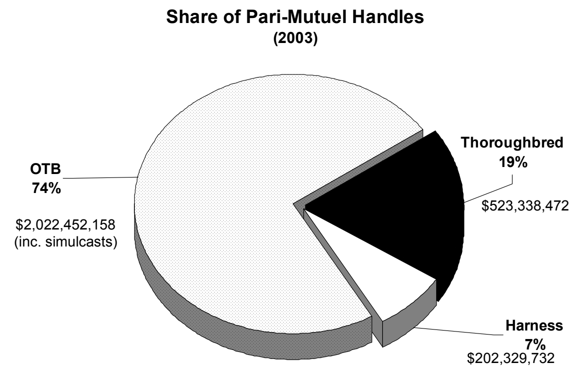
Subject	Description	Effective Date
Legislation Enacted in 1994		
Tax Rates	Lowered rates on all wagers at harness tracks and at the Finger Lakes Race Association to 0.5 percent and provided credits up to 0.4 percent based on OTB simulcast handle of respective track.	September 1, 1994
Expanded Betting	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

Subject	Description	Effective Date
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 OTBs: 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
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
Legislation Enacted in 2003		
NYRA Franchise	Extended franchise to December 31, 2013, provided that VLTs are in operation at the Aqueduct raceway on or before March 1, 2004. If NYRA is not able to initiate VLT operation by that date, then the NYRA franchise will expire on December 31, 2007.	January 29,2003
Regulatory fee	Instituted a regulatory fee to directly fund the State's regulation of racing, authorized tracks to set their own takeout rates within a narrow range, allowed unlimited simulcasts, and eliminated mandatory fund balances for telephone betting accounts.	May 16, 2003

TAX LIABILITY

The primary factors that affect pari-mutuel tax liability are: the handle and attendance at racetracks and OTB parlors, the number of simulcasts, and competition from other forms of gambling.





PROPOSED LEGISLATION

No new legislation for this tax is proposed with this Budget.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $20.4 million, a decrease of $1.3 million, or 6 percent below the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $25.6 million, a decrease of $1.9 million, or 6.9 percent below last year. Negative impacts of recent passage of no-smoking laws, competition from casinos and VLTs being added to tracks, and the unfavorable fallout from NYRA's legal entanglements may have contributed to the decline in handle.

The total thoroughbred on-track handle, including simulcasts, is estimated at $565.3 million, up 0.9 percent from last year. Total harness on-track handle is estimated at $123 million. The handle at off-track betting corporations is estimated to decline to $1.8 billion, down 2 percent from the 2003-04 level.

Thoroughbred revenues, including simulcast receipts, are expected to decline by 9 percent from 2003-04 to $9.1 million. OTB receipts are estimated to decline by 4.7 percent to $16.1 million. Receipts from harness tracks are expected to decline by 47 percent to $0.4 million. Total pari-mutuel tax receipts are estimated to be $25.6 million.

2005-06 Projections

Total net All Funds receipts are projected to be $25.4 million, a decrease of $0.2 million, or 0.8 percent below 2004-05 estimates.

Total on-track thoroughbred receipts are projected to decline by 2 percent, continuing the downward trend in handle and attendance. An estimated thoroughbred handle of $521 million, including betting on out-of-State races, will produce $8.9 million in tax receipts.

The estimated receipts for harness racing are expected to experience a minor rebound to $0.6 million reflecting an expected return to historical betting patterns after the introduction of VLTs to the tracks. Collections include $0.4 million in revenue from on-track wagers and $0.2 million from simulcasting.

The OTB handle is projected at $1.8 billion, generating tax receipts of $15.9 million, reflecting an expectation that the OTB results will drop marginally from 2004-05 levels.

RECEIPTS BY FUND TYPE

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						
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	10,525	852	18,269	0	0	0	29,646
2002-03	10,559	803	18,094	0	0	0	29,456
2003-04	9,999	796	16,694	0	0	0	27,489
	Estimated						
2004-05	9,100	400	16,100	0	0	0	25,600
2005-06	8,900	600	15,900	0	0	0	25,400

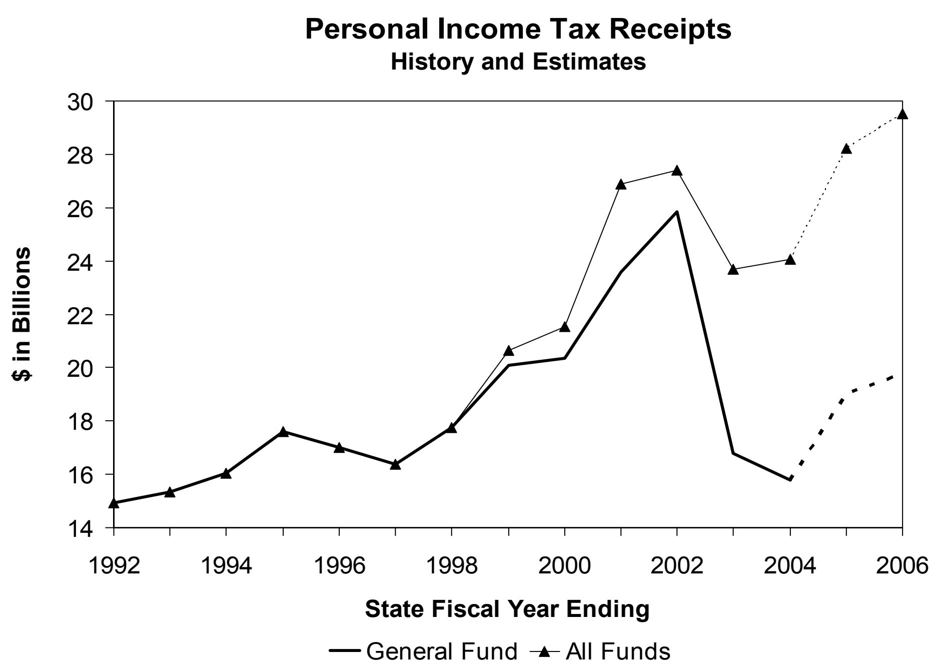
PERSONAL INCOME TAX

SUMMARY

In 2004-05, All Funds net collections from the personal income tax are estimated to be $27,607 million. This is an increase of $2,960 million, or 12.0 percent, from the prior year, reflecting continued strengthening of the income base and the full impact of the large temporary tax increase enacted in 2003.

In 2005-06, All Funds net collections from the personal income tax are projected to be $29,482 million. This is an increase of $1,875 million, or 6.8 percent, compared with 2004-05. Collections are negatively impacted by the phase-out of the temporary tax increase, offset by continued growth in the taxable income base. Base growth adjusting for law changes is projected at 7.3 percent.

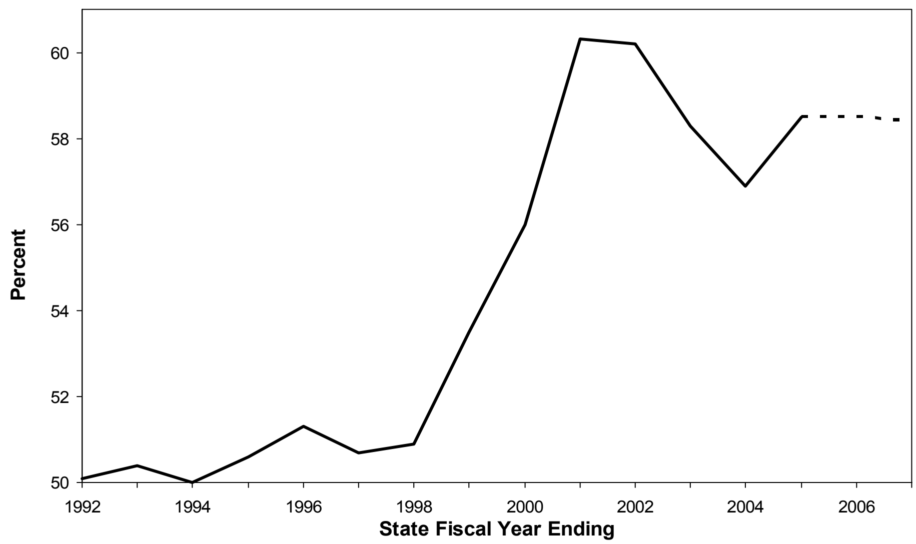
Legislation proposed with this Budget will partially phase out the 2003 temporary surcharge; create a new State STAR credit under the personal income tax; create a new income tax deduction for certain purchasers of nursing home care; restructure and expand the alternative fuel vehicles program; change how nonresidents compute the credit for long-term care insurance; make permanent the temporary increase in limited liability company fees enacted in 2003; authorize the Department of Taxation and Finance to arrange reciprocal refund offset agreements with New York City and other states; require electronic filing of personal income tax returns by large tax preparers; increase the income level at which the filing of personal income tax returns is required; require tax clearance for certain State licenses and contracts; and create a new earned income credit for certain noncustodial parents.



DESCRIPTION

The personal income tax is by far New York State's largest source of tax revenue. It is estimated that, during State fiscal years 2004-05 and 2005-06, the personal income tax will account for over 58 percent of All Funds net tax receipts.

PIT Receipts as Share of All Funds Tax Receipts



Note: Personal Income Tax (PIT) is defined as gross receipts less refunds

Tax Base

Over the last decade, New York has greatly simplified its tax structure by reducing the rates applied to income and by increasing standard deductions. Since 1995, the overall income tax burden had been reduced by about 20 percent. The three-year temporary tax increase offsets a portion of this reduction for the 2003 through 2005 tax years.

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; and (3) the subtraction of State and local income taxes from Federal itemized deductions.

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 inflation. For 2004, the threshold is $142,700 ($71,350 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, and further reduced by up to 50 percent for upper-income taxpayers.

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. The table below includes the temporary tax changes for the 2003 through 2005 tax years. For liability years 2006 and after, the tax reverts back to the rates in effect between 1997 and 2002.

TABLE 1
PERSONAL INCOME TAX
TOP RATE, STANDARD DEDUCTIONS AND DEPENDENT EXEMPTIONS
1995 - 2005
(dollars)

	1995	1996	1997-2000	2001	2002	2003-2005
Top Rate	7.59375%	7.125%	6.85%	6.85%	6.85%	7.70%
Thresholds						
Married Filing Jointly	25,000	26,000	40,000	40,000	40,000	500,000
Single	12,500	13,000	20,000	20,000	20,000	500,000
Head of Household	19,000	17,000	30,000	30,000	30,000	500,000
Standard Deduction						
Married Filing Jointly	10,800	12,350	13,000	13,400	14,200	14,600
Single	6,600	7,400	7,500	7,500	7,500	7,500
Head of Household	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

TABLE 2
CURRENT TAX SCHEDULES FOR 2005 LIABILITY YEAR*
(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 to 150,000	1,946 +6.85%	40,000	20,000 to 100,000	973 +6.85%	20,000	30,000 to 125,000	1,492 +6.85%	30,000
150,000 to 500,000	9,481 +7.25%	150,000	100,000 to 500,000	6.453 +7.25%	100,000	125,000 to 500,000	8,000 +7.25%	125,000
500,000 and over	34,856 +7.70%	500,000	500,000 and over	35,453 +7.70%	500,000	500,000 and over	35,187 +7.70%	500,000

*Benefits of graduated rate schedule file recaptured for taxpayers with adjusted gross incomes above $100,000.

Tax Expenditures

Tax expenditures are defined as features of the tax law that reduce the amount of a taxpayer's liability to the State by providing either economic incentives or tax relief to particular classes of persons or entities to achieve a public purpose. The personal income tax structure includes various exclusions, exemptions, tax credits, and other statutory devices designed to adjust State tax liability.

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, 27.5 percent in 2002, and 30 percent 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 single taxpayers in amounts declining from $75 to $20, as their household income rises to $28,000 and for married couples and heads of households, in amounts declining from $90 to $20, as their household income rises to $32,000. This latter category is also eligible for additional amounts based on the number of eligible exemptions and income level. Legislation in 1995 continued the credit permanently.
Child and Dependent Care Credit	Allowed at a rate of 20 percent or more of the comparable Federal credit. In 1997, the credit became refundable and equal to 60 percent of the Federal credit for those with incomes under $10,000, with a phase-down until it was 20 percent for incomes of $14,000 and above. In 1998, the percentage of the Federal credit increased to 100 percent for those with incomes less than $17,000, with this percentage gradually phasing down to 20 percent for those with incomes of $30,000 or more. For 1999, 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. For 2004, the credit is at least the lesser of tuition paid or $200. It was 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.

Credit	Description
Agricultural Property Tax Credit	Permitted for allowable school district property taxes paid by an eligible farmer on qualified agricultural property. Initially, a farmer had to 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 rise in the base acreage level to 250 acres was accelerated into 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, for film production in New York and for personal income taxes paid to other states. The Economic Development Zone Program for Qualified Empire Zone Enterprise (QEZEs) is discussed in more detail in the Corporate Franchise Tax section. In recent years, these credits have become an increasingly valuable benefit for partnerships, LLCs and S corporations, as these entities have become more widely used by businesses.

Significant Legislation

The significant statutory changes since 1994 are summarized below.

Subject	Description	Effective Date
Legislation Enacted in 1994		
Tax Reform Deferral	Continued deferral of the remainder of the tax cut enacted in the Tax Reform and Reduction Act of 1987.	1994 tax year
Earned Income Tax Credit	Created a State credit as a percentage of the Federal amount. The rates were set at 7.5 percent of the Federal credit in 1994, 10 percent in 1995, 15 percent in 1996, and 20 percent for 1997 and after.	1994 and after
Legislation Enacted in 1995		
Standard Deduction	Increased the standard deduction over three years.	1995 and after
Tax Rate Schedule	Reduced the top tax rate from 7.875 percent to 6.85 percent and raised bracket thresholds over three years.	1995 and after
Earned Income Tax Credit	Accelerated into 1996 from 1997 the credit of 20 percent of the Federal amount, but offset it by the household credit.	1996
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

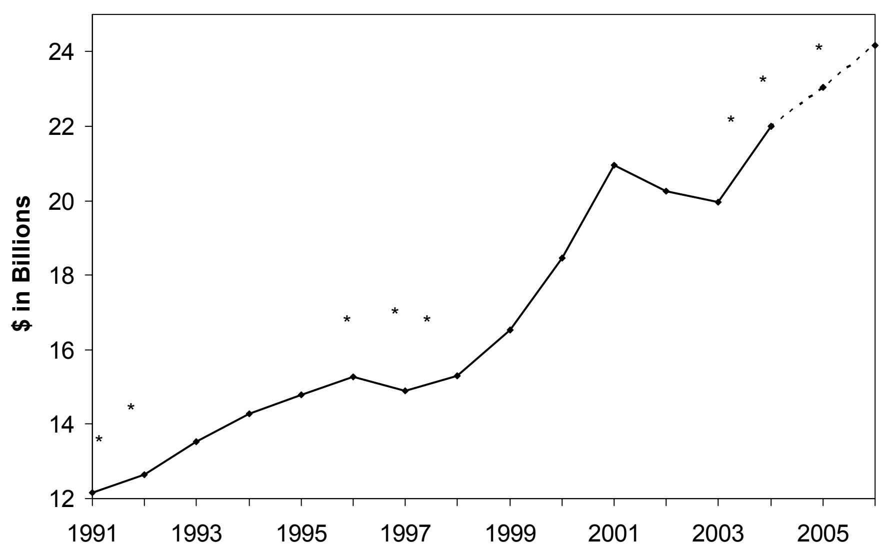
Subject	Description	Effective Date
Legislation Enacted in 1998		
Child and Dependent Care Credit	Increased the credit to 100 percent of the Federal credit for incomes up to $35,000, phasing down to 20 percent for incomes of $50,000 or more.	1999 and after
School Tax Relief Program (STAR)	Accelerated 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
Alternative Fuels Vehicle Credit	Created a credit for vehicles powered by electricity and alternative fuels; clean fuel refueling property; and qualified hybrid vehicles.	Extended in 2004
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 EITC to 30 percent of the Federal credit over a two-year period, beginning in 2002. The expansion first increased 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 and Dependent 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 was implemented in four stages.	2001 and after
Petroleum Tank Credit	Created a two-year personal income tax credit of up to $500 for homeowners who remove and/or replace a residential fuel oil storage tank.	2001 and 2002
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
Legislation Enacted in 2003		
Three-Year Tax Increase	Created two new tax brackets intended to temporarily boost collections for 2003, 2004, and 2005. See Table 2 — Current Tax Schedules for details.	2003 to 2005
Legislation Enacted in 2004		
Alternative Fuel Vehicles	Extended credit for certain alternative fuel vehicles, previously scheduled to expire after 2003, for one year.	2004
Sales of Cooperative Stock	Amended the definition of New-York-source income for nonresidents to include the gain from the sale of shares in a cooperative housing corporation where the premises are in New York and used solely for residential purposes.	2004 and after
Long-Term Care Insurance Credit	Increased the credit for long-term care insurance from 10 percent to 20 percent of premium expense.	2004 and after
Empire State Film Production Credit	Provided a new tax credit for film production activity in New York State. The credit sunsets in August 2008.	2004 and after
Military Pay Exemption	Exempted pay of members of the New York National Guard for services performed in New York as part of the "War on Terror".	2004 and after

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.
7/1/03	Rate Schedule	Raised maximum rate to 8.55 percent and added two new wage brackets.
1/1/04	Rate Schedule	Decreased maximum rate to 7.7 percent and lowered rate for second highest bracket from 7.5 percent to 7.375 percent.
1/1/05	Rate Schedule	Lowered rate for second highest bracket from 7.375 to 7.25 percent.

Personal Income Tax Withholding



The above graph shows the history of withholding collections beginning in 1990-1991. 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 3 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
2004	1,224.7	597.3	Decreased receipts by 597.3
2003	627.4	(1,050.0)	Increased receipts by 1,050.0
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 each fiscal year, these funds are available to finance refunds issued at the start of the new fiscal year, but will be restored to the reserve by the end of that year.

Since 1994-95, when the EITC was created, additional funds have been deposited in the refund reserve account at the end of each fiscal year to pay for a portion of the cost of new tax reductions. Typically, an amount equal to one-quarter of a tax reduction's cost for a specific tax year has been deposited in the account on the following March 31. This practice reflects the sound fiscal policy of paying for a tax reduction in a timely fashion and provides extra reserves to pay additional refunds during April and May. As part of a multi-year strategy, these reserves were used to address the fiscal deficiencies caused by the September 11th attack and the national recession. In recent fiscal years allowances for new tax reduction actions have been included in reserves. The current year ending balance includes one-quarter of the cost of the accelerated phase-out of the temporary rate increase ($80 million).

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	Reserves for Tax Reductions [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	107	1,678	2,306
2000	521	125	3,321	3,967
2001	521	141	2,855	3,517
2002	521	195	961	1,677
2003	521	6[2]	100	627
2004	521	47	656	1,224
2005 est.	521	142	30	693

[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, petroleum tank credits, marriage penalty relief and college tuition deduction/credit starting in 2002, the long-term care insurance credit starting in 2003, the film production credit starting in 2004, and the temporary surcharge phase-down, STAR credit, enhanced earned income credit, and nursing home assessment deduction starting in 2005.

[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 possible because the statute only 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 2005.

PROPOSED LEGISLATION

Legislation submitted with this Budget will:

- reduce 2005 tax rates for taxpayers subject to the temporary tax increase imposed in 2003;
- create a new State STAR credit under the personal income tax, to protect the STAR benefit from the effects of inflation;
- create a new income tax deduction for certain purchasers of nursing home care;
- restructure and expand the alternative fuel vehicles program;
- change how nonresidents compute the credit for long-term care insurance;
- make permanent the temporary increase in limited liability company fees enacted in 2003;
- authorize the Tax Department to arrange reciprocal refund offset agreements with New York City and other states;
- require electronic filing of personal income tax returns by large tax preparers;
- increase the income level at which the filing of personal income tax returns is required;
- require tax clearances to obtain certain state professional licenses and contracts; and
- create a new earned income credit for certain noncustodial parents.

Adjusted Gross Incomes, Estimated Tax Liability and Taxpayer Characteristics

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	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
	Actual							Estimated		
NYSAGI										
Amount	347,981	383,179	417,996	453,130	514,501	487,532	467,528	480,904	516,464	545,184
% Change	8.4	10.1	9.1	8.4	13.5	(5.2)	(4.1)	2.9	7.4	5.6
Wages										
Amount	266,334	285,919	309,614	328,851	368,177	376,158	368,720	373,750	395,054	414,484
% Change	5.0	7.4	8.3	6.2	12.0	2.2	(2.0)	1.4	5.7	4.9
Share of NYSAGI	76.5	74.6	74.1	72.6	71.6	77.2	78.9	77.7	76.5	76.0
Net Capital Gains										
Amount	22,441	31,563	38,929	48,330	62,302	29,451	20,398	28,621	37,439	41,496
% Change	59.3	40.7	23.3	24.1	28.9	(52.7)	(30.7)	40.3	30.8	10.8
Share of NYSAGI	6.4	8.2	9.3	10.7	12.1	6.0	4.4	6.0	7.2	7.6
Interest and Dividends										
Amount	23,534	24,652	24,807	25,299	30,290	26,507	20,465	19,991	21,210	22,005
% Change	3.8	4.8	0.6	2.0	19.7	(12.5)	(22.8)	(2.3)	6.1	3.7
Share of NYSAGI	6.8	6.4	5.9	5.6	5.9	5.4	4.4	4.2	4.1	4.0
Taxable Pension										
Amount	17,391	18,953	18,891	20,854	22,121	23,165	24,406	25,349	26,622	27,810
% Change	4.6	9.0	(0.3)	10.4	6.1	4.7	5.4	3.9	5.0	4.5
Share of NYSAGI	5.0	4.9	4.5	4.6	4.3	4.8	5.2	5.3	5.2	5.1
Net Business and Partnership Income										
Amount	31,425	35,288	37,142	42,035	44,004	45,191	46,763	46,659	51.054	54,977
% Change	21.5	12.3	5.3	13.2	4.7	2.7	3.5	(0.2)	9.4	7.7
Share of NYSAGI	9.0	9.2	8.9	9.3	8.6	9.3	10.0	9.7	9.9	10.1
All Other Incomes/ Adjustments [1]										
Amount	(13,142)	(13,195)	(11,387)	(12,239)	(12,392)	(12,940)	(13,224)	(13,466)	(14,915)	(15,588)
% Change	12.5	0.4	(13.7)	7.5	1.2	4.4	2.2	1.8	10.8	4.5

[1] Includes 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.

The strong performance of the financial sector in the 1990s 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 12.1 percent. Over the same period, the share of wages in AGI decreased from 80.6 percent to 71.6 percent. Business and partnership income also posted strong growth between 1994 and 2000 and accounted for 8.6 percent of AGI in 2000. During the same period, the number of domestic limited partnerships (LPs), Limited Liability Companies (LLCs) and Limited Liability Partnerships (LLPs) grew from approximately 4,000 to over 90,000. 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 (see Economic Backdrop - Sources of Volatility in The Income Tax Base — A Risk Assessment).

The bursting of the stock market bubble, combined with the national recession, caused a precipitous decline in income earned from financial assets (Table 5). Interest and dividends declined 12.5 percent in 2001 compared to a 19.7 percent increase in 2000. Net capital gains fell nearly 53 percent after growing by 29 percent in 2000. As the table illustrates, realized capital gains also declined significantly as a share of adjusted gross income.

Changes in the 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. The pattern of these bonus payments has shifted over the years from approximately 40 percent paid at the end of the calendar year, and 60 percent paid early in the following year, to 30 percent and 70 percent, respectively.

As the State economy began to emerge from recession in late 2003, the resurgence in equity market growth and the associated return to profitability by the financial sector helped AGI increase by an estimated 2.9 percent for 2003 and 7.4 percent for 2004. More moderate but still strong growth of 5.6 percent is projected for 2005 as the economy continues to expand, but at a slower pace. This is in contrast to the 2001-02 period when the State, already in a recession, also endured the terrorist attacks of September 11th. As a result, AGI went from growing 13.5 percent in 2000 to declining by 5.2 percent in 2001 and falling another 4.1 percent in 2002. Such declines were unprecedented — they represent the first back-to-back decreases in AGI growth in the history of the present State personal income tax system, adopted in 1960.

TABLE 6
SHARES OF STATE AGI, WAGES, NONWAGE INCOME AND LIABILITY BY VARIOUS TAXPAYER CHARACTERISTICS, 1996 AND 2002
(Values for AGI, wages, nonwage income and liability in millions of dollars)

	1996					2002				
	Returns	NYSAGI	Wages	Nonwage income	Liability	Returns	NYSAGI	Wages	Nonwage income	Liability
Total	8,078,337	347,981	266,334	81,648	16,319	8,831,272	467,528	368,720	98,809	20,731
percent change	--	--	--	--	--	9.3%	34.4%	38.4%	21.0%	27.0%
Residents	7,391,533	309,815	235,570	74,246	14,122	8,029,481	408,962	320,421	88,541	17,476
share	91.5%	89.0%	88.4%	90.9%	86.5%	90.9%	87.5%	86.9%	89.6%	84.3%
percent change	--	--	--	--	--	8.6%	32.0%	36.0%	19.3%	23.8%
Nonresidents	686,803	38,166	30,764	7,402	2,197	801,791	58,567	48,299	10,268	3,255
share	8.5%	11.0%	11.6%	9.1%	13.5%	9.1%	12.5%	13.1%	10.4%	15.7%
percent change	--	--	--	--	--	16.7%	53.5%	57.0%	38.7%	48.1%
Married filing jointly	3,195,718	225,088	167,992	57,095	11,366	3,223,603	296,446	227,156	69,290	14,408
share	39.6%	64.7%	63.1%	69.9%	69.6%	36.5%	63.4%	61.6%	70.1%	69.5%
percent change	--	--	--	--	--	0.9%	31.7%	35.2%	21.4%	26.8%
Head of household	1,224,955	30,326	27,565	2,761	743	1,502,080	45,013	40,476	4,538	826
share	15.2%	8.7%	10.3%	3.4%	4.6%	17.0%	9.6%	11.0%	4.6%	4.0%
percent change	--	--	--	--	--	22.6%	48.4%	46.8%	64.3%	11.3%
Single filers	3,657,664	92,568	70,777	21,791	4,211	4,105,589	126,069	101,088	24,981	5,497
share	45.3%	26.6%	26.6%	26.7%	25.8%	46.5%	27.0%	27.4%	25.3%	26.5%
percent change	--	--	--	--	--	12.2%	36.2%	42.8%	14.6%	30.6%
Itemized deduction	1,636,817	152,738	106,133	46,605	8,115	1,954,703	235,370	171,291	64,079	12,008
share	20.3%	43.9%	39.8%	57.1%	49.7%	22.1%	50.3%	46.5%	64.9%	57.9%
percent change	--	--	--	--	--	19.4%	54.1%	61.4%	37.5%	48.0%
Standard deduction	6,441,451	195,238	160,200	35,037	8,203	6,874,902	232,122	197,397	34,726	8,721
share	79.7%	56.1%	60.2%	42.9%	50.3%	77.8%	49.6%	53.5%	35.1%	42.1%
percent change	--	--	--	--	--	6.7%	18.9%	23.2%	-0.9%	6.3%

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

In comparing State tax returns for 1996 (when the national economy was in its long expansion) with returns for 2002 (in the aftermath of the 2001 recession and September 11 terrorist attacks), some interesting trends emerge. While the share of returns filed by nonresidents increased slightly over this period (from 8.5 percent to 9.1 percent), their share of tax liability increased from 13.5 percent to 15.7 percent (see Table 6). Likewise, the wages and salaries income reported by nonresidents on their State tax returns increased more rapidly than for State residents — nonresident wages rose 53.5 percent from 1996 to 2002 versus 32 percent for residents, while nonresident non-wage income increased 38.7 percent against 19.3 percent for residents.

Regarding filing status, while shares of AGI, wage income, non-wage income and liability were essentially the same in 2002 and in 1996, the growth rates of those components were very different for three main categories of filers. In particular, taxpayers who filed under "head of household" status saw wages increase 48 percent from 1996 to 2002 (versus 36 percent for single filers and about 32 percent for "married filing jointly"), and non-wage income increase 64 percent (versus 21.4 percent for married filling jointly and about 15 percent for single filers). However, head of household filers had only an 11 percent share of wage income in 2002 (versus a 61.6 percent share for married filing jointly and a 27 percent share for single filers) and their share of non-wage income was just about 5 percent that year (against 70 percent for married filing jointly and 25 percent for single filers). Given the small income share of this filing group and the rapid expansion of the EITC that benefits many in this filing group, these taxpayers accounted for only about four percent of tax liability in 2002, down somewhat from 4.6 percent in1996. Married filing jointly taxpayers paid 69.5 percent of liability in 2002 (versus 69.7 percent in 1996) and single filers accounted for 26.5 percent of liability in 2002 (against 25.8 percent in 1996).

Taxpayers who itemized their deductions made up 20.3 percent of taxpayers in 1996, rising to 22.1 percent by 2002, the remainder being made up of those who filed using only the standard deduction. Largely reflecting the influence of the economic boom of the 1990s on incomes, the share of liability swung more toward those using the itemized deduction. Standard deduction returns accounted for 50.3 percent of returns in 1996 while itemized deduction returns had 49.7 percent of liability; but in 2002 57.9 percent of liability came from returns using itemized deductions and the share of liability from returns with the standard deduction slipped to 42.1 percent.

Recent Liability History

As already noted, New York State was in recession during 2001 and 2002, and the economic difficulties the State experienced in those years are reflected in the data for AGI and tax liability. Based on tax collections, total liability was about $23.2 billion in 2001, falling to $21.2 billion in 2002. Of these amounts, $22.4 billion for 2001 and $20.7 billion for 2002, respectively, are accounted for by the approximately 8.8 million returns covered in the annual studies 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 not included in the annual studies. In the tax study for 2001, AGI was $488 billion, yielding an average effective tax rate of 4.6 percent, while in the tax study for 2002 AGI was $468 billion, resulting in an effective tax rate of 4.4 percent.

In contrast, AGI for 2000 was $514.5 billion and tax liability for that year was $24.5 billion, providing an effective rate of 4.8 percent. From 1999 to 2000 AGI increased 13.5 percent and liability increased nearly 17 percent. However, from 2000 to 2001 AGI fell 5.2 percent and liability fell 8.5 percent, and from 2001 to 2002 AGI fell another 4.1 percent and liability slid an additional 7.5 percent.

Wages and salaries grew 12 percent in 2000 and saw very modest growth of 2.2 percent in 2001, before falling 2 percent in 2002, reflecting falling employment, slow growth in non-bonus average wages and drastic cuts in financial sector bonuses. Capital gains also reversed direction in 2001 and 2002. Capital gains had an average annual growth rate of 25.4 percent in 1998-2000, but declined 52.7 percent in 2001 and a further 30.7 percent for 2002, the recent declines coming in the aftermath of the bursting of the equity-market price bubble.

With interest rates decreasing from 2001 into 2003 and corporate dividend earnings faring poorly, income from earned interest and dividends fell. From nearly 20 percent growth in 2000, interest and dividends fell 12.5 percent in 2001 and decreased nearly 23 percent in 2002.

Business net income and income derived from partnerships and S-corporations is the only major component of AGI (other than taxable pensions) not to fall in the 2001-02 period. While this component grew 4.7 percent in 2000, growth moderated in the two years after, to 2.7 percent in 2001 and 3.5 percent in 2002.

Liability Forecasts, 2003 through 2005

The New York State economy has an economic cycle that differs from that of the nation as a whole. While on a national level the 2001 recession was determined to have ended in November of that year, the State economy only emerged from its recession late in 2003 (see Economic Backdrop — The New York State Economy). Consequently, the Division of the Budget estimates that AGI grew only slowly in 2003; and that the growth accelerated in 2004 and will continue to grow rapidly in 2005.

For 2003, AGI is estimated to have increased 2.9 percent from its previous-year level, to $481 billion. Wages and salaries are estimated to have grown by a modest 1.4 percent, with business and partnership income essentially flat from 2002, showing a slight decline of 0.2 percent from the previous year. In part reflecting the Federal Reserve's lowering of the federal funds rate to 1.0 percent in 2003, interest and dividends are estimated to have declined for the third year in a row, by 2.3 percent.

Capital gains are estimated to have made a dramatic turn-around in 2003, increasing 40.3 percent over the 2002 level. For a detailed discussion of the reasons for this reversal, see "The Major Components of AGI" in the section "Sources of Volatility in the Income Tax Base — A Risk Assessment." The Division of the Budget estimates that much of the increase in total capital gains can be ascribed to the cut in the federal tax rate on capital gains from 20 to 15 percent in 2003.

In May 2003, the Legislature imposed temporary tax increases on high-income taxpayers for the years 2003 through 2005. Under the law scheduled to be in effect for the 2003 tax year, tax liability would have been $21.4 billion, an increase of 3.4 percent from the 2002 level. With the new tax rates in effect, liability is estimated to have been $1.3 billion higher, for a total tax liability of $22.7 billion, or 9.5 percent higher than in 2002.

With the economic recovery picking up steam in 2004, the Division of the Budget estimates that AGI has grown 7.4 percent over its 2003 level, to $516 billion, finally recovering the peak of $515 billion reached in 2000. The major AGI components are forecast to have had positive growth in 2004, led by a net capital gains increase of 30.8 percent. In this case, much of the gain is thought to have come from the extraordinary upswing in the real estate market. For further discussion, see the section "The Major Components of AGI". Wages and salaries are projected to have grown 5.7 percent, reflecting larger bonuses paid in early 2004, while interest income is projected to have grown by 3 percent as interest rates rose during the year. Dividends are forecast to have grown 9.6 percent, with partnership income estimated to have grown 10.6 percent and business income to have grown by 7.4 percent during the year.

Under current law (which includes the temporary tax rates adopted in 2003), 2004 liability is estimated to be $25.2 billion, an increase of 11.1 percent from the 2003 current-law level. The tax increase resulted in higher liability of approximately $1.4 billion for 2004.

Economic growth is forecast to remain strong in 2005. As a result, the Division of the Budget estimates that AGI will increase 5.6 percent for the year, to $545 billion. Wages and salaries are expected to increase 4.9 percent for the year, while income from interest earnings and dividends increase by an estimated 3.3 percent and 4.3 percent, respectively. Total capital gains are expected to moderate, increasing 10.8 percent in 2005, while net non-corporate business income and partnership income will increase an estimated 7.7 percent.

In 2005, the last year of the 2003 temporary tax increases, the Division of the Budget forecasts that liability will increase 7.7 percent, to $27.2 billion. This value is $1.47 billion more than what liability would have been without the income tax increase. Table 7 summarizes the impact of the surcharge.

TABLE 7
TEMPORARY PERSONAL INCOME TAX SURCHARGE
TAX YEAR AND FISCAL YEAR ESTIMATES - CURRENT LAW
(millions of dollars)

		Fiscal Year				
Tax Year		**2003-04**	**2004-05**	**2005-06**	**2006-07**	**Liability Totals**
2003	Withholding	630	0	0	0	
	Estimated Tax	325	0	0	0	
	Settlement	0	322	0	0	
	Total	955	322	0	0	1,277
2004	Withholding	185	500	0	0	
	Estimated Tax	0	390	0	0	
	Settlement	0	0	333	0	
	Total	185	890	333	0	1,408
2005	Withholding	0	190	520	0	
	Estimated Tax	0	0	400	0	
	Settlement	0	0	0	359	
	Total	0	190	920	359	1,469
SFY Totals		1,140	1,402	1,253	359	4,154

The proposal to accelerate the phase out of the surcharge would reduce the 2005 tax liability by $320 million. The cash reduction to SFY 2005-06 would be $190 million and to SFY 2006-07 would be $130 million.

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. While these tax reductions have resulted in considerable savings for New York State taxpayers, they have also reduced tax liability. The downturn in the economy further eroded personal income tax liability. Based on the 2002 study file, liability for that year is estimated to be $20.7 billion, representing a 7.5 percent decline compared to 2001. The effective tax rate is estimated to have been 4.43 percent. Without the tax cuts enacted since 1995, it is estimated that 2002 liability would have been approximately $25.9 billion, about $5.2 billion higher than under current law.

Under current law, liability is estimated at $22.7 billion, $25 billion and $27.2 billion in 2003, 2004, and 2005 respectively. These numbers reflect the tax increase passed by the Legislature in 2003. This tax increase is estimated to raise personal income tax liability by $1.3 billion in 2003, by $1.4 billion in 2004 and by $1.5 billion in 2005. Without the tax changes enacted since 1995, liability would be estimated at $26.9 billion in 2003, $29.4 billion in 2004 and $31.8 billion in 2005.

Effective tax rates are estimated to be significantly lower in 2002 than in 2001. They are expected to be higher in 2003 and 2004 due to the economic recovery and the tax increase, as shown in Table 8.

TABLE 8
LIABILITY AND EFFECTIVE TAX RATES*
Current Law and Constant Law
1995 - 2004
(millions of dollars)

	Current Law			1994 Law		
	Liability		Effective	Liability		Effective
	Amount	Growth Rate	Tax Rate	Amount	Growth Rate	Tax Rate
			(percent)			(percent)
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	24,494	16.8	4.76	29,853	16.6	5.80
2001	22,406	(8.5)	4.6	27,523	(7.8)	5.65
2002	20,729	(7.5)	4.43	25,876	(6.0)	5.53
2003**	22,701	9.5	4.72	26,893	3.9	5.59
2004**	25,221	11.1	4.88	29,627	10.2	5.74
2005**	27,173	7.7	4.98	31,833	7.4	5.84

* Liability divided by AGI
** Estimated

Risks in Liability Estimates

Liability estimates are subject to significant risks in terms of economic conditions and changes in taxpayer behavior. For example, a slowdown in economic growth would put downward pressure on tax liability, holding other factors constant. The stock market, and the financial services industry more specifically, may do much better or much worse than envisioned, with consequent positive or negative impacts on State tax liability. As discussed in the "Economic Background" section "Sources of Volatility in the Income Tax Base," capital gains always exhibit a high degree of volatility and are difficult to forecast with precision.

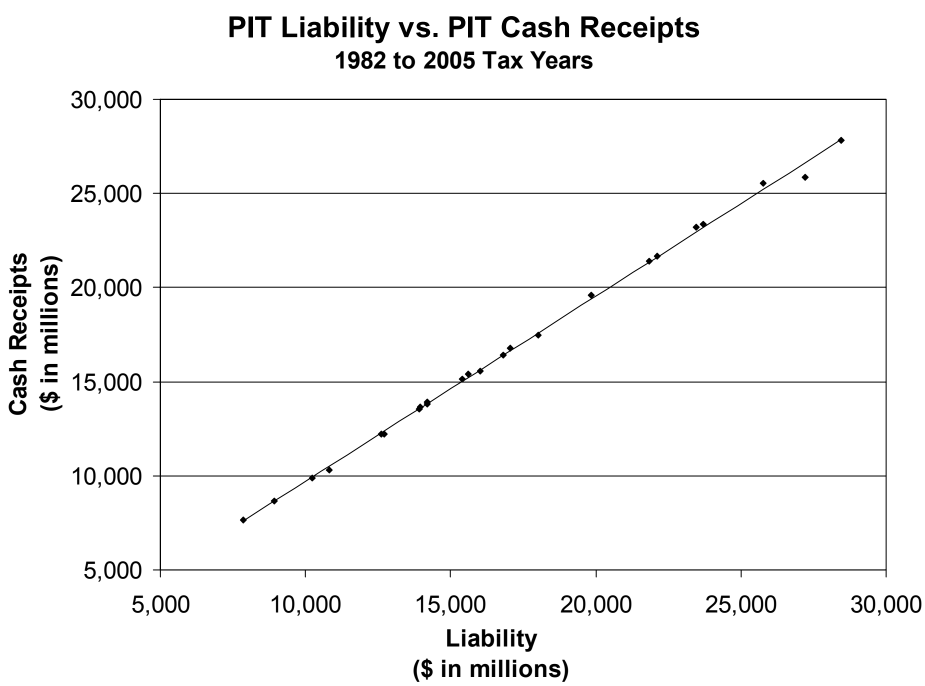
TABLE 9
CHANGES IN THE DISTRIBUTION OF RETURNS, LIABILITY AND AGI FOR SELECTED INCOME GROUPS

	2002 (Actual)			2005 (Forecast)		
Income Group	Returns	Liability	AGI	Returns	Liability	Income
0 - $50,000	71.4%	10.6%	25.4%	68.6%	7.6%	21.3%
$50 - $100,000	18.9%	24.1%	15.0%	19.2%	20.1%	22.7%
$100 - $200,000	6.9%	21.0%	17.4%	8.7%	21.2%	19.1%
$200,000 and above	2.8%	11.3%	32.2%	3.5%	51.1%	36.9%

The concentration of significant liability in the payments of a small fraction of taxpayers represents a significant risk to the income tax forecast. As exhibited in Table 9, the shares of income tax liability and income (as measured by New York State AGI) for high income taxpayers are substantial. The shares for 2002 are based on the personal income tax study file created by the New York State Department of Taxation and Finance, while the 2005 shares are based on forecasts by the Division of the Budget. The table indicates that while there is a modest shift toward the higher-income groups in shares of returns over the period covered, the shift toward taxpayers in the highest-income group in terms of liability is much greater. Over time the State has become increasingly reliant on its high-income taxpayers as a source of income tax revenues. This means changes in the economy that affect a small number of taxpayers in the high income group can have disproportionate effects on State tax revenues.

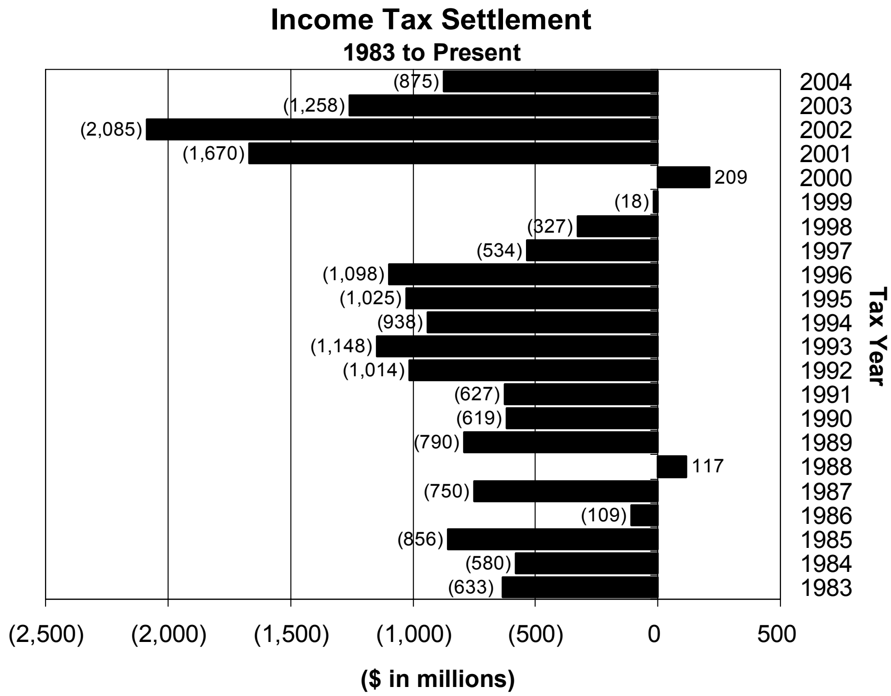
Tax Liability and Cash Payments

Although significant risks necessarily remain in any estimates of income tax liability, estimation of the level of tax liability for a particular tax year leads, with a high degree of confidence, to the approximate level of cash receipts that can be expected for the particular tax year. The consistency in this relationship is shown in the graph below.



Despite the strong relationship between tax-year liability and cash receipts, estimation of cash payments is subject to an important complication that pervades forecasts for the Executive Budget and other State Financial Plan updates. This complication is determining the portions of tax-year liability that will occur in particular State fiscal years. Income tax prepayments — withholding tax and quarterly estimated tax payments — tend to be received not long after income is earned. For example, most withholding tax payments and quarterly estimated tax payments for the 2004 tax year will be received before the end of the 2004-05 State fiscal year. Settlement payments — those payments received when taxpayers file final returns for a tax year — tend to be received in the next State fiscal year after the end of a tax year. Thus, settlement payments for the 2004 tax year will be received largely in the 2005-06 fiscal year. Some settlement payments (known as prior-year payments) are received later and can occur in a subsequent fiscal year. Such payments for the 2004 tax year can be received in fiscal year 2006-07 or a later fiscal year.

As is evident in the graph below showing net settlement payments for the1982 through 2004 tax years, the amount of liability received in the settlement can vary widely from year to year. In most years, the net settlement has been very negative, with State settlement outlays (such as refunds and offsets) far exceeding taxpayer settlement payments (such as those sent with returns and extension requests). There have been some important exceptions to this pattern — most notably during times of tax reform (in 1986 and 1988), in times of rapid economic growth, and periods with large increases in non-wage income.



Note: The settlement is comprised of extension payments plus final return payments minus refunds and the state-city offset.

Several different settlement patterns have occurred in recent years. With the rapid growth of the New York economy in the late 1990s, the settlement became much less negative than it traditionally had been. This pattern, accompanying the strongly growing economy, resulted generally from prepayment growth rates that fell short of liability growth rates, leading to the need for increased settlement payments with filed returns. With the weak economy of 2001 and 2002, taxpayers, in aggregate, dramatically reduced their settlement payments and the total settlement became very negative again, with the net amount paid out by the State exceeding $2 billion for the 2002 tax year. Due to the temporary tax increases enacted by the Legislature in 2003, the net settlement payout by the State is estimated to remain negative but below $900 million for the 2004 tax year. This expected net settlement increase will reflect the need of high-income taxpayers to add to their settlement payments to cover liability increases that were not collected through added prepayments.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are approximately $19.4 billion, an increase of $2.5 billion, or nearly 15 percent above the comparable period in the prior fiscal year.

Total net All Funds reported receipts for 2004-05 are estimated to be $28,138 million, an increase of $4,088 million, or 17.0 percent, above fiscal year 2003-04.

Key risks for the remainder of the fiscal year include the amount of withholding tax collections to be received in the first quarter of 2005, and the balance of estimated payments to be received on 2004 liability, the latter reflecting continuing uncertainty about the effects of the temporary tax increases imposed in 2003.

The current forecast assumes that estimated payments on 2004 liability will be 26.5 percent higher than comparable payments on 2003 liability. Non-wage incomes have risen substantially due to strong stock and real estate market performance.

Compared with the same period a year ago, withholding collections increased 5.5 percent through the first nine months of the fiscal year. This reflects modest, though solid, growth from the continued economic recovery.

Without refund reserve transactions, net All Funds receipts are estimated at $27,607 million, an increase of 12.0 percent from comparable 2003-04 receipts. The components of the estimate are detailed in Table 10 and are based on actual collections of approximately $19.4 billion through December.

TABLE 10
PROJECTED FISCAL-YEAR COLLECTION COMPONENTS
ALL FUNDS
(millions of dollars)

	2001-02 (Actual)	2002-03 (Actual)	2003-04 (Actual)	2004-05 (Estimated)	2005-06 (Projected)
Receipts					
Withholding	20,261	19,959	21,986	23,032	24,174
Estimated Payments	6,353	4,855	5,159	7,008	7,511
Current Year	4,685	3,831	4,325	5,473	5,705
Prior Year*	1,668	1,024	834	1,535	1,806
Final Returns	1,874	1,333	1,313	1,610	1,947
Current Year	101	101	164	154	167
Prior Year*	1,773	1,232	1,149	1,456	1,780
Delinquent Collections	601	797	631	600	675
Gross Receipts	29,089	26,944	29,089	32,250	34,307
Refunds					
Prior Year*	2,165	2,780	2,948	3,110	3,555
Previous Years	165	268	272	230	210
Current Year	960	960	960	960	960
State-City Offset*	225	288	261	343	300
Total Refunds	3,515	4,296	4,442	4,643	4,825
Net Receipts	25,574	22,648	24,647	27,607	29,482
Reserve Transactions	1,840	1,050	(597)	531	134
Net Reported	27,414	23,698	24,050	28,138	29,616

* These components, collectively, are known as the “settlement” on the prior year’s tax liability.

At the beginning of 2004-05, the balance in the refund reserve account was $1,224.7 million. The planned account balance on March 31, 2005, is $693.7 million. As a result, the net contribution of the refund reserve to 2004-05 receipts is expected to be a reduction of $531 million.

An added risk to the estimate of 2004-05 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, complete information about such payments was not available when the 2004-05 estimates were constructed.

2005-06 Projections

Total net All Funds reported receipts are projected to be $29,616 million, an increase of $1,478 million, or 5.3 percent above 2004-05. Net receipts before refund reserve transactions are projected to increase by $1,875 million, or 6.8 percent.

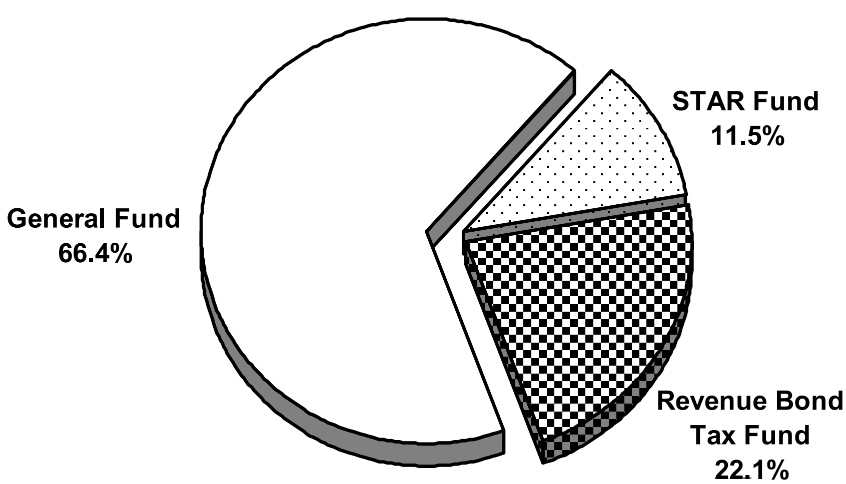
Withholding receipts are projected to rise by 5.0 percent, reflecting solid wage growth offset by the continued phase out of the temporary surcharge.

The other major component of collections, estimated payments on 2005 income, is projected to increase by 4.2 percent. This is consistent with a slowdown in the growth of non-wage income, along with the start of the phase out of the temporary surcharge.

Final payments related to 2004 returns are expected to increase by $324 million from 2003 returns, reflecting higher liabilities from both economic growth, and payment patterns relating to the 2003 tax increase.

General Fund

Fund Shares of Net Receipts
2004-05



Under current law, General Fund net personal income tax receipts are estimated at $18,932 million in 2004-05 and are estimated at $19,970 million in 2005-06, a 5.5 percent increase. Under proposed law, General Fund net personal income tax receipts are projected at $19,844 million in 2005-06.

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 2004-05 and 2005-06, respectively, dedicated personal income tax receipts of $3,072 million and $3,202 million will be deposited into the School Tax Relief Fund.

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 $6,134 million and $6,570 million will be deposited in the RBTF in 2004-05 and 2005-06, respectively.

RECEIPTS BY FUND TYPE

TABLE 11
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				
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
2002-03	20,037	4,296	15,741	(1,050)	16,791	2,664	0	4,243	23,698
2003-04	20,813	4,442	16,371	597	15,774	2,819	0	5,457	24,050
					Estimated				
2004-05	23,044	4,643	18,401	(531)	18,932	3,072	0	6,134	28,138
2005-06									
current law	24,646	4,825	19,821	(149)	19,970	3,222	0	6,607	29,799
proposed law	24,535	4,825	19,710	(134)	19,844	3,202	0	6,570	29,616

[1] STAR Fund.
[2] Debt Reduction Reserve Fund and Revenue Bond Tax Fund.

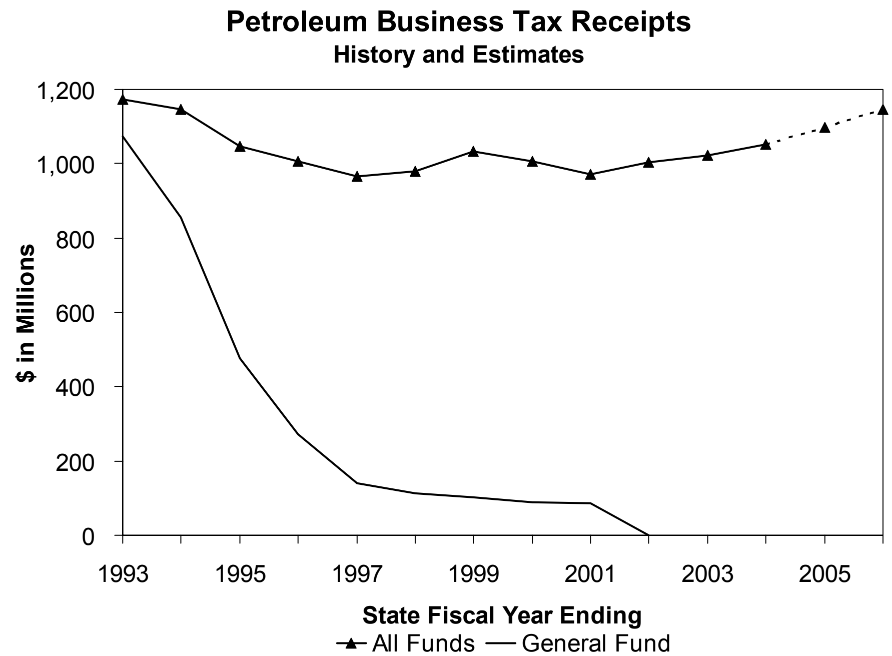
PETROLEUM BUSINESS TAXES

SUMMARY

In 2004-05 All Funds net collections from petroleum business taxes are estimated to be $1,098 million. This is an increase of $45.6 million, or 4.3 percent, from the prior year.

In 2005-06, All Funds net collections from petroleum business taxes are projected to be $1,145 million. This is an increase of $47 million, or 4.3 percent, compared with 2004-05.

No new legislation for this tax is proposed with this Budget.



DESCRIPTION

Tax Base and Rate

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. 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.

Legislation in 1994 provided the current methodology for tax rate indexing, which began on January 1, 1996, and applies to both the base and supplemental tax rates. Under tax rate indexing annual adjustments are made to the tax rates to reflect the change in the producer price index for refined petroleum products (PPI) for the 12 months ending August 31 of the immediately preceding year. However, under current law, tax rates cannot increase or decrease by more than 5 percent per year. In addition to the 5 percent cap on tax rate changes, the statute requires that the base and supplemental tax rates each be rounded to the nearest tenth of one cent. As a result, the percentage change in tax rates is usually less than the percentage change in the index.

Based on changes in the petroleum PPI, the PBT rate index for 2004 increased by 5 percent, and increased by another 5 percent on January 1, 2005. The petroleum PPI for January 1, 2006, is projected to increase by 20.4 percent, triggering a projected PBT rate index increase of 5 percent for 2006. (See Table 1 and Table 2.) Due to the rounding provisions noted above, percentage changes in actual tax rates will usually be less than the percentage change in the PBT rate index.

TABLE 1
PETROLEUM BUSINESS TAX RATES FOR 2004 - 2006
(cents per gallon)

	2004			2005			2006*		
Petroleum Products	**Base**	**Supp**	**Total**	**Base**	**Supp**	**Total**	**Base**	**Supp**	**Total**
Automotive fuel									
Gasoline and other non-diesel	8.80	5.80	**14.60**	9.20	6.00	**15.20**	9.60	6.30	**15.90**
Diesel	8.80	4.05	**12.85**	9.20	4.25	**13.45**	9.60	4.55	**14.15**
Aviation gasoline	8.80	5.80	**14.60**	9.20	6.00	**15.20**	9.60	6.30	**15.90**
Net rate after credit	5.80	0.00	**5.80**	6.00	0.00	**6.00**	6.30	0.00	**6.30**
Kero-jet fuel	5.80	0.00	**5.80**	6.00	0.00	**6.00**	6.30	0.00	**6.30**
Non-automotive diesel fuels	7.90	5.80	**13.70**	8.20	6.00	**14.20**	8.60	6.30	**14.90**
Commercial gallonage after credit	7.90	0.00	**7.90**	8.20	0.00	**8.20**	8.60	0.00	**8.60**
Nonresidential heating after credit	4.30	0.00	**4.30**	4.40	0.00	**4.40**	4.60	0.00	**4.60**
Residual petroleum products	6.00	5.80	**11.80**	6.30	6.00	**12.30**	6.60	6.30	**12.90**
Commercial gallonage after credit	6.00	0.00	**6.00**	6.30	0.00	**6.30**	6.60	0.00	**6.60**
Nonresidential heating after credit	3.20	0.00	**3.20**	3.40	0.00	**3.40**	3.60	0.00	**3.60**
Railroad diesel fuel	8.80	4.05	**12.85**	9.20	4.25	**13.45**	9.60	4.55	**14.15**
Net rate after exemption/refund	7.50	0.00	**7.50**	7.90	0.00	**7.90**	8.30	0.00	**8.30**

* Projected — An estimated fuel price increase of 20.4 percent through August 2005 will result in an increase of 5 percent in the PBT index on January 1, 2006.

The "Motor Fuel Tax" section contains a table showing New York's combined fuel tax rank among the 50 states.

Administration

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.)

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.

Tax Expenditures

Specifically exempted from Article 13-A taxes are fuels used for manufacturing, residential or not-for-profit organization heating purposes, fuel sold to governments, sales for export from the State, kerosene other than kero-jet fuel, crude oil, liquefied petroleum gas (LPG), and certain bunker fuel. For further expenditure items related to the PBT, please see the New York State Tax Expenditure Report.

TABLE 2
FUEL PRICE AND PETROLEUM BUSINESS TAX RATE INDEX
(percent change)

Year	Petroleum PPI	PBT Rate Index
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	27.01	5.00
2005	12.93	5.00
2006*	20.39	5.00

* Estimated

Significant Legislation

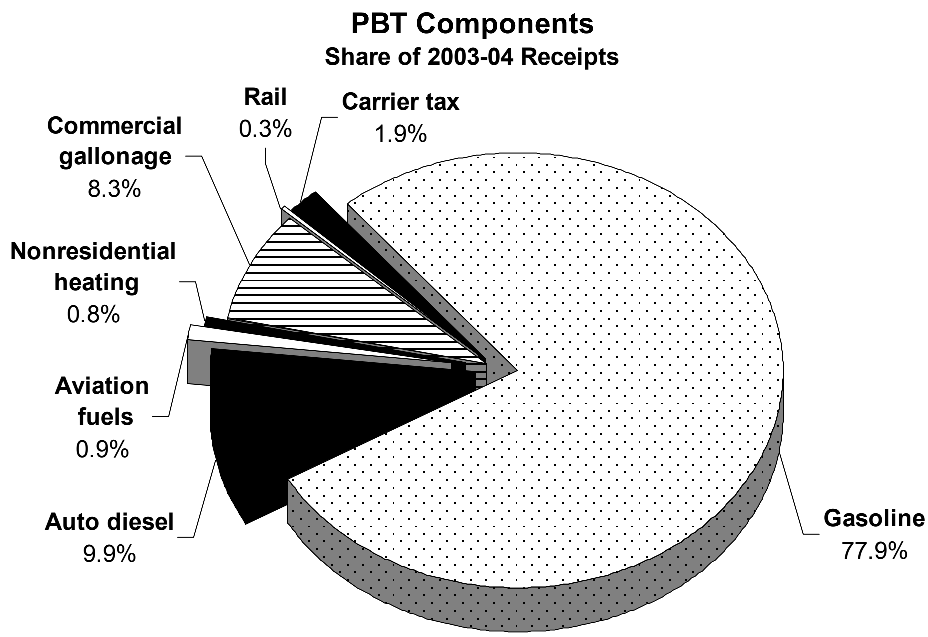
The significant statutory changes to this tax source since 1994 are summarized below.

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

Subject	Description	Effective Date
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
Legislation Enacted in 2004		
Aviation Fuel	Eliminated PBT on fuels used for aircraft overflight and landing.	November 1, 2004
	Exempted fuel burned on takeoff by airlines operating non-stop flights between at least four cities in New York	June 1, 2005

TAX LIABILITY

Petroleum business tax collections are primarily a function of the number of gallons of fuel imported into the State by distributors. Gallonage is largely determined by overall fuel prices, the number of gallons held in inventories, the fuel efficiency of motor vehicles, and State economic performance. The following chart displays the composition of PBT receipts by fuel type.



PROPOSED LEGISLATION

No new legislation for this tax is proposed with this Budget.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $818 million, an increase of $36 million, or 4.6 percent above the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $1,098 million, an increase of $45.6 million, or 4.3 percent above last year.

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 increase due to the decrease in the relative price of residual fuel oil compared to natural gas.

The estimate for 2004-05 reflects the 5 percent increase in PBT rates that took effect on January 1, 2004, and the 5 percent increase effective January 1, 2005. The estimate also reflects a loss of $500,000 in receipts from 2004 legislation that eliminated PBT on fuels used for aircraft overflight and landing.

2005-06 Projections

Total net All Funds receipts are projected to be $1,145 million, an increase of $47 million, or 4.3 percent above 2004-05.

Gasoline and diesel receipts are projected to increase by $38.1 million and $6.8 million respectively. Increases in taxable gasoline and diesel gallonage are projected to be marginal. The revenue increase is generated primarily by the 5 percent increase in the PBT rate index effective January 1, 2005, and the anticipated increase of 5 percent in January 2006. The estimate also reflects the loss of $2.3 million in receipts from 2004 legislation exempting certain uses of aviation fuel.

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 2004-05 and 2005-06.

Other Funds

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 3) will be split between the Dedicated Mass Transportation Trust Fund and the Dedicated Highway and Bridge Trust Fund. Numerous pieces of legislation were enacted in subsequent years that reduced the amount of deposits in the General Fund and increased the amount deposited in the Dedicated Transportation funds.

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 3.

TABLE 3
PBT BASE TAX FUND DISTRIBUTION
(percent)

Effective Date	General Fund	MTOAF[1]	Dedicated Funds Pool[2]
Prior to April 1, 1993	82.3	17.7	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

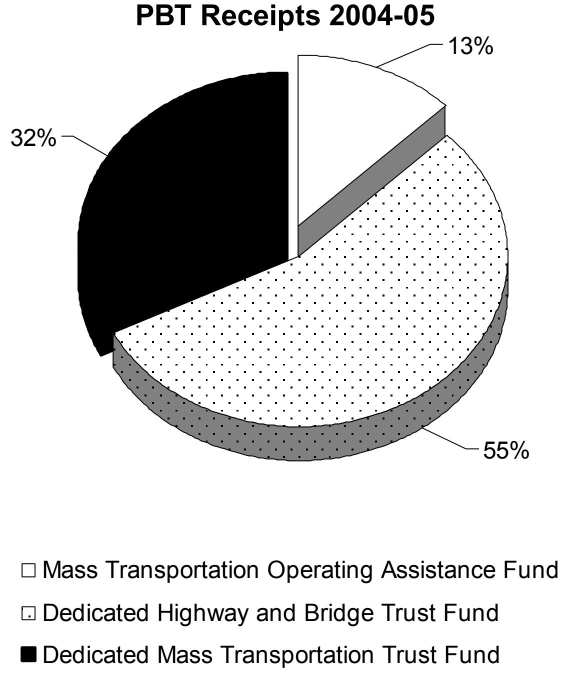
[1] This fund is split between the Public Transportation System Operating Assistance Account and the Metropolitan Mass Transportation Operating Assistance Account.
[2] This pool is split between the Dedicated Mass Transportation Trust Fund (37 percent) and the Dedicated Highway and Bridge Trust Fund (63 percent).

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 2004-05 are estimated to be $137.1 million for MTOAF, $605.4 million for the Dedicated Highway and Bridge Trust Fund, and $355.5 million for the Dedicated Mass Transportation Trust Fund.

Petroleum business taxes in 2005-06 are projected to provide MTOAF receipts of $143.1 million, Dedicated Highway and Bridge Trust Fund receipts of $631.2 million, and Dedicated Mass Transportation Trust Fund receipts of $370.7 million.

PBT Receipts 2004-05



RECEIPTS BY FUND TYPE

PETROLEUM BUSINESS TAX RECEIPTS
(millions 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									
1996-97	144	3	141	379	7	372	462	8	454	967
1997-98	116	2	114	396	8	388	487	10	477	979
1998-99	103	1	102	423	5	418	519	6	513	1,033
1999-2000	90	1	89	415	5	410	512	6	506	1,005
2000-01	88	2	86	405	9	396	501	12	489	971
2001-02	0	0	0	459	10	449	566	12	554	1,003
2002-03	0	0	1	462	8	454	578	10	568	1,023
2003-04	0	0	0	478	6	472	587	7	580	1,052
	Estimated									
2004-05	0	0	0	501	8	493	615	10	605	1,098
2005-06	0	0	0	522	8	514	641	10	631	1,145

[1] Dedicated Mass Transportation Trust Fund and Mass Transportation Operating Assistance Fund.
[2] Dedicated Highway and Bridge Trust Fund.

REAL ESTATE TRANSFER TAX

SUMMARY

In 2004-05, All Funds net collections from the real estate transfer tax are estimated to be $734 million. This is an increase of $223.6 million, or 43.8 percent, from the prior year.

In 2005-06, All Funds net collections from the real estate transfer tax are projected to be $739.0 million. This is an increase of $5 million, or 0.7 percent, compared with 2004-05.

Legislation proposed with this budget will increase the amount dedicated to the Environmental Protection Fund.

DESCRIPTION

Tax Base and Rate

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. Effective July 1, 1989, an additional 1 percent tax was imposed on conveyances for which the consideration is $1 million or more.

Administration

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.

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 ("central office" collections). 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.

Tax Expenditures

The tax rate imposed on conveyances into new or existing real estate investment trusts (REITs) is $2 per $1,000 of consideration. The preferential tax rate for existing REITs is scheduled to sunset effective September 1, 2005. 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. Other significant exemptions from the tax are: 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.

TAX LIABILITY

Real estate transfer tax receipts are a function of the number of conveyances and the consideration (price) per conveyance. Conveyances and prices are largely determined by mortgage rates, vacancy rates and inflation. The Manhattan commercial real estate market, which has historically been subject to large swings in demand and capacity, can have a significant impact on receipts.

PROPOSED LEGISLATION

Legislation proposed with this Budget will increase the amount dedicated to the environmental Protection Fund.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

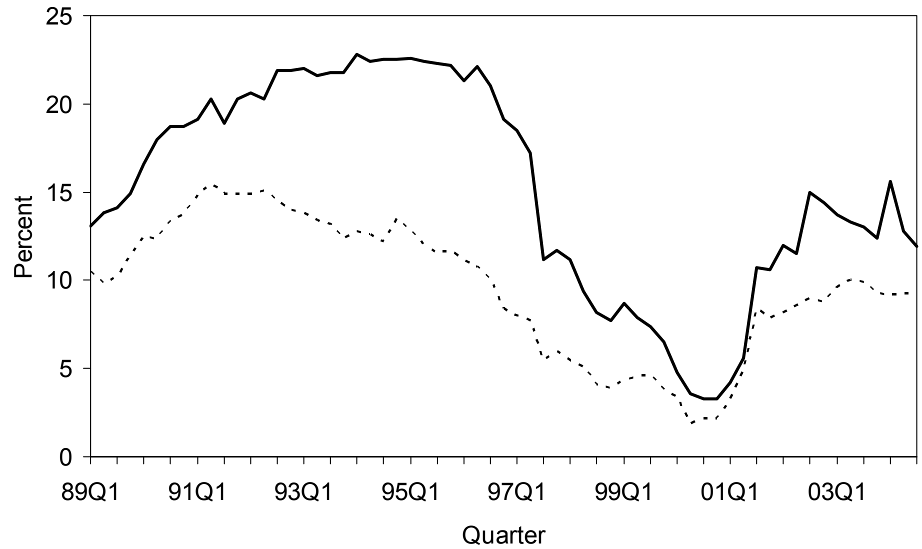
Net All Funds collections to date are $579.5 million, an increase of $201.5 million, or 53.3 percent above the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $734 million, an increase of $223.6 million, or 43.8 percent above last year.

The booming housing market, spurred by record-low mortgage rates that began in 2002-03, continued into the current fiscal year. The mansion tax has played an increasing role in the rapid growth in receipts that has characterized recent fiscal years. As average residential home prices have increased, so too has the proportion of homes priced in excess of $1 million. In SFY 1998-99, the mansion tax accounted for 11.3 percent of all real estate transfer tax receipts. By SFY 2003-04, this share had increased to 29.4 percent. The 2004-05 estimate reflects liability data for the first seven months of the fiscal year, which indicate an increase in the overall number of conveyances (including non-residential) of 13 percent, when compared with the first seven months of 2003-04.

The Division of Budget estimates that the average New York residential home price will rise 5.1 percent in 2004-05. To date, the Manhattan commercial market has presented mixed signals. Vacancy rates are marginally lower than they were at this time last year. Downtown, the vacancy rate was 11.9 percent during the third quarter of 2004, versus 13 percent during the same period last year. The midtown rate fell from 9.9 percent to 9.3 percent during the same period, but the rate dropped late in 2003 and has not changed since. Anecdotal evidence suggests that foreign investors may be bidding up commercial prices in New York City as a result of the weak dollar.

Vacancy Rates in Manhattan



Source: C.B. Richard Ellis

FISCAL YEAR LIABILITY THROUGH OCTOBER
(millions of dollars)

Region	2003-04 Liability	2004-05 Liability	Percent Change
Manhattan	52.6	96.9	84.3
Other Four Boroughs	43.2	74.4	72.3
Long Island	65.5	89.1	35.9
Rest of State	72.0	114.2	58.5
Central Office*	56.3	89.3	58.6

* Through November

2005-06 Projections

Total net All Funds receipts are projected to be $739 million, an increase of $5 million, or 0.7 percent above 2004-05.

Collections are expected to rise only marginally due in part to a projected rise of 25 basis points in the mortgage rate. Projected increases in prices for both residential housing and commercial real estate (due to lower vacancy rates) should compensate somewhat for the increase in mortgage rates.

General Fund

The General Fund will receive no direct deposit of real estate transfer tax receipts in 2004-05 or 2005-06. However, the balance of the Clean Water/Clean Air Fund, not needed for debt service, is transferred to the General Fund.

Other Funds

During 2004-05 and 2005-06, the statutory amount of real estate transfer tax receipts diverted to the Environmental Protection Fund is $112 million. Legislation proposed with this budget will raise this amount up to $117 million in 2006-07. By 2009-10 the total amount dedicated will increase up to $137 million. The remainder of real estate transfer tax receipts, estimated at $622 million in 2004-05 and $627 million in 2005-06, is to be deposited in the Clean Water/Clean Air Bond Debt Service Fund.

RECEIPTS BY FUND TYPE

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				
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
2002-03	0	0	0	0	112,000	335,761	202	335,559	447,559
2003-04	0	0	0	0	112,000	397,731	712	398,443	510,443
					Estimated				
2004-05	0	0	0	0	112,000	622,750	750	622,000	734,000
2005-06	0	0	0	0	112,000	627,750	750	627,000	739,000

[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.

2004-05 Receipts and 2005-06 Projections

All Funds net gift tax collections to date are $3 million. Net collections for 2004-05 are expected to be $3.2 million, consisting of $3.3 million in gross receipts and $0.1 million in refunds. No receipts are expected for 2005-06 or for any subsequent fiscal year.

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.

2004-05 Receipts and 2005-06 Projections

Remaining collections stem primarily from assessments on prior year tax liability and 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. To date, All Funds collections are $1.7 million, with an additional $0.1 million expected by the end of the State fiscal year. Total refunds for the year are estimated to be $1.1 million. As a result, net real property gains tax collections for 2004-05 are estimated to be $0.7 million.

No receipts are expected for 2005-06 or for any subsequent fiscal year.

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			
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
2002-03	12,623	732	11,891	0	0	0	11,891
2003-04	7,676	275	7,401	0	0	0	7,401
				Estimated			
2004-05	5,100	1,200	3,900	0	0	0	3,900
2005-06	0	0	0	0	0	0	0

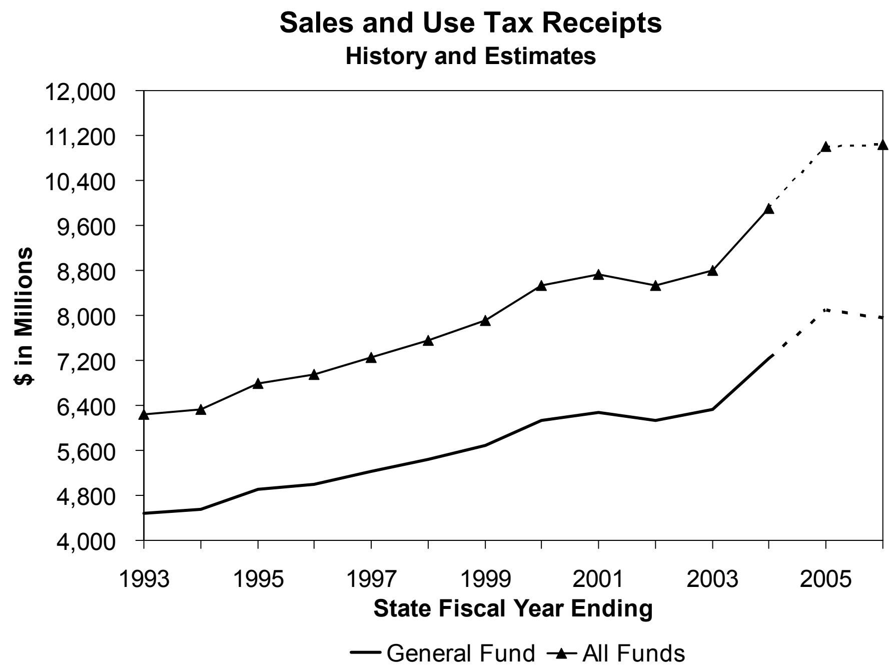
SALES AND USE TAX

SUMMARY

In 2004-05, All Funds net collections from the sales and use tax are estimated to be $11,013 million. This is an increase of $1,106 million, or 11.2 percent from the prior year.

In 2005-06, All Funds net collections from the sales and use tax are projected to be $11,040 million. This is an increase of $27 million, or 0.2 percent, compared with 2004-05.

Legislation proposed with this Budget will: replace the exemption on clothing and footwear priced under $110 with a $250 per item threshold during two exemption weeks; exempt certain "Energy Star" items during the same two weeks that clothing is exempted; allow the direct shipment of wine to New York residents from out-of-state wineries; and make reporting provisions for Manhattan parking vendors permanent.



DESCRIPTION

Tax Base

In general, all retail sales of tangible personal property are taxed under Article 28 of the Tax Law 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.

Tax Rate

The sales and compensating use tax was enacted in 1965 at the rate of 2 percent. The tax rate was increased to 3 percent in 1969, to 4 percent rate in 1971, and to the current 4.25 percent rate in 2003. The rate is scheduled to revert to 4 percent on June 1, 2005.

Counties and cities are authorized to impose the tax up to a combined 3 percent rate. However, 46 counties and 8 cities (including New York City) have sought and received legislative authority to temporarily impose a higher rate. The combined State-local sales and use tax rate exceeds 8 percent in many instances. More than 95 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).

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 March. 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 39 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.

Effective with the 2003 personal income tax filing year, the New York State personal income tax return contains a line on which taxpayers may enter the amount of use tax they owe for the preceding calendar year.

Tax Expenditures

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, a situation known as 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 and promote economic competitiveness.[45]

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 current scope of the sales tax.

Significant Legislation

The significant statutory changes to this tax source since 1994 are summarized below.

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

[45] 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.

EXPLANATION OF RECEIPT ESTIMATES

Subject	Description	Effective Date
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 that 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
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

Subject	Description	Effective Date
Pollution Abatement	Exempted manufacturing and industrial pollution control equipment and machinery.	March 1, 2001
Transmission and Distribution of Electricity and Gas	Phased out 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
Legislation Enacted in 2003		
Surcharge	Raised the State sales tax rate from 4 to 4.25 percent through May 31, 2005.	June 1, 2003
Temporary repeal of clothing exemption	Temporarily repealed the exemption on items of clothing and footwear priced under $110 and created two clothing exemption weeks at the same $110 threshold.	June 1, 2003
Use tax line on PIT return	Required a line on PIT returns for taxpayers to report use tax owed.	May 24, 2003
Legislation Enacted in 2004		
Extend Temporary Repeal of Clothing Exemption	Extended the expiration date to May 31, 2005, for the temporary repeal of the exemption on items of clothing and footwear priced under $110 and created two exemption weeks at the same $110 threshold.	August 20, 2004
Aircraft Parts and Services	Exempted parts used exclusively to maintain, repair, overhaul or rebuild aircraft parts or aircraft services.	December 1, 2004
Vessels Providing Local Transit	Provided refunds and credits for certain vessels used to provide transit service and certain related property and services.	December 1, 2004
Contractors and Affiliates	Required contractors, subcontractors and their affiliates who make deliveries of taxable services or tangible personal property valued at more than $300,000 to New York locations to register as sales tax vendors.	August 20, 2004

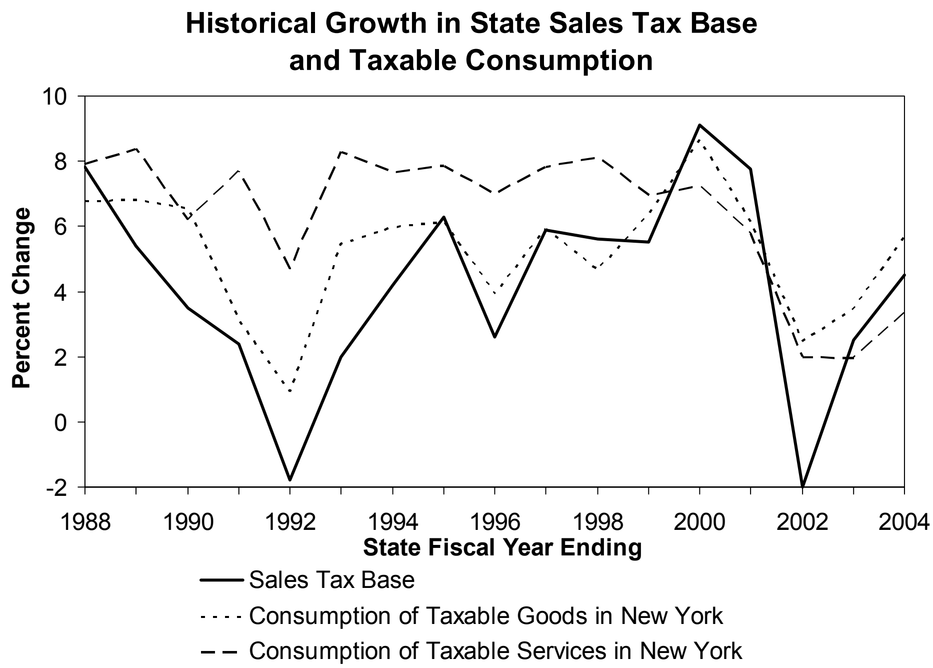
TAX LIABILITY

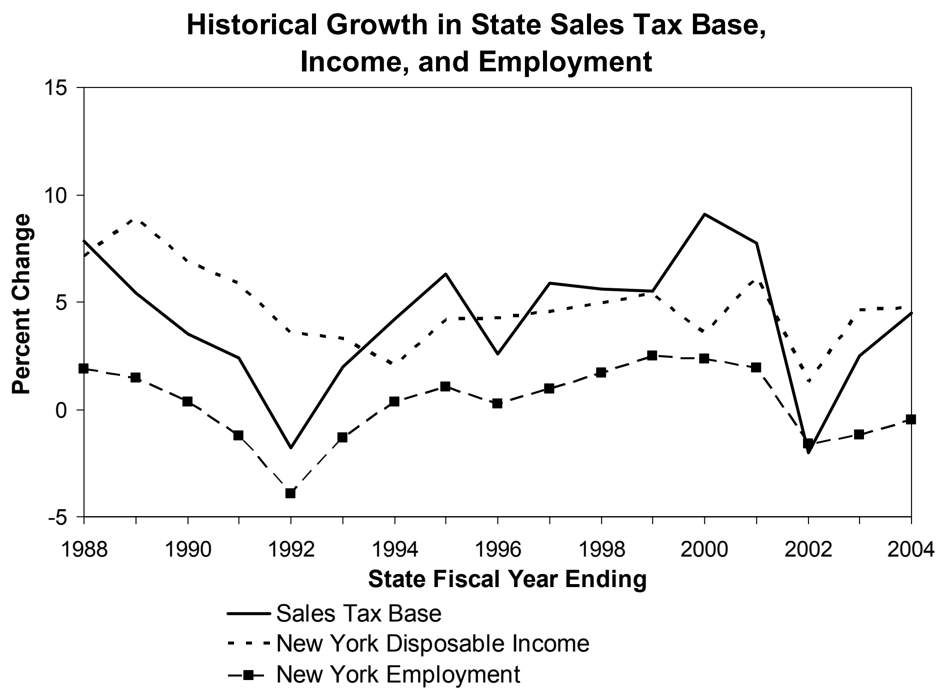
The sales and compensating use tax, which accounted for over 21 percent of 2003-04 General Fund tax revenues, not including transfers from other funds, is the second largest State tax revenue source (the personal income tax is the largest).

In the long run, sales tax receipts are a function of changes in the tax rate and the State's economic performance as measured by such factors as disposable income and employment. Short-run fluctuations can result from rapid changes in fuel prices, auto sales, and home sales. The following table and graphs show the growth rate of major economic factors affecting the sales tax.

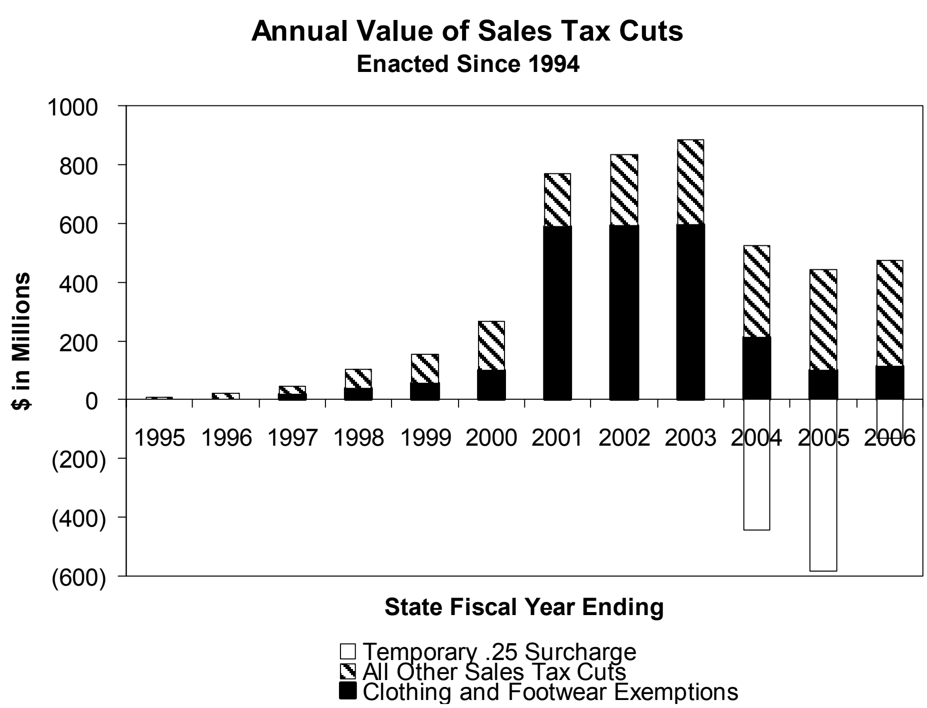
MAJOR ECONOMIC FACTORS AFFECTING SALES TAX RECEIPTS
STATE FISCAL YEARS 1996-97 TO 2005-06
Percent Change

	96-97	97-98	98-99	99-2000	2000-01	01-02	02-03	03-04	Estimated 04-05	Projected 05-06
Consumption of Taxable Goods in NY	5.9	4.7	6.4	8.7	6.1	2.5	3.5	5.7	6.4	4.4
Consumption of Taxable Services in NY	7.8	8.1	7.0	7.2	5.8	2.0	2.0	3.3	4.0	4.7
NY Employment	1.0	1.7	2.5	2.3	1.9	(1.6)	(1.2)	(0.5)	0.7	1.0
NY Disposable Income	4.5	5.0	5.4	3.6	6.1	1.3	4.5	4.8	5.4	5.2
NY Nominal Value of New Auto and Light Truck Sales	12.9	3.5	13.5	13.0	(5.3)	8.2	4.2	4.3	6.9	3.4
Sales Tax Base	5.9	5.6	5.5	9.1	7.8	(2.0)	2.5	2.3	7.0	5.8





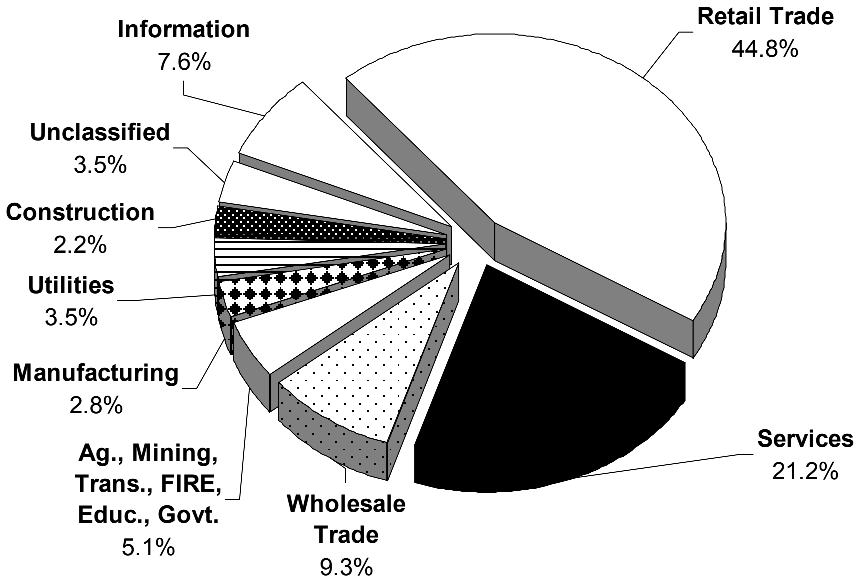
The tax cuts enacted since 1994-95 have had a substantial impact on sales tax receipts. The graph below depicts the estimated annual value of sales tax cuts enacted since 1994. The 0.25 percent temporary surcharge enacted in 2003 is shown as a negative bar.



Although numerous exemptions from tax on the sales of tangible personal property have been enacted (see "Tax Expenditures"), 45 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 and general merchandise stores. The service industry, including accommodations and food services, and administrative services, at 21.2 percent of the statewide total, accounts for the next largest share of taxable sales and purchases.

Industry Shares of Taxable Sales and Purchases

March 2000 to February 2001



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 will include, for example, taxable items purchased via mail order or on 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.

PROPOSED LEGISLATION

Legislation submitted with this Budget will:

- replace the exemption on clothing and footwear priced under $110 with a $250 per item threshold during two exemption weeks;
- exempt certain "Energy Star" items during the same two weeks that clothing is exempted;
- allow the direct shipment of wine to New York residents from out-of-State wineries; and
- make reporting provisions for Manhattan parking vendors permanent.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $8,381.7 million, an increase of $904.4 million, or 12.1 percent above the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $11,013 million, an increase of $1,106 million, or 11.2 percent above last year.

The underlying sales tax base is estimated to increase a robust 7 percent. Taxable sales were bolstered by several factors. The Division of the Budget estimates that Federal tax cuts added roughly $75 billion to disposable income nationally in calendar year 2004. Continued strength in mortgage refinancing allowed consumers to tap increased home equity. The Division of the Budget estimates that, on a national basis, consumers cashed out approximately $75 billion in home equity in calendar year 2004. Brisk home sales buoyed spending on furniture and other household items. In terms of real receipts growth, this recovery is somewhat similar to the early 1990s when absolute declines were followed by an initial year of slow growth (see following graph).

Legislation enacted in 2003 imposed a 0.25 percent sales and use tax surcharge on all taxable sales. The surcharge is expected to generate $584 million in additional receipts in 2004-05. Additional legislation enacted in 2004 that suspended the clothing and footwear exemption, effective June 1, 2004, and replaced it with two separate exemption weeks during the 2004-05 fiscal year is expected to add $483 million to 2004-05 receipts.

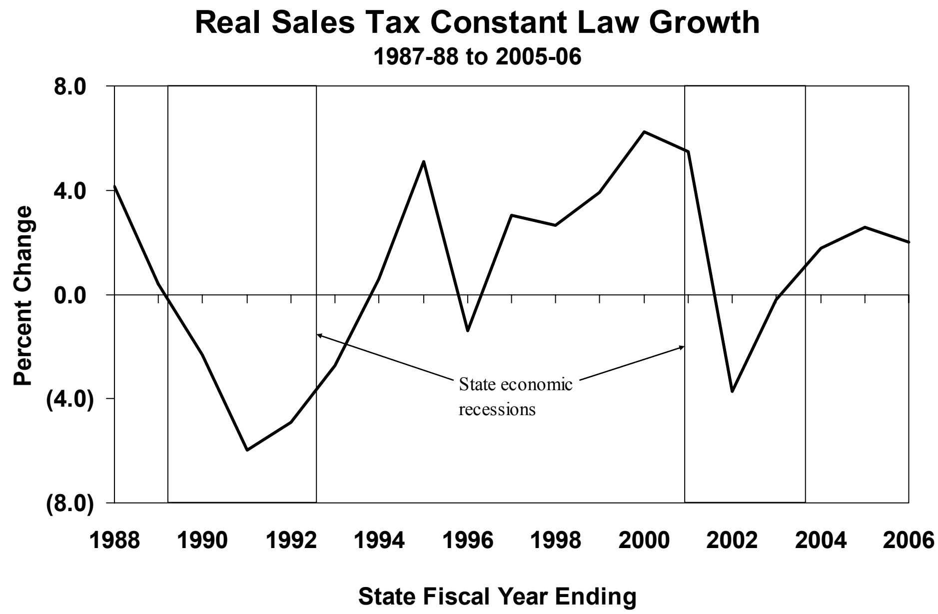
2005-06 Projections

Total net All Funds receipts are projected to be $11,040 million, an increase of $27 million, or 0.2 percent above 2004-05.

The small increase in receipts is due to the impact of the expiration of the 0.25 percent surcharge, effective June 1, 2005. Disposable income is expected to grow 5.2 percent and employment to grow 1 percent in 2005-06. Taken together, these factors help explain a projected growth in the sales tax base of 5.8 percent. Projected base growth is lower than in 2004-05 due to projected lower mortgage refinancing activity and the reduced impact of Federal tax cuts. The 0.25 percent surcharge and 2004 clothing legislation are projected to generate $132 million and $107 million respectively in 2005-06. Additional legislation that requires vendors and their Internet affiliates conducting business with the State to register as State sales tax vendors and collect taxes will generate an estimated $12.5 million. Further legislation enacted in 2004 which exempted water taxis and repairs to private aircraft will reduce receipts by an estimated $2 million.

Legislation submitted with this Budget proposes to eliminate the exemption on clothing and footwear priced under $110 and replace it with a $250 per item exemption effective during two separate weeks during 2005-06 and in subsequent years. This proposal is expected to generate an estimated $456 million in 2005-06. Additional legislation that proposes to exempt certain “Energy Star” items during the same two weeks that clothing is exempted is expected to reduce receipts by $4 million. Legislation that proposes to allow the direct shipment of wine to New York residents from out-of-state wineries will increase revenue by an estimated $2 million.

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 will affect consumption and thereby impact the level of taxable sales.



General Fund

Direct deposits to the General Fund for 2004-05 are estimated to be $8,097 million, an increase of $856 million, or 11.8 percent, from 2003-04 receipts. All proceeds from the 0.25 percent surcharge are deposited in the General Fund. General Fund receipts in 2005-06 are projected to be $7,952 million, a 1.8 percent decrease from the current year.

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 $2,267 million in 2003-04 and are estimated at $2,486 million in 2004-05, and $2,636 million in 2005-06. LGATF receipts in excess of debt service requirements on LGAC bonds are transferred to the General Fund.

The Mass Transportation Operating Assistance Fund (MTOAF) 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 MCTD. MTOAF, which received $399.3 million in sales and use tax receipts in 2003-04, will receive an estimated $430 million in 2004-05, and $452 million in 2005-06.

RECEIPTS BY FUND TYPE

SALES AND USE TAX RECEIPTS
(millions 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						
1996-97	5,265	40	5,225	289	0	1,747	7,261
1997-98	5,467	24	5,442	306	0	1,814	7,562
1998-99	5,729	32	5,697	321	0	1,894	7,912
1999-2000	6,182	41	6,141	346	0	2,046	8,532
2000-01	6,311	39	6,272	368	0	2,092	8,732
2001-02	6,174	43	6,131	365	0	2,044	8,540
2002-03	6,390	62	6,328	362	0	2,106	8,796
2003-04	7,300	59	7,241	399	0	2,267	9,907
	Estimated						
2004-05	8,157	60	8,097	430	0	2,486	11,013
2005-06							
(current law)	7,671	60	7,611	432	0	2,523	10,566
(proposed law)	8,012	60	7,952	452	0	2,636	11,040

[1] Mass Transportation Operating Assistance Fund and the Public Safety and Security Account.
[2] Local Government Assistance Tax Fund.

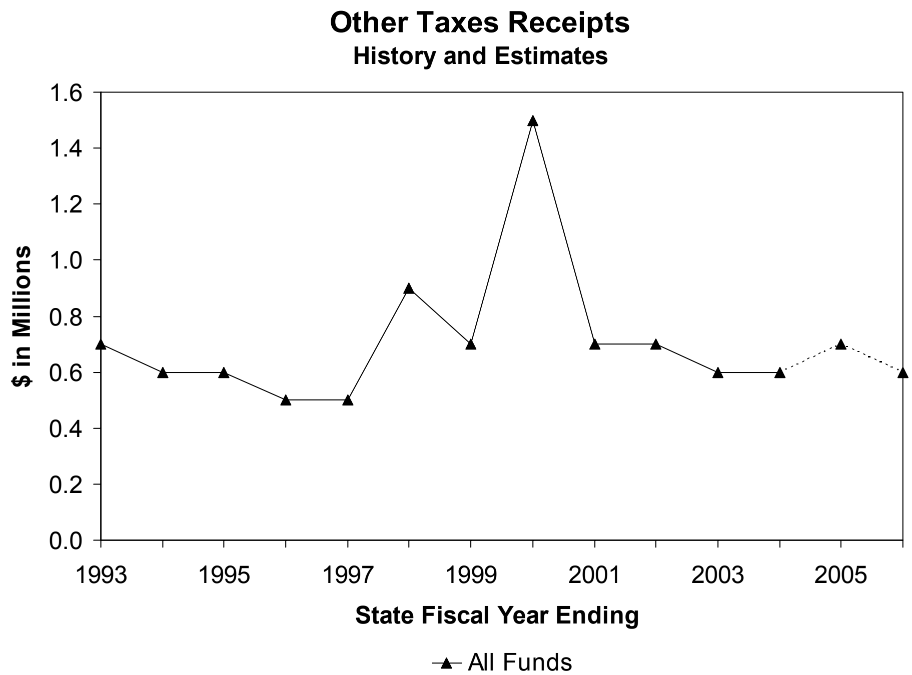
OTHER TAXES

SUMMARY

In 2004-05, All Funds net collections from other taxes are estimated to be $700,000. This is an increase of $130,000, or 22.8 percent, from the prior year, resulting from more boxing matches than in previous years.

In 2005-06, All Funds net collections from other taxes are projected to be $600,000. This is a decrease of $100,000, or 14.3 percent, from the prior year, resulting from the expected return to more normal levels of boxing and wrestling exhibitions in the State. Admissions to enter into racetracks and wrestling/boxing exhibitions are expected to remain fairly constant.

No new legislation for these taxes is proposed with this Budget.



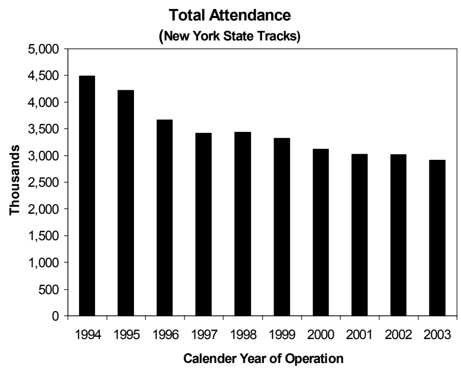
DESCRIPTION

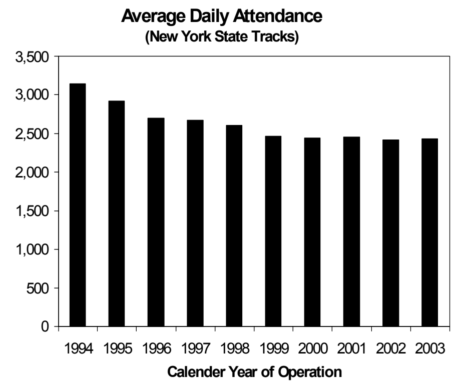
Tax Base and Rate

Racing Admissions Tax — A tax is levied on the charge for admissions to racetracks and simulcast theaters throughout the State. The increase in simulcasts at off-track betting locations with New York, expanded interstate competition, and the growth of casino activity in close proximity to New York residents, have led to declines in total paid attendance at tracks (see charts below) and in receipts from this source.

Boxing and Wrestling Exhibitions Tax — A tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights. A heavyweight championship fight, which is an event of high spectator interest, can impact the yield of the tax substantially, causing receipts to vary considerably from year to year.

The racing admissions tax rate is 4 percent. The boxing and wrestling exhibitions tax rate is 3 percent.





Administration

The New York State Racing and Wagering Board administers the collection of the racing admissions tax. It also has general jurisdiction over all horse racing activities and all pari-mutuel betting activities, both on-track and off-track, in the State and over the corporations, associations, and persons engaged in gaming activities.

The Department of Taxation and Finance is responsible for collecting the receipts of the boxing and wrestling exhibitions tax.

Significant Legislation

In 1999, for boxing and wrestling fees, the tax rate was reduced from 5.5 percent to 3 percent with a $100,000 cap per exhibition.

TAX LIABILITY

The major factor that affects racing admissions tax liability is the number of customers who attend on-track races; this is dependent on factors such as the weather and competition from other types of gambling or non-gambling entertainment.

The wrestling and boxing exhibitions tax can be affected by the importance of the events staged in a given fiscal year and by the degree of competition at other types of entertainment venues.

PROPOSED LEGISLATION

No new legislation is proposed with this Budget.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds collections to date are $663,672, an increase of $147,470 or 30 percent above the comparable period in the prior fiscal year.

Total net All Funds receipts for 2004-05 are estimated to be $700,000, an increase of $130,000, or 23 percent above last year. The increase in receipts reflects more boxing matches in New York State than in previous years.

2005-06 Estimates

Total net All Funds receipts are projected to be $600,000, a decrease of $100,000, or 14.3 percent, from the prior year. The number of boxing and wrestling exhibitions in New York State is expected to return to prior levels.

RECEIPTS BY FUND TYPE

OTHER TAXES RECEIPTS
(thousands of dollars)

	General Fund		Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Collections
	Admissions	Exhibitions				
	Actual					
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	288	412	0	0	0	700
2001-02	285	388	0	0	0	673
2002-03	319	259	0	0	0	578
2003-04	344	226	0	0	0	570
	Estimated					
2004-05	350	350	0	0	0	700
2005-06	300	300	0	0	0	600

MISCELLANEOUS RECEIPTS
General Fund

SUMMARY

In 2004-05, General Fund net collections from miscellaneous receipts are estimated to be $2,301 million. With tobacco proceeds excluded, this is a decrease of $70 million, or 2.9 percent, from the prior year.

In 2005-06, General Fund net collections from miscellaneous receipts are projected to be $2,455 million. This is an increase of $154 million, or 6.7 percent, compared with 2004-05.

Legislation proposed with this Budget proposes to add new charges and fees and modify some existing charges and fees. The table following the "Proposed Legislation" section summarizes the proposals impacting General Fund miscellaneous receipts.

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 significant statutory changes since 1994 are summarized below.

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

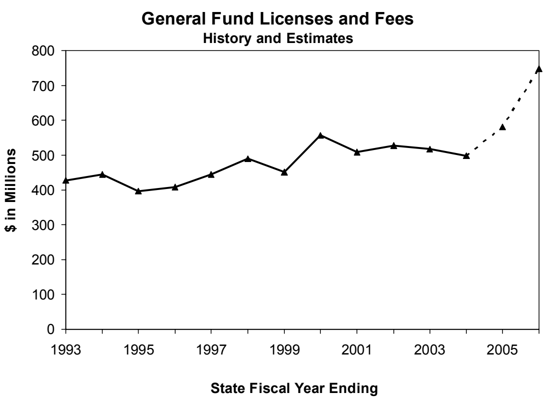
Subject	Description	Effective Date
Legislation Enacted in 1999		
Assessments	Further accelerated the phase-out of assessments on private health facility providers.	April 1 1999
Mandatory Surcharges	Extended for two years the mandatory surcharges pertaining largely to standing or moving violations of 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
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
Legislation Enacted in 2003		
Abandoned Property	Reduced the time period for collecting abandoned property related to the demutualization of insurance companies, from five years to two.	January 1, 2003
Assessments	Increased cost recovery assessments' cap from $20 million to $40 million.	April 1, 2003
Criminal Fines	Increased criminal fines deposited into the Justice Court Fund from between $100 and $1,500 to $150 and $2,250.	April 1, 2003
Lobbyist Fee	Increased annual lobbyist registration fees to $100 (2004) and $200 (2005).	April 1, 2003
Uncashed Checks	Reduced dormancy period of uncashed checks from three years to one year.	April 1, 2003
Background Checks	Required holders of HAZMAT license endorsement to undergo criminal background check for a fee of $75.	May 15, 2003
Sex Offender Fee	Required sex offenders to pay a DNA databank fee of $50, a sex offender registration fee of $50, and a sex offender registration change fee of $10.	May 15, 2003
Data Search Fee	Increased data search fee by $1.	July 1, 2003
Court Motion Fees	Imposed a $45 motion fee on Supreme/County and Appellate Courts, a stipulation of Discontinuance Fee of $35 and increased all Civil Court Fees by 25 percent.	July 14, 2003
Oil and Gas Depth Fees	Increased Oil and Gas Depth fees by 50 percent.	August 1, 2003
Penal Bonds	Increased fee on penal bonds from $1,000 to $2,500.	October 1, 2003
DWI or DWAI Surcharge	Imposed a $25 surcharge on DWI or DWAI convictions.	November 12, 2003
Parking Surcharges	Increased parking surcharges from $5 to $15.	November 12, 2003
Legislation Enacted in 2004		
Filing Fees	Increased Filing Fees for Alcoholic Beverage Control License applications.	April 1, 2004
Local Prosecution Program	Created various fees related to the Vehicle and Traffic Local Prosecution Program.	August 20, 2004
Driver Responsibility	Created the Driver Responsibility Program with fees of $100 and $250.	August 20, 2004
Federal Bed Contracts	Imposed State Correctional Facility Bed Rental Fee of $30,000 per year to the Federal Government	April 1, 2004
Waste Tire Fee	Extended the current Waste Tire Fee of $2.50	October 20, 2004
Stormwater Fees	Increased Stormwater Fees from $50 to $50-$350	April 1, 2004
Snowmobile Fee	Increased Snowmobile Fee from $5 to $10	August 20, 2004

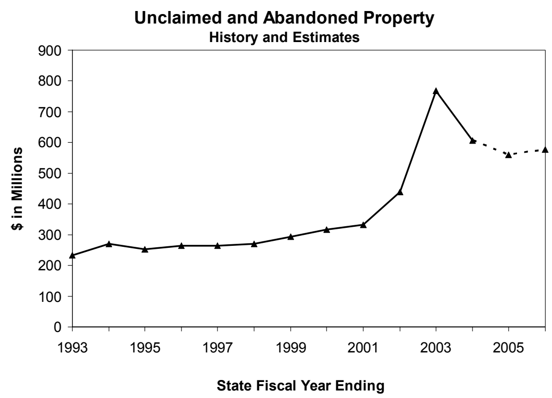
Proposed Legislation

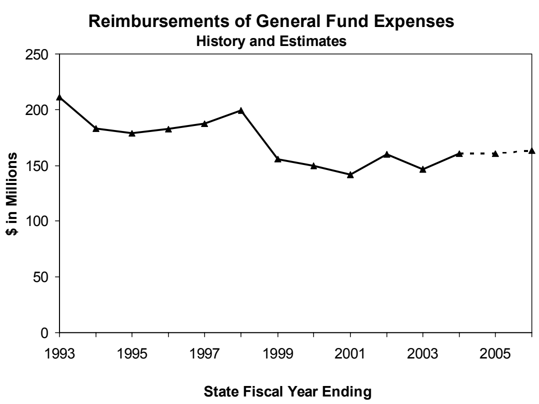
Legislation submitted with the Executive Budget proposes to add new charges and fees and to modify some existing charges and fees. The following table summarizes the proposals impacting General Fund miscellaneous receipts.

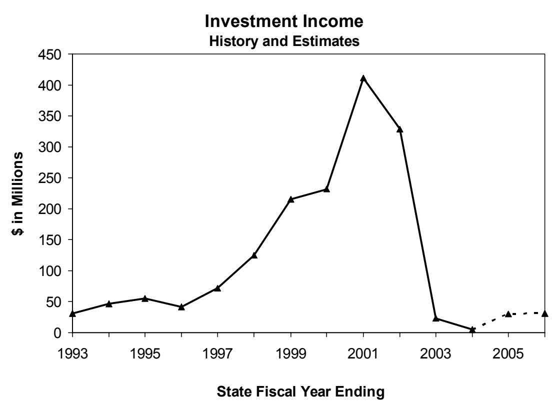
DESCRIPTION	CHANGE		VALUE IN 2005-06
			(millions of dollars)
Food Inspection - First Violation	New	$300	0.4
Food Inspection - Subsequent Violations	From	$300/$600 to $1,000	0.7
Deceptive Trade Practices Penalty	From	$500 to $5,000	0.6
Work Zone Automated Speed Enforcement	New	Various	18.0
ATV Registration Fee	From	$10 to $45	5.8
Insurance Agent License Fee	From	$20 to $40	2.5
Insurance Service of Process Fee	From	$20 to $40	1.4

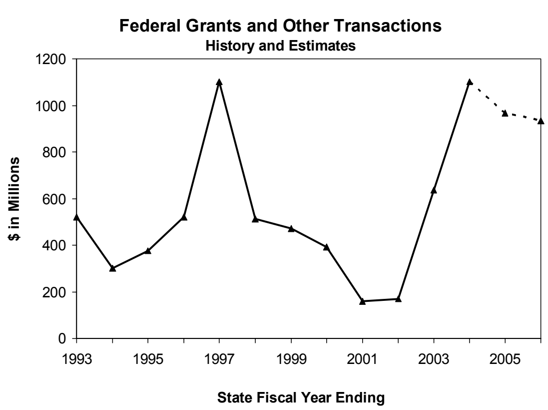
Components of Miscellaneous Receipts











Historically, General Fund license and fee revenues have grown modestly and fairly consistently, aside from minimal peaks and troughs associated with law changes. In 2005-06, these revenues are expected to increase as a result of fee increases proposed in the Executive Budget.

Historically, unclaimed and abandoned property revenue has remained relatively stable with minimal growth, aside from spikes in 2002-03 and 2003-04 resulting from a large amount of abandoned property released to the

State of New York by the Office of the State Comptroller. This property was associated with the sale of stocks as well as a reduction in the dormancy period of uncashed checks. Unclaimed and abandoned property revenue is expected to return to more normal levels in the forecast period.

Historically, reimbursements of General Fund expense and revenue advances have remained relatively constant, and are expected to remain relatively constant over the forecast period.

The trends in investment income are directly related to General Fund account balances and interest rates. For example, the large increase in 2000-01 followed by the severe drop in 2002-03 was a result of the impact of the economic growth and subsequent recession on the State's finances - balances declined and interest rates declined. The forecast for investment income is for a slight increase in the outyears as interest rates increase and balances remain stable.

Federal grants and other transactions, excluding tobacco securitization proceeds, are an unrelated grouping of transactions and payments, which do not fall under the other miscellaneous receipts categories. Differences in collections year-to-year are the result of large, unusual payments to the State of New York including: Federal revenue sharing grants; bond issuance charges on tobacco bond proceeds; a supplemental wireless surcharge; and an increased number of Wall Street settlement payments to the State of New York.

2003-04 RECEIPTS

In State fiscal year 2003-04, miscellaneous receipts totaled $6,571 million including $4,200 million in tobacco bond proceeds. Major revenue sources included: $654 million in Federal revenue sharing grants; $606 million in unclaimed and abandoned property; $498 million in fees, licenses, fines, royalties, and rents; $161 million in reimbursements; $155 million in medical provider assessments; $109 million in additional bond issuance charges; $64 million in extraordinary fines from various Wall Street firms; $54 million from the supplemental wireless surcharge; and $52 million from the PASNY Power for Jobs program. In addition, the receipts include $9 million from the Port Authority of New York and New Jersey and $5 million in interest earnings on short-term investments and bank accounts, an amount that is net of certain expenses incurred in providing banking services to various State agencies.

2004-05 ESTIMATES

Miscellaneous receipts are estimated at $2,301 million for fiscal year 2004-05. With tobacco proceeds excluded, miscellaneous receipts are estimated to decrease $70 million from the prior year. The estimate includes: $582 million in fees, licenses, fines, royalties, and rents; $560 million in unclaimed and abandoned property; $225 million from the State of New York Mortgage Agency; $183 million from the securitization of tobacco bond proceeds; $170 million from sales tax LGAC; $167 million in medical provider assessments; $161 million in reimbursements; $101 million in additional bond issuance charges; $58 million from the supplemental wireless surcharge; $50 million from the New York Power Authority pilot payments; $30 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); $8 million in Federal grants; and $6 million in extraordinary fines.

2005-06 PROJECTIONS

Miscellaneous receipts are projected at $2,455 million in fiscal year 2005-06, an increase of $154 million from 2004-05. This projection includes: $749 million in fees, licenses, fines, royalties, and rents; $578 million in unclaimed and abandoned property; $523 million from the local government revenue and disbursement program; $175 million in medical provider assessments; $163 million in reimbursements; $125 million from the New York Power Authority pilot payments; $51 million in additional bond issuance charges; $50 million from the State of New York Mortgage Agency; $31 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); $6 million from the Medicare Part D Federal subsidy; and $4 million in Federal grants.

MISCELLANEOUS RECEIPTS
GENERAL FUND
(millions of dollars)

	2001-02	2002-03	2003-04	2004-05	2005-06
				-- Estimated --	-- Projected --
License, Fees, Etc.	528	518	498	582	749
Federal Grants	4	6	654	8	4
Abandoned Property	439	767	606	560	578
Reimbursements	160	144	161	161	163
Investment Income	328	23	5	30	31
Other Transactions*	166	633	4,647	960	930
Total	1,625	2,091	6,571	2,301	2,455

* Includes proceeds from Tobacco securitization.

MISCELLANEOUS RECEIPTS
Special Revenue Funds

Miscellaneous receipts deposited to special revenue funds represent approximately 25 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 and proceeds from VLTs at racetracks are used to 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. This fund will be included in the new HCRA Resources Fund beginning in 2005-06.

HCRA FINANCING

Receipts from the Tobacco Control and Insurance Initiatives Pool and the Health Care Initiatives Pool are used primarily to finance a portion of the State's Medicaid program, including expansion of programs such as Family Health Plus, workforce recruitment and retention, the Elderly Pharmaceutical Insurance Coverage Program, Child Health Plus, AIDS programs, community mental health expansion programs, and various other public health programs. The 2005-06 Executive Budget proposes a new HCRA Resources Fund that will include all existing SRFs financed by HCRA as well as the remaining roughly 25 percent of HCRA financed programs that have previously been excluded from the State's Financial Plan.

PROVIDER ASSESSMENTS

The provider assessment account receives moneys from a reimbursable assessment on nursing home revenues. The 2004-05 Executive Budget proposes an increase in the assessment on nursing home revenues from 5 percent to 6 percent and the reimposition of a nonreimbursable 0.7 percent assessment on hospital and home care revenues.

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)

	2001-02	2002-03	2003-04	2004-05	2005-06
	Actual			Estimated	
State University income	1,824	1,944	2,236	2,472	2,577
Lottery	1,713	1,931	2,090	2,196	2,509
Indigent care	836	1,056	954	848	0
HCRA financing	634	2,034	2,394	2,278	5,126
Provider assessments	0	423	361	365	657
All other	2,122	2,182	2,482	2,855	2,551
Total	7,129	9,570	10,517	11,014	13,420

LOTTERY

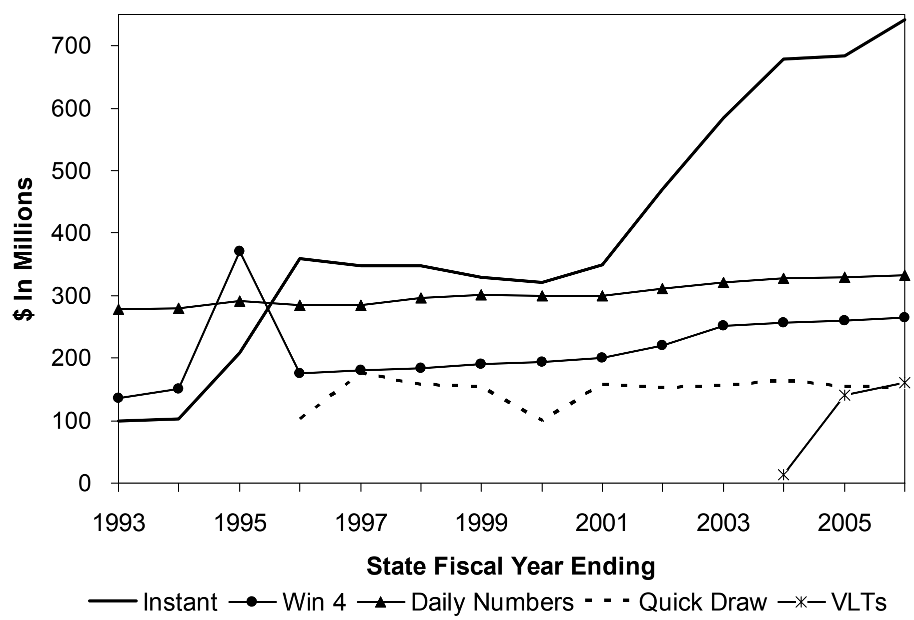
SUMMARY

In 2004-05, All Funds collections from the Lottery are estimated to be $1,919.5 million from base lottery games and $154.6 million from video lottery operations. Total revenue for education is expected to reach $2,074.1 million, an increase of $239 million, or 13 percent, from the prior year. This reflects a 7 percent increase in Instant Games, higher-than-expected sales in Mega Millions due to a high number of large prize payouts, and the revenue from four racetracks operating video lottery facilities.

In 2005-06, All Funds collections from all Lottery games are projected to be $2,321 million. This is an increase of $246.9 million, or 11.9 percent, compared with 2004-05.

Legislation proposed with this Budget will amend the Quick Draw game to permanently authorize operation of the game beyond its current expiration date of May 31, 2005, eliminate requirements related to specific hours and food sales, and alter square footage requirements; and authorize expansion of the video lottery program. In addition, proposed legislation will create a New York State Gaming Commission and increase from 61 percent to 90 percent, the share of net video lottery terminal revenue to be used for education.

Fixed Odds & Instant Game Revenues

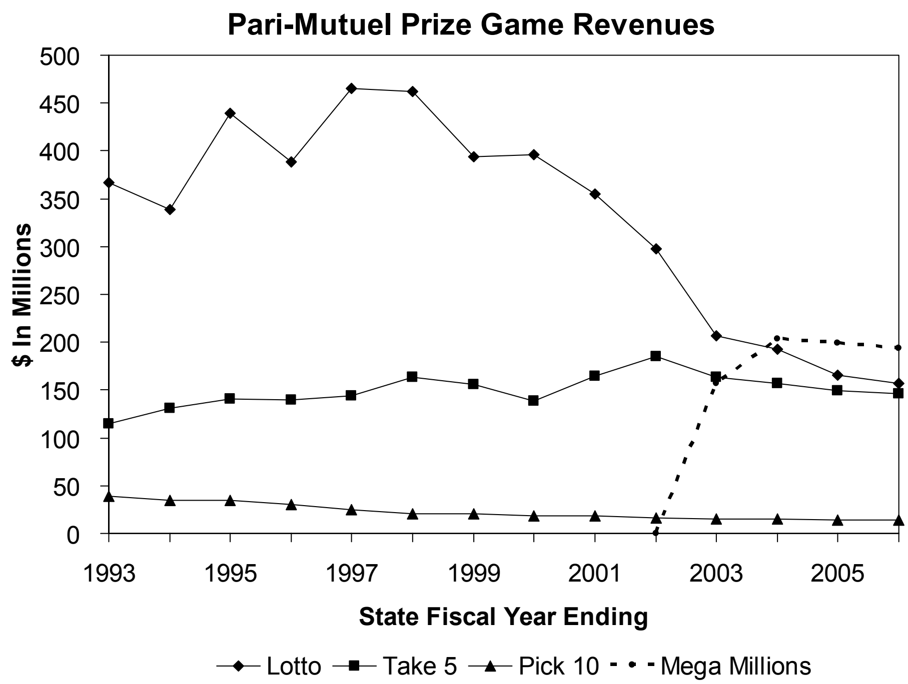


DESCRIPTION

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 four 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. VLTs are currently authorized to be used only at selected thoroughbred and harness tracks.



The minimum statutory allocation to education for the Lotto 59 and 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), 61 percent of net machine income. After the earmarking for prizes, the Division has available 15 percent of net sales from all games except VLTs for its administrative expenses, with any unused portion used to support education.

Distribution of Lottery Sales
(Percent)

	Prizes	Revenue Percent	Admin. Allowance
Lotto	40.0	45.0	15.0
Lotto - Millennium Millions	40.0	45.0	15.0
Instant Win	40.0	45.0	15.0
Mega Millions 50% Prize Payout	50.0	35.0	15.0
Take 5	50.0	35.0	15.0
Quick Draw	60.0	25.0	15.0
Numbers	50.0	35.0	15.0
Win 4	50.0	35.0	15.0
Pick 10	50.0	35.0	15.0
Instant	65.0	20.0	15.0
Three Games 75%	75.0	10.0	15.0
VLTs	92.0	7.2	0.8

Administration

The Lottery Division develops, advertises, distributes, and performs all required responsibilities necessary to operate an effective State lottery. Under current law, the Comptroller, pursuant to an appropriation, distributes all net receipts from the lottery directly to school districts. 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.

Sales agents are notified electronically by the Division's operations' vendor by Monday of each week of the amount due the State from sales during the previous week. The agent has until Tuesday to deposit sufficient funds in specified joint bank accounts at which time the operations vendor sweeps the receipts and transfers them to the Lottery by Wednesday morning. For VLTs, the Division sweeps the accounts daily and the State receives the revenue daily.

Significant Legislation

The significant lottery legislation enacted since 1994 is summarized below.

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
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 hours can be consecutive.	
	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.	

Subject	Description	Effective Date
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
Legislation Enacted in 2003		
Quick Draw	Extended the operation of Quick Draw until May 31, 2004.	January 28, 2002
Video Lottery Terminals	Of the total amount wagered on video lottery terminals, 92 percent is paid out for prizes. Of the balance, the Lottery Division retains 10 percent for administration, 29 percent is paid to the racetracks as a commission, and 61 percent is dedicated to education. Of the commission paid to the tracks, the amount allocated to purses in years one through three is 25.9 percent; in years four and five, 26.7 percent; and in subsequent years, 34.5 percent. The Breeders' funds receive 4.3 percent of the commission paid to racetracks in the first through fifth years and 5.2 percent in the following years. The racetracks are allowed to enter into agreements, not to exceed five years, with the horsemen to reduce the percentage of the vendor fee allocated to purses. The program expires ten years after the start of the program.	May 2, 2003
Legislation Enacted in 2004		
Quick Draw	Extended the operation of Quick Draw until May 31, 2005.	August 20, 2004

LOTTERY DEMAND

Factors that affect the demand for Lottery games include: the price of the lottery tickets, the amount spent on advertising and marketing, the prize payout percentage, the development of new games that generate increased sales, the potential customers' attitude towards the Lottery Division and competition from other gambling venues.

PROPOSED LEGISLATION

- The Quick Draw game expires on May 31, 2005. This Budget includes legislation for permanent authorization to operate Quick Draw. Estimated receipts, including administrative surplus, from Quick Draw for 2005-06 are $152 million.
- Proposed legislation authorizes the elimination of Quick Draw restrictions related to food sales and hours of operation a change in the space requirement to 1,200 square feet. Current law designates that Quick Draw may be only offered: (1) at facilities licensed for the sale of alcoholic beverages for on-premises consumption if at least 25 percent of the gross sales of the business are sales of food; (2) at locations not licensed for the sale of alcoholic beverages for consumption on the premises if the premises are greater than 2,500 square feet in area; and (3) for no more than 13 hours of daily operations, no more than 8 hours of which may be consecutive. The estimated receipts gained from the elimination and reduction of the Quick Draw restrictions are $39 million, in State fiscal year 2005-06.
- Proposed legislation authorizes expansion of the video lottery program, which will allow up to eight new facilities in New York State, provides that 90 percent of net machine income be used to fund education, and addresses other issues with the current program. This legislation is expected to generate an additional $108 million in 2005-06 receipts for education.

RECEIPTS: ESTIMATES AND PROJECTIONS

All Funds

2004-05 Estimates

Net All Funds base game collections to date are $1,258.4 million, an increase of $61.5 million, or 5 percent above the comparable period in the prior fiscal year. Growth in revenue can be attributed primarily to better-than-expected Instant Game and Mega Millions sales. To date, Instant Game and Mega Millions sales are 11 percent and 4 percent above last year's sales, respectively. VLT receipts to date in 2004-05 are $108.1 million, primarily reflecting the number of VLT facilities open during the year and the number of days that they were in operation. There were no VLT operations during the same time period in 2003-04.

Net All Funds base game collections for 2004-05 are estimated to be $1,919.5 million, an increase of $84.4 million, or 4.6 percent above last year. (See Table 1.) Total net All Funds sales for 2004-05 are estimated to be $5.9 billion, providing $1,580 million in receipts for education. This is a decrease of $32.2 million, or 2 percent, from last year. Unspent administrative allowances and miscellaneous income are estimated at $290.2 million. In addition, VLT operations are estimated to add $154.6 million in receipts for education.

A game by game profile reveals that:

Instant Games, as stated above, are experiencing increased sales. Total Instant Game sales are expected to increase by 7 percent and receipts from instant ticket sales are expected to increase to $537.4 million in 2004-05.

Lotto sales have declined over the past several years. The declines are attributable to: (1) a general dilution of interest in ordinary jackpots; (2) increased competition from 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; (5) low interest rates which limit the size of jackpots at every prize level; and (6) competition from Mega Millions. Similar declines have been experienced in many states with similar lotto structures.

To date, Mega Millions sales are $345.9 million, 4 percent above the sales for the same time in the prior year. There have been three substantial jackpot roll-ups during this fiscal year with a possibility of one or two significant roll-ups in the remaining months.

A maturing game life cycle and competition from Mega Millions have caused estimated sales for Take 5 to diminish by 5 percent compared to 2004-05.

Numbers and Win 4 games are benefiting from two daily draws and recent promotions. Receipts from sales for the Numbers game are expected to increase marginally from $271.9 million, in 2003-04, to $272.9 million in 2004-05. The estimated increase in receipts from sales for the Win 4 game is $2.2 million over 2003-04. Numbers sales are expected to increase by 2 percent and Win 4 sales are estimated to increase by 1.4 percent.

The Instant Win game was introduced in October of 2002. Instant Win is a terminal game that offers Daily Numbers and Win 4 players the opportunity to win prizes up to $500 for an additional $1 wager. Current sales reflect only modest customer interest in this game. Receipts from sales are estimated to decrease by 19.5 percent in 2004-05 from 2003-04.

Pick 10 sales are expected to continue at a level similar to last year. Receipts from sales are estimated to marginally drop to $11.9 million.

Quick Draw sales are expected to decrease by 6.3 percent in 2004-05 from 2003-04. On February 23, 2003, the frequency of Quick Draw draws increased from every five minutes to four minutes. The initial surge in 2003-04 sales quickly diminished and negative impacts from competition and resistance to recent smoking restrictions have contributed to the drop in sales.

The VLT program now comprises the following four track locations: Saratoga, Finger Lakes, Monticello, and Buffalo. To date, $108.1 million in receipts have been generated from the four facilities in fiscal year 2004-05. A recent court ruling determined that the VLT program is unconstitutional. The State is appealing the decision and a new judgment is expected in the spring of 2005. Receipts from VLT sales are estimated to attain $154.6 million in 2004-05, which includes a $12.6 million carry in from 2003-04.

2005-06 Projections

Under current law, total net All Funds base game receipts would be projected at $1,821.2 million, a decrease of $98.3 million, or 5 percent, from 2004-05, with lottery base sales for 2005-06 estimated to be $6 billion. This figure includes $1,560.1 million in receipts from base game sales, $261.1 million in unused administrative surplus and lottery. VLT operations would provide an additional $227.5 million for education.

Game by game estimates for 2005-06 can be summarized as follows:

Instant games receipts are projected to increase by $50.3 million. The higher payout games are projected to grow at a slower rate.

Lotto game receipts are projected to decline by $0.7 million. The continuing drop in Lotto sales reflects the increased competition from other gambling options, (e.g., casinos and VLTs) and continued cannibalization by the Mega Millions game.

Net receipts from Mega Millions are expected to increase by 1.5 percent, to $2.5 million. To date, collection experience shows a direct correlation between the size of the jackpots and the amount of revenue received.

Receipts from Take-5 games are projected to increase by $4.5 million. The negative impact of competition from Mega Millions and the estimated continuation of the game's maturation cycle will contribute to minimal growth in sales.

Daily Numbers and Win 4 are projected to increase $9.5 million and $11.1 million, respectively.

The Instant Win revenues are projected to remain constant.

Receipts from Pick 10 are expected to remain constant, reflecting the expectation of consistent core player participation.

The Quick Draw game would be projected to decline $97 million, or 83 percent, in State fiscal year 2005-06, if the game is allowed to sunset on May 31, 2005. The estimated administrative surplus for 2005-06 would be further reduced by $38.7 million, because Quick Draw would operate only for the first two months of the State fiscal year. In addition, base sales would be expected to drop because of competition from other games, restrictions on locations that can operate Quick Draw games, a maturing sales cycle, and continued diminished sales due to the recent smoking restrictions.

The current VLT program is projected to generate $227.5 million in receipts. All receipts from the VLT program are to be deposited in a separate lottery account, not co-mingled with existing lottery receipts, to help fund Sound Basic Education (SBE). The resolution of constitutional issues is necessary before full participation in the program can be reasonably expected. Overall, this industry is dependent on private sector financing; investment in facilities is the responsibility of the track owners. Since track owners take many factors into account before starting operations, it is difficult to predict start dates and revenues. In addition, there is the more serious risk that in 2005 the court may uphold the unconstitutional ruling, thereby terminating operations of the VLT program.

Table 1
Components of Lottery Receipts
(In Millions)

LOTTERY GAMES	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Actual [4]	2004-05 Estimated	Current Law 2005-06 Projected	Proposed Law 2005-06 Projected
Instant Game	283.0	377.1	465.7	529.0	537.4	587.7	587.7
Lotto Games [1]	304.6	254.8	175.7	163.4	140.6	139.9	139.9
Mega Millions			129.0	166.6	162.7	165.2	165.2
Take 5	135.0	152.2	133.5	128.9	122.0	126.5	126.5
Daily Numbers [2]	247.4	256.8	267.0	271.8	272.9	282.4	282.4
Win 4 [2]	164.5	182.4	205.6	213.2	215.4	226.5	226.5
Pick 10	14.5	13.2	11.9	12.1	11.9	11.9	11.9
Quick Draw	126.7	121.8	118.6	127.1	117.1	20.0	145.6
Subtotal	1,275.7	1,358.3	1,507.0	1,612.1	1,580.0	1,560.1	1,685.7
Administrative Surplus[3]	159.8	192.2	281.9	272.3	290.2	261.1	299.8
VLT Transfer					154.6[5]		108.0[6]
Current Receipts Subtotal	1,435.5	1,551.5	1,788.9	1,884.4	2,024.8	1,821.2	2,093.5
Carry-in	4.7	47.2	37.2	0.0	49.3	0.0	0.0
Net Receipts for Education	1,440.2	1,598.7	1,826.2	1,884.4	2,074.1	1,821.2	2,093.5
Carry-out	(47.2)	(37.2)	0.0	(49.3)	0.0	0.0	0.0
Disbursements for Education	1,393.0	1,561.5	1,826.2	1,835.1	2,074.1	1,821.2	2,093.5
VLT SBE Receipts[7]						227.5	227.5
Carry-in						0.0	0.0
Carry-out						0.0	0.0
Subtotal						227.5	227.5
Grand Total for Education	1,393.0	1,561.5	1,826.2	1,835.1	2,074.1	2,048.7	2,321.0

[1] Includes receipts from Lotto (Millennium Millons on December 1999 and October 2000).
[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.
[4] 2003-04 Lottery Division's fiscal year included 53 weeks.
[5] VLT revenue transferred to fund education through the current formula.
[6] VLT receipts in excess of amounts dedicated to the SBE initiative will be transferred to fund education through the current formula.
[7] Receipts are dedicated to fund "SBE" initiatives.

The continuation of Quick Draw and the removal or easing of restrictions on Quick Draw, Mega Millions sales comparable to previous years, and the continued positive influence of Instant Game sales result in total sales of lottery base games projected at $6.2 billion. Total lottery receipts are estimated to reach $2,093.5 million to fund education under the current lottery aid formula. This includes a VLT transfer of $108 million from the SBE account and $299.8 million from surplus administrative funds and miscellaneous receipts. An additional $227.5 million expected from VLTs is to be deposited in a new separate Lottery account for the purpose of funding the Governor's Sound Based Education initiative. This results in a grand total of lottery receipts for education of $2,321 million.

TABLE 2
NET LOTTERY RECEIPTS FOR EDUCATION
(millions of dollars)

Actual	
1996-97	1,533.2
1997-98	1,533.9
1998-99	1,442.4
1999-2000	1,349.7
2000-01	1,440.2
2001-02	1,598.7
2002-03	1,826.2
2003-04	1,884.5
Estimated	
2004-05	2,074.1
2005-06	
(current law)	2,048.7
(proposed law)	2,321.0

Includes $228 million in VLT receipts to be deposited in a separate Lottery account to help fund SBE.

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. The Miscellaneous Receipts table reflects an accounting adjustment for capital activity that is not reflected by the Comptroller's accounting system, but which is included in the Five-Year Capital Program and Financial Plan.

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 Projects Funds in 2004-05 and 93 percent in 2005-06.

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 $24 million in 2005-06, will be used to finance improvements in the State's park system.

ENVIRONMENTAL REVENUES

Miscellaneous receipts from environmental revenues are projected to decrease modestly from $58 million in 2004-05 to $54 million in 2005-06. This decrease is attributable to changes in reimbursements for estimated revisions to advance spending for various 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)

	2001-02	2002-03	2003-04	2004-05	2005-06
	Actual			Estimated	
Authority Bond Proceeds					
Transportation	710	473	1,571	1,114	1,078
Public Protection	140	295	173	182	193
Health and Social Welfare	0	0	31	53	68
Education	266	283	556	640	813
Mental Hygiene	63	86	180	196	171
Econ. Develop./Gov. Oversight	101	260	185	293	588
General Government	12	23	34	104	90
Other	68	96	106	187	193
State Park Fees	23	23	21	24	24
Environmental Revenues	20	38	33	58	54
All Other	41	102	139	129	172
Total	1,444	1,679	3,029	2,980	3,444
Accounting Adjustment			(861)	(903)	(1,168)
Financial Plan Total			2,168	2,077	2,276

MISCELLANEOUS RECEIPTS
Debt Service Funds

Miscellaneous receipts in the Debt Service fund type include patient revenues, fees, interest income, and other revenues. These revenues are dedicated in the first instance for the payment of lease-purchase agreements, contractual obligations, and debt service, and support about 17 percent of the State's debt service payments. These revenues have been pledged as security for bonds issued for mental hygiene and health facilities, and dormitories, or are used by the State to pay debt service on general obligation housing bonds. After such requirements are satisfied, the balance of most miscellaneous receipts, together with other receipts and transfers, flow back to the General Fund or to Special Revenue funds which are used to offset the cost of State operations.

MENTAL HYGIENE RECEIPTS

Payments from patients and various third-party payers, including Medicare and insurance companies, for services provided by the mental hygiene agencies are deposited in the Mental Health Services Fund as miscellaneous receipts. Additionally, portions of State and local assistance and Federal Medicaid payments to not-for-profit community facilities are earmarked to pay their share of debt service, and are also deposited as miscellaneous receipts in the Mental Health Services Fund. These receipts, together with the transferred Medicaid money, secure bonds sold by the Dormitory Authority (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)

	2001-02	2002-03	2003-04	2004-05	2005-06
	---------- Actual	----------	----------	---------- Estimated	----------
Mental hygiene patient receipts	248	407	322	228	228
SUNY dormitory fees	247	269	283	299	308
Health patient receipts	91	102	113	98	98
All other	28	29	92	22	22
Total	614	807	810	647	656

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 $37.42 billion in 2004-05 and $36.56 billion in 2005-06. These revenues represent approximately 35 percent of total receipts in governmental funds, excluding general obligation bond proceeds, and are deposited into the Special Revenue and the Capital Projects fund types. The projections for both fiscal years include the flow-through of Federal aid to localities for World Trade Center disaster costs which amount to $1.69 billion and $149 million in 2004-05 and 2005-06, 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 11 percent of total Federal Medicaid reimbursements, while receipts for non-State-operated facilities represent the remaining 89 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							
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
2002-03	0	19,021	2,307	10,356	31,684	1,567	0	33,251
2003-04	654	20,943	1,788	12,390	35,121	1,548	0	37,323
	Estimated							
2004-05	8	22,270	1,979	11,385	35,634	1,778	0	37,420
2005-06	4	22,261	2,353	10,114	34,728	1,828	0	36,560

PART III

CAPITAL PROGRAM AND FINANCING PLAN

CAPITAL PROGRAM AND FINANCING PLAN

INTRODUCTION

The Five-Year Capital Program and Financing Plan (the Plan) is submitted in accordance with Section 22-c of the State Finance Law. The Plan consists of four sections, the Debt Affordability Profile, the Financing Plan, the Capital Program Plan and the Non-State-Supported Debt Obligations section, as described in more detail below. The Plan includes information for the current fiscal year and the five-year projection period from 2005-06 through 2009-10. The Plan will be updated following the enactment of the State Budget.

The Debt Affordability Profile includes information on projected State-supported debt levels and debt service costs, including variable rate debt and swaps. It also provides comparisons to objective affordability measures and recently enacted statutory limitations.

The Financing Plan provides a summary of agency capital spending on a program basis and by financing source. The Financing Plan also includes detailed information on State-supported debt obligations, including the level of State-supported debt outstanding, debt issuances, retirements, and debt service costs. Financing sources include State and Federal pay-as-you-go (PAYGO) resources and proceeds from the issuance of general obligation and authority bonds.

The Capital Program Plan describes agency capital goals and objectives, capital maintenance efforts, recommended methods for financing ongoing capital programs or initiatives, and schedules of projected appropriations, commitments and disbursements by agency.

The Non-State-Supported Debt Obligations section includes information on State-guaranteed debt, moral obligation financings and contingent contractual obligation financings. Under these financings, the State does not have a direct obligation to pay debt service but, under certain conditions, the State may be called upon to pay debt service if specified non-State resources are insufficient to satisfy scheduled debt service payments. The State does not expect to be required to pay debt service on any of these obligations in 2005-06.

The Capital Program and Financing Plan includes cash-basis spending that is reflected by the State Comptroller as activity in State funds or accounts (i.e., spending financed with State and Federal cash resources and spending initially financed with State resources and reimbursed with State-supported bond proceeds) as well as capital receipts and spending that are counted as receipts and spending only in the Generally Accepted Accounting Principles Financial Statements (GAAP).

OVERVIEW

The key highlights of the Capital Program and Financing Plan include:

- A new five-year $17.4 billion Department of Transportation (DOT) capital plan, an increase of over $2 billion from the last five-year Plan;
- Increased spending for a variety of economic development programs, including the New York State Technology and Development Program ($250 million) and the Strategic Partnership for Upstate Resurgence (Operation SPUR) ($90 million). Funding is also recommended for the Javits Center expansion ($350 million) and the New York State Economic Development Program ($350 million) that were enacted in December 2004, as well as for the Javits Center extension in support of the New York Sports and Convention Center ($300 million);
- Increased spending for the State University of New York (SUNY) and the City University of New York (CUNY) ($323 million), and for public and private capital investments in the Higher Education Facilities Capital Matching Grants Program ($250 million);
- Spending authorization for a new $1 billion Health Care System Improvement Capital Grant Program;
- The issuance of roughly $3 billion in Dedicated Highway and Bridge Trust Fund (DHBTF) bonds to restructure outstanding debt to more closely align the schedule for which principal amortizes to the underlying useful lives of the projects financed; and
- Debt management initiatives, including maximizing refunding savings and diversifying the State’s debt portfolio, to reduce debt service costs by $150 million in 2005-06.

STATE-SUPPORTED DEBT AFFORDABILITY

State-supported debt includes bonds or notes issued by the State or a State public benefit corporation for which the State is constitutionally obligated to pay debt service or is contractually obligated to pay debt service subject to an appropriation.

State-supported debt levels and debt costs continue to remain affordable. Based on a variety of debt affordability measures commonly used by the financial community, debt as a percent of personal income, debt service costs as a percent of All Funds Receipts, and State debt per capita remain stable. Recently enacted legislation, including the Debt Reform Act of 2000 and Article 5-D of the State Finance Law, established limits on the growth and costs of State-supported debt and the use of variable rate obligations and interest rate exchange agreements (i.e., swaps).

Debt Outstanding (millions of dollars)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Projected Debt Outstanding	41,289	42,527	44,052	45,160	46,443	47,778
Projected Personal Income	731,486	767,100	806,448	848,226	891,838	938,313
Debt Outstanding as a percent of Personal Income	5.64	5.54	5.46	5.32	5.21	5.09

- Total debt outstanding is projected to increase from $41.3 billion in 2004-05 to $47.8 billion in 2009-10, or an average annual increase of 3.0 percent.
- The projected average annual growth in personal income is 5.1 percent.
- As a result, total State-supported debt as a percent of personal income is projected to decline from 5.6 percent in 2004-05 to 5.1 percent in 2009-10.

State Debt Per Capita	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Projected Debt Outstanding (millions dollars)	41,289	42,527	44,052	45,160	46,443	47,778
State Population (thousands)	19,228	19,261	19,290	19,318	19,352	19,384
State Debt Per Capita (dollars)	2,147	2,208	2,284	2,338	2,400	2,465

- The State's population is projected to remain relatively stable.
- As a result, debt per capita is projected to increase from $2,147 in 2004-05 to $2,465 in 2009-10, an average annual increase of 2.8 percent.

Debt Service Costs (millions of dollars)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
All Funds Receipts	101,299	105,520	108,081	116,045	124,273	130,122
Debt Service Costs	3,815	3,865	4,177	4,463	4,781	5,032
Debt Costs as a percent of All Funds Receipts	3.77	3.66	3.86	3.85	3.85	3.87

- Total debt service costs are projected to increase from $3.8 billion in 2004-05 to $5.0 billion in 2009-10, an average annual increase of 5.7 percent.
- Since All Funds receipts are projected to grow at roughly the same rate, debt service costs as a percent of All Funds revenues are projected to remain relatively stable at just less than 4 percent.

Pay-As-You-Go and Bond Financed Disbursements (thousands of dollars)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
State Pay as You Go	1,228,588	1,370,740	1,631,060	1,544,226	1,440,262	1,461,986
Percentage of Total	21	21	24	22	21	22
Federal Pay as You Go	1,769,502	1,818,850	1,784,448	1,723,576	1,685,107	1,637,231
Percentage of Total	30	28	27	25	25	24
Bond Financed	2,978,995	3,420,694	3,307,246	3,672,341	3,712,592	3,666,012
Percentage of Total	49	51	49	53	54	54

- The portion of capital spending to be financed with State and Federal PAYGO resources is projected to decline from roughly 50 percent to 46 percent of total disbursements.

STATUTORY DEBT REFORM LIMITATIONS

In 2000, the State enacted statutory debt reform limitations that restricted new State-supported debt to capital purposes only and limited new debt outstanding to 4 percent of personal income and new debt service costs to 5 percent of total governmental funds receipts. The debt restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on debt outstanding will be fully phased-in during 2010-11, while the cap of debt service costs will be fully phased-in during 2013-14.

The Plan projects that debt outstanding and debt service costs will continue to remain below the limits imposed by the Act, as noted in the tables below.

New Debt Outstanding (millions of dollars)

Year	Personal Income	Cap %	Actual/ Recommended %	% (Above)/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 (Actual)	684,070	1.65	1.21	0.44
2003-04 (Actual)	701,852	1.98	1.55	0.43
2004-05	731,486	2.32	1.82	0.50
2005-06	767,100	2.65	2.11	0.54
2006-07	806,448	2.98	2.34	0.64
2007-08	848,226	3.32	2.49	0.83
2008-09	891,838	3.65	2.64	1.01
2009-10	938,313	3.98	2.78	1.20

New Debt Service Costs (millions of dollars)

Year	All Funds Receipts	Cap %	Actual/ Recommended %	% (Above)/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 (Actual)	88,274	1.65	0.53	1.12
2003-04 (Actual)	99,698	1.98	0.84	1.14
2004-05	101,299	2.32	1.09	1.23
2005-06	105,520	2.65	1.35	1.30
2006-07	108,081	2.98	1.63	1.35
2007-08	116,045	3.32	1.79	1.53
2008-09	124,273	3.65	1.87	1.78
2009-10	130,122	3.98	2.02	1.96

To ensure that the provisions of the Debt Reform Act are made permanent, the Governor will resubmit a Constitutional Debt Reform bill to:

- Constitutionally implement the debt caps now imposed by the Debt Reform Act;
- Ban “back door” borrowing;
- Constitutionally authorize a limited amount of revenue-backed debt, and require that at least one-half of all new debt be approved by the voters; and
- Authorize multiple general obligation bond act proposals.

INTEREST RATE EXCHANGE AGREEMENTS AND VARIABLE RATE EXPOSURE

Article 5-D of the State Finance Law authorizes the use of a limited amount of variable rate obligations and interest rate exchange agreements (“swaps”). Article 5-D was implemented as a debt management tool to minimize debt service costs, diversify the debt portfolio and match variable rate debt exposure to variable rate earnings on the State’s short-term investments. Issuers of State-supported bonds (“Authorized Issuers”) may enter into variable rate debt instruments that result in a maximum net variable rate exposure of 15 percent of State-supported debt. Issuers may also enter into interest rate exchange agreements in a total notional amount that does not exceed 15 percent of State-supported debt, subject to various criteria established in the statute to effectively minimize risk.

INTEREST RATE EXCHANGE AGREEMENTS (SWAPS)

The statutory provisions of Article 5-D include various criteria and limitations to ensure that swaps are prudently managed to effectively reduce the costs of State-supported debt.

Those criteria include:

- The adoption of uniform interest rate exchange guidelines;
- Minimum counterparty ratings of AA, and collateral requirements should their ratings fall;
- A finding by an independent financial advisor certifying that the terms and conditions of all swaps reflect a fair market value;
- The use of standardized interest rate exchange agreements; and
- Monthly reporting requirements by the Authorized Issuers and the Division of the Budget (DOB) that monitor and assess swap performance.

The following table shows the amount of outstanding interest exchange agreements which are subject to the Article 5-D cap.

Interest Rate Exchange Caps (millions of dollars)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Interest Rate Exchange Cap	6,193	6,379	6,608	6,774	6,966	7,167
Notional Amounts of Interest Rate Exchange Agreements	5,896	6,356	6,351	6,347	6,322	6,286
Percent of Interest Rate Exchange Agreements to Debt Outstanding	14.3	14.9	14.4	14.1	13.6	13.2

By the end of fiscal year 2004-05, the State projects to utilize about $5.9 billion in swaps to create synthetic fixed rate bonds to refinance existing high cost debt, generating significant debt service savings above traditional fixed rate financings. In all of these transactions, the State sold variable rate bonds. The State then entered into swaps in which it receives a variable rate payment (65 percent of LIBOR) expected to be equivalent to the costs of the variable rate bonds issued. In return, the State pays a fixed rate, resulting in net fixed interest rate payments. On average, the net fixed interest rates paid by the State through the swaps were 80 to 100 basis points less costly than what would otherwise be paid through a traditional fixed rate bond sale.

Based on historical results, the State's receipt of 65 percent of LIBOR is projected to equal the variable rate payments over the life of the transactions. However, in each year the State's actual results will vary based on whether the State pays more on its variable rate bonds than it receives in variable rate payments (particularly in low interest rate environments) or receives more than it pays (particularly in above average interest rate environments). In the low interest rate environment of 2004-05, the State expects to pay approximately 25 basis points more on its variable rate bonds than it receives from its 65 percent of LIBOR swaps (roughly 1.5 percent versus 1.25 percent on average). That 25 basis points is more than offset by the 80 to 100 basis points in lower fixed rates the State is paying as a result of the swaps, resulting in net savings of roughly 55-75 basis points this year. As described below in the variable rate exposure discussion, the State's current policy is to account for this basis risk in evaluating its net variable rate exposure.

The State has also entered into approximately $380 million in swaps to create synthetic variable rate exposure, including $80 million of synthetic variable rate bonds and $300 million of forward starting synthetic variable rate bonds. In these transactions, the State issues fixed rate bonds and enters into swaps in which it will receive a fixed rate comparable to the rate it pays on the bonds and pay a Bond Market Association (BMA) variable rate, resulting in the State paying net variable rates.

The net variable rate costs the State achieved with the synthetic variable rate bonds are lower than the net costs of issuing traditional variable rate bonds because they do not require additional support costs (liquidity, insurance, broker-dealer fees, and remarketing fees). Thus, this approach can be the least costly way to achieve additional variable rate exposure.

The forward starting synthetic variable rate bonds result in the State paying fixed rates through 2014 and variable rates from 2014 through 2034. The fixed rate the State will begin receiving in 2014 is greater than the net fixed rate it is paying for the bonds, resulting in lower cost variable rate payments beginning in 2014.

The $380 million in synthetic variable rate bonds also provide the additional benefit of reducing the State's counterparty exposure under the synthetic fixed rate bonds discussed above (as determined by an independent financial advisor), and thus are Excluded Agreements under Article 5-D.

The following table identifies the total amount of swaps outstanding, excluded agreements outstanding, the maximum exposure and the mark-to-market value of these swaps as of December 2004. Maximum exposure measures the greatest potential amount counterparties could owe the State if all swaps were terminated at their highest possible value to the State, within a 95 percent confidence interval. Financial advisors calculate maximum exposure using economic models driven by assumptions about future interest rates and interest rate volatility. As a result, the projections of maximum exposure depend on expectations about future interest rates for up to 30 years and can exhibit wide variations.

The mark-to-market value of a swap calculates the amount a counterparty would owe to the State (or the State would owe to the counterparty) if the swap were terminated or unwound in the current market. DOB reviews the actual mark-to-market value of each of its outstanding swaps on a monthly basis and expects to project the maximum exposure amounts on an annual basis for informational purposes only.

Maximum Exposure and Mark-to-Market Value[1] (thousands of dollars)	Swaps Outstanding	Maximum Exposure	Excluded Agreements Outstanding	Reduction in Maximum Exposure	Net Maximum Exposure	Mark-to-Market
High	5,756,175	887,397	381,785	(27,259)	860,138	(61,406)
Low	5,756,175	378,404	381,785	(8,648)	369,756	(61,406)
Average	5,756,175	**632,901**	381,785	**(17,954)**	**614,947**	(61,406)

[1] The chart shows a range of Maximum Exposure since the calculation can vary significantly based on the assumptions and model used. A negative mark-to-market value reflects payments the State would owe to a counterparty if the swaps were terminated or unwound in the current market.

VARIABLE RATE EXPOSURE

Consistent with the State's efforts to reduce debt service costs and match variable rate exposure to variable rate earnings on the State's short-term investments, the State's net variable rate exposure is projected to increase from about 10 percent of outstanding debt in 2004-05 to roughly 15 percent in 2006-07 and 2008-09. The following table presents estimates for net variable rate exposure, as authorized under the 15 percent limitation for all State-supported debt.

Variable Rate Exposure (millions of dollars)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Variable Rate Exposure Cap	6,193	6,379	6,608	6,774	6,966	7,167
Current Unhedged Variable Rate Obligations	1,828	1,751	1,670	1,587	1,503	1,416
Convertible Bonds	—	6	6	6	669	669
Synthetic Variable Rate Swaps	81	77	57	36	15	7
Additional Planned Variable Rate Exposure	306	1,266	2,510	2,452	2,410	2,381
Total Net Variable Rate Exposure	**2,215**	**3,100**	**4,243**	**4,081**	**4,597**	**4,474**
Net Variable Rate Exposure to Debt Outstanding	**5.4**	**7.3**	**9.6**	**9.0**	**9.9**	**9.4**
Current Policy Reserve for LIBOR Swaps	2,064	2,225	2,223	2,222	2,213	2,200
Net Variable Rate Exposure (with Policy Reserve)	**4,279**	**5,325**	**6,466**	**6,303**	**6,810**	**6,674**
Net Variable Rate Exposure with Policy Reserve to Debt Outstanding	**10.4**	**12.5**	**14.7**	**14.0**	**14.7**	**14.0**

The State has issued $7.6 billion in outstanding variable rate obligations, of which approximately $5.8 billion are hedged with swaps resulting in net fixed rate costs. The balance, or about $1.8 billion, results in variable rate costs.

About $2.4 billion in State-supported convertible rate bonds are also currently outstanding. These bonds bear a fixed rate until future mandatory tender dates in 2005, 2009, 2011, 2012 and 2013 at which time they can convert to either a fixed or variable rate. The convertible bonds which bear a fixed rate, and thus do not result in a net variable rate exposure to the State at this time, are not counted under the cap until their mandatory tender date when they are assumed to convert to a variable rate (although a fixed rate mode is still possible). Legislation to clarify this treatment of convertible bonds has been submitted with the Executive Budget. During the Plan period, approximately $670 million of convertible bonds are assumed to convert to variable rate exposure on their 2005 and 2009 tender dates.

The $80 million in synthetic variable rate bonds described earlier result in net variable rate exposure. Similar to the convertible bonds described above, the $300 million in forward starting synthetic variable rate bonds result in the State paying a fixed rate through 2014, and a variable rate between 2014 and 2034. Thus, the forward starting synthetic variable rate bonds will begin to count against the cap in 2014 when the State begins to pay a net variable rate.

The State's current policy is to count 35 percent of the notional amount of outstanding 65 percent of LIBOR fixed rate swaps in its variable rate exposure. This policy reserve accounts for the potential that tax policy or market conditions could result in significant differences between payments owed on the bonds and the amount received by the State under their 65 percent of LIBOR swaps, and that the factors affecting such payments can be consistent with variable rate exposure.

The State and its Authorized Issuers will continue to evaluate market conditions, available support capacities and related costs, as well as alternative structures to help implement in the least costly manner the planned $1 billion annual increase in variable rate debt during each of the next two fiscal years.

REFUNDING OPPORTUNITIES

In the last few years, the State has issued $14.4 billion in refunding bonds (about one-third of the debt portfolio) to generate over $900 million in present value savings. In the seven years prior to this, the State issued about $10 billion of refunding bonds. In addition, $14.5 billion of new debt was issued in the last five years in a low interest rate environment or is variable rate debt. As a result, the bulk of the State's debt portfolio cannot be advance refunded. Nonetheless, the State believes there continues to be some modest opportunities to generate refunding savings, including the use of the State's remaining swap capacity.

INTEREST RATE FORECAST

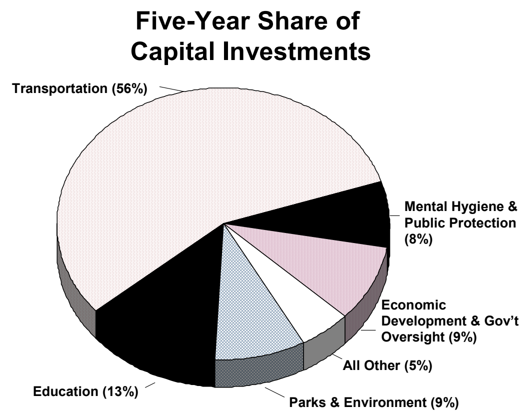
Interest rates are projected to increase, but to remain at relatively low levels. DOB forecasts that long-term, tax-exempt fixed rates on new issuances will range from 5.30 percent to 6.50 percent throughout the Capital Plan period. Taxable rates (ten years) will range from 5.70 percent to 6.90 percent. Short-term (three-ten years) tax-exempt rates, will average 2.95 percent to 5.4 percent.

Interest Rate Forecast						
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Variable Rate	1.50	2.80	3.00	3.30	3.35	3.35
30 Year Fixed Rate Tax Exempt	5.00	5.30	5.75	6.15	6.35	6.50
20 Year Fixed Rate Tax Exempt	4.65	4.95	5.40	5.80	6.00	6.15
10 Year Taxable	5.40	5.70	6.15	6.55	6.75	6.90

FINANCING PLAN

OVERVIEW

Capital spending is projected to total $33.9 billion from 2005-06 through 2009-10, or about $6.7 billion annually. Recommended new capital appropriations and reappropriations will total roughly $54.9 billion.



Transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (56 percent) of total spending over the Plan. The balance of total spending will support other capital investments in the areas of education (13 percent), parks and the environment (9 percent), mental hygiene and public protection (8 percent), economic development and government oversight (9 percent) and health and social welfare, general government and other areas (5 percent).

Total capital disbursements of $6.1 billion are projected in 2005-06, an annual increase of $533 million, or 9.6 percent.

Capital Disbursements by Function
(thousands of dollars)

	2004-2005	2005-2006	Annual Change	Percent Change
Transportation	3,494,617	3,602,205	107,588	3.08%
Parks and Environment	669,739	660,525	(9,214)	(1.38)%
Economic Development & Gov't. Oversight	300,780	594,900	294,120	97.79%
Health and Social Welfare	127,561	149,167	21,606	16.94%
Education	715,281	886,560	171,279	23.95%
Public Protection	212,923	235,005	22,082	10.37%
Mental Hygiene	285,834	285,773	(61)	(0.02)%
General Government	137,450	137,050	(400)	(0.29)%
Other	32,900	59,099	26,199	79.63%
	5,977,085	6,610,284	633,199	10.59%
Anticipated Spending Delays (1)	(400,000)	(500,000)	(100,000)	25.00%
Total	5,577,085	6,110,284	533,199	9.56%

(1) Accommodates anticipated underspending projected to occur as a result of normal capital project delays and will not hinder the advancement of scheduled capital projects.

Economic Development spending is projected to increase by $294 million (98 percent) which is primarily attributable to spending for existing economic development programs including the $1.45 billion Regional Economic Growth Program which finances a variety of capital programs (e.g., Centers of Excellence, Empire Opportunity Fund, Gen*NY*sis, and RESTORE), Community Enhancement Facilities Assistance Program (CEFAP) and Stadia. In addition, it reflects spending for new economic development programs enacted in December 2004, including the State share of the Javits Center Expansion ($50 million) and the New York State Economic Development Program ($5 million), as well as new proposals for the New York State Technology and Development Program ($150 million), and Operation SPUR ($10 million).

Education spending is projected to increase by $171 million (24 percent) in 2005-06, which is attributable to increases in bonded spending for SUNY and CUNY and SUNY Dormitory Facilities, and new spending recommended for the State Education Department (SED) for Public Broadcasting Facilities grants ($5 million) and Higher Education Capital Matching Grants ($20 million), offset by the completion of the RESCUE Program and the Capital Transportation Transition Grant Program.

Spending for transportation is projected to increase by $108 million or by 3 percent and reflects the new $17.4 billion five-year DOT Capital Plan.

Spending for Health and Social Welfare is projected to increase by $22 million (17 percent). It reflects capital costs for the new $1 billion Health Care System Improvement Capital Grant (the bulk of which is projected to occur in the outyears of the Plan) and reestimates to the Homeless Housing Assistance Program (HHAP).

Spending increases of $22 million (10 percent) for Public Protection primarily reflect reestimates and State Police costs for a proposed new headquarters for Troop G ($16 million). These increases are offset by a projected decrease ($5 million) for Homeland Security as projects are completed. Spending in the other category, which supports capital investments for the Judiciary, and capital spending financed with Federal Funds for the World Trade Center site, is projected to increase $26 million (80 percent). Mental Hygiene, Parks and Environment, and General Government spending are projected to remain roughly at 2004-05 levels.

SPENDING RECOMMENDATIONS

The following table shows annual capital spending by functional category for the current year and over the Plan. Key recommendations included in 2005-06 and over the remaining four years of the Plan are discussed below.

CAPITAL SPENDING BY FUNCTION
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Transportation	3,494,617	3,602,205	3,628,506	3,643,060	3,952,887	4,295,400
Parks and Environment	669,739	660,525	646,678	646,086	586,317	591,317
Economic Development & Gov't. Oversight	300,780	594,900	546,600	843,250	686,750	361,350
Health and Social Welfare	127,561	149,167	165,830	205,120	250,850	321,250
Education	715,281	886,560	1,062,928	970,337	759,169	612,385
Public Protection	212,923	235,005	267,907	237,294	218,151	220,307
Mental Hygiene	285,834	285,773	279,278	286,740	288,108	289,996
General Government	137,450	137,050	67,150	60,250	65,729	60,250
Other	32,900	59,099	57,877	48,006	30,000	12,974
Anticipated Spending Delays(1)	(400,000)	(500,000)	0	0	0	0
Total	5,577,085	6,110,284	6,722,754	6,940,143	6,837,961	6,765,229

(1) Accommodates anticipated underspending projected to occur as a result of normal capital project delays and will not hinder the advancement of scheduled capital projects.

TRANSPORTATION

The Plan recommends a new five-year DOT program totaling $17.4 billion in commitments to improve transportation facilities and transit systems across the State, roughly $2 billion more than the last five-year DOT Plan. The new DOT Plan reflects a $15.4 billion core capital program that provides for the continuation of existing investment levels during the five-year period. This core program includes $1.65 billion annually for highway and bridge construction and maintenance contracts. In addition, the Plan contains a $2 billion enhanced investment program to be initiated in the final two years of the program (2008-09 and 2009-10) that will allow the Department to progress additional capital projects and major initiatives.

The Plan will continue to be financed by PAYGO resources supported by dedicated taxes and fees, Federal aid, and State-supported DHBTF bonds. Federal obligation authority available to DOT is projected to remain at the current level of $1.4 billion annually throughout the Plan. These estimates will be updated when a permanent successor to the Federal Transportation Act is enacted.

Projected debt service costs and debt outstanding for the DHBTF Program reflect the restructuring of roughly $3 billion in outstanding bonds to more closely align the schedule for which principal amortizes to the underlying useful lives of the projects financed. As a result of the restructuring, debt service costs will be lower in the early years of the Capital Plan, but the final-term of the existing debt will be extended by about 13 years resulting in higher levels of outstanding debt and future debt service costs.

Additional resources of roughly $135 million for the last two years of the new DOT Plan are still being developed. It is anticipated that these new resources will reflect a combination of increased Federal Aid, savings from efficiencies and resources to be developed from innovative financing transactions and public-private partnerships.

The new Plan also continues to assist localities in funding various local transportation projects. Funding for such programs, including the Consolidated Highway Improvement Program (CHIPs) and the Marchiselli Program, is projected at $343 million in 2005-06, and is projected to total almost $1.7 billion over the new DOT Plan.

PARKS AND ENVIRONMENT

Parks and environment capital spending of $3.1 billion will average $626 million annually, and will continue to focus on the clean up of environmental hazards. Spending in this category declines over the Plan with the completion of voter-approved general obligation bonding authorizations.

Spending to support the newly refinanced State Superfund Program and the new Brownfields Program for the remediation of hazardous waste and hazardous substances and for off-site contamination of Brownfield clean-up sites will average about $104 million annually. Another $15 million in annual disbursements will support PAYGO grants and the implementation of State Superfund and Brownfield Cleanup Programs.

Annual appropriations for the Environmental Protection Fund (EPF) are recommended to increase from $125 million in 2004-05 to $150 million annually over the Plan. Average annual spending of $137 million will finance a variety of critical environmental and recreational activities, including the Hudson River Park project and other municipal park projects. To finance capital projects supported by the EPF, dedicated Real Estate Transfer taxes of $112 million annually will increase by a total of $60 million over the Plan.

Spending financed by reappropriations for the Clean Water/Clean Air Bond Act (CWCA) approved by the voters in 1996 will average about $95 million annually over the Plan and will finance water quality improvement and landfill and recycling projects.

Spending from the State Parks Infrastructure Fund (SPIF) will average about $22 million annually over the Plan, including an additional $10 million in bond financed disbursements to support the construction of a water treatment facility in Harriman State Park in Rockland County.

ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT

Economic development and government oversight spending of slightly over $3 billion is projected to average $607 million annually and support: economic development projects; housing programs administered by the Division of Housing and Community Renewal (DHCR); the disposal of nuclear waste at the Western New York Nuclear Service Center at West Valley; and the preservation and improvement of State Fairground buildings.

The Plan includes support for new and existing programs that will encourage economic development and investment in high-technology projects including:

- $1.45 billion for the Regional Economic Growth Program which supports various projects financed under the Centers of Excellence/Empire Opportunity Fund/Gen*NY*sis/RESTORE/ Community Capital Assistance/Multi-Modal Programs;
- $700 million enacted in December 2004, including $350 million in bond financing for the State share of the Javits Center Expansion and $350 million for the New York State Economic Development Program to finance high priority economic development and high technology projects in Upstate New York and Long Island;
- $300 million in support of the New York Sports and Convention Center on Manhattan's west side;
- $250 million in new bond-financed spending for the New York State Technology and Development Program to support high technology and economic development projects across the State, including $150 million for IBM, which along with six global technology giants including Sony, Toshiba, and Samsung, will invest $1.9 billion to build and operate the next generation semiconductor chip plant in East Fishkill; and
- $90 million for the new Operation SPUR program to support high priority economic development capital projects in economically distressed Upstate areas.

Capital spending for housing will average $78 million annually over the Plan and will continue to facilitate the construction and preservation of the State's low and moderate-income housing stock.

HEALTH AND SOCIAL WELFARE

Spending of almost $1.1 billion for health and social welfare is projected to average $218 million annually and support: the preservation and maintenance of residential and non-residential youth facilities operated by the Office of Children and Family Services (OCFS); HHAP Grants administered by the Office of Temporary and Disability Assistance (OTDA); and capital projects to protect the health and safety of patients at veterans homes and health care facilities operated by the Department of Health (DOH), including the new veterans nursing home at Oxford.

The Plan also includes $1 billion in new capital appropriations, $455 million of which is projected to be disbursed over the next five years, for the Health Care System Improvement Capital Grant Program. The program would support targeted investments in the health care infrastructure designed to enhance the efficient operation of health care facilities, close or restructure underutilized capacity and upgrade information and health care technologies. PAYGO resources are projected to finance 25 percent of the disbursements for the new Program and the remaining disbursements are projected to be bond-financed.

EDUCATION

Education spending of almost $4.3 billion is projected to average $858 million annually. This reflects continued spending from the $1.8 billion Five-Year Capital Investment Program for SUNY and $1.1 billion Five-Year Capital Investment Program for CUNY enacted in 2004-05 to support facility and infrastructure improvements that are consistent with the needs and priorities of each system. The Plan recommends additional bond financed spending of

$234 million for SUNY and $89 million for CUNY for critical projects system-wide, including the rebuilding of Fiterman Hall in CUNY. Education reappropriations also include support for the five-year SUNY and CUNY Community College Plans and the five-year SUNY Dormitories Plan enacted in 2003-04.

The Plan also includes a new Higher Education Facilities Capital Matching Grants Program for both public and private colleges in New York. The recommendation is to bond finance $250 million of this program. A required three to one match will result in an additional $750 million in external funds to match the State's contribution.

A new program is also recommended to finance capital-related improvements at public broadcasting facilities. The program will be financed on an equal shares basis with the State providing $15 million in bond financed support.

PUBLIC PROTECTION

Spending for public protection of almost $1.2 billion is projected to average $234 million annually and will continue to focus on preserving and maintaining infrastructure investments at existing correctional facilities, and facilities operated and maintained by the Division of Military and Naval Affairs (DMNA), the Division of State Police (DSP), and Homeland Security. The Plan includes roughly $16 million in new bond financing for a headquarters for Troop G.

MENTAL HYGIENE

Spending for mental hygiene capital projects of $1.4 billion is projected to average $286 million annually. Department of Mental Hygiene spending will continue to support essential health and safety, rehabilitation and maintenance projects needed to preserve and maintain both institutional and community-based facilities operated and/or licensed by 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). Bonded disbursements for OMRDD include $40 million to support the capital costs of reconstructing the Bernard Fineson Developmental Center and renovation of the Howard Park facility located in Queens.

GENERAL GOVERNMENT

General government spending of $400 million is projected to average over $80 million annually and will continue to support plans for the construction, rehabilitation, consolidation and renovation of State office buildings to achieve space efficiencies and reduce operational costs. Spending will continue to support the renovation of the Alfred E. Smith Office Building and the State Capitol, and the construction of the Elk Street parking garage. Funding is also continued for the Department of State (DOS) for local public safety answering point equipment upgrades for wireless E-911 service. In addition, roughly $2 million in PAYGO financed spending is recommended for new burn buildings at the Fire Academy at Montour Falls in Schuyler County.

OTHER

Spending in this category also supports capital investments for the Judiciary, and capital spending financed with Federal Funds for the World Trade Center site. Spending for these projects of $193 million is projected to average almost $39 million annually over the Plan. The $20 million increase in 2005-06 spending from the prior year is attributable to projected spending at the World Trade Center site.

ESSENTIAL CAPITAL INVESTMENTS ARE PRUDENTLY FINANCED

The Plan continues to finance capital projects with a combination of PAYGO and bonded resources. Over the five-year Plan, 48 percent of total capital spending will be financed with cash resources — with 22 percent of total capital spending attributable to State PAYGO resources and 26 percent attributable to Federal grants. The percentage of the Plan financed with authority bond proceeds and general obligation bonds is projected at 50 percent and 2 percent, respectively.

CAPITAL SPENDING BY FINANCING SOURCES
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Financing Source						
State Pay-As-You-Go	1,228,588	1,370,740	1,631,060	1,544,226	1,440,262	1,461,986
Federal Pay-As-You-Go	1,769,502	1,818,850	1,784,448	1,723,576	1,685,107	1,637,231
General Obligation Bonds	206,575	200,508	164,661	158,859	86,800	86,639
Authority Bonds	2,772,420	3,220,186	3,142,585	3,513,482	3,625,792	3,579,373
Total	5,977,085 *	6,610,284 *	6,722,754	6,940,143	6,837,961	6,765,229

*Amounts do not reflect adjustments for anticipated spending delays.

CAPITAL SPENDING BY FINANCING SOURCES
2004-2005 THROUGH 2009-2010
(percent of total spending)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Financing Source						
State Pay-As-You-Go	21	21	24	22	21	22
Federal Pay-As-You-Go	30	27	27	25	25	24
General Obligation Bonds	3	3	2	2	1	1
Authority Bonds	46	49	47	51	53	53
Total	100	100	100	100	100	100

STATE AND FEDERAL PAY-AS-YOU-GO FINANCING

Roughly one-half of total spending is supported by State and Federal PAYGO resources. State PAYGO 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 Plan, State PAYGO resources of more than $7.4 billion will support 22 percent of total spending. Federal PAYGO 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, and average roughly 26 percent of total spending.

Approximately $5.4 billion, or an average of almost $1.1 billion annually, of State PAYGO financing is in the 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 capital projects on a PAYGO basis, to pay operating expenses of transportation agencies and to pay debt service on DHBTF and CHIPS Bonds.

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 PAYGO spending, is projected at $219 million in 2005-06 and will average over $237 million annually over the Plan. The General Fund transfer primarily finances non-bond eligible capital spending, including minor rehabilitation projects of facilities operated by the Office of General Services (OGS), the Department of Environmental Conservation (DEC) and the Department of Mental Hygiene, as well as the PAYGO portion of the recommended Health Care System Improvement Capital Grant program. The General Fund transfers also include $15 million annually to the Hazardous Waste Remedial Fund to support the new State Superfund program.

State PAYGO resources, derived from statutorily dedicated revenues that finance projects for environmental and recreational purposes, are projected to average approximately $189 million annually. In addition to $13 million in miscellaneous receipts that will be deposited into the Hazardous Waste Remedial Fund, the EPF will continue to receive annual deposits of real estate transfer taxes ($112 million in 2005-06 increasing to $137 million by 2009-10) and other miscellaneous receipts (approximately $5 million annually). The State Park Infrastructure Fund (SPIF), which continues to be supported by park fees and other miscellaneous revenues, will finance about $25 million annually in improvements to the State’s park system.

Federal grants account for roughly 26 percent of total capital spending. The largest components of Federal PAYGO spending are for transportation ($7.3 billion) and the environment ($725 million), averaging a total of almost $1.6 billion per year. In addition, $65 million per year will be spent for the Federal spending share of DOH Safe Drinking Water projects. Until a successor to the TEA-21 program is developed, the Plan assumes Federal aid levels for transportation will continue to approximate $1.4 billion annually.

CAPITAL PROJECTS FINANCED BY
STATE AND FEDERAL PAY-AS-YOU-GO RESOURCES
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Transportation						
Department of Transportation	2,226,125	2,321,511	2,484,015	2,375,725	2,253,693	2,209,600
Department of Motor Vehicles	136,449	187,539	196,939	203,657	211,833	220,350
Thruway Authority	4,000	4,000	4,000	4,000	4,000	4,000
Parks and Environment						
Department of Environmental Conservation	247,247	239,117	241,117	244,117	251,117	256,117
Office of Parks, Recreation and Historic Preservation	15,500	15,500	25,500	26,000	26,000	26,000
Adirondack Park Agency	0	0	0	0	0	0
Hudson River Park Trust	30,000	25,000	25,000	12,710	0	0
Economic Development & Gov't. Oversight						
Division of Housing and Community Renewal	4,625	5,150	5,125	4,575	4,575	4,575
Department of Agriculture and Markets	2,000	2,000	2,000	2,000	2,000	2,000
Urban Development Corporation	0	0	0	0	0	0
Office of Science, Technology, and Academic Research	2,000	0	0	0	0	0
Health and Social Welfare						
Office of Children and Family Services	4,005	4,765	3,030	2,000	2,000	2,000
Department of Health	70,500	76,500	86,750	103,000	109,250	135,500
Education						
State University of New York:	62,000	60,000	58,000	50,000	52,000	52,000
State Education Department	4,630	4,630	4,630	4,630	4,630	4,630
City University of New York	9,100	9,100	9,100	9,100	9,100	9,100
Public Protection						
Division of State Police	844	4,678	6,304	3,500	3,500	3,500
Division of Military and Naval Affairs	24,379	32,027	63,388	33,394	13,426	12,530
Office of Homeland Security	5,550	4,853	1,815	0	0	0
Mental Hygiene						
Office of Mental Health	37,328	36,512	36,517	36,522	36,500	36,500
Office of Mental Retardation and Developmental Disabilities	41,725	43,195	44,360	45,625	47,025	48,600
Office of Alcoholism and Substance Abuse Services	6,633	7,864	8,991	8,991	8,991	8,991
General Government						
Office of General Services	33,450	46,250	50,250	50,250	55,729	50,250
Department of State	0	800	800	0	0	0
Other						
Judiciary	0	0	0	0	0	0
All State Agencies World Trade Center	30,000	50,000	50,000	40,000	30,000	12,974
Projected Collective Bargaining Costs	0	8,599	7,877	8,006	0	0
Total State and Federal Pay-As-You-Go Financing	2,998,090	3,189,590	3,415,508	3,267,802	3,125,369	3,099,217

CAPITAL PROJECTS FINANCED BY STATE PAY-AS-YOU-GO RESOURCES 2004-2005 THROUGH 2009-2010 (thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Transportation						
Department of Transportation	718,090	793,928	1,016,606	932,793	821,367	807,293
Department of Motor Vehicles	136,449	187,539	196,939	203,657	211,833	220,350
Thruway Authority	4,000	4,000	4,000	4,000	4,000	4,000
Parks and Environment						
Department of Environmental Conservation	104,747	96,617	98,617	101,617	108,617	113,617
Office of Parks, Recreation and Historic Preservation	13,000	13,000	23,000	23,500	23,500	23,500
Hudson River Park Trust	30,000	25,000	25,000	12,710	0	0
Economic Development & Gov't. Oversight						
Division of Housing and Community Renewal	625	1,150	1,125	575	575	575
Department of Agriculture and Markets	2,000	2,000	2,000	2,000	2,000	2,000
Energy Research and Development						
Urban Development Corporation	0	0	0	0	0	0
Office of Science, Technology, and Academic Research	2,000	0	0	0	0	0
Health and Social Welfare						
Office of Children and Family Services	4,005	4,765	3,030	2,000	2,000	2,000
Department of Health	5,500	11,500	21,750	38,000	44,250	70,500
Education						
State Education Department	4,630	4,630	4,630	4,630	4,630	4,630
City University of New York	9,100	9,100	9,100	9,100	9,100	9,100
State University of New York:	62,000	60,000	58,000	50,000	52,000	52,000
Public Protection						
Division of State Police	844	4,678	6,304	3,500	3,500	3,500
Division of Military and Naval Affairs	8,712	5,960	10,999	6,750	4,645	4,580
Office of Homeland Security	3,750	3,653	1,165	0	0	0
Mental Hygiene						
Office of Mental Health	37,328	36,512	36,517	36,522	36,500	36,500
Office of Mental Retardation and Developmental Disabilities	41,725	43,195	44,360	45,625	47,025	48,600
Office of Alcoholism and Substance Abuse Services	6,633	7,864	8,991	8,991	8,991	8,991
General Government						
Office of General Services	33,450	46,250	50,250	50,250	55,729	50,250
Department of State	0	800	800	0	0	0
Other						
Judiciary	0	0	0	0	0	0
Projected Collective Bargaining Costs	0	8,599	7,877	8,006	0	0
Total State Pay-As-You-Go Financing	1,228,588	1,370,740	1,631,060	1,544,226	1,440,262	1,461,986

CAPITAL PROJECTS FINANCED BY
FEDERAL GRANTS PAY-AS-YOU-GO RESOURCES
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Transportation						
Department of Transportation	1,508,035	1,527,583	1,467,409	1,442,932	1,432,326	1,402,307
Parks and Environment						
Department of Environmental Conservation	142,500	142,500	142,500	142,500	142,500	142,500
Office of Parks, Recreation and Historic Preservation	2,500	2,500	2,500	2,500	2,500	2,500
Economic Development & Gov't. Oversight						
Division of Housing and Community Renewal	4,000	4,000	4,000	4,000	4,000	4,000
Health and Social Welfare						
Department of Health	65,000	65,000	65,000	65,000	65,000	65,000
Public Protection						
Division of Military and Naval Affairs	15,667	26,067	52,389	26,644	8,781	7,950
Homeland Security	1,800	1,200	650	0	0	0
Other						
All State Agencies World Trade Center	30,000	50,000	50,000	40,000	30,000	12,974
Total Federal Grants Pay-As-You-Go Financing	1,769,502	1,818,850	1,784,448	1,723,576	1,685,107	1,637,231

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 ($475 million) supports environmental protection projects approved by the 1996 CWCA Bond Act. Disbursements from the 1986 Environmental Quality Bond Act for hazardous waste remediation are projected to be completed in 2007-08, and will average about $32 million annually over the Plan. Spending authorizations from the remaining six bond acts will be virtually depleted by 2010.

General obligation financed spending accounts for only 2 percent of total spending. Spending supported by general obligation bonds totals over 3 percent in 2005-06, primarily from the 1996 CWCA Bond Act and 1986 Environmental Quality Bond Act. Capital spending supported by general obligation bonds declines by the end of the Plan, reflecting the impact of the spend-down from authorizations other than the CWCA Bond Act.

CAPITAL PROJECTS FINANCED BY
GENERAL OBLIGATION BONDS
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Transportation						
Department of Transportation						
Action -1988	8,000	6,000	4,000	2,000	2,000	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	39
Transportation Capital Facilities - 1967	400	400	400	400	400	400
Parks and Environment						
Department of Environmental Conservation						
Clean Water/Clean Air 1996	124,591	123,231	100,000	100,000	75,000	75,000
EQBA 1986	60,000	60,000	50,000	47,059	0	0
EQBA 1972	3,000	3,000	3,000	3,000	3,000	3,000
Pure Waters 1965	1,200	1,200	1,200	1,200	1,200	1,200
Office of Parks, Recreation and Historic Preservation EQBA 1986	3,775	1,185	861	0	0	0
Environmental Facilities Corporation Clean Water/Clean Air 1996	292	292	0	0	0	0
Economic Development & Gov't. Oversight						
Energy Research and Development Authority Clean Water/Clean Air 1996	117	0	0	0	0	0
Total General Obligation Bond Financing	206,575	200,508	164,661	158,859	86,800	86,639

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. Over the Plan, approximately 50 percent of total spending will be financed with authority bond proceeds.

The largest component of spending financed by authority bonds is within the DHBTF (28 percent). DHBTF Bonds that are issued to support disbursements over the new five-year DOT Capital Plan are projected to average $942 million through 2009-10.

The State expects to use State Personal Income Tax (PIT) Revenue Bonds as the financing vehicle for the vast majority of bond-financed spending for non-transportation programs. Bond-financed spending across all non-transportation programs decreases from approximately $2.1 billion in 2005-06 to about $1.7 billion in 2009-10.

CAPITAL PROJECTS FINANCED BY AUTHORITY BONDS RESOURCES 2004-2005 THROUGH 2009-2010 (thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Transportation						
Department of Transportation	1,114,443	1,077,555	933,952	1,052,078	1,475,761	1,854,011
Parks and Environment						
Department of Environmental Conservation	166,729	182,000	200,000	212,000	230,000	230,000
Office of Parks, Recreation and Historic Preservation	10,000	10,000	0	0	0	0
Environmental Facilities Corporation	7,405	0	0	0	0	0
Economic Development & Gov't. Oversight						
Division of Housing and Community Renewal	78,825	73,625	73,625	73,625	73,625	73,625
Urban Development Corporation	22,000	197,200	124,500	251,200	126,000	25,800
Office of Science, Technology and Academic Research	15,488	17,700	0	0	0	0
Energy Research and Development Authority	11,350	11,350	11,350	11,350	11,350	11,350
All State Departments and Agencies						
Regional Economic Development	150,000	218,000	165,000	215,000	230,000	230,000
Javits Convention Center Expansion and Extension	0	50,000	75,000	150,000	75,000	0
Upstate Economic Development Program	0	5,000	75,000	120,000	150,000	0
Strategic Investment Program	14,000	14,500	15,000	15,500	14,200	14,000
Economic Development and Natural Resource Preservation Program	375	375	0	0	0	0
Health and Social Welfare						
Office of Children and Family Services	13,056	13,502	14,800	15,120	15,000	15,000
Department of Health	0	1,400	27,250	55,000	94,600	138,750
Office of Temporary and Disability Assistance	40,000	53,000	34,000	30,000	30,000	30,000
Education						
State University of New York	410,000	455,000	485,000	415,000	445,000	454,400
City University of New York	120,000	332,830	436,198	411,607	198,439	52,255
State Education Department	109,551	5,000	10,000	0	0	0
Higher Education Capital Matching Grants	0	20,000	60,000	80,000	50,000	40,000
Public Protection						
Department of Correctional Services	175,000	187,500	189,200	189,400	195,225	201,277
Division of Military and Naval Affairs	0	3,000	3,000	3,000	3,000	3,000
Division of State Police	0	500	4,200	8,000	3,000	0
Homeland Security	7,150	2,447	0	0	0	0
Mental Hygiene						
Office of Mental Health	148,913	148,341	142,533	147,658	147,042	147,055
Office of Mental Retardation and Developmental Disabilities	26,800	24,885	24,979	25,094	25,700	26,000
Office of Alcoholism and Substance Abuse Services	24,435	24,976	21,898	22,850	22,850	22,850
General Government						
Office of General Services	54,000	40,000	16,100	10,000	10,000	10,000
Department of State	50,000	50,000	0	0	0	0
Other						
Judiciary	2,900	500	0	0	0	0
Total Authority Bond Financing	2,772,420	3,220,186	3,142,585	3,513,482	3,625,792	3,579,373

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.

CAPITAL PROJECTS FUNDS FINANCIAL PLAN
PREPARED ON THE CASH BASIS OF ACCOUNTING
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Opening fund balances	(489,045)	(505,749)	(483,849)	(489,850)	(504,201)	(498,240)
Receipts:						
Taxes	1,823,114	1,855,311	2,007,967	2,033,399	2,059,987	2,075,423
Miscellaneous receipts	2,979,769	3,444,081	3,362,459	3,722,815	3,829,249	3,913,008
Federal grants	1,778,279	1,827,991	1,821,778	1,766,406	1,727,937	1,680,061
Anticipated Spending Delays*	(400,000)	(500,000)	0	0	0	0
Total receipts	6,181,162	6,627,383	7,192,204	7,522,620	7,617,173	7,668,492
Disbursements:						
Grants to local governments	1,199,868	1,132,472	987,535	919,371	840,569	841,132
Capital projects	4,777,217	5,477,812	5,735,219	6,020,772	5,997,392	5,924,097
Anticipated Spending Delays*	(400,000)	(500,000)	0	0	0	0
Total disbursements	5,577,085	6,110,284	6,722,754	6,940,143	6,837,961	6,765,229
Other financing sources (uses):						
Transfers from other funds	233,585	256,857	273,821	273,143	280,666	308,426
Transfers to other funds	(1,047,066)	(937,456)	(910,672)	(1,016,571)	(1,140,317)	(1,292,279)
Bond and note proceeds	192,700	185,400	161,400	146,600	86,400	86,400
Net other financing sources (uses)	(620,781)	(495,199)	(475,451)	(596,828)	(773,251)	(897,453)
Changes in fund balances	(16,704)	21,900	(6,001)	(14,351)	5,961	5,810
Closing fund balances	(505,749)	(483,849)	(489,850)	(504,201)	(498,240)	(492,430)

* Accommodates anticipated underspending projected to occur as a result of normal capital project delays and will not hinder the advancement of scheduled capital projects.

DEDICATED HIGHWAY AND BRIDGE TRUST FUND FINANCIAL PLAN

The following table provides projected receipt, disbursement, and transfer amounts contained in the Plan for the DHBTF. Overall transportation-related capital spending represents 56 percent of total capital projects spending estimated over the five years of the Plan. Projected spending from this Fund will total $11.3 billion, which represents almost 60 percent of the total transportation-related spending for capital projects estimated during that period.

DEDICATED HIGHWAY AND BRIDGE TRUST FUND
PREPARED ON THE CASH BASIS OF ACCOUNTING
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Receipts:						
Taxes	$1,711,114	$1,743,211	$1,890,367	$1,910,799	$1,927,387	$1,937,823
Authority Bond proceeds	$770,516	$734,146	$594,043	$715,669	$1,142,852	$1,524,602
Miscellaneous receipts (DMV Fees)	$106,550	$114,342	$133,673	$134,573	$135,473	$136,373
Miscellaneous receipts (Anticipated Additional Revenues)	$0	$0	$0	$0	$0	$135,000
Total receipts	$2,588,180	$2,591,699	$2,618,083	$2,761,041	$3,205,712	$3,733,798
Disbursements:						
State funds spending	$1,571,804	$1,698,012	$1,801,677	$1,846,202	$2,171,801	$2,548,909
Federal funds spending	$215,405	$237,990	$248,195	$253,816	$254,663	$255,727
Total spending	$1,787,209	$1,936,002	$2,049,872	$2,100,018	$2,426,464	$2,804,636
Transfers from Federal funds	$220,007	$237,990	$248,195	$253,816	$254,663	$255,727
Debt service transfers	($1,020,964)	($846,560)	($817,037)	($915,441)	($1,034,524)	($1,185,566)
Net other financing sources (uses)	($800,957)	($608,570)	($568,842)	($661,625)	($779,861)	($929,839)

STATE-SUPPORTED DEBT OUTSTANDING AND DEBT SERVICE COSTS

This section of the Financing Plan describes the impact of bond-financed spending on the amount of State-supported debt and debt service disbursements. Supporting this analysis are separate tables for debt issuances, debt retirements, debt outstanding and debt service, which are presented by capital program and by financing credit (e.g., State PIT Revenue Bonds, DHBTF, and Lease Purchase and Contractual Obligations).

DEBT ISSUANCES

Projected debt issuances will finance capital investments under the new five-year DOT Plan, continue to promote economic growth, improve and expand educational facilities, protect the environment, and preserve correctional and mental hygiene facilities. New debt issuances are projected to remain roughly level (excluding $3 billion of DHBTF and $175 million Javits restructuring bonds expected to be issued in 2005-06) and will average about $3.6 billion annually.

State general obligation bonds and other State revenue credits, which include State PIT Revenue Bonds, DHBTF Bonds, SUNY Dormitory Facilities Revenue Bonds, Mental Health Facilities Improvement Revenue Bonds and DOH Revenue Bonds, will be issued to support bond-financed capital projects over the Plan.

State PIT Revenue Bonds have successfully reduced borrowing costs. These bonds are issued under broad functional categories (e.g., Education, Transportation, Environment, Health Care, State Facilities and Equipment, and Economic Development and Housing) to support particular State-appropriation backed bonding programs which are authorized to be financed with PIT Revenue Bonds, as summarized below.

- **Education Revenue Bonds** support SUNY and CUNY, New York State Office of Science, Technology and Academic Research (NYSTAR), and the new Higher Education Matching Grant Program (2005-06 issuance of $818 million).
- **Environmental Revenue Bonds** support the State Revolving Fund, EPF, the State Superfund Program, West Valley and other environmental projects (2005-06 issuance of $207 million).
- **Transportation Revenue Bonds** support local transportation projects under the CHIPs program (2005-06 issuance of $304 million).
- **Economic Development and Housing Revenue Bonds** support Housing, the Strategic Investment Program (SIP), economic development projects in the Buffalo area, CEFAP, the Regional Economic Growth Program, the Javits Center Expansion and Extension for the New York Sports and Convention Center, Operation SPUR, the New York State Economic Development Program, and the New York State Technology and Development Program (2005-06 issuances of $760 million).
- **Health Care System Improvement Revenue Bonds** support a new $1 billion program for capital and equipment grants to health care providers. Bonds are not expected to be issued for this program until 2006-07.
- **State Facilities and Equipment Revenue Bonds** support Correctional Facilities, Youth Facilities, State Office Buildings, Elk Street Parking Garage, a new police headquarters for DSP, capital projects for DMNA and equipment bonds (2005-06 issuance of $339 million).

The remaining issuances in 2005-06 will be financed by voter approved general obligation bonds or other revenue credits which are supported by dedicated streams of revenue, including transportation-related taxes and fees, student dormitory fees, and patient income. General obligation bonds will be issued to implement projects financed primarily by the voter-approved CWCA Bond Act.

DHBTF Bonds, which are issued by the NYS Thruway Authority (Thruway) and supported by transportation-related taxes and fees, will average $1.0 billion annually, excluding the issuance of about $3 billion in refunding bonds to restructure outstanding DHBTF bonds to more closely align the schedule for which principal amortizes to the underlying useful lives of the projects financed.

SUNY Dormitory Facilities Bonds, which are issued by the Dormitory Authority of the State of New York (DASNY) and supported by dormitory fees and rents charged to students residing in housing facilities on campus, will average $92 million annually. The bonds will support the expansion and renovation of SUNY Dormitory Facilities under the SUNY multi-year capital investment program enacted in 2003-04.

Mental Hygiene Bonds, which are issued by DASNY and supported by patient revenues, will average $202 million annually. These issuances will support capital projects to preserve and maintain both State and community-based facilities operated and/or licensed by OMH, OMRDD, and OASAS.

DOH Bonds, which are issued by DASNY and supported by patient revenues, will support one-third (approximately $21 million) of the costs of replacing the existing veterans' nursing home at Oxford. The remaining two-thirds of the cost of the project will be financed by Federal resources.

DEBT RETIREMENTS

The retirements table presents the annual repayment of principal for State-supported debt. 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 generate bond capacity to finance its capital programs. The term of new money bonds will continue to match the term of bonds to the useful lives of the projects financed. In addition, ten-year terms will continue to be used for taxable programs.

Retirements of State-supported debt are projected to average $2.2 billion annually. Retirements will increase for many of the State's largest bonding programs, including those for CHIPs, SUNY, CUNY, the Department of Correctional Services (DOCS) and Mental Health, but will be significantly reduced for the DHBTF bonds because of the restructuring of the existing bonds which reduces principal payments.

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 meet 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). To ensure that the State-supported issuance calendar can be effectively managed, costs are reduced by facilitating the issuance of multiple bonding programs, and projects are advanced as scheduled, the bond caps included in the Executive Budget for programs that can be financed with State PIT Revenue Bonds are authorized to be issued by any Authorized Issuer (i.e., the Empire State Development Corporation (ESDC), DASNY, Thruway, the Environmental Facilities Corporation (EFC), or the Housing Finance Agency (HFA)).

Bond Authorizations
(thousands of dollars)

Issuer	Program	Current Cap	Recommended Cap	Type of Cap
Dormitory Authority	CUNY Senior Community Colleges	4,568,000	4,688,000	Gross
Dormitory Authority	SUNY Senior Colleges	5,160,000	5,395,000	Gross
Authorized Issuer	Public Broadcasting Facilities	n/a	15,000	Net
Empire State Development Corporation	Elk Street Parking Garage	21,000	25,000	Net
Empire State Development Corporation	Correctional Facilities	4,650,693	4,855,693	Gross
Empire State Development Corporation	State Office Building Improvements	32,000	42,000	Net
Environmental Facilities Corporation	Environmental Infrastructure Projects	306,000	411,000	Net
Authorized Issuer	State Police Troop G	n/a	15,700	Net
Authorized Issuer	Division of Military and Naval Affairs	n/a	15,000	Net
Housing Finance Agency	Various Housing Programs	1,626,000	1,766,000	Net
Thruway Authority	Dedicated Highway and Bridge Trust Fund	10,250,000	16,000,000	Net
Thruway Authority	Local Transportation Projects (CHIPS)	4,029,040	5,611,000	Net
Authorized Issuer	New York State Technology Development Program	n/a	250,000	Net
Authorized Issuer	Operation SPUR	n/a	90,000	Net
Authorized Issuer	Health Care System Improvement Capital Grants Program	250,000	750,000	Net
Authorized Issuer	Higher Education Facilities Capital Matching Grants	350,000	250,000	Net
Authorized Issuer	New York Sports and Convention Center	n/a	300,000	Net

DEBT SERVICE FUNDS FINANCIAL PLAN

The following table provides an explanation of the receipt, disbursement, and transfer amounts contained in the Plan and how they correspond to the applicable Governmental Funds financial plans.

DEBT SERVICE FUNDS FINANCIAL PLAN
PREPARED ON THE CASH BASIS OF ACCOUNTING
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Opening fund balances	172,384	166,790	166,639	161,940	162,847	182,168
Receipts:						
Taxes	9,241,836	9,832,995	10,203,150	10,814,000	11,409,300	12,031,150
Miscellaneous Receipts	647,176	655,736	664,571	670,979	679,608	678,302
Total Receipts	9,889,012	10,488,731	10,867,721	11,484,979	12,088,908	12,709,452
Disbursements:						
Debt Service	3,807,373	3,841,998	4,155,921	4,442,637	4,761,181	5,011,600
State Operations	22,340	26,390	23,390	23,390	23,390	23,390
Total Disbursements	3,829,713	3,868,388	4,179,311	4,466,027	4,784,571	5,034,990
Other financing sources (uses):						
Transfers From Other Funds	5,220,712	5,212,168	5,098,627	5,166,895	5,209,310	5,339,223
Transfers To Other Funds	(11,285,605)	(11,832,662)	(11,791,736)	(12,184,940)	(12,494,326)	(12,999,725)
Net other financing sources (uses)	(6,064,893)	(6,620,494)	(6,693,109)	(7,018,045)	(7,285,016)	(7,660,502)
Changes in fund balances	(5,594)	(151)	(4,699)	907	19,321	13,960
Closing fund balances	166,790	166,639	161,940	162,847	182,168	196,128

PROJECTED STATE-SUPPORTED DEBT OUTSTANDING
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
GENERAL OBLIGATION	3,666,034	3,515,628	3,329,321	3,136,765	2,881,124	2,635,312
LOCAL GOVERNMENT ASSISTANCE CORPORATION	4,448,795	4,317,218	4,203,951	4,053,232	3,890,894	3,695,085
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	2,353,925	2,310,930	2,265,955	2,218,820	2,169,325	2,117,340
Dormitory Authority						
Albany County Airport	32,255	30,465	28,585	26,600	24,510	22,305
Thruway Authority:						
Consolidated Local Highway Improvement	2,935,340	3,113,281	3,318,951	3,414,513	3,548,941	3,647,245
Dedicated Highway & Bridge	5,964,891	6,049,770	6,426,646	6,978,457	7,954,139	9,274,292
Education						
Dormitory Authority:						
SUNY Educational Facilities	4,159,416	4,394,785	4,530,936	4,703,065	4,878,507	5,090,235
SUNY Dormitory Facilities	633,780	776,005	905,367	919,779	943,587	966,362
SUNY Upstate Community Colleges	483,912	503,052	515,506	540,187	561,218	580,861
CUNY Educational Facilities	3,121,921	3,343,107	3,637,262	3,867,292	3,920,662	3,891,578
State Education Department	66,935	64,915	63,545	62,105	59,735	56,970
Library for the Blind	15,360	14,655	13,915	13,140	12,325	11,470
SUNY Athletic Facilities	24,270	23,305	22,300	21,250	20,165	19,020
RESCUE	165,731	152,844	139,499	125,637	111,134	96,026
University Facilities (Jobs 2000)	30,350	34,419	39,896	34,657	29,178	23,446
Judicial Training Institute	14,070	13,485	12,870	12,225	11,550	10,840
School District Capital Outlays	76,065	66,515	56,605	46,325	35,570	24,305
Transportation Transition Grants	76,500	62,120	47,294	32,008	16,248	0
Higher Ed Capital Matching Grants	0	18,830	73,761	142,680	176,469	195,992
Public Broadcasting Facilities	0	4,679	13,616	12,297	10,918	9,477
Health						
Dormitory Authority/DOH	406,605	416,225	403,875	390,985	374,974	358,245
Health Care Grants	0	0	18,870	64,019	151,254	275,406
Mental Hygiene						
Dormitory Authority/MCFFA:	3,672,992	3,741,136	3,776,943	3,831,974	3,865,600	3,874,802
Public Protection						
ESDC:						
Prison Facilities	4,030,583	4,096,909	4,156,616	4,218,294	4,287,021	4,342,867
Youth Facilities	199,395	195,694	195,430	193,782	184,968	177,126
Homeland Security	22,360	21,550	20,705	19,820	18,900	17,940
Environment						
Environmental Facilities Corp/ERDA:						
Riverbank Park	56,085	54,240	52,305	50,250	48,065	45,745
Water Pollution Control	160,620	154,531	151,465	158,060	165,315	169,039
Pilgrim Sewage Treatment	7,800	7,300	6,700	6,100	5,500	4,900
State Park Infrastructure	8,960	8,165	7,070	5,920	4,715	3,445
Fuel Tanks	5,060	2,550	0	0	0	0
Pipeline for Jobs (Jobs 2000)	18,195	16,105	13,925	11,650	9,255	6,745
Environmental Infrastructure	210,875	288,050	356,281	423,875	491,739	556,856
Hazardous Waste Remediation	116,495	195,389	285,869	383,431	492,839	598,245
West Valley	65,542	60,461	59,915	60,319	63,737	65,889
ESDC:						
Pine Barrens	12,110	11,435	10,725	9,980	9,195	8,370
State Building/Equipment						
ESDC:						
Empire State Plaza	45,119	36,032	27,638	19,885	12,724	6,110
State Buildings	12,773	12,090	11,354	10,561	9,706	8,785
State Capital Projects	212,835	204,395	195,430	185,900	175,850	165,230
ESDC / DA						
State Buildings	246,875	261,547	270,377	282,201	287,873	289,614
Certificates of Participation	169,436	187,712	189,272	172,623	150,251	126,771
E911	51,000	85,443	51,938	17,497	0	0
Housing						
Housing Finance Agency	1,337,599	1,414,067	1,458,670	1,498,498	1,535,682	1,566,668
Economic Development						
ESDC						
Javits Center Expansion & Extension	599,100	599,750	888,983	867,084	843,792	819,013
ESDC/DA						
University Technology Centers	145,755	134,266	123,146	111,534	99,373	86,625
Onondaga Convention Center	38,525	36,895	35,170	33,340	31,390	29,325
Sports Facilities	128,350	122,800	116,805	110,475	103,750	96,685
Community Enhancement Facilities	154,495	200,017	150,059	117,013	82,923	69,937
Natural Resources Preservation	10,375	5,320	0	0	0	0
Child Care Facilities	27,440	26,330	25,190	24,010	22,785	21,515
Buffalo Inner Harbor	0	28,560	48,802	44,789	40,540	36,040
Strategic Investment Program	88,425	73,705	55,516	37,446	43,128	43,161
Regional Economic Growth	748,595	843,849	956,439	952,158	943,659	926,576
JOBS Now	8,600	5,860	3,000	0	0	0
NYS Econ. Dev. Programs	0	5,100	81,326	199,447	341,691	322,589
NYS Tech & Dev. Programs	0	153,000	170,288	236,795	222,358	207,088
Operation SPUR	0	10,200	30,053	48,811	66,437	82,873
Total Other Financing Arrangements	33,173,695	34,693,839	36,518,658	37,969,561	39,671,168	41,447,988
TOTAL STATE-SUPPORTED DEBT	41,288,524	42,526,685	44,051,929	45,159,558	46,443,185	47,778,386

Excludes bonds that were both legally and economically defeased.

PROJECTED STATE-SUPPORTED DEBT OUTSTANDING
SUMMARIZED BY FUNCTION AND FINANCING PROGRAM
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
GENERAL OBLIGATION BONDS						
Economic Development & Housing	169,437	152,738	135,755	120,741	105,545	91,127
Education	540	270	0	0	0	0
Environment	2,245,161	2,243,524	2,205,619	2,159,205	2,041,616	1,932,777
Transportation	1,250,896	1,119,097	987,946	856,819	733,963	611,408
REVENUE BONDS						
Personal Income Tax						
Economic Development & Housing	1,675,494	2,124,770	2,709,983	2,922,928	3,092,987	3,095,372
Education	872,204	1,649,760	2,431,414	3,236,275	3,798,569	4,345,949
Environment	328,462	519,960	710,855	904,799	1,107,310	1,299,029
Health Care	0	0	18,870	64,019	151,254	275,406
State Facilities & Equipment	1,189,427	1,464,505	1,645,508	1,806,925	1,976,658	2,161,897
Transportation	902,160	1,162,206	1,453,501	1,729,698	1,990,311	2,234,605
Other Revenue						
Education						
SUNY Dorms	633,780	776,005	905,367	919,779	943,587	966,362
Health & Mental Hygiene						
Health Income	349,555	360,290	349,080	337,340	324,404	310,880
Mental Health Services	3,672,992	3,741,136	3,776,943	3,831,974	3,865,600	3,874,802
Local Government Assistance						
Sales Tax	4,448,795	4,317,218	4,203,951	4,053,232	3,890,894	3,695,085
Transportation						
Dedicated Highway	5,964,891	6,049,770	6,426,646	6,978,457	7,954,139	9,274,292
SERVICE CONTRACT & LEASE-PURCHASE BONDS						
Economic Development & Housing	1,611,765	1,534,950	1,433,464	1,358,473	1,284,521	1,212,723
Education	7,362,326	7,046,952	6,735,590	6,376,591	6,045,109	5,664,270
Environment	333,280	278,265	233,400	204,785	183,050	160,205
Health & Mental Hygiene	57,050	55,935	54,795	53,645	50,570	47,365
State Facilities & Equipment	3,800,948	3,636,865	3,473,252	3,313,638	3,150,634	2,972,545
Transportation	4,419,360	4,292,470	4,159,990	3,930,235	3,752,465	3,552,285
TOTAL						
Economic Development & Housing	3,456,696	3,812,457	4,279,202	4,402,142	4,483,053	4,399,222
Education	8,868,850	9,472,987	10,072,371	10,532,645	10,787,265	10,976,581
Environment	2,906,903	3,041,749	3,149,874	3,268,789	3,331,976	3,392,012
Health & Mental Hygiene	4,079,597	4,157,361	4,199,688	4,286,977	4,391,829	4,508,454
LGAC	4,448,795	4,317,218	4,203,951	4,053,232	3,890,894	3,695,085
State Facilities & Equipment	4,990,376	5,101,370	5,118,760	5,120,563	5,127,292	5,134,442
Transportation	12,537,307	12,623,543	13,028,084	13,495,210	14,430,877	15,672,590
GRAND TOTAL	41,288,524	42,526,685	44,051,929	45,159,558	46,443,185	47,778,386

PROJECTED STATE-SUPPORTED DEBT SERVICE
2004-05 THROUGH 2009-10
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
GENERAL OBLIGATION	485,998	494,194	500,065	495,572	481,205	460,561
LOCAL GOVERNMENT ASSISTANCE CORPORATION	309,530	327,786	355,093	369,239	373,800	374,479
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	164,993	164,997	164,991	164,992	164,994	164,993
Dormitory Authority						
Albany County Airport	3,513	3,490	3,492	3,488	3,488	3,493
Thruway Authority:						
Consolidated Local Highway Improvement	262,428	298,012	322,739	386,442	416,376	445,895
Dedicated Highway & Bridge	708,385	499,547	483,988	524,181	614,997	737,435
Education						
Dormitory Authority:						
SUNY Educational Facilities	397,244	421,098	439,198	466,356	481,058	502,276
SUNY Dormitory Facilities	55,564	65,520	77,613	84,891	87,291	90,241
SUNY Upstate Community Colleges	25,164	30,559	38,961	43,320	48,710	51,784
CUNY Educational Facilities	232,426	299,792	354,354	379,600	397,504	401,557
State Education Department	6,546	4,819	4,820	5,677	5,971	5,961
Library for the Blind	1,671	1,711	1,711	1,711	1,710	1,709
SUNY Athletic Facilities	2,188	2,203	2,206	2,204	2,208	2,218
RESCUE	16,932	20,755	20,651	20,654	20,657	20,669
University Facilities (Jobs 2000)	4,082	5,596	6,909	7,282	7,287	7,281
Judicial Training Institute	1,587	1,356	1,356	1,355	1,356	1,357
School District Capital Outlays	13,194	13,192	13,188	13,183	13,178	13,171
Transportation Transition Grants	0	16,949	16,752	16,752	16,752	16,752
Higher Ed Capital Matching Grants	0	2,054	8,911	19,366	27,654	33,802
Public Broadcasting Facilities	0	510	1,657	1,934	1,934	1,934
Health						
Dormitory Authority/DOH	32,824	35,031	35,025	35,959	38,623	38,642
Health Care Grants	0	0	0	2,948	10,454	25,603
Mental Hygiene						
Dormitory Authority/MCFFA:	250,108	302,144	331,285	313,981	340,246	369,208
Public Protection						
ESDC:						
Prison Facilities	291,375	333,076	341,554	365,802	378,071	384,248
Youth Facilities	19,505	21,297	20,608	23,940	29,637	30,249
Homeland Security	1,937	1,935	1,935	1,937	1,937	1,934
Environment						
Environmental Facilities Corp/ERDA:						
Riverbank Park	4,839	4,839	4,838	4,840	4,838	4,843
Water Pollution Control	39,148	42,913	39,555	29,945	29,996	34,025
Pilgrim Sewage Treatment	674	761	830	792	754	716
State Park Infrastructure	1,220	1,256	1,516	1,517	1,514	1,519
Fuel Tanks	2,629	2,638	2,565	0	0	0
Pipeline for Jobs (Jobs 2000)	2,985	2,993	2,992	2,986	2,995	2,988
Environmental Infrastructure	11,872	17,526	24,296	30,816	37,722	45,019
Hazardous Waste Remediation	3,874	9,275	15,879	23,919	33,105	43,777
West Valley	18,267	12,443	12,657	9,800	11,415	11,227
ESDC:						
Pine Barrens	1,280	1,281	1,280	1,282	1,281	1,277
State Building/Equipment						
ESDC:						
Empire State Plaza	34,434	34,437	34,436	34,432	34,436	34,432
State Buildings	19,722	19,978	19,650	17,670	13,289	13,294
State Capital Projects	20,123	20,270	20,275	20,271	20,276	20,275
ESDC/DA:						
State Buildings	17,062	19,887	21,624	23,272	24,962	26,318
Certificates of Participation	18,093	50,154	67,035	85,195	90,577	91,017
E911	0	18,523	35,922	35,922	18,013	0
Housing						
Housing Finance Agency	96,854	109,905	123,805	129,028	135,664	145,555
Economic Development						
ESDC						
Javits Center Expansion & Extension	41,946	62,193	41,943	65,051	63,585	63,581
ESDC/DA:						
University Technology Centers	20,460	19,357	18,785	18,788	18,777	18,780
Onondaga Convention Center	3,884	3,929	3,926	3,923	3,929	3,922
Sports Facilities	12,148	12,370	12,346	12,373	12,367	12,367
Community Enhancement Facilities	43,552	40,750	39,389	39,164	34,697	16,723
Natural Resources Preservation	3,433	2,905	0	0	0	0
Child Care Facilities	2,610	2,474	2,478	2,476	2,476	2,477
Buffalo Inner Harbor	0	0	3,961	7,011	6,896	6,896
Strategic Investment Program	33,501	33,513	36,827	36,312	10,342	13,635
Regional Economic Growth	70,484	97,764	116,833	137,815	142,942	152,672
JOBS Now	3,144	3,142	3,139	3,143	0	0
NYS Econ. Dev. Programs	0	0	568	9,322	23,366	40,985
NYS Tech & Dev. Programs	0	0	17,038	19,285	28,170	27,776
Operation SPUR	0	0	1,136	3,431	5,735	8,063
Other State Purposes						
Debt Management Savings	0	(150,000)	(100,000)	(100,000)	0	0
Total Other Financing Arrangements	3,019,903	3,043,124	3,321,426	3,597,733	3,926,209	4,196,567
TOTAL STATE-SUPPORTED DEBT SERVICE	3,815,431	3,865,104	4,176,584	4,462,545	4,781,214	5,031,607

Excludes bonds that were both legally and economically defeased.

PROJECTED STATE-SUPPORTED DEBT SERVICE
SUMMARIZED BY FUNCTION AND FINANCING PROGRAM
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
GENERAL OBLIGATION BONDS						
Economic Development & Housing	23,342	22,902	22,537	19,945	19,574	18,268
Education	315	297	284	0	0	0
Environment	262,352	281,366	294,837	299,399	299,508	285,774
Transportation	199,989	189,629	182,408	176,229	162,123	156,520
REVENUE BONDS						
Personal Income Tax						
Economic Development & Housing	150,287	208,699	285,002	356,113	366,964	393,076
Education	61,912	119,983	181,154	248,050	308,229	360,526
Environment	15,136	31,398	50,144	70,198	91,886	115,504
Health Care	0	0	0	2,948	10,454	25,603
State Facilities & Equipment	74,212	126,362	179,171	214,756	219,566	219,856
Transportation	59,571	93,901	121,149	150,087	179,500	209,028
Other Revenue						
Education						
SUNY Dorms	55,564	65,520	77,613	84,891	87,291	90,241
Health & Mental Hygiene						
Health Income	30,353	30,536	30,534	30,524	32,243	32,259
Mental Health Services	250,108	302,144	331,285	313,981	340,246	369,208
Local Government Assistance						
Sales Tax	309,530	327,786	355,093	369,239	373,800	374,479
Transportation						
Dedicated Highway	708,385	499,547	483,988	524,181	614,997	737,435
SERVICE CONTRACT & LEASE-PURCHASE BONDS						
Economic Development & Housing	181,729	179,603	137,173	131,009	121,980	120,355
Education	639,122	700,612	729,520	731,342	717,749	699,945
Environment	71,651	64,528	56,264	35,699	31,735	29,886
Health & Mental Hygiene	2,471	4,496	4,491	5,435	6,381	6,382
State Facilities & Equipment	348,039	393,196	383,866	393,685	391,631	381,910
Transportation	371,363	372,599	370,073	404,835	405,358	405,352
TOTAL						
Economic Development & Housing	355,358	411,204	444,712	507,067	508,518	531,699
Education	756,912	886,411	988,570	1,064,283	1,113,269	1,150,712
Environment	349,140	377,293	401,245	405,296	423,128	431,164
Health & Mental Hygiene	282,932	337,176	366,310	352,889	389,324	433,452
LGAC	309,530	327,786	355,093	369,239	373,800	374,479
State Facilities & Equipment	422,251	519,559	563,037	608,441	611,197	601,766
Transportation	1,339,308	1,155,676	1,157,618	1,255,331	1,361,978	1,508,336
Debt Management Savings	0	(150,000)	(100,000)	(100,000)	0	0
GRAND TOTAL	3,815,431	3,865,104	4,176,584	4,462,545	4,781,214	5,031,607

PROJECTED STATE-SUPPORTED BOND ISSUANCES
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
GENERAL OBLIGATION	192,700	185,400	161,400	156,600	86,400	86,400
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Thruway Authority:						
Consolidated Local Highway Improvement	352,300	304,060	346,707	343,137	339,567	335,997
Dedicated Highway & Bridge*	606,341	3,748,829	605,924	729,982	1,165,709	1,555,094
Education						
Dormitory Authority:						
SUNY Educational Facilities	40,818	399,366	300,900	341,700	362,100	392,088
SUNY Dormitory Facilities	63,355	163,200	153,000	40,800	51,000	51,000
SUNY Upstate Community Colleges	25,500	25,500	25,500	40,800	40,800	40,800
CUNY Educational Facilities	0	359,346	431,868	417,894	201,144	182,172
RESCUE	31,516	0	0	0	0	0
University Facilities (Jobs 2000)	5,100	8,160	10,506	0	0	0
Transportation Transition Grants	76,500	0	0	0	0	0
Higher Ed Capital Matching Grants	0	20,400	61,200	81,600	51,000	40,800
Public Broadcasting Facilities	0	5,100	10,200	0	0	0
Health						
Dormitory Authority/DOH	0	21,420	0	0	0	0
Health Care Grants	0	0	18,870	47,175	94,350	141,525
Mental Hygiene						
Dormitory Authority/MCFFA:	270,147	203,380	202,283	200,834	200,728	200,945
Public Protection						
ESDC:						
Prison Facilities	192,066	191,250	192,984	193,188	199,104	205,326
Youth Facilities	13,260	13,260	13,260	13,260	13,260	13,260
Homeland Security	0	0	0	0	0	0
Environment						
Environmental Facilities Corp/ERDA:						
Water Pollution Control	28,560	28,560	28,560	28,560	28,560	28,560
Environmental Infrastructure	71,400	84,660	78,540	80,580	83,640	83,640
Hazardous Waste Remediation	69,360	82,620	96,900	107,100	122,400	122,400
West Valley	11,577	11,577	11,577	11,577	11,577	11,577
State Building/Equipment						
ESDC / DA						
State Buildings	39,780	22,440	17,544	21,420	16,320	13,260
Certificates of Participation	56,106	61,200	61,200	61,200	61,200	61,200
E911	51,000	51,000	0	0	0	0
Housing						
Housing Finance Agency	121,839	129,744	110,364	106,284	106,284	106,284
Economic Development						
ESDC						
Javits Center Expansion & Extension*	357,000	175,000	306,000	0	0	0
ESDC/DA						
Community Enhancement Facilities	0	82,107	0	0	0	0
Buffalo Inner Harbor	0	28,560	22,440	0	0	0
Strategic Investment Program	0	14,790	15,300	15,810	14,484	11,822
Regional Economic Growth	265,805	161,160	189,210	85,171	85,171	85,171
NYS Econ. Dev. Programs	0	5,100	76,500	122,400	153,000	0
NYS Tech & Dev. Programs	0	153,000	25,500	76,500	0	0
Operation SPUR	0	10,200	20,400	20,400	20,400	20,400
Total Other Financing Arrangements	2,749,331	6,564,988	3,433,237	3,187,373	3,421,798	3,703,321
TOTAL STATE-SUPPORTED BOND ISSUANCES	2,942,031	6,750,388	3,594,637	3,343,973	3,508,198	3,789,721

*** 2005-06 issuances include debt restructurings of $3 billion for a Dedicated Highway & Bridge and $175 million for Javits Center/Expansion.**

PROJECTED STATE-SUPPORTED BOND ISSUANCES
SUMMARIZED BY FUNCTION AND FINANCING PROGRAM
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
GENERAL OBLIGATION BONDS						
Environment	183,500	176,200	152,200	149,400	79,200	79,200
Transportation	9,200	9,200	9,200	7,200	7,200	7,200
REVENUE BONDS						
Personal Income Tax						
Economic Development & Housing	744,644	584,661	765,714	426,565	379,339	223,677
Education	179,434	817,872	840,174	881,994	655,044	655,860
Environment	180,897	207,417	215,577	227,817	246,177	246,177
Health Care	0	0	18,870	47,175	94,350	141,525
State Facilities & Equipment	352,212	339,150	284,988	289,068	289,884	293,046
Transportation	352,300	304,060	346,707	343,137	339,567	335,997
Other Revenue						
Education						
SUNY Dorms	63,355	163,200	153,000	40,800	51,000	51,000
Health & Mental Hygiene						
Health Income	0	21,420	0	0	0	0
Mental Health Services	270,147	203,380	202,283	200,834	200,728	200,945
Transportation						
Dedicated Highway	606,341	3,748,829	605,924	729,982	1,165,709	1,555,094
SERVICE CONTRACT & LEASE-PURCHASE BONDS						
Economic Development & Housing	0	175,000	0	0	0	0
TOTAL						
Economic Development & Housing	744,644	759,661	765,714	426,565	379,339	223,677
Education	242,789	981,072	993,174	922,794	706,044	706,860
Environment	364,397	383,617	367,777	377,217	325,377	325,377
Health & Mental Hygiene	270,147	224,800	221,153	248,009	295,078	342,470
State Facilities & Equipment	352,212	339,150	284,988	289,068	289,884	293,046
Transportation	967,841	4,062,089	961,831	1,080,320	1,512,476	1,898,291
GRAND TOTAL	2,942,031	6,750,388	3,594,637	3,343,973	3,508,198	3,789,721

PROJECTED STATE-SUPPORTED DEBT RETIREMENTS
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
GENERAL OBLIGATION	330,232	335,806	347,708	349,156	342,041	332,211
LOCAL GOVERNMENT ASSISTANCE CORPORATION	119,985	131,577	113,266	150,719	162,339	195,808
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	41,280	42,995	44,975	47,135	49,495	51,985
Dormitory Authority						
Albany County Airport	1,710	1,790	1,880	1,985	2,090	2,205
Thruway Authority:						
Consolidated Local Highway Improvement	154,975	126,119	141,037	247,575	205,140	237,693
Dedicated Highway & Bridge	429,730	470,010	229,048	178,171	190,028	234,941
Education						
Dormitory Authority:						
SUNY Educational Facilities	152,993	163,997	164,749	169,571	186,657	180,360
SUNY Dormitory Facilities	19,345	20,975	23,638	26,388	27,192	28,225
SUNY Upstate Community Colleges	13,380	6,359	13,046	16,119	19,769	21,157
CUNY Educational Facilities	104,481	138,160	137,713	187,864	147,773	211,256
State Education Department	1,925	2,020	1,370	1,440	2,370	2,765
Library for the Blind	670	705	740	775	815	855
SUNY Athletic Facilities	930	965	1,005	1,050	1,085	1,145
RESCUE	9,950	12,887	13,345	13,862	14,503	15,108
University Facilities (Jobs 2000)	3,005	4,091	5,030	5,239	5,479	5,732
Judicial Training Institute	560	585	615	645	675	710
School District Capital Outlays	9,220	9,550	9,910	10,280	10,755	11,265
Transportation Transition Grants	0	14,380	14,826	15,286	15,760	16,248
Higher Ed Capital Matching Grants	0	1,570	6,270	12,680	17,212	21,277
Public Broadcasting Facilities	0	421	1,263	1,320	1,379	1,441
Health						
Dormitory Authority/DOH	11,940	11,800	12,350	12,890	16,011	16,728
Health Care Grants	0	0	0	2,026	7,114	17,374
Mental Hygiene						
Dormitory Authority/MCFFA:	93,840	135,235	166,477	145,803	167,101	191,743
Public Protection						
ESDC:						
Prison Facilities	82,066	124,923	133,278	131,509	130,377	149,480
Youth Facilities	10,660	16,961	13,524	14,908	22,074	21,102
Homeland Security	785	810	845	885	920	960
Environment						
Environmental Facilities Corp/ERDA:						
Riverbank Park	1,755	1,845	1,935	2,055	2,185	2,320
Water Pollution Control	38,399	34,649	31,626	21,965	21,305	24,836
Pilgrim Sewage Treatment	400	500	600	600	600	600
State Park Infrastructure	731	795	1,095	1,150	1,205	1,270
Fuel Tanks	2,455	2,510	2,550	0	0	0
Pipeline for Jobs (Jobs 2000)	1,999	2,090	2,180	2,275	2,395	2,510
Environmental Infrastructure	5,107	7,485	10,309	12,987	15,775	18,523
Hazardous Waste Remediation	1,477	3,726	6,419	9,539	12,991	16,994
West Valley	15,038	16,658	12,123	11,172	8,160	9,424
ESDC:						
Pine Barrens	645	675	710	745	785	825
State Building/Equipment						
ESDC:						
Empire State Plaza	9,988	9,088	8,394	7,752	7,161	6,614
State Buildings	634	683	736	793	855	921
State Capital Projects	7,945	8,440	8,965	9,530	10,050	10,620
ESDC / DA						
State Buildings	6,320	7,768	8,714	9,597	10,648	11,519
Certificates of Participation	32,440	42,924	59,640	77,849	83,572	84,680
E911	0	16,557	33,504	34,442	17,497	0
Housing						
Housing Finance Agency	51,135	53,276	65,762	66,456	69,100	75,298
Economic Development						
ESDC						
Javits Center Expansion & Extension	25,940	33,193	16,767	21,898	23,292	24,779
ESDC/DA						
University Technology Centers	11,007	11,489	11,120	11,612	12,162	12,748
Onondaga Convention Center	1,535	1,630	1,725	1,830	1,950	2,065
Sports Facilities	5,150	5,550	5,995	6,330	6,725	7,065
Community Enhancement Facilities	43,850	36,585	49,958	33,046	34,090	12,986
Natural Resources Preservation	4,820	5,055	5,320	0	0	0
Child Care Facilities	1,085	1,110	1,140	1,180	1,225	1,270
Buffalo Inner Harbor	0	0	2,198	4,013	4,250	4,500
Strategic Investment Program	28,455	29,510	33,489	33,881	8,801	11,789
Regional Economic Growth	49,595	65,906	76,620	89,452	93,670	102,254
JOBS Now	2,640	2,740	2,860	3,000	0	0
NYS Econ. Dev. Programs	0	0	274	4,279	10,756	19,101
NYS Tech & Dev. Programs	0	0	8,212	9,993	14,437	15,270
Operation SPUR	0	0	547	1,642	2,774	3,964
Total Other Financing Arrangements	1,493,988	1,709,747	1,608,419	1,736,469	1,720,192	1,926,501
TOTAL STATE-SUPPORTED RETIREMENTS	1,944,205	2,177,130	2,069,393	2,236,343	2,224,571	2,454,521

Includes bonds that were both legally and economically defeased.

PROJECTED STATE-SUPPORTED DEBT RETIREMENTS
SUMMARIZED BY FUNCTION AND FINANCING PROGRAM
2004-2005 THROUGH 2009-2010
(thousands of dollars)

	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
GENERAL OBLIGATION BONDS						
Economic Development & Housing	16,527	16,700	16,983	15,014	15,196	14,418
Education	270	270	270	0	0	0
Environment	177,999	187,037	199,305	203,014	203,989	195,238
Transportation	135,436	131,799	131,150	131,127	122,856	122,555
REVENUE BONDS						
Personal Income Tax						
Economic Development & Housing	106,055	135,385	180,501	213,620	209,281	221,291
Education	9,035	40,316	58,520	77,133	92,750	108,480
Environment	8,190	15,919	24,682	33,872	43,666	54,458
Health Care	0	0	0	2,026	7,114	17,374
State Facilities & Equipment	26,850	64,072	103,985	127,651	120,150	107,808
Transportation	26,940	44,014	55,412	66,940	78,955	91,703
Other Revenue						
Education						
SUNY Dorms	19,345	20,975	23,638	26,388	27,192	28,225
Health & Mental Hygiene						
Health Income	9,685	10,685	11,210	11,740	12,936	13,523
Mental Health Services	93,840	135,235	166,477	145,803	167,101	191,743
Local Government Assistance						
Sales Tax	119,985	131,577	113,266	150,719	162,339	195,808
Transportation						
Dedicated Highway	429,730	470,010	229,048	178,171	190,028	234,941
SERVICE CONTRACT & LEASE-PURCHASE BONDS						
Economic Development & Housing	119,157	110,659	101,485	74,992	73,952	71,798
Education	288,078	315,375	311,362	358,999	331,482	380,839
Environment	59,815	55,015	44,865	28,615	21,735	22,845
Health & Mental Hygiene	2,255	1,115	1,140	1,150	3,075	3,205
State Facilities & Equipment	123,988	164,083	163,614	159,613	163,004	178,089
Transportation	171,025	126,890	132,480	229,755	177,770	200,180
TOTAL						
Economic Development & Housing	241,739	262,743	298,969	303,626	298,428	307,507
Education	316,728	376,935	393,790	462,520	451,424	517,544
Environment	246,004	257,971	268,852	265,502	269,390	272,541
Health & Mental Hygiene	105,780	147,035	178,827	160,719	190,227	225,845
LGAC	119,985	131,577	113,266	150,719	162,339	195,808
State Facilities & Equipment	150,838	228,155	267,599	287,265	283,155	285,897
Transportation	763,131	772,713	548,090	605,994	569,609	649,379
GRAND TOTAL	1,944,205	2,177,130	2,069,393	2,236,343	2,224,571	2,454,521

CAPITAL PROGRAM PLAN

The Capital Program Plan section provides a narrative description of the capital investment recommendations of agencies for the 2004-05 through 2009-10 period. 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. 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 reflect projections of disbursements for capital projects, and eliminate transactions which simply move moneys from one fund to another. This adjustment provides comparability between the Plan's summary of disbursements and the State's Financial Plan.

All State agencies and authorities with State-supported capital programs have capital maintenance systems. Agencies are required to develop five-year maintenance plans, which include an assessment of assets with a replacement value of at least $5 million, and that reflect an asset's age, condition, condition goals, maintenance activities, and remaining useful life. In addition, every five years, agencies are also required to perform an independent evaluation of their maintenance plans to ensure that the recommended maintenance activities are consistent with current capital needs.

The capital maintenance plan summaries are included in the agency narratives, since the maintenance plans are a critical part of an agency's Five-Year Capital Plan. The appropriations reflected in each agency's Five-Year Capital Plan reflect a needs-assessment, which will continue to be refined as an agency implements an asset maintenance system.

TRANSPORTATION

New York's diverse transportation system plays a crucial role in our economy. The State's 239,000 lane miles of roads, 19,500 bridges, 4,000 railroad miles, 147 public use airports, 12 major ports and over 70 mass transit systems are among our most valuable resources. These important assets are managed and maintained by a network of State agencies, public authorities, local governments and private entities.

The Executive Budget proposes a new five-year transportation plan that provides over $36.6 billion for the State's transportation systems during the next five years. The plan includes $17.4 billion for DOT capital programs and $19.2 billion for the Metropolitan Transportation Authority (MTA) program.

The plan will continue current core investment levels for each agency over the next three years, and then increase those levels in the last two years of the plan with a $1 billion enhancement in each year, for each agency. DOT's five-year core program will total $15.4 billion to fund construction contracts; associated engineering, planning and management costs; preventive maintenance, rail projects, aviation improvements, local capital aid, non-MTA transit capital and other capital expenses. The $2 billion of DOT program enhancements will allow the Department to progress additional capital projects and major initiatives.

The MTA's $15.2 billion core program will fund state-of-good-repair projects for subways, buses, commuter railroads, tunnels and bridges; preventive maintenance programs and important security and policing projects to protect the MTA network. The $2 billion of MTA enhancements will provide for additional infrastructure priorities and system expansion initiatives. In addition, the MTA program includes $2 billion for the New York City-funded 7-Line subway extension project.

The first three years of the plan are fully funded utilizing the more than $3.6 billion in existing annual State revenues dedicated to transportation, plus new fund sources that will augment the agencies' dedicated transportation funds. The new fund sources include the following:

- Increases in Department of Motor Vehicle (DMV) fees that include increases in passenger vehicle registration fees ranging from 33 percent to 75 percent depending on the weight class of the vehicle; a 25 percent increase in commercial vehicle registration fees; and increases in photo document fees, data sales fees, and title fees. Additional revenues will be generated by expanding the option for individuals who face insurance-lapse registration suspension to "buy back" their registration status. These DMV revenues will be allocated through the State's dedicated fund pool in accordance with the existing pool distribution: 63 percent for DOT programs, 34 percent for the MTA and 3 percent for non-MTA transit systems.
- A restructuring of the Dedicated Highway and Bridge Trust Fund (DHBTF) that will initially yield new capital funds for the DOT program. The restructuring will more closely align the term of the debt with the useful lives of the projects that are financed.
- Enhanced funding for the MTA from an increase in mortgage recording taxes levied in the 12-county MTA transportation district. The regional rate for the tax imposed under section 253 of the Tax Law would be increased from 25 cents to 35 cents per $100 of recorded mortgage value.

Additional resources to complete funding of the final two years of the plan are expected to be obtained from a combination of public/private partnerships, innovative financing mechanisms, cooperative projects among transportation agencies and/or increased Federal aid from the next Federal Transportation Act. Legislation is included with the budget for a new initiative to develop public/private partnerships and take advantage of innovative financing opportunities, that have been successfully employed in other states.

Significant portions of the State's transportation capital programs are supported by Federal aid, authorized in accordance with multi-year Federal transportation acts. The most recent Federal Transportation Act, known as TEA-21, expired on September 30, 2003. While Congress has passed a series of temporary extensions for the existing Federal transportation programs, a permanent successor act has not yet been passed. The transportation plan assumes formula aid programs to the State will remain essentially flat. To the extent that Federal aid under the future Act varies from the assumptions in the plan, the State's programs will need to be adjusted accordingly.

DEPARTMENT OF TRANSPORTATION

DOT is primarily responsible for maintaining and rehabilitating the State's system of highways and bridges, which includes over 40,000 State highway lane miles and 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 CHIPS and the Marchiselli Program.

The 2004-05 Budget completed the Governor's last five-year transportation program, which resulted in significant improvements in highway and bridge conditions throughout the State. The new $17.4 billion DOT plan represents the highest commitment level ever over a five-year period. Highlights of the plan include:

- A $15.4 billion core capital program that provides for the continuation of existing investment levels during the 5-year period.
  - $8.25 billion for highway and bridge construction and preventive maintenance contracts -- $1.65 billion annually;
  - $3.3 billion for engineering, project inspection and program management;
  - $1.6 billion for local capital programs, including CHIPS and Marchiselli programs;
  - $1 billion for DOT preventive maintenance activities;
  - $400 million for right-of-way acquisitions;
  - $360 million of Federal aid for rail, waterways, and other special Federal programs;
  - $185 million for capital improvement of non-MTA transit systems;
  - $155 million for DOT maintenance facilities and equipment;
  - $100 million of State funds for rail freight and passenger projects;
  - $45 million for the Industrial Access Program; and
  - $40 million to help local and State airports match Federal aviation aid.
- A $2 billion enhanced investment program to be initiated in the final two years of the program (2008-09 and 2009-10) that will allow the Department to progress additional capital projects and major initiatives.

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 cost-effective alternatives to 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. In addition to $1.1 billion in maintenance contracts, $1 billion for State resources will be available for the planned preventive maintenance activities over the next five years. During the plan period, $1.4 billion will be spent from the DHBTF for snow and ice control activities.

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, 2 special crew facilities, 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.

FINANCING THE NEW PLAN

The new five-year plan for DOT and the operating expenses of the departments of Transportation and Motor Vehicles will be financed with approximately $10.2 billion of State revenues during the next five years, an increase of more than $2.5 billion over the prior period. Federal aid will support a significant portion of the plan. The plan also includes a DHBTF debt restructuring that will yield additional capital capacity during the plan period. In addition, public-private partnerships and other innovative financing mechanisms will support major projects that expand or enhance the State's transportation infrastructure.

TRANSIT PROGRAMS

Mass transportation systems play an essential role in the State's economic and social networks. More than 25 percent of workers in New York State travel to work via mass transportation. Mass transit systems also alleviate ill effects on air quality by relieving traffic congestion.

The new five-year transportation plan will provide approximately $3.5 billion of State support for the capital programs of transit systems throughout New York. This State assistance includes:

- Over $3.3 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
- $185 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 over $1 billion of the Department's transportation-related cash expenses from the DHBTF.

CANALS

The New York State Canal Corporation maintains, operates, develops and makes capital improvements to the 524-mile navigable waterway that 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
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Aviation	89,099	14,000	8,000	8,000	8,000	8,000	46,000
Highway Facilities	9,078,125	3,463,965	3,514,492	3,552,777	4,593,206	4,634,252	19,758,692
Maintenance Facilities	46,783	31,000	31,000	31,000	31,000	31,000	155,000
Mass Transportation and Rail Freight	250,872	99,800	76,800	77,800	83,800	84,800	423,000
Ports and Waterways	1,451	0	0	0	0	0	0
Total	9,466,330	3,608,765	3,630,292	3,669,577	4,716,006	4,758,052	20,382,692
Fund Summary							
Accelerated Capacity and Transportation Improvements Fund	58,775	0	0	0	0	0	0
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	50,938	0	0	0	0	0	0
Capital Projects Fund - Advances	21,681	0	0	0	0	0	0
Capital Projects Fund - Aviation (Bondable)	2,973	0	0	0	0	0	0
Capital Projects Fund - Energy Conservation (Bondable)	1,023	0	0	0	0	0	0
Capital Projects Fund - Infrastructure Renewal (Bondable)	37,479	0	0	0	0	0	0
Dedicated Highway and Bridge Trust Fund	2,760,847	1,762,763	1,810,928	1,849,213	2,889,642	2,930,688	11,243,234
Dedicated Mass Transportation Fund	139,039	79,800	56,800	57,800	63,800	64,800	323,000
Energy Conservation Improved Transportation Bond Fund	1,038	0	0	0	0	0	0
Engineering Services Fund	284,665	0	0	0	0	0	0
Federal Capital Projects Fund	5,780,719	1,706,000	1,700,000	1,700,000	1,700,000	1,700,000	8,506,000
Miscellaneous New York State Agency Fund	235,544	50,000	52,000	52,000	52,000	52,000	258,000
NY Metro Transportation Council Account	27,619	10,202	10,564	10,564	10,564	10,564	52,458
Regional Aviation Fund	16,516	0	0	0	0	0	0
Transportation Capital Facilities Bond Fund	7,749	0	0	0	0	0	0
Transportation Infrastructure Renewal Bond Fund	39,725	0	0	0	0	0	0
Total	9,466,330	3,608,765	3,630,292	3,669,577	4,716,006	4,758,052	20,382,692

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Aviation	14,000	8,000	8,000	8,000	8,000
Highway Facilities	3,463,965	3,514,492	3,552,777	4,593,206	4,634,252
Maintenance Facilities	31,000	31,000	31,000	31,000	31,000
Mass Transportation and Rail Freight	97,800	74,800	75,800	76,800	77,800
Total	3,606,765	3,628,292	3,667,577	4,709,006	4,751,052
Fund Summary					
Dedicated Highway and Bridge Trust Fund	1,762,763	1,810,928	1,849,213	2,889,642	2,930,688
Dedicated Mass Transportation Fund	77,800	54,800	55,800	56,800	57,800
Federal Capital Projects Fund	1,706,000	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	10,202	10,564	10,564	10,564	10,564
Total	3,606,765	3,628,292	3,667,577	4,709,006	4,751,052

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Aviation	22,703	18,293	25,370	7,853	10,700	18,400	80,616
Highway Facilities	3,309,439	3,344,022	3,280,166	3,401,761	3,697,002	3,960,688	17,687,139
Maintenance Facilities	23,729	26,399	56,016	31,567	20,300	62,000	196,282
Mass Transportation and Rail Freight	55,222	87,190	136,617	74,201	83,867	101,804	483,679
Ports and Waterways	0	900	0	0	300	0	1,200
Total	3,411,093	3,476,804	3,481,535	3,515,382	3,812,169	4,142,892	18,448,916
Fund Summary							
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	8,000	6,000	4,000	2,000	2,000	2,000	16,000
Capital Projects Fund - Advances	500	500	500	500	500	500	2,500
Capital Projects Fund - Aviation (Bondable)	400	400	400	400	400	400	2,000
Capital Projects Fund - Energy Conservation (Bondable)	200	200	200	200	200	39	839
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	1,650,760	1,748,463	1,852,933	1,896,361	2,214,631	2,584,286	10,296,674
Dedicated Mass Transportation Fund	46,000	54,820	61,780	67,790	62,750	59,300	306,440
Engineering Services Fund	97,693	25,203	8,632	3,516	3,772	1,896	43,019
Federal Capital Projects Fund	1,243,688	1,278,491	1,213,993	1,189,017	1,175,642	1,145,520	6,002,663
Consol Hwy Improve Program (Direct Auth Bonds)	343,927	343,409	339,909	336,409	332,909	329,409	1,682,045
NY Metro Transportation Council Account	10,925	11,318	11,822	12,189	12,365	12,542	60,236
Regional Aviation Fund	4,000	3,000	2,000	2,000	2,000	2,000	11,000
Total	3,411,093	3,476,804	3,501,169	3,515,382	3,812,169	4,142,892	18,448,416

MOTOR VEHICLES, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Transportation Support	0	189,451	196,939	203,657	211,833	220,349	1,022,229
Total	0	189,451	196,939	203,657	211,833	220,349	1,022,229
Fund Summary							
Dedicated Highway and Bridge Trust Fund	0	189,451	196,939	203,657	211,833	220,349	1,022,229
Total	0	189,451	196,939	203,657	211,833	220,349	1,022,229

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Transportation Support	187,539	196,939	203,657	211,833	220,349
Total	187,539	196,939	203,657	211,833	220,349
Fund Summary					
Dedicated Highway and Bridge Trust Fund	187,539	196,939	203,657	211,833	220,349
Total	187,539	196,939	203,657	211,833	220,349

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Transportation Support	136,449	187,539	196,939	203,657	211,833	220,350	1,020,318
Total	136,449	187,539	196,939	203,657	211,833	220,350	1,020,318
Fund Summary							
Dedicated Highway and Bridge Trust Fund	136,449	187,539	196,939	203,657	211,833	220,350	1,020,318
Total	136,449	187,539	196,939	203,657	211,833	220,350	1,020,318

THRUWAY AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Canal Development Program	4,007	4,000	4,000	4,000	4,000	4,000	20,000
Total	4,007	4,000	4,000	4,000	4,000	4,000	20,000
Fund Summary							
New York State Canal System Development Fund	4,007	4,000	4,000	4,000	4,000	4,000	20,000
Total	4,007	4,000	4,000	4,000	4,000	4,000	20,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Canal Development Program	4,000	4,000	4,000	4,000	4,000
Total	4,000	4,000	4,000	4,000	4,000
Fund Summary					
New York State Canal System Development Fund	4,000	4,000	4,000	4,000	4,000
Total	4,000	4,000	4,000	4,000	4,000

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Canal Development Program	4,000	4,000	4,000	4,000	4,000	4,000	20,000
Total	4,000	4,000	4,000	4,000	4,000	4,000	20,000
Fund Summary							
New York State Canal System Development Fund	4,000	4,000	4,000	4,000	4,000	4,000	20,000
Total	4,000	4,000	4,000	4,000	4,000	4,000	20,000

METROPOLITAN TRANSPORTATION AUTHORITY
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
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

PARKS AND ENVIRONMENT

The 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. This category also includes recommended capital projects funding for the EFC and the Hudson River Park Trust (HRPT).

A major focus of DEC over the next five years will be the continued clean up of environmental hazards under the new and expanded State Superfund and Brownfields program, signed into law by Governor Pataki in 2003. Additionally, both DEC and OPRHP will continue to implement the 1996 CWCA Bond Act. 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

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 $609 million in capital disbursements will support these activities in 2005-06. DEC's Capital Plan directs resources to projects to ensure compliance with health and safety requirements and State and Federal environmental mandates. In 2005-06, new Capital Projects Fund appropriations of $31 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 2005-06 Executive Budget recommends new disbursements totaling $122 million from the 1996 CWCA for projects to be administered by DEC. The CWCA Bond Act funds such important activities as: water quality improvement projects, landfill closure and recycling projects, Brownfield's 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 EPF, a dedicated fund supported by revenues from the Real Estate Transfer Tax and other sources. The Executive Budget includes new appropriations of $150 million for 2005-06, an increase of $25 million, 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 $600 million through 2009-10 will continue funding for these important activities.

The Department's Capital Plan also reflects the recently refinanced State Superfund program and a new Brownfields program enacted in 2003. Appropriations provide for $120 million in annual support to be bond-financed for the remediation of hazardous waste and hazardous substances and for off-site contamination at Brownfield Cleanup program sites.

The cost of these bonds will be supported equally by the State and industry. In addition, $15 million in General Fund support is provided for technical assistance grants (TAGs), Brownfield Opportunity Area (BOA) grants, and for State implementation of the Brownfield Cleanup program and non-bondable costs of the State Superfund and Brownfield Cleanup Programs. These programs, which succeed the fully committed $1.1 billion 1986 Environmental Quality Bond Act, will maintain the most stringent environmental and public health standards in the nation, while spurring redevelopment of contaminated sites.

In 2005-06, the level of contract commitments projected in the Department's capital plan is $477 million. This is an $11 million increase over levels in the 2004-05 capital plan. 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 4 million acres of land, 260 boat launching and fishing access sites, 100 flood control structures, 52 campgrounds, 12 fish hatcheries, 1 game farm, 4 environmental education camps, 5 environmental education centers, 1 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.

ENVIRONMENTAL FACILITIES CORPORATION

EFC is charged with helping local governments, State agencies, and private industry comply with State and Federal environmental laws. EFC's responsibilities include administering the Clean Water (CWSRF) and Drinking Water (DWSRF) State Revolving Funds; assisting New York businesses finance environmental projects through the Industrial Finance Program (IFP); and helping municipalities, State agencies, and businesses comply with environmental laws and regulations through the Technical Advisory Services (TAS) program, the Financial Assistance to Business (FAB) program, and the Pipeline for Jobs program.

EFC, in conjunction with DEC, administers low-interest financings to recipients for water pollution control facilities via the CWSRF. As of June 30, 2004, the CWSRF has made 1,296 loans for approximately $10.2 billion to 442 recipients across the State since the program was initiated in 1989. The Capital Plan for DEC estimates commitments of $840 million from Federal and State funds for the CWSRF over five years.

DWSRF is a program administered by EFC, in conjunction with 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. From its initiation in 1996 through June 30, 2004, the DWSRF has made 345 loans, 67 State Assistance Payments and 53 Federal Assistance Payments, worth approximately $1.3 billion, to 258 recipients across the State. DOH's Five-Year Capital Plan anticipates commitments for the DWSRF of $325 million in Federal funding.

In addition to appropriations to finance costs related to the 1996 CWCA Bond Act, EFC's Capital Program includes the reappropriation of $7.4 million for the Pipeline for Jobs program. 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

HRPT is responsible for designing, developing, constructing, and maintaining the 550-acre Hudson River Park in NYC, which will extend five miles along the Hudson River waterfront from Battery Park City to 59th Street. During 2005-06, HRPT 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 2005-06 Executive Budget recommends $5 million in new appropriations from the EPF for HRPT for capital costs associated with the planning, design, and construction of Park projects. This will match $5 million of additional funding from New York City and when combined with prior year spending authority that is continued, will provide sufficient resources to meet 2005-06 obligations.

OFFICE OF PARKS, RECREATION AND HISTORIC PRESERVATION

OPRHP operates 169 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. Nearly 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 more than 50 percent of facilities at State parks are at least 40 years old, a primary component of the capital program is devoted to maintenance and rehabilitation.

For 2005-06, the capital plan supports $28 million in disbursements from various sources. For new appropriations, $39 million is recommended for capital projects from 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 EPF and the CWCA Bond Act to improve park facilities and protect the fragile natural resources at State parks. These funds are included in the DEC capital budget. SPIF recommendations also include $10 million for improved drinking water infrastructure at Harriman State Park.

The Office's Five-Year Capital Plan reflects the priority needs of the various parks and historic sites. A total of $131 million, mainly from SPIF, is planned to be spent on projects to improve health and safety and preserve facilities, and includes actions to:

- Maintain and 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 2005-06 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 2005-06 maintenance efforts primarily on site restoration, roof repair, and exterior construction projects.

The level of contract commitments projected in OPRHP's capital plan is $34 million in 2005-06. Future year commitments reflect projected activity from both new appropriations and prior year appropriations.

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
96 Clean Water/Air Bond Act Fund	648,650	0	0	0	0	0	0
Administration	6,244	3,100	2,000	2,000	2,000	2,000	11,100
Air Resources	79,272	0	0	0	0	0	0
Clean Water Clean Air Implementation	8,761	1,050	0	0	0	0	1,050
Clean Water/Clean Air 96	176,720	0	0	0	0	0	0
Design and Construction Supervision	14	0	0	0	0	0	0
Environment and Recreation	408,366	150,000	150,000	150,000	150,000	150,000	750,000
Environmental Protection and Enhancements	69,598	0	0	0	0	0	0
Fish and Wildlife	11,773	900	1,500	1,500	1,500	1,500	6,900
Lands and Forests	23,006	3,300	1,500	1,500	1,500	1,500	9,300
Marine Resources	16,030	0	0	0	0	0	0
Operations	72,516	32,390	27,000	27,000	27,000	27,000	140,390
Recreation	4,437	1,000	1,325	1,325	1,325	1,325	6,300
Solid and Hazardous Waste Management	489,783	135,000	135,000	135,000	135,000	135,000	675,000
Solid Waste Management	370,845	845	675	675	675	675	3,545
Water Resources	833,436	203,460	199,000	199,000	199,000	199,000	999,460
Total	3,219,451	531,045	518,000	518,000	518,000	518,000	2,603,045
Fund Summary							
Cap Proj Fund - DEC Regular (Auth Bonds)	21,729	11,000	12,000	12,000	12,000	12,000	59,000
Cap Proj Fund - Onondaga Lake (Auth Bonds)	20,000	10,000	10,000	10,000	10,000	10,000	50,000
Cap Proj Fund - State Revolving Fund (Auth Bonds)	61,103	29,602	30,000	30,000	30,000	30,000	149,602
Capital Projects Fund	121,795	30,569	30,000	30,000	30,000	30,000	150,569
Capital Projects Fund - 1996 CWA (Bondable)	595,659	0	0	0	0	0	0
Capital Projects Fund - Advances	88,628	150	1,000	1,000	1,000	1,000	4,150
Capital Projects Fund - EQBA (Bondable)	38,042	327	0	0	0	0	327
Capital Projects Fund - EQBA 86 (Bondable)	185,101	0	0	0	0	0	0
Capital Projects Fund - PWBA (Bondable)	17,046	14,467	0	0	0	0	14,467
Clean Air Fund	11,000	0	0	0	0	0	0
Clean Water - Clean Air Bond Fund	648,650	0	0	0	0	0	0
Clean Water Clean Air Implementation Fund	8,761	1,050	0	0	0	0	1,050
Enterprise Fund	175	0	0	0	0	0	0
Environmental Protection Fund	477,964	150,000	150,000	150,000	150,000	150,000	750,000
Environmental Quality Bond Act Fund - 1986	226,764	0	0	0	0	0	0
Environmental Quality Protection Bond Fund	41,836	0	0	0	0	0	0
Federal Capital Projects Fund	378,591	148,880	150,000	150,000	150,000	150,000	748,880
Financial Security Fund	1,702	0	0	0	0	0	0
Forest Preserve Expansion Fund	115	0	0	0	0	0	0
Hazardous Waste Remedial Fund - Cleanup	201,132	120,000	120,000	120,000	120,000	120,000	600,000
Hazardous Waste Remedial Fund - Oversight & Assessment	30,000	15,000	15,000	15,000	15,000	15,000	75,000
Hudson River Habitat Restor. Fund	351	0	0	0	0	0	0
Natural Resource Damages Fund	9,555	0	0	0	0	0	0
Pure Waters Bond Fund	33,752	0	0	0	0	0	0
Total	3,219,451	531,045	518,000	518,000	518,000	518,000	2,603,045

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Administration	2,000	2,000	2,000	2,000	2,000
Air Resources	500	500	500	500	500
Clean Water Clean Air Implementation	1,050	0	0	0	0
Environment and Recreation	150,000	150,000	150,000	150,000	150,000
Fish and Wildlife	1,500	1,500	1,500	1,500	1,500
Lands and Forests	1,500	1,500	1,500	1,500	1,500
Marine Resources	200	200	200	200	200
Operations	15,000	15,000	15,000	15,000	15,000
Recreation	1,350	1,325	1,325	1,325	1,325
Solid and Hazardous Waste Management	96,327	110,000	120,000	135,000	135,000
Solid Waste Management	650	650	650	650	650
Water Resources	206,638	192,025	192,025	192,025	192,025
Total	476,715	474,700	484,700	499,700	499,700
Fund Summary					
Cap Proj Fund - Onondaga Lake (Auth Bonds)	10,000	10,000	10,000	10,000	10,000
Cap Proj Fund - State Revolving Fund (Auth Bonds)	29,602	30,000	30,000	30,000	30,000
Capital Projects Fund	30,569	30,000	30,000	30,000	30,000
Capital Projects Fund - Advances	1,000	1,000	1,000	1,000	1,000
Capital Projects Fund - EQBA (Bondable)	327	0	0	0	0
Capital Projects Fund - PWBA (Bondable)	14,467	0	0	0	0
Clean Water Clean Air Implementation Fund	1,050	0	0	0	0
Environmental Protection Fund	150,000	150,000	150,000	150,000	150,000
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 - Cleanup	81,000	95,000	105,000	120,000	120,000
Hazardous Waste Remedial Fund - Oversight & Assessment	15,000	15,000	15,000	15,000	15,000
Natural Resource Damages Fund	1,000	1,000	1,000	1,000	1,000
Total	476,715	474,700	484,700	499,700	499,700

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Administration	1,255	0	0	0	0	0	0
Air Resources	14,740	13,000	11,750	11,735	8,352	3,108	47,945
Clean Water Clean Air Implementation	2,527	1,050	0	0	0	0	1,050
Clean Water/Clean Air 96	15,500	22,660	19,973	27,578	25,553	25,716	121,480
Environment and Recreation	99,097	106,750	111,571	121,012	139,512	147,936	626,781
Environmental Protection and Enhancements	21,903	18,250	18,429	13,988	5,488	2,064	58,219
Fish and Wildlife	212	525	525	425	450	450	2,375
Lands and Forests	896	17	17	17	17	17	85
Marine Resources	60	525	525	525	475	475	2,525
Operations	19,094	12,200	13,200	13,200	13,200	13,200	65,000
Recreation	268	0	0	0	0	0	0
Solid and Hazardous Waste Management	149,410	161,850	165,497	172,907	140,852	141,400	782,506
Solid Waste Management	16,050	14,152	11,431	7,272	4,633	3,329	40,817
Water Resources	261,755	257,569	242,399	238,717	221,785	227,622	1,188,092
Total	602,767	608,548	595,317	607,376	560,317	565,317	2,936,875
Fund Summary							
Cap Proj Fund - DEC Regular (Auth Bonds)	10,729	11,000	12,000	12,000	12,000	12,000	59,000
Cap Proj Fund - Onondaga Lake (Auth Bonds)	10,000	10,000	10,000	10,000	10,000	10,000	50,000
Cap Proj Fund - State Revolving Fund (Auth Bonds)	28,000	28,000	28,000	28,000	28,000	28,000	140,000
Capital Projects Fund	10,127	0	0	0	0	0	0
Capital Projects Fund - 1996 CWA (Bondable)	122,064	122,181	100,000	100,000	75,000	75,000	472,181
Capital Projects Fund - Advances	7,400	7,400	7,400	7,400	7,400	7,400	37,000
Capital Projects Fund - EQBA (Bondable)	3,000	3,000	3,000	3,000	3,000	3,000	15,000
Capital Projects Fund - EQBA 86 (Bondable)	60,000	60,000	50,000	47,059	0	0	157,059
Capital Projects Fund - PWBA (Bondable)	1,200	1,200	1,200	1,200	1,200	1,200	6,000
Clean Water Clean Air Implementation Fund	2,527	1,050	0	0	0	0	1,050
Environmental Protection Fund	121,000	125,000	130,000	135,000	145,000	150,000	685,000
Federal Capital Projects Fund	142,500	142,500	142,500	142,500	142,500	142,500	712,500
Financial Security Fund	200	200	200	200	200	200	1,000
Forest Preserve Expansion Fund	20	17	17	17	17	17	85
Hazardous Waste Remedial Fund - Cleanup	68,000	81,000	95,000	105,000	120,000	120,000	521,000
Hazardous Waste Remedial Fund - Oversight & Assessment	15,000	15,000	15,000	15,000	15,000	15,000	75,000
Natural Resource Damages Fund	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Total	602,767	608,548	595,317	607,376	560,317	565,317	2,936,875

ENVIRONMENTAL FACILITIES CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Clean Water - Clean Air Implementation	292	292	0	0	0	0	292
Pipeline for Jobs Program	1,155	0	0	0	0	0	0
Total	1,447	292	0	0	0	0	292
Fund Summary							
Capital Projects Fund - Authority Bonds	1,155	0	0	0	0	0	0
Clean Water Clean Air Implementation Fund	292	292	0	0	0	0	292
Total	1,447	292	0	0	0	0	292

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Clean Water - Clean Air Implementation	292	0	0	0	0
Total	292	0	0	0	0
Fund Summary					
Clean Water Clean Air Implementation Fund	292	0	0	0	0
Total	292	0	0	0	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Clean Water - Clean Air Implementation	292	292	0	0	0	0	292
Pipeline for Jobs Program	7,405	0	0	0	0	0	0
Total	7,697	292	0	0	0	0	292
Fund Summary							
Capital Projects Fund - Authority Bonds	7,405	0	0	0	0	0	0
Clean Water Clean Air Implementation Fund	292	292	0	0	0	0	292
Total	7,697	292	0	0	0	0	292

HUDSON RIVER PARK TRUST
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Regional Development	55,643	5,000	0	0	0	0	5,000
Total	55,643	5,000	0	0	0	0	5,000
Fund Summary							
Capital Projects Fund - Advances	55,643	5,000	0	0	0	0	5,000
Total	55,643	5,000	0	0	0	0	5,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Regional Development	5,000	0	0	0	0
Total	5,000	0	0	0	0
Fund Summary					
Capital Projects Fund - Advances	5,000	0	0	0	0
Total	5,000	0	0	0	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Regional Development	30,000	25,000	25,000	12,710	0	0	62,710
Total	30,000	25,000	25,000	12,710	0	0	62,710
Fund Summary							
Capital Projects Fund - Advances	30,000	25,000	25,000	12,710	0	0	62,710
Total	30,000	25,000	25,000	12,710	0	0	62,710

PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Federal Capital Projects Fund	12,617	4,000	5,000	5,000	5,000	5,000	24,000
Maintenance and Improvement of Existing Facilities	84,092	65,450	35,250	35,805	35,805	35,805	208,115
Natural Heritage Trust	300	0	0	0	0	0	0
Outdoor Recreation	1,013	0	0	0	0	0	0
Parks EQBA	6,236	0	0	0	0	0	0
Total	104,258	69,450	40,250	40,805	40,805	40,805	232,115
Fund Summary							
Capital Projects Fund	955	0	0	0	0	0	0
Capital Projects Fund - EQBA 86 (Bondable)	6,236	0	0	0	0	0	0
Federal Capital Projects Fund	12,617	4,000	5,000	5,000	5,000	5,000	24,000
Fiduciary Funds - Misc. Combined Expendable Trust Fund	17,680	25,000	5,000	5,000	5,000	5,000	45,000
Misc. Capital Projects	3,795	1,750	1,200	1,200	1,200	1,200	6,550
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	61,962	38,700	29,050	29,605	29,605	29,605	156,565
Total	104,258	69,450	40,250	40,805	40,805	40,805	232,115

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Federal Capital Projects Fund	2,500	2,500	2,500	2,500	2,500
Maintenance and Improvement of Existing Facilities	31,050	31,050	31,605	31,605	31,605
Total	33,550	33,550	34,105	34,105	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	1,000	1,000	1,000	1,000	1,000
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000
State Parks Infrastructure Fund	29,050	29,050	29,605	29,605	29,605
Total	33,550	33,550	34,105	34,105	34,105

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Federal Capital Projects Fund	2,500	2,500	2,500	2,500	2,500	2,500	12,500
Maintenance and Improvement of Existing Facilities	24,000	24,000	24,000	24,500	24,500	24,500	121,500
Parks EQBA	3,775	1,185	861	0	0	0	2,046
Total	30,275	27,685	27,361	27,000	27,000	27,000	136,046
Fund Summary							
Capital Projects Fund - EQBA 86 (Bondable)	3,775	1,185	861	0	0	0	2,046
Federal Capital Projects Fund	2,500	2,500	2,500	2,500	2,500	2,500	12,500
Fiduciary Funds - Misc. Combined Expendable Trust Fund	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000	1,000	5,000
State Parks Infrastructure Fund	22,000	22,000	22,000	22,500	22,500	22,500	111,500
Total	30,275	27,685	27,361	27,000	27,000	27,000	136,046

ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT

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 20 major buildings and 108 other structures, the majority of which have a useful life of greater than ten years and are in good or fair overall condition.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Various State Fair Buildings	3 to 96 yrs.	66	43	19	128

For 2005-06, the Capital Plan supports $2 million in capital disbursements and a total of $3 million in new appropriations, of which $1 million is financed with a transfer 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 $8 million in disbursements will be made available for similar projects through 2009-10.

The 2005-06 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 the 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, provide accessibility for the disabled, and ensure public safety.

For 2005-06, the level of commitments projected in the Capital Plan is $2 million. Future year commitments are consistent with planned appropriation levels over the next five years.

ECONOMIC DEVELOPMENT AND OFFICE OF SCIENCE, TECHNOLOGY AND ACADEMIC RESEARCH

For 2005-06, the Capital Plan includes $250 million in new funding for the New York State Technology and Development Program to support priority high technology and economic development projects across the State, including $150 million for IBM, which along with six global technology giants including Sony, Toshiba, and Samsung, will invest $1.9 billion to build and operate the next generation semiconductor chip plant in East Fishkill. The 2005-06 Plan also includes an additional $90 million in new funding to support Operation SPUR – a bold new seven point plan that will provide greater opportunities for job creation and growth across Upstate New York and $300 million to support the New York Sports and Convention Center. In addition, a $350 million appropriation is included for the Javits Convention Center expansion project that was authorized in 2004-05. The Capital Plan also continues the $1.45 billion Centers of Excellence/Empire Opportunity Fund/Gen*NY*sis/RESTORE Program ("Regional Economic Growth Program") which is being administered by the Empire State Development Corporation and the Dormitory Authority. 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: $350 million for the New York State Economic Development Program authorized in 2004-05; $425 million for CEFAP authorized in 1997-98; $225 million for SIP authorized in 2000-01; $32 million for NYSTAR Capital Facilities Program authorized in 1999-00; $44 million for economic development projects in the Buffalo area authorized in 2000-01; $750,000 for 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.

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.

ERDA'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. The 2005-06 commitment level for on-going work at West Valley is $11 million.

ERDA's Capital Maintenance Plan indicates that the Western New York Service Center is approximately 37 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.

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 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 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 million in appropriations in 2005-06 to fund six housing capital programs:

- $29 million to the Low-Income Housing Trust Fund program to provide grants of up to $100,000 per unit to construct or renovate low-income apartment projects. The Capital Plan maintains 2005-06 funding levels for this program through 2009-10;
- $25 million to the Affordable Homeownership Development Program, which provides grants of up to $40,000 to low- and moderate-income households to assist in the acquisition or renovation of their homes. The Capital Plan maintains 2005-06 funding levels for this program through 2009-10;
- $13 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 2005-06 funding levels for this program through 2009-10;
- $7 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;
- $400,000 for the Housing Opportunities Program, which provides grants to low-income elderly homeowners for emergency home repairs. The Capital Plan maintains 2005-06 funding levels for this program through 2009-10; and
- $30 million to the Homeless Housing Assistance Program which is funded from OTDA, to not-for-profit corporations and municipalities to expand and improve the supply of permanent, transitional and emergency housing for homeless persons.

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 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 2005-06 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.

AGRICULTURE AND MARKETS, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
State Fair	4,339	3,000	3,000	3,000	3,000	3,000	15,000
Total	4,339	3,000	3,000	3,000	3,000	3,000	15,000
Fund Summary							
Capital Projects Fund	339	1,000	1,000	1,000	1,000	1,000	5,000
Misc. Capital Projects	4,000	2,000	2,000	2,000	2,000	2,000	10,000
Total	4,339	3,000	3,000	3,000	3,000	3,000	15,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
State Fair	2,000	2,000	2,000	2,000	2,000
Total	2,000	2,000	2,000	2,000	2,000
Fund Summary					
Capital Projects Fund	1,000	1,000	1,000	1,000	1,000
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000
Total	2,000	2,000	2,000	2,000	2,000

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
State Fair	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							
Capital Projects Fund	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Total	2,000	2,000	2,000	2,000	2,000	2,000	10,000

EMPIRE STATE DEVELOPMENT CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Economic Development	59,000	0	300,000	0	0	0	300,000
Regional Development	425,000	250,000	0	0	0	0	250,000
SPUR	0	90,000	0	0	0	0	90,000
Total	484,000	340,000	300,000	0	0	0	640,000
Fund Summary							
Cap Proj Fund - CEFAP (Direct Auth Bonds)	425,000	0	0	0	0	0	0
Cap Proj Fund - Downtown Buffalo (Auth Bonds)	44,000	0	0	0	0	0	0
Cap Proj Fund - High Tech Hudson Valley (Auth Bonds)	0	250,000	0	0	0	0	250,000
Cap Proj Fund - NYC Sports & Conv Ctr (Auth Bonds)	0	0	300,000	0	0	0	300,000
Cap Proj Fund - Stadium (Auth Bonds)	15,000	0	0	0	0	0	0
Cap Proj Fund - SPUR (Auth Bonds)	0	90,000	0	0	0	0	90,000
Total	484,000	340,000	300,000	0	0	0	640,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Economic Development	0	50,000	150,000	100,000	0
Regional Development	190,200	74,500	101,200	26,000	25,800
Total	190,200	124,500	251,200	126,000	25,800
Fund Summary					
Cap Proj Fund - CEFAP (Direct Auth Bonds)	8,200	7,500	6,200	6,000	5,800
Cap Proj Fund - Downtown Buffalo (Auth Bonds)	22,000	22,000	0	0	0
Cap Proj Fund - High Tech Hudson Valley (Auth Bonds)	150,000	25,000	75,000	0	0
Cap Proj Fund - NYC Sports & Conv Ctr (Auth Bonds)	0	50,000	150,000	100,000	0
Cap Proj Fund - SPUR (Auth Bonds)	10,000	20,000	20,000	20,000	20,000
Total	190,200	124,500	251,200	126,000	25,800

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Economic Development	14,000	29,000	72,000	150,000	100,000	0	351,000
Regional Development	8,000	158,200	32,500	81,200	6,000	5,800	283,700
SPUR	0	10,000	20,000	20,000	20,000	20,000	90,000
Total	22,000	197,200	124,500	251,200	126,000	25,800	724,700
Fund Summary							
Cap Proj Fund - CEFAP (Direct Auth Bonds)	8,000	8,200	7,500	6,200	6,000	5,800	33,700
Cap Proj Fund - Downtown Buffalo (Auth Bonds)	6,000	22,000	22,000	0	0	0	44,000
Cap Proj Fund - High Tech Hudson Valley (Auth Bonds)	0	150,000	25,000	75,000	0	0	250,000
Cap Proj Fund - NYC Sports & Conv Ctr (Auth Bonds)	0	0	50,000	150,000	100,000	0	300,000
Cap Proj Fund - Stadium (Auth Bonds)	8,000	7,000	0	0	0	0	7,000
Cap Proj Fund - SPUR (Auth Bonds)	0	10,000	20,000	20,000	20,000	20,000	90,000
Total	22,000	197,200	124,500	251,200	126,000	25,800	724,700

ECONOMIC DEVELOPMENT CAPITAL
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Regional Development	1,450,000	0	0	0	0	0	0
Total	1,450,000	0	0	0	0	0	0
Fund Summary							
Cap Proj Fund - Reg Econ Dev (Direct Auth Bonds)	1,450,000	0	0	0	0	0	0
Total	1,450,000	0	0	0	0	0	0

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Regional Development	218,000	165,000	215,000	230,000	230,000
Total	218,000	165,000	215,000	230,000	230,000
Fund Summary					
Cap Proj Fund - Reg Econ Dev (Direct Auth Bonds)	218,000	165,000	215,000	230,000	230,000
Total	218,000	165,000	215,000	230,000	230,000

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Regional Development	150,000	218,000	165,000	215,000	230,000	230,000	1,058,000
Total	150,000	218,000	165,000	215,000	230,000	230,000	1,058,000
Fund Summary							
Cap Proj Fund - Reg Econ Dev (Direct Auth Bonds)	150,000	218,000	165,000	215,000	230,000	230,000	1,058,000
Total	150,000	218,000	165,000	215,000	230,000	230,000	1,058,000

STRATEGIC INVESTMENT PROGRAM
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Strategic Investment Program	225,000	0	0	0	0	0	0
Total	225,000	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Authority Bonds	225,000	0	0	0	0	0	0
Total	225,000	0	0	0	0	0	0

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Strategic Investment Program	14,500	15,000	15,500	14,200	14,000
Total	14,500	15,000	15,500	14,200	14,000
Fund Summary					
Capital Projects Fund - Authority Bonds	14,500	15,000	15,500	14,200	14,000
Total	14,500	15,000	15,500	14,200	14,000

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Strategic Investment Program	14,000	14,500	15,000	15,500	14,200	14,000	73,200
Total	14,000	14,500	15,000	15,500	14,200	14,000	73,200
Fund Summary							
Capital Projects Fund - Authority Bonds	14,000	14,500	15,000	15,500	14,200	14,000	73,200
Total	14,000	14,500	15,000	15,500	14,200	14,000	73,200

ECONOMIC DEVELOPMENT AND NATURAL RESOURCE PRESERVATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Economic Development	750	0	0	0	0	0	0
Total	750	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Authority Bonds	750	0	0	0	0	0	0
Total	750	0	0	0	0	0	0

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Economic Development	375	0	0	0	0
Total	375	0	0	0	0
Fund Summary					
Capital Projects Fund - Authority Bonds	375	0	0	0	0
Total	375	0	0	0	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Economic Development	375	375	0	0	0	0	375
Total	375	375	0	0	0	0	375
Fund Summary							
Capital Projects Fund - Authority Bonds	375	375	0	0	0	0	375
Total	375	375	0	0	0	0	375

SCIENCE, TECHNOLOGY AND ACADEMIC RESEARCH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Research Facilities	32,254	0	0	0	0	0	0
Total	32,254	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Authority Bonds	32,254	0	0	0	0	0	0
Total	32,254	0	0	0	0	0	0

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Research Facilities	17,700	0	0	0	0
Total	17,700	0	0	0	0
Fund Summary					
Capital Projects Fund - Authority Bonds	17,700	0	0	0	0
Total	17,700	0	0	0	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Research Facilities	17,488	17,700	0	0	0	0	17,700
Total	17,488	17,700	0	0	0	0	17,700
Fund Summary							
Capital Projects Fund	2,000	0	0	0	0	0	0
Capital Projects Fund - Authority Bonds	15,488	17,700	0	0	0	0	17,700
Total	17,488	17,700	0	0	0	0	17,700

ECONOMIC DEVELOPMENT PROGRAM, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
New York State Economic Development Program	350,000	0	0	0	0	0	0
Total	350,000	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Authority Bonds	350,000	0	0	0	0	0	0
Total	350,000	0	0	0	0	0	0

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
New York State Economic Development Program	5,000	75,000	120,000	150,000	0
Total	5,000	75,000	120,000	150,000	0
Fund Summary					
Capital Projects Fund - Authority Bonds	5,000	75,000	120,000	150,000	0
Total	5,000	75,000	120,000	150,000	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
New York State Economic Development Program	0	5,000	75,000	120,000	150,000	0	350,000
Total	0	5,000	75,000	120,000	150,000	0	350,000
Fund Summary							
Capital Projects Fund - Authority Bonds	0	5,000	75,000	120,000	150,000	0	350,000
Total	0	5,000	75,000	120,000	150,000	0	350,000

JAVITS CONVENTION CENTER PROGRAM, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Jacob Javits Convention Center	0	350,000	0	0	0	0	350,000
Total	0	350,000	0	0	0	0	350,000
Fund Summary							
Capital Projects Fund - Authority Bonds	0	350,000	0	0	0	0	350,000
Total	0	350,000	0	0	0	0	350,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Jacob Javits Convention Center	50,000	75,000	150,000	75,000	0
Total	50,000	75,000	150,000	75,000	0
Fund Summary					
Capital Projects Fund - Authority Bonds	50,000	75,000	150,000	75,000	0
Total	50,000	75,000	150,000	75,000	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Jacob Javits Convention Center	0	50,000	75,000	150,000	75,000	0	350,000
Total	0	50,000	75,000	150,000	75,000	0	350,000
Fund Summary							
Capital Projects Fund - Authority Bonds	0	50,000	75,000	150,000	75,000	0	350,000
Total	0	50,000	75,000	150,000	75,000	0	350,000

ENERGY RESEARCH AND DEVELOPMENT AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Western New York Nuclear Service Center Program	0	11,350	11,350	11,350	11,350	11,350	56,750
Total	0	11,350	11,350	11,350	11,350	11,350	56,750
Fund Summary							
Capital Projects Fund - Authority Bonds	0	11,350	11,350	11,350	11,350	11,350	56,750
Total	0	11,350	11,350	11,350	11,350	11,350	56,750

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Western New York Nuclear Service Center Program	11,350	11,350	11,350	11,350	11,350
Total	11,350	11,350	11,350	11,350	11,350
Fund Summary					
Capital Projects Fund - Authority Bonds	11,350	11,350	11,350	11,350	11,350
Total	11,350	11,350	11,350	11,350	11,350

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Clean Water - Clean Air Implementation	117	0	0	0	0	0	0
Western New York Nuclear Service Center Program	11,350	11,350	11,350	11,350	11,350	11,350	56,750
Total	11,467	11,350	11,350	11,350	11,350	11,350	56,750
Fund Summary							
Capital Projects Fund - Authority Bonds	11,350	11,350	11,350	11,350	11,350	11,350	56,750
Clean Water Clean Air Implementation Fund	117	0	0	0	0	0	0
Total	11,467	11,350	11,350	11,350	11,350	11,350	56,750

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Affordable Housing Corporation	86,950	25,000	25,000	25,000	25,000	25,000	125,000
Homes for Working Families Program	15,250	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	400	400	400	400	400	400	2,000
Housing Program Capital Improvement	19,720	0	0	0	0	0	0
Low Income Housing Trust Fund	106,288	29,000	29,000	29,000	29,000	29,000	145,000
Maintenance and Improvements of Existing Facilities	7,452	0	0	0	0	0	0
New Facilities	32,256	0	0	0	0	0	0
Public Housing Modernization Program	66,838	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	353,831	74,200	74,200	74,200	74,200	74,200	371,000
Fund Summary							
Capital Projects Fund	20,945	0	0	0	0	0	0
Federal Capital Projects Fund	31,031	0	0	0	0	0	0
Housing Assistance Fund	11,333	0	0	0	0	0	0
Housing Program Fund	283,178	74,200	74,200	74,200	74,200	74,200	371,000
State Housing Bond Fund	7,344	0	0	0	0	0	0
Total	353,831	74,200	74,200	74,200	74,200	74,200	371,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
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
Public Housing Modernization Program	12,800	12,800	12,800	12,800	12,800
Total	74,200	74,200	74,200	74,200	74,200
Fund Summary					
Housing Program Fund	74,200	74,200	74,200	74,200	74,200
Total	74,200	74,200	74,200	74,200	74,200

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Affordable Housing Corporation	25,000	25,000	25,000	25,000	25,000	25,000	125,000
Homes for Working Families Program	7,000	7,000	7,000	7,000	7,000	7,000	35,000
Housing Assistance Fund	4,000	0	0	0	0	0	0
Housing Opportunity Program For Elderly	400	400	400	400	400	400	2,000
Low Income Housing Trust Fund	30,749	28,501	29,000	29,000	29,000	29,000	144,501
New Facilities	4,000	4,575	4,550	4,000	4,000	4,000	21,125
Public Housing Modernization Program	12,301	13,299	12,800	12,800	12,800	12,800	64,499
Total	83,450	78,775	78,750	78,200	78,200	78,200	392,125
Fund Summary							
Capital Projects Fund	0	575	550	0	0	0	1,125
Federal Capital Projects Fund	4,000	4,000	4,000	4,000	4,000	4,000	20,000
Housing Assistance Fund	4,000	0	0	0	0	0	0
Housing Program Fund	75,450	74,200	74,200	74,200	74,200	74,200	371,000
Total	83,450	78,775	78,750	78,200	78,200	78,200	392,125

HEALTH AND SOCIAL WELFARE

Capital projects spending for this category includes OCFS, DOH, and OTDA. These agencies' capital plans support programs that provide critical services to maintain the quality of life for the people of New York State.

OFFICE OF CHILDREN AND FAMILY SERVICES

OCFS operates 37 residential youth facilities and 8 non-residential programs which serve nearly 2,000 youth, ages 7 to 21. These facilities operate at a variety of security levels which range from secure centers, primarily housing juvenile offenders who were tried as adults, to community-based residences. The OCFS Capital Plan reflects the State's continued commitment to ensure that housing, program, and support space remain 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 OCFS to maintain the community house within the Tonawanda Indian Reservation. This year's plan provides additional funding necessary to maintain the community house that was built in 1936.

The OCFS capital program is funded from the Capital Projects Fund, the Youth Facilities Improvement Fund, and the Miscellaneous Capital Projects Fund. Disbursements from the Youth Facilities Improvement Fund and the Child Care Facilities Development Project are reimbursed by bond proceeds.

Recommended disbursements of $87 million are projected to support the OCFS Five-Year Plan for capital maintenance and improvement activities including $74 million for facility rehabilitation and improvement projects/security enhancements and $13 million for environmental compliance projects. Disbursements also reflect minor updates as well as the transfer of $9 million in spending for the Child Care Facilities Development Program to DASNY which issues the bonds that reimburse program spending. The capital plan also projects $11 million in fiscal year 2005-06 contract commitments, reflecting no change from 2004-05 projected levels.

In 2005-06, the OCFS 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 OCFS facilities and group homes with information regarding age and condition.

Capital Asset Group	Age Range	Condition Good	Fair	Poor	Total
Secure Facilities	20-40	1	2	0	3
Limited/Non-Secure Facilities	7-90	5	6	2	13
Newer 25 Bed Facilities	8-10	4	0	0	4
Older 25 Bed Facilities	30-40	0	12	0	12
Group Homes	30-40	0	5	0	5
	Total	10	25	2	37

DEPARTMENT OF HEALTH

The focus of DOH's 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. Also included in the capital program Plan for DOH is $1 billion for a new Health Care System Capital Improvement Program.

In January 1999, pursuant to State statute and 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.

DOH's Capital Program includes $1.4 billion in new appropriations over the next five years, including $250 million in 2005-06 for a new Health Care System Improvement Capital Grant Program. The Program will support healthcare projects to upgrade information and healthcare technology, enhance the efficiency of facility operations and support facility improvement, reconfiguration and consolidation. Three-quarters of this funding, or $750 million, would be financed with State-supported bonds, with debt service funded in the Health Care Reform Act (HCRA). It is projected that $455 million will be spent during the plan period, of which $296 million will be bond-financed.

For 2005-06 DOH's Capital Program includes both ongoing and new projects to address major capital needs with estimated total disbursements of $78 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 2005-06.

Furthermore, a bond-financed State reappropriation of $21 million is recommended in 2005-06 for the State share of a new $60 million Veterans Nursing Home at Oxford. DOH is seeking Federal funds to finance the balance of the project costs. Oxford is the oldest of the State's four Veterans homes and the proposed 242-bed home will replace the existing 25-year old facility.

The Department's capital program is financed by Federal grants, the State's General Fund, and authority bond proceeds. Disbursements are estimated at $828 million over the five-year plan — including $325 million from Federal funds; $186 million from the General Fund for capital maintenance; and $317 million in advance of reimbursement through bond proceeds. In addition, Debt Service on outstanding institutional DASNY Bonds will continue to be supported by patient care revenues.

The Department's goals are to ensure a safe environment, preserve infrastructure and related equipment and to promote energy efficiency. The Capital Asset Maintenance Plan preserves the useful life of DOH's facilities.

The following table identifies the capital asset group, age and condition of DOH's facilities:

Capital Asset Group	Age Range	Condition Good	Fair	Poor	Total
Helen Hayes Hospital	24-102	4	10	5	19
Wadsworth Center for Laboratories and Research	4-55	6	16	0	22
Veteran's Nursing Homes:					
Oxford	1-100	2	2	3	7
St. Albans	12	1	0	0	1
Batavia	10	1	0	0	1
Montrose	4	1	0	0	1
	Total	15	28	8	51

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

OTDA administers 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 $572 million in HHAP funding has resulted in more than 500 capital projects statewide and a projected 11,000 housing units for the homeless. HHAP also links its projects to other State and Federal funding sources to deliver appropriate support services to help tenants move towards greater self-determination and economic self-sufficiency.

The State Fiscal Year 2005-06 Capital Plan maintains the HHAP commitment level at $30 million, including $5 million for the development of housing for persons with HIV or AIDS.

CHILDREN AND FAMILY SERVICES OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Child Care Facilities Development Program	8,724	0	0	0	0	0	0
Design and Construction Supervision	5,772	5,000	2,000	2,000	2,000	2,000	13,000
Executive Direction and Administrative Services	3,083	0	0	0	0	0	0
Maintenance and Improvement of Facilities	50,387	16,927	9,000	9,000	8,500	9,000	52,427
Program Improvement or Program Change	6,215	2,000	3,000	3,000	3,500	3,000	14,500
Youth Center	5,499	0	0	0	0	0	0
Total	79,680	23,927	14,000	14,000	14,000	14,000	79,927
Fund Summary							
Capital Projects Fund	13,683	1,325	1,000	1,000	1,000	1,000	5,325
Capital Projects Fund - Authority Bonds	8,724	0	0	0	0	0	0
Misc. Capital Projects	2,822	0	0	0	0	0	0
Youth Facilities Improvement Fund	54,451	22,602	13,000	13,000	13,000	13,000	74,602
Total	79,680	23,927	14,000	14,000	14,000	14,000	79,927

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Design and Construction Supervision	2,000	2,000	2,000	2,000	2,000
Maintenance and Improvement of Facilities	6,000	9,000	9,000	9,000	9,000
Program Improvement or Program Change	3,000	3,000	3,000	3,000	3,000
Total	11,000	14,000	14,000	14,000	14,000
Fund Summary					
Capital Projects Fund	1,000	1,000	1,000	1,000	1,000
Youth Facilities Improvement Fund	10,000	13,000	13,000	13,000	13,000
Total	11,000	14,000	14,000	14,000	14,000

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Design and Construction Supervision	3,000	3,000	3,000	3,000	3,000	2,600	14,600
Executive Direction and Administrative Services	1,000	400	400	0	0	0	800
Maintenance and Improvement of Facilities	10,291	11,966	12,000	12,000	12,000	12,200	60,166
Program Improvement or Program Change	1,770	1,740	1,730	1,620	1,500	1,200	7,790
Youth Center	1,000	1,161	700	500	500	1,000	3,861
Total	17,061	18,267	17,830	17,120	17,000	17,000	87,217
Fund Summary							
Capital Projects Fund	3,005	4,365	2,630	2,000	2,000	2,000	12,995
Misc. Capital Projects	1,000	400	400	0	0	0	800
Youth Facilities Improvement Fund	13,056	13,502	14,800	15,120	15,000	15,000	73,422
Total	17,061	18,267	17,830	17,120	17,000	17,000	87,217

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Design and Construction Supervision	452	0	0	0	0	0	0
Health Care System Improvements	0	250,000	250,000	250,000	250,000	0	1,000,000
Laboratories and Research	12,688	4,000	4,000	4,000	4,000	4,000	20,000
Maintenance and Improvements of Existing Institutions	31,693	7,600	7,600	7,600	7,600	7,600	38,000
New Institution Construction	41,000	0	0	0	0	0	0
Rehabilitation and Improvements	465	0	0	0	0	0	0
Water Resources	137,793	65,000	65,000	65,000	65,000	65,000	325,000
Total	224,091	326,600	326,600	326,600	326,600	76,600	1,383,000
Fund Summary							
Capital Projects Fund	45,298	76,600	76,600	76,600	66,600	11,600	308,000
Capital Projects Fund - Advances	41,000	185,000	185,000	185,000	195,000	0	750,000
Federal Capital Projects Fund	137,793	65,000	65,000	65,000	65,000	65,000	325,000
Total	224,091	326,600	326,600	326,600	326,600	76,600	1,383,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Health Care System Improvements	6,500	34,750	78,750	131,250	204,250
Laboratories and Research	2,000	2,500	2,500	2,500	2,500
Maintenance and Improvements of Existing Institutions	3,000	3,000	3,000	3,000	2,500
New Institution Construction	1,400	8,750	8,750	2,100	0
Water Resources	65,000	65,000	65,000	65,000	65,000
Total	77,900	114,000	158,000	203,850	274,250
Fund Summary					
Capital Projects Fund	11,500	21,750	38,000	44,250	70,500
Capital Projects Fund - Advances	1,400	27,250	55,000	94,600	138,750
Federal Capital Projects Fund	65,000	65,000	65,000	65,000	65,000
Total	77,900	114,000	158,000	203,850	274,250

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Health Care System Improvements	0	6,500	34,750	78,750	131,250	203,750	455,000
Laboratories and Research	1,550	2,400	2,000	1,800	200	1,040	7,440
Maintenance and Improvements of Existing Institutions	3,950	2,600	3,500	3,700	5,300	4,003	19,103
New Institution Construction	0	1,400	8,750	8,750	2,100	0	21,000
Rehabilitation and Improvements	0	0	0	0	0	457	457
Water Resources	65,000	65,000	65,000	65,000	65,000	65,000	325,000
Total	70,500	77,900	114,000	158,000	203,850	274,250	828,000
Fund Summary							
Capital Projects Fund	5,500	11,500	21,750	38,000	44,250	70,500	186,000
Capital Projects Fund - Advances	0	1,400	27,250	55,000	94,600	138,750	317,000
Federal Capital Projects Fund	65,000	65,000	65,000	65,000	65,000	65,000	325,000
Total	70,500	77,900	114,000	158,000	203,850	274,250	828,000

TEMPORARY AND DISABILITY ASSISTANCE, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Supported Housing Program	136,789	30,000	30,000	30,000	30,000	30,000	150,000
Total	136,789	30,000	30,000	30,000	30,000	30,000	150,000
Fund Summary							
Housing Program Fund	136,789	30,000	30,000	30,000	30,000	30,000	150,000
Total	136,789	30,000	30,000	30,000	30,000	30,000	150,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
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 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Supported Housing Program	40,000	53,000	34,000	30,000	30,000	30,000	177,000
Total	40,000	53,000	34,000	30,000	30,000	30,000	177,000
Fund Summary							
Housing Program Fund	40,000	53,000	34,000	30,000	30,000	30,000	177,000
Total	40,000	53,000	34,000	30,000	30,000	30,000	177,000

EDUCATION

Capital planning is vital to the teaching, research and public service missions of both the SUNY and CUNY systems. Capital Plans ensure that facilities are appropriately designed and constructed to meet current and future University needs, and provide a safe and healthy environment for students, faculty and staff. SED's ongoing capital programs encompass the Department's various administrative offices and the rehabilitation of schools for the deaf, the blind and Native Americans. Also included in the capital recommendations for SED is a new Public Broadcasting Facilities Assistance Program.

STATE UNIVERSITY OF NEW YORK

SUNY is the largest public university system in the nation, with 64 campuses (including 30 community colleges) serving over 413,000 students. The goal of SUNY's capital program is to provide and preserve the physical infrastructure needed for the education of SUNY students.

The 34 State-operated SUNY 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 building condition surveys and the development of facility master plans for each campus to identify new construction and rehabilitation projects. For State-operated colleges, these plans are then developed into a system-wide, five-year University Master Capital Plan approved by the SUNY Board of Trustees. For community colleges, master plans are submitted to the local Boards of Trustees. The Trustees then select priority projects for inclusion in SUNY's capital budget request.

The 2005-06 Executive Budget recommendations include additional capital projects totaling $234 million to supplement the $1.8 billion Five-Year Capital Investment Program enacted in 2004-05. The additional $234 million consists of a $50 million lump sum for critical health and safety, preservation and other priority projects and $184 million for specific priority projects including: $75 million for the Albany (ASML) High Tech Center; $27 million for the Buffalo University School of Pharmacy; $20 million for construction at Empire State College; $18 million in State matching funds for the Monroe Community College/Rochester City Center Renaissance Square project; $15 million in State matching funds for the Orange County Community College Newburgh Campus project; $14 million for a new heating system at Fredonia; $9 million to supplement the Cornell Martha Van Rensselaer project; $5 million for a new power substation at SUNY Albany's Center for Environmental Sciences and Technology Management (CESTM); $1 million for the Agricultural Experimental Station at Cornell; and $0.4 million for improvements to the Long Island Veterans' Home.

In 2004-05, the University received authorization for a new Five-Year Capital Investment Program providing nearly $1.8 billion over the next four years to respond to the needs and priorities of SUNY State-operated campuses. The $1.8 billion program, combined with $234.4 million recommended in 2005-06 and the $895 million enacted as part of the 2003-04 capital budget, provides over $2.9 billion for SUNY over a multi-year period. This continuing investment will support a revitalization of SUNY facilities, ensure the ability of campuses to successfully meet the needs of its students, faculty and researchers, and enable the University to maintain its competitive edge.

Major components of SUNY's capital program include:

- Campus core projects to meet critical health, safety and preservation needs and respond to new and changing academic requirements.
- Technology and campus development projects to promote innovative ways of teaching and learning.
- 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.
- Residence hall projects for both new and renovated facilities.
- Supplementation of the State-supported capital program using non-State funds obtained through grants or gifts.
- Selected new facilities to meet critical campus needs.
- University-wide lump sums to provide for unanticipated critical maintenance needs and capital equipment for new or renovated facilities.

SUNY's Five-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, a significant portion of the capital funding for State-operated colleges will be spent on preservation and rehabilitation needs.

For 2005-06, contract commitments are projected to reach $495 million reflecting activity levels consistent with the awarding of construction contracts for all facilities. Total disbursements for both the State-operated and community colleges are estimated at $515 million in 2005-06, are expected to increase to $543 million in 2006-07 and then decline slightly to reflect anticipated commitment levels. Disbursements also reflect estimated off-budget expenditures such as those for bonded community college projects and residence halls. Future disbursements are expected to remain relatively level until such time as a new multi-year capital plan is enacted.

CITY UNIVERSITY OF NEW YORK

The physical plant of CUNY is comprised of 11 senior colleges, 6 community colleges, a graduate center, law school and Central Administration, serving more than 219,000 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 DASNY and CUNY. New construction projects generally reflect the CUNY Board of Trustees' policy to replace leased and temporary facilities with new, University-owned structures.

Major projects at CUNY senior and community colleges are supported by bonds issued by DASNY. 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 Governor's proposed $1.1 billion CUNY senior college capital plan for the period 2004-05 through 2008-09 was enacted as part of the 2004-05 budget. The Five-Year Capital Investment Program provides for facility and infrastructure improvements 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 Brooklyn College.

The Governor's proposed $55 million community college capital plan for the period 2003-04 through 2007-08 was enacted as part of the 2003-04 budget, along with $97 million in senior college and $64 million in community college capital reappropriations from the prior multi-year plan. The newly enacted $1.1 billion CUNY senior college Capital Plan, when combined with the previously enacted $55 million for community colleges, provides nearly $1.2 billion for CUNY over a six-year period.

The 2005-06 Executive Budget’s capital recommendations supplement the current $1.1 billion Five Year Investment Program for senior colleges and the $55 million community college capital program with: an additional $42 million lump sum for critical health and safety, preservation, and handicapped access projects at senior and community colleges; $20 million in funding for the rebuilding of Fiterman Hall at the Borough of Manhattan Community College; $15 million in matching funds for Governors Island; $10 million for City College’s Marshak Building; and nearly $3 million for preliminary planning for the renovation of Brooklyn College’s Roosevelt Hall. CUNY’s bond cap will be increased by $120 million to cover CUNY’s new 2005-06 capital appropriations, for a total bonding authorization of $4.7 billion.

For 2005-06, contract commitments are projected to reach $362 million, reflecting activity levels consistent with the awarding of construction contracts for CUNY facilities. Total disbursements for both the senior and community colleges are estimated at $342 million in 2005-06, and are expected to be adjusted through 2009-10 to reflect anticipated commitment levels.

HIGHER EDUCATION FACILITIES CAPITAL MATCHING GRANTS PROGRAM

Recommendations for 2005-06 include a new $250 million Higher Education Capital Matching Grant Program for both public and private colleges in New York. Under this program, $150 million will be awarded on a competitive basis to public and private colleges and $100 million will be awarded to private colleges based on enrollment size and the college’s relative student financial need, as measured by total awards provided through the Tuition Assistance Program. This program will require a three-to-one (non-State-to-State) match by institutions.

Grants will be awarded by a new Higher Education Capital Matching Grant Board consisting of seven members appointed by the Governor. Grants may only be used for new capital projects and will be targeted for priority categories that include economic development/high technology projects (including wet labs), critical academic facilities, and urban renewal/historic preservation.

For 2005-06, commitments are projected to be $20 million reflecting the start up of the new program. From 2005-06 until 2007-08, commitments are projected to increase reaching a high of $80 million in 2007-08. Commitments are then projected to taper off until 2009-10 when they are estimated to be $40 million. Disbursements are expected to follow the same pattern as commitments.

This program would leverage over $750 million in external funds to match the State’s $250 million investment, thereby providing for a combined capital program totaling $1 billion. The State’s share of the program will be financed through the issuance of bonds.

STATE EDUCATION DEPARTMENT

SED'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.

Under the Capital Plan, the 2005-06 Executive Budget includes Capital Projects Fund appropriations of $19 million with disbursements projected to total $10 million.

For fiscal year 2005-06, the projected level of contract commitments is $9.0 million. Projects previously funded are being designed and awarded as anticipated.

The Capital Plan will enable SED to maintain and preserve their assets, ensure health and safety of staff, students and the general public, and reduce dependence on leased space by maximizing the effective use of State-owned buildings.

In addition, a new $15 million Public Broadcasting Facilities Assistance Program will be established to award bonded matching grants to New York's public broadcasting stations to help them acquire and develop facilities and equipment, and keep up with new and costly technology, especially in light of an FCC mandate that all public television stations complete their conversion to digital technology by May 2006. Funding for capital improvement projects from the new Public Broadcasting Facilities Assistance Program will be available over a two-year period from 2005-06 through 2006-07.

STATE UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Maintenance and Improvements	3,877,024	234,400	0	0	225,000	150,000	609,400
New Facilities	19,666	0	0	0	0	0	0
Total	3,896,690	234,400	0	0	225,000	150,000	609,400
Fund Summary							
Cap Proj Fund - SUNY CC (Direct Auth Bonds)	350,000	0	0	0	175,000	0	175,000
Capital Projects Fund	97,211	0	0	0	0	0	0
Capital Projects Fund - Advances	2,539,462	234,400	0	0	0	0	234,400
State University Capital Projects Fund	255,993	0	0	0	0	0	0
State University Residence Hall Rehabilitation Fund	164,024	0	0	0	0	100,000	100,000
SUNY Dorms (Direct Auth Bonds)	490,000	0	0	0	50,000	50,000	100,000
Total	3,896,690	234,400	0	0	225,000	150,000	609,400

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Maintenance and Improvements	420,000	435,000	360,000	360,000	346,300
New Facilities	75,000	48,000	48,000	70,000	45,000
Total	495,000	483,000	408,000	430,000	391,300
Fund Summary					
Cap Proj Fund - SUNY CC (Direct Auth Bonds)	20,000	20,000	20,000	20,000	20,000
Capital Projects Fund	21,000	22,000	0	0	0
Capital Projects Fund - Advances	260,000	295,000	340,000	360,000	346,300
State University Capital Projects Fund	20,000	20,000	20,000	20,000	0
State University Residence Hall Rehabilitation Fund	24,000	26,000	28,000	30,000	25,000
SUNY Dorms (Direct Auth Bonds)	150,000	100,000	0	0	0
Total	495,000	483,000	408,000	430,000	391,300

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Maintenance and Improvements	472,000	515,000	543,000	465,000	497,000	506,400	2,526,400
Total	472,000	515,000	543,000	465,000	497,000	506,400	2,526,400
Fund Summary							
Cap Proj Fund - SUNY CC (Direct Auth Bonds)	40,000	40,000	40,000	40,000	40,000	40,000	200,000
Capital Projects Fund	30,000	26,000	22,000	12,000	12,000	12,000	84,000
Capital Projects Fund - Advances	220,000	265,000	295,000	335,000	355,000	364,400	1,614,400
State University Capital Projects Fund	10,000	10,000	10,000	10,000	10,000	10,000	50,000
State University Residence Hall Rehabilitation Fund	22,000	24,000	26,000	28,000	30,000	30,000	138,000
SUNY Dorms (Direct Auth Bonds)	150,000	150,000	150,000	40,000	50,000	50,000	440,000
Total	472,000	515,000	543,000	465,000	497,000	506,400	2,526,400

CITY UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Maintenance and Improvements	1,335,758	89,000	0	0	0	248,000	337,000
New Facilities	352,300	0	0	0	0	0	0
Program Changes and Expansion	2,308	0	0	0	0	0	0
Total	1,690,366	89,000	0	0	0	248,000	337,000
Fund Summary							
Cap Proj Fund - CUNY (Direct Auth Bonds)	1,617,946	89,000	0	0	0	248,000	337,000
Capital Projects Fund	70,454	0	0	0	0	0	0
City University of New York Capital Projects Fund	1,966	0	0	0	0	0	0
Total	1,690,366	89,000	0	0	0	248,000	337,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Maintenance and Improvements	362,298	433,315	419,697	207,499	60,000
Total	362,298	433,315	419,697	207,499	60,000
Fund Summary					
Cap Proj Fund - CUNY (Direct Auth Bonds)	44,143	32,103	8,244	4,709	50,000
Capital Projects Fund	10,000	10,000	10,000	10,000	10,000
Capital Projects Fund - Advances	308,155	391,212	401,453	192,790	0
Total	362,298	433,315	419,697	207,499	60,000

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Maintenance and Improvements	8,899	318,776	417,589	390,043	191,828	59,855	1,378,091
New Facilities	120,000	23,154	27,709	30,576	15,711	0	97,150
Program Changes and Expansion	201	0	0	88	0	1,500	1,588
Total	129,100	341,930	445,298	420,707	207,539	61,355	1,476,829
Fund Summary							
Cap Proj Fund - CUNY (Direct Auth Bonds)	120,000	332,830	436,198	411,607	198,439	52,255	1,431,329
Capital Projects Fund	9,100	9,100	9,100	9,100	9,100	9,100	45,500
Total	129,100	341,930	445,298	420,707	207,539	61,355	1,476,829

HIGHER EDUCATION FACILITIES CAPITAL MATCHING GRANTS PROGRAM
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Higher Education Capital Matching Grants	0	250,000	0	0	0	0	250,000
Total	0	250,000	0	0	0	0	250,000
Fund Summary							
Capital Projects Fund - Authority Bonds	0	250,000	0	0	0	0	250,000
Total	0	250,000	0	0	0	0	250,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Higher Education Capital Matching Grants	20,000	60,000	80,000	50,000	40,000
Total	20,000	60,000	80,000	50,000	40,000
Fund Summary					
Capital Projects Fund - Authority Bonds	20,000	60,000	80,000	50,000	40,000
Total	20,000	60,000	80,000	50,000	40,000

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Higher Education Capital Matching Grants	0	20,000	60,000	80,000	50,000	40,000	250,000
Total	0	20,000	60,000	80,000	50,000	40,000	250,000
Fund Summary							
Capital Projects Fund - Authority Bonds	0	20,000	60,000	80,000	50,000	40,000	250,000
Total	0	20,000	60,000	80,000	50,000	40,000	250,000

EDUCATION DEPARTMENT, STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Administration	4,048	1,000	3,630	3,630	3,630	4,000	15,890
Capital Transition Grants	80,000	0	0	0	0	0	0
Cultural Education Center	11,549	0	0	0	0	0	0
Education Building	1,824	0	0	0	0	0	0
Public Broadcasting Facilities	0	15,000	0	0	0	0	15,000
School for the Blind	1,478	3,000	0	0	0	0	3,000
School for the Deaf	2,919	0	0	0	0	0	0
Schools For Native American Reservations	7,059	0	0	0	0	0	0
Washington Avenue Armory	100	0	0	0	0	0	0
Total	108,977	19,000	3,630	3,630	3,630	4,000	33,890
Fund Summary							
Cap Proj Fund - Transition Grants (Auth Bonds)	80,000	0	0	0	0	0	0
Capital Projects Fund	22,132	4,000	3,630	3,630	3,630	4,000	18,890
Capital Projects Fund - Advances	6,845	0	0	0	0	0	0
Capital Projects Fund - Authority Bonds	0	15,000	0	0	0	0	15,000
Total	108,977	19,000	3,630	3,630	3,630	4,000	33,890

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Administration	1,000	3,630	3,630	3,630	4,000
Public Broadcasting Facilities	5,000	10,000	0	0	0
School for the Blind	3,000	0	0	0	0
Total	9,000	13,630	3,630	3,630	4,000
Fund Summary					
Capital Projects Fund	4,000	3,630	3,630	3,630	4,000
Capital Projects Fund - Authority Bonds	5,000	10,000	0	0	0
Total	9,000	13,630	3,630	3,630	4,000

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Administration	1,064	731	1,079	1,830	3,630	2,930	10,200
Capital Transition Grants	75,000	0	0	0	0	0	0
Cultural Education Center	1,330	900	483	0	0	0	1,383
Education Building	41	299	0	0	0	900	1,199
Public Broadcasting Facilities	0	5,000	10,000	0	0	0	15,000
Rebuild Schools to Uphold Education Program	34,551	0	0	0	0	0	0
School for the Blind	228	1,200	1,000	833	0	0	3,033
School for the Deaf	367	0	668	530	500	800	2,498
Schools For Native American Reservations	1,600	1,500	1,400	1,437	500	0	4,837
Total	114,181	9,630	14,630	4,630	4,630	4,630	38,150
Fund Summary							
Cap Proj Fund - RESCUE (Auth Bonds)	34,551	0	0	0	0	0	0
Cap Proj Fund - Transition Grants (Auth Bonds)	75,000	0	0	0	0	0	0
Capital Projects Fund	4,630	4,630	4,630	4,630	4,630	4,630	23,150
Capital Projects Fund - Authority Bonds	0	5,000	10,000	0	0	0	15,000
Total	114,181	9,630	14,630	4,630	4,630	4,630	38,150

PUBLIC PROTECTION

The Five-Year Capital Plan in this area is primarily focused on the maintenance of existing facilities for DOCS, DSP, and DMNA — ensuring a safe and secure environment. Homeland Security projects at various State facilities will proceed as well.

DEPARTMENT OF CORRECTIONAL SERVICES

The focus of the 2005-06 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 will operate 68 correctional facilities following the planned closure of facilities.

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. 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. As a result, kitchen, heating, ventilation, hot water, electric and roofing systems are among the major projects being addressed now through a preventive maintenance program.

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 the Department's assets:

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Minimum Security	15 to 85 yrs.	8	6	0	14
Medium Security	8 to 112 yrs.	23	14	0	37
Maximum Security	4 to 188 yrs.	6	11	0	17
Support	69 to 84 yrs.	2	0	0	2
	Total	39	31	0	70

In the late 1990's, the prison system expanded its maximum security capacity. Two maximum security prisons were built to house violent and predatory felons. In addition, nine 200-bed disciplinary special housing units were built to isolate inmates who were at risk of jeopardizing the safety of staff and other inmates. The next major initiative began in 2004-05, when the Department embarked on a plan to expand its capacity for the treatment of inmates with mental health conditions, at an estimated cost of $45 million.

To meet the future needs of the prison system, the DOCS Capital program includes new appropriations of approximately $1 billion over the next five years, and $827 million in reappropriations. The program is funded primarily from appropriations made from the Correctional Facilities Capital Improvement Fund, which is reimbursed by proceeds from bonds issued by ESDC. The five-year disbursement projection is $962 million.

DIVISION OF STATE POLICE

The priorities of 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 $37 million and will accommodate ongoing maintenance and improvement of State Police facilities. In addition, the 2005-06 Executive Budget includes a new $16 million appropriation for costs associated with the construction of new Troop G Headquarters.

The Capital Asset Maintenance Plan for the facilities of the DSP is designed to preserve the useful life of the facilities and infrastructure. Over the past several years capital initiatives have been focused on the repair and replacement of roofs, windows, access roadways, heating and ventilation systems, electrical systems and necessary improvements to facilities to meet health and safety needs. The plan for the next five years maintains the same focus, while proceeding with design and construction of a new Troop G Headquarters.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Forensic Investigation Center	6 years	1	0	0	1
Troop Headquarters	25-46 years	9	0	0	9
Zone Headquarters	29-53 years	0	1	1	2
Stations	3-34 years	2	0	1	3
	Total	12	1	2	15

New appropriations for 2005-06 will total $19 million. The 2005-06 Capital Plan assumes entering into commitments for new projects needed to rehabilitate State Police facilities and to begin design and construction of a new Troop G Headquarters.

DIVISION OF MILITARY AND NAVAL AFFAIRS

DMNA operates more than 110 facilities statewide, including: 59 Army National Guard Armories, 32 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 close to six million square feet, and the average age of the infrastructure is over 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 2005 -10 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 funds between 75 and 100 percent of the cost of replacing or expanding armories and equipment maintenance facilities across New York State.

The Division’s traditional capital program will also continue with its emphasis on maintenance and repair programs, technology 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. Starting in 2005-06, eligible capital projects will be supported with bond proceeds.

HOMELAND SECURITY CAPITAL PROJECTS

The 2005-06 Executive Budget includes $16 million in reappropriations for expenses associated with ongoing Homeland Security projects at various State facilities, including the State Capitol, Empire State Plaza in Albany and the headquarters and field offices of the State Emergency Management Office. No new appropriations are recommended in the 2005-06 Executive Budget.

CORRECTIONAL SERVICES, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Maintenance and Improvement of Existing Facilities	576,573	205,000	205,000	205,000	205,000	205,000	1,025,000
Medical Facilities	4,431	0	0	0	0	0	0
UDC Financed and Other New Facility Capacity Expansion	246,156	0	0	0	0	0	0
Total	827,160	205,000	205,000	205,000	205,000	205,000	1,025,000
Fund Summary							
Capital Projects Fund	23	0	0	0	0	0	0
Correctional Facilities Capital Improvement Fund	827,137	205,000	205,000	205,000	205,000	205,000	1,025,000
Total	827,160	205,000	205,000	205,000	205,000	205,000	1,025,000

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
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 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Maintenance and Improvement of Existing Facilities	175,000	187,500	189,200	189,400	195,225	201,277	962,602
Total	175,000	187,500	189,200	189,400	195,225	201,277	962,602
Fund Summary							
Correctional Facilities Capital Improvement Fund	175,000	187,500	189,200	189,400	195,225	201,277	962,602
Total	175,000	187,500	189,200	189,400	195,225	201,277	962,602

STATE POLICE, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Maintenance and Improvement of Existing Facilities	5,646	3,500	3,500	3,500	3,500	3,500	17,500
New Facilities	250	15,700	0	0	0	0	15,700
Total	5,896	19,200	3,500	3,500	3,500	3,500	33,200
Fund Summary							
Capital Projects Fund	5,896	3,500	3,500	3,500	3,500	3,500	17,500
Capital Projects Fund - Authority Bonds	0	15,700	0	0	0	0	15,700
Total	5,896	19,200	3,500	3,500	3,500	3,500	33,200

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Maintenance and Improvement of Existing Facilities	3,500	3,500	3,500	3,500	3,500
New Facilities	500	4,200	8,000	3,000	0
Total	4,000	7,700	11,500	6,500	3,500
Fund Summary					
Capital Projects Fund	3,500	3,500	3,500	3,500	3,500
Capital Projects Fund - Authority Bonds	500	4,200	8,000	3,000	0
Total	4,000	7,700	11,500	6,500	3,500

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Maintenance and Improvement of Existing Facilities	836	4,528	6,204	3,500	3,500	3,500	21,232
New Facilities	8	650	4,300	8,000	3,000	0	15,950
Total	844	5,178	10,504	11,500	6,500	3,500	37,182
Fund Summary							
Capital Projects Fund	844	4,678	6,304	3,500	3,500	3,500	21,482
Capital Projects Fund - Authority Bonds	0	500	4,200	8,000	3,000	0	15,700
Total	844	5,178	10,504	11,500	6,500	3,500	37,182

MILITARY AND NAVAL AFFAIRS, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Design and Construction Supervision	9,500	12,600	1,700	2,000	2,300	6,000	24,600
Maintenance and Improvements	64,800	36,200	36,500	15,000	15,900	16,000	119,600
Total	74,300	48,800	38,200	17,000	18,200	22,000	144,200
Fund Summary							
Capital Projects Fund	20,800	8,000	10,800	11,700	6,700	13,000	50,200
Federal Capital Projects Fund	53,500	40,800	27,400	5,300	11,500	9,000	94,000
Total	74,300	48,800	38,200	17,000	18,200	22,000	144,200

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Design and Construction Supervision	4,500	2,400	1,800	3,400	3,500
Maintenance and Improvements	40,000	20,000	10,300	10,300	10,300
Total	44,500	22,400	12,100	13,700	13,800
Fund Summary					
Capital Projects Fund	9,000	7,000	7,000	7,000	7,000
Federal Capital Projects Fund	35,500	15,400	5,100	6,700	6,800
Total	44,500	22,400	12,100	13,700	13,800

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Design and Construction Supervision	4,223	9,860	5,300	4,865	3,250	2,700	25,975
Maintenance and Improvements	20,156	25,167	61,088	31,529	13,176	12,830	143,790
Total	24,379	35,027	66,388	36,394	16,426	15,530	169,765
Fund Summary							
Capital Projects Fund	8,712	8,960	13,999	9,750	7,645	7,580	47,934
Federal Capital Projects Fund	15,667	26,067	52,389	26,644	8,781	7,950	121,831
Total	24,379	35,027	66,388	36,394	16,426	15,530	169,765

HOMELAND SECURITY - MISCELLANEOUS
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Homeland Security	16,138	0	0	0	0	0	0
Total	16,138	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	12,448	0	0	0	0	0	0
Federal Capital Projects Fund	3,690	0	0	0	0	0	0
Total	16,138	0	0	0	0	0	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Homeland Security	12,700	7,300	1,815	0	0	0	9,115
Total	12,700	7,300	1,815	0	0	0	9,115
Fund Summary							
Capital Projects Fund	10,900	6,100	1,165	0	0	0	7,265
Federal Capital Projects Fund	1,800	1,200	650	0	0	0	1,850
Total	12,700	7,300	1,815	0	0	0	9,115

MENTAL HYGIENE

The Department of Mental Hygiene capital program is administered through the three agencies within the Department — OMH, OMRDD, and OASAS.

Capital projects for all Mental Hygiene agencies are supported by the General Fund and bonds issued by DASNY. 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 served by the State.

OFFICE OF MENTAL HEALTH

OMH provides high quality services to an inpatient population of approximately 5,200 persons 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.

State Operations

The 2005-06 Capital Plan includes $533 million in total new appropriations and reappropriations and $133 million in 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 that remediate environmental deficiencies, improve energy efficiency, preserve long-term facilities and consolidate campus facilities.

New 2005-06 appropriations of $176 million and reappropriations of $357 million for OMH State-operated institutions support essential rehabilitation projects that preserve patient and staff health and safety and ensure compliance with facility accreditation standards. The 2005-06 State Operations capital budget reflects the proposed closure of the Middletown Psychiatric Center.

OMH's capital maintenance plan ensures that the investments in the OMH infrastructure are preserved, both to realize maximum useful building 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+	65	46	2	113
Psychiatric Rehabilitation Buildings	1-100+	46	40	6	92
Administrative Support Buildings	1-100+	128	114	11	253
	Total	239	200	19	*458

* excludes 716 vacant buildings and those with non-OMH tenants.

Aid to Localities

For OMH community programs, new 2005-06 appropriations of $88 million and reappropriations of $177 million will make funds available for the development of new residential beds and for the preservation and maintenance of the community infrastructure. New appropriations include $75 million to support the State's contribution towards the second phase of new bed pipeline announced in the 2003-04 Budget. Recommended reappropriations continue previously authorized bed initiatives, including New York/New York II, the 1999-00 $50 million capital initiative, as well as the $65 million for the first phase of the

2003-04 new bed pipeline. A total of $52 million in disbursements, including $6 million financed from the General Fund, is recommended for 2005-06. This local capital funding will support the development of over 2,000 new Single Room Occupancy and Community Residence beds, including more than 300 beds for children and youth.

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

OMRDD offers services in a variety of settings, ranging from homes and small facilities, to campus based 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 $543 million in new appropriations over the five-year period. For 2005-06, the Capital Plan recommends new appropriations of $136 million and reappropriations of $227 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. This includes $40 million in new bonded capital funds to support design costs associated with the reconstruction of the Bernard Fineson Developmental Center and renovation of the Howard Park facility, both located in Queens;
- 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; and
- Improvements to centers serving special populations in need of intensive treatment.

The bulk of the OMRDD Capital Plan (74 percent) is dedicated to the preservation of State facilities, in order to ensure both quality care for consumers, as well as continued Federal certification. Based on a recent assessment of OMRDD facilities by DASNY, 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	67	196	92*	355
Community	1-55	990	52**	0	1,042
	Total	1,057	248	92	1,397

* All 92 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, more than 54 percent will be financed with Capital Projects Fund appropriations. It should be noted, however, that bonded appropriations do not generally support community development or NYS-CARES. The majority of not-for-profit community development since 1996-97 has been accomplished through private financing rather than the use of State-supported bonds.

OFFICE OF ALCOHOL 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 $187 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 are included in the Plan to support capital projects within a network of community-based residential and ambulatory treatment centers, chemical dependence outpatient clinics, and methadone clinics. Reappropriations for 2005-06 provide the necessary authorization to continue the development of 100 residential treatment beds for either women with children or adolescents, as provided for in the enacted 2000-01 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, the Plan includes an average of nearly $2 million in annual appropriations to support critical maintenance projects at each of the 13 State ATCs. While OASAS is responsible for all ATC maintenance, 12 of the 13 ATCs are considered fixed assets of other agencies--11 are located on the grounds of OMH Psychiatric Centers, and one facility is located at the DOCS' Willard Drug Treatment Campus. The following table presents the age and condition of the single OASAS capital asset.

		Condition		
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**
Kingsboro ATC	9		X	

MENTAL HEALTH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Administration	8,371	3,591	3,591	3,591	3,591	3,591	17,955
Design and Construction Supervision	10,300	10,000	10,000	10,000	10,000	10,000	50,000
Maintenance and Improvements of State Facilities	330,781	162,710	112,710	112,710	112,710	112,710	613,550
Non-Bondable Projects	8,000	1,000	1,000	1,000	1,000	1,000	5,000
Voluntary Facilities	176,551	86,513	21,525	11,537	11,549	11,562	142,686
Total	534,003	263,814	148,826	138,838	138,850	138,863	829,191
Fund Summary							
Capital Projects Fund	88,237	43,010	43,010	43,010	43,010	43,010	215,050
MH Capital Improvements - Authority Bonds	445,766	220,804	105,816	95,828	95,840	95,853	614,141
Total	534,003	263,814	148,826	138,838	138,850	138,863	829,191

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Administration	3,591	3,591	3,591	3,591	3,591
Design and Construction Supervision	10,000	10,000	10,000	10,000	10,000
Maintenance and Improvements of State Facilities	162,710	112,710	112,710	112,710	112,710
Non-Bondable Projects	1,000	1,000	1,000	1,000	1,000
Voluntary Facilities	50,513	40,525	40,537	40,549	11,562
Total	227,814	167,826	167,838	167,850	138,863
Fund Summary					
Capital Projects Fund	42,000	42,000	42,000	42,000	42,000
MH Capital Improvements - Authority Bonds	185,814	125,826	125,838	125,850	96,863
Total	227,814	167,826	167,838	167,850	138,863

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Administration	3,578	3,591	3,591	3,591	3,591	3,591	17,955
Design and Construction Supervision	4,000	3,000	3,100	3,200	3,300	3,600	16,200
Maintenance and Improvements of State Facilities	138,710	126,756	126,841	141,859	141,109	140,809	677,374
Voluntary Facilities	39,953	51,506	45,518	35,530	35,542	35,555	203,651
Total	186,241	184,853	179,050	184,180	183,542	183,555	915,180
Fund Summary							
Capital Projects Fund	36,328	35,512	35,517	35,522	35,500	35,500	177,551
MH Capital Improvements - Authority Bonds	149,913	149,341	143,533	148,658	148,042	148,055	737,629
Total	186,241	184,853	179,050	184,180	183,542	183,555	915,180

MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappropriations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Community Services Program	29,450	21,438	19,358	19,506	20,025	20,565	100,892
Design and Construction Supervision	0	5,000	5,000	5,000	5,000	5,000	25,000
Institutional Services Program	175,449	82,890	46,112	47,089	48,600	50,170	274,861
Non-Bondable Projects	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Voluntary Facilities	20,900	25,952	26,726	27,595	28,200	28,825	137,298
Total	226,799	136,280	98,196	100,190	102,825	105,560	543,051
Fund Summary							
Capital Projects Fund	64,247	56,257	57,127	58,553	60,225	61,960	294,122
MH Capital Improvements - Authority Bonds	162,552	80,023	41,069	41,637	42,600	43,600	248,929
Total	226,799	136,280	98,196	100,190	102,825	105,560	543,051

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Community Services Program	16,790	16,876	16,908	17,000	17,100
Design and Construction Supervision	5,000	5,000	5,000	5,000	5,000
Institutional Services Program	45,140	46,239	47,003	47,800	48,400
Voluntary Facilities	16,052	17,249	18,011	18,800	19,000
Total	82,982	85,364	86,922	88,600	89,500
Fund Summary					
Capital Projects Fund	44,859	46,249	46,798	47,500	48,000
MH Capital Improvements - Authority Bonds	38,123	39,115	40,124	41,100	41,500
Total	82,982	85,364	86,922	88,600	89,500

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Community Services Program	11,000	12,410	13,394	14,125	14,525	15,030	69,484
Design and Construction Supervision	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Institutional Services Program	39,665	37,099	36,864	36,984	38,100	38,920	187,967
Voluntary Facilities	12,860	13,571	14,081	14,610	15,100	15,650	73,012
Total	68,525	68,080	69,339	70,719	72,725	74,600	355,463
Fund Summary							
Capital Projects Fund	41,725	43,195	44,360	45,625	47,025	48,600	228,805
MH Capital Improvements - Authority Bonds	26,800	24,885	24,979	25,094	25,700	26,000	126,658
Total	68,525	68,080	69,339	70,719	72,725	74,600	355,463

ALCOHOLISM AND SUBSTANCE ABUSE SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Administration	0	1,140	1,170	1,200	1,230	1,260	6,000
Community Alcoholism and Substance Abuse Facilities	129,939	31,560	31,560	31,560	31,560	31,560	157,800
Design and Construction Supervision	1,500	2,000	2,000	2,000	2,000	2,000	10,000
Institutional Services Program	15,630	3,200	1,500	1,500	1,500	1,500	9,200
Non-Bondable Projects	0	750	750	750	750	750	3,750
Total	147,069	38,650	36,980	37,010	37,040	37,070	186,750
Fund Summary							
Capital Projects Fund	22,713	9,200	9,230	9,260	9,290	9,320	46,300
MH Capital Improvements - Authority Bonds	124,356	29,450	27,750	27,750	27,750	27,750	140,450
Total	147,069	38,650	36,980	37,010	37,040	37,070	186,750

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Administration	1,094	1,121	1,149	1,178	1,207
Community Alcoholism and Substance Abuse Facilities	26,327	27,530	29,341	33,078	33,576
Design and Construction Supervision	2,000	2,000	2,000	2,000	2,000
Institutional Services Program	5,279	5,049	4,210	2,444	1,917
Non-Bondable Projects	300	300	300	300	300
Total	35,000	36,000	37,000	39,000	39,000
Fund Summary					
Capital Projects Fund	9,000	9,000	9,200	9,200	9,300
MH Capital Improvements - Authority Bonds	26,000	27,000	27,800	29,800	29,700
Total	35,000	36,000	37,000	39,000	39,000

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Administration	1,120	1,094	1,121	1,149	1,178	1,207	5,749
Community Alcoholism and Substance Abuse Facilities	24,209	24,721	23,032	24,982	26,569	26,867	126,171
Design and Construction Supervision	1,385	1,746	1,687	1,500	1,650	1,850	8,433
Institutional Services Program	4,354	5,279	5,049	4,210	2,444	1,917	18,899
Total	31,068	32,840	30,889	31,841	31,841	31,841	159,252
Fund Summary							
Capital Projects Fund	6,533	7,764	8,891	8,891	8,891	8,891	43,328
MH Capital Improvements - Authority Bonds	24,535	25,076	21,998	22,950	22,950	22,950	115,924
Total	31,068	32,840	30,889	31,841	31,841	31,841	159,252

GENERAL GOVERNMENT

OFFICE OF GENERAL SERVICES

OGS is responsible for the operation, maintenance, and renovation of 130 buildings located throughout the State. The estimated replacement value of these 130 buildings is over $5 billion. The 2005-06 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 and outside contractors to protect existing capital assets and prevent further deterioration of the infrastructure. The asset management program for 2005-06 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 to compensate for years of under-investment and address the need for State offices to accommodate modern technology. Current 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 and the Empire State Plaza. Statewide elevator and fire alarm upgrades continue.

The OGS preventive maintenance program plan concentrates on projects intended to maximize the life expectancy of the State's essential capital assets. 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 Empire State Plaza, are historically significant structures, 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.

In evaluating its assets, the Office has established the following rating categories: good (shows normal wear and tear), fair (requires considerable maintenance and some minor rehabilitation to prevent deterioration), and poor (displays definite deterioration and may have unusable portions). According to the most recent assessment of assets, 82 percent of the Office's buildings are rated in good condition, and18 percent are rated in fair condition. The average age of office and support buildings is 34 years.

The following table identifies the capital asset group, age and condition of the Office's assets.

Capital Asset Group	Age Range	Condition Good	Fair	Poor	Total
Empire State Plaza and Downtown Operations	To 120 yrs.	37	0	0	37
Upstate and Campus Region	To 70 yrs.	37	18	0	55
Lease/Purchase	To 50 yrs.	6	0	0	6
Downstate Region	To 70 yrs.	9	2	0	11
Parking Services	To 40 yrs.	17	4	0	21
	Total	106	24	0	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 ongoing maintenance efforts, will ensure that the Office will achieve its long-term goals, while addressing the pressing needs of the State's infrastructure.

DEPARTMENT OF STATE

DOS's capital program includes a new appropriation of $1.6 million in 2005-06 for the construction of two new fire training buildings at the State Fire Training Academy – a training simulator building and an arson investigation building. DOS will continue to administer a $100 million Local Expedited Deployment Funding capital program, enacted in 2003-04, to provide State-supported bond-financed funding for local public safety answering point equipment and technology upgrades associated with wireless 911 service.

GENERAL SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Design and Construction Supervision	22,320	12,000	12,600	12,600	12,600	12,000	61,800
Maintenance and Improvement of Real Property Facilities	228,979	88,250	47,400	47,400	47,400	47,000	277,450
Total	251,299	100,250	60,000	60,000	60,000	59,000	339,250
Fund Summary							
Cap Proj Fund - Alfred E. Smith Bldg. (Auth Bonds)	36,183	0	0	0	0	0	0
Cap Proj Fund - Elk Street Garage (Auth Bonds)	20,620	4,000	0	0	0	0	4,000
Capital Projects Fund	189,017	96,250	60,000	60,000	60,000	59,000	335,250
Capital Projects Fund - Advances	5,479	0	0	0	0	0	0
Total	251,299	100,250	60,000	60,000	60,000	59,000	339,250

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Design and Construction Supervision	11,760	12,600	12,600	12,600	12,600
Maintenance and Improvement of Real Property Facilities	44,240	47,400	47,400	47,400	47,400
Total	56,000	60,000	60,000	60,000	60,000
Fund Summary					
Cap Proj Fund - Elk Street Garage (Auth Bonds)	4,000	0	0	0	0
Capital Projects Fund	52,000	60,000	60,000	54,521	60,000
Capital Projects Fund - Advances	0	0	0	5,479	0
Total	56,000	60,000	60,000	60,000	60,000

DISBURSEMENTS

	Estimated 2004-05	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Design and Construction Supervision	6,500	8,600	2,771	7,000	16,700	12,500	47,571
Maintenance and Improvement of Real Property Facilities	80,950	77,650	63,579	53,250	49,029	47,750	291,258
Total	87,450	86,250	66,350	60,250	65,729	60,250	338,829
Fund Summary							
Cap Proj Fund - Alfred E. Smith Bldg. (Auth Bonds)	39,500	16,000	0	0	0	0	16,000
Cap Proj Fund - Elk Street Garage (Auth Bonds)	4,500	14,000	6,100	0	0	0	20,100
Capital Projects Fund	43,450	56,250	60,250	60,250	60,250	60,250	297,250
Capital Projects Fund - Advances	0	0	0	0	5,479	0	5,479
Total	87,450	86,250	66,350	60,250	65,729	60,250	338,829

STATE, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Local Government and Community Services	100,000	0	0	0	0	0	0
Office of Fire Prevention	0	1,600	0	0	0	0	1,600
Total	100,000	1,600	0	0	0	0	1,600
Fund Summary							
Capital Projects Fund	0	1,600	0	0	0	0	1,600
Capital Projects Fund - Authority Bonds	100,000	0	0	0	0	0	0
Total	100,000	1,600	0	0	0	0	1,600

COMMITMENTS

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Program Summary					
Office of Fire Prevention	800	800	0	0	0
Total	800	800	0	0	0
Fund Summary					
Capital Projects Fund	800	800	0	0	0
Total	800	800	0	0	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Local Government and Community Services	50,000	50,000	0	0	0	0	50,000
Office of Fire Prevention	0	800	800	0	0	0	1,600
Total	50,000	50,800	800	0	0	0	51,600
Fund Summary							
Capital Projects Fund	0	800	800	0	0	0	1,600
Capital Projects Fund - Authority Bonds	50,000	50,000	0	0	0	0	50,000
Total	50,000	50,800	800	0	0	0	51,600

OTHER

This programmatic area includes the Judiciary and capital spending financed with Federal Funds for the World Trade Center site.

JUDICIARY

The 2005-06 Judiciary request includes reappropriations totaling $1.5 million. This reflects continued expenses associated with improvements to the Justice Building quarters of the Appellate Division, Third Judicial Department.

JUDICIARY
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Courthouse Improvements	1,500	0	0	0	0	0	0
Total	1,500	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	1,500	0	0	0	0	0	0
Total	1,500	0	0	0	0	0	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
Courthouse Improvements	2,900	500	0	0	0	0	500
Total	2,900	500	0	0	0	0	500
Fund Summary							
Capital Projects Fund	2,900	500	0	0	0	0	500
Total	2,900	500	0	0	0	0	500

WORLD TRADE CENTER
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2005-2006 THROUGH 2009-2010
(thousands of dollars)

APPROPRIATIONS

	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
World Trade Center	294,525	0	0	0	0	0	0
Total	294,525	0	0	0	0	0	0
Fund Summary							
Federal Capital Projects Fund	294,525	0	0	0	0	0	0
Total	294,525	0	0	0	0	0	0

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Program Summary							
World Trade Center	30,000	50,000	50,000	40,000	30,000	12,974	182,974
Total	30,000	50,000	50,000	40,000	30,000	12,974	182,974
Fund Summary							
Federal Capital Projects Fund	30,000	50,000	50,000	40,000	30,000	12,974	182,974
Total	30,000	50,000	50,000	40,000	30,000	12,974	182,974

SUMMARY OF
PROJECTED APPROPRIATIONS, ALL FUNDS, ALL PROGRAMS
BY FUND TYPE, AND MAJOR FUND, 2005-2006 THROUGH 2009-2010
(thousands of dollars)

		APPROPRIATIONS					
	Reappro-priations	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Capital Projects Funds Type							
Capital Projects Fund	797,693	331,311	295,897	298,253	284,955	237,390	1,447,806
Capital Projects Fund - Advances	2,794,738	424,550	186,000	186,000	196,000	1,000	993,550
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	50,938	0	0	0	0	0	0
Capital Projects Fund - EQBA (Bondable)	38,042	327	0	0	0	0	327
Capital Projects Fund - PWBA (Bondable)	17,046	14,467	0	0	0	0	14,467
Capital Projects Fund - Infrastructure Renewal (Bondable)	37,479	0	0	0	0	0	0
Capital Projects Fund - Aviation (Bondable)	2,973	0	0	0	0	0	0
Capital Projects Fund - Energy Conservation (Bondable)	1,023	0	0	0	0	0	0
Capital Projects Fund - EQBA 86 (Bondable)	191,337	0	0	0	0	0	0
Capital Projects Fund - 1996 CWA (Bondable)	595,659	0	0	0	0	0	0
Cap Proj Fund - Alfred E. Smith Bldg. (Auth Bonds)	36,183	0	0	0	0	0	0
Cap Proj Fund - Elk Street Garage (Auth Bonds)	20,620	4,000	0	0	0	0	4,000
Capital Projects Fund - Authority Bonds	717,883	732,050	11,350	11,350	11,350	11,350	777,450
Cap Proj Fund - State Revolving Fund (Auth Bonds)	61,103	29,602	30,000	30,000	30,000	30,000	149,602
Cap Proj Fund - Onondaga Lake (Auth Bonds)	20,000	10,000	10,000	10,000	10,000	10,000	50,000
Cap Proj Fund - DEC Regular (Auth Bonds)	21,729	11,000	12,000	12,000	12,000	12,000	59,000
Cap Proj Fund - RESCUE (Auth Bonds)	0	0	0	0	0	0	0
Cap Proj Fund - Transition Grants (Auth Bonds)	80,000	0	0	0	0	0	0
Cap Proj Fund - Stadium (Auth Bonds)	15,000	0	0	0	0	0	0
Cap Proj Fund - Downtown Buffalo (Auth Bonds)	44,000	0	0	0	0	0	0
Cap Proj Fund - High Tech Hud Vly (Auth Bonds)	0	250,000	0	0	0	0	250,000
Cap Proj Fund - NYC Sprts & Con Ctr (Auth Bonds)	0	0	300,000	0	0	0	300,000
Cap Proj Fund - CEFAP (Direct Auth Bonds)	425,000	0	0	0	0	0	0
Cap Proj Fund - SUNY CC (Direct Auth Bonds)	350,000	0	0	0	175,000	0	175,000
Cap Proj Fund - CUNY (Direct Auth Bonds)	1,617,946	89,000	0	0	0	248,000	337,000
Cap Proj Fund - Reg Econ Dev (Direct Auth Bonds)	1,450,000	0	0	0	0	0	0
Dedicated Highway and Bridge Trust Fund	2,760,847	1,952,214	2,007,867	2,052,870	3,101,475	3,151,037	12,265,463
State University Residence Hall Rehabilitation Fund	164,024	0	0	0	0	100,000	100,000
SUNY Dorms (Direct Auth Bonds)	490,000	0	0	0	50,000	50,000	100,000
State Parks Infrastructure Fund	61,962	38,700	29,050	29,605	29,605	29,605	156,565
Environmental Protection Fund	477,964	150,000	150,000	150,000	150,000	150,000	750,000
Energy Conservation Improved Transportation Bond Fund	1,038	0	0	0	0	0	0
Pure Waters Bond Fund	33,752	0	0	0	0	0	0
Transportation Capital Facilities Bond Fund	7,749	0	0	0	0	0	0
Environmental Quality Protection Bond Fund	41,836	0	0	0	0	0	0
State Housing Bond Fund	7,344	0	0	0	0	0	0
Transportation Infrastructure Renewal Bond Fund	39,725	0	0	0	0	0	0
Environmental Quality Bond Act Fund - 1986	226,764	0	0	0	0	0	0
Accelerated Capacity and Transportation Improvements Fund	58,775	0	0	0	0	0	0
Clean Water - Clean Air Bond Fund	648,650	0	0	0	0	0	0
Federal Capital Projects Fund	6,692,466	1,964,680	1,947,400	1,925,300	1,931,500	1,929,000	9,697,880
Hazardous Waste Remedial Fund - Oversight & Assessment	30,000	15,000	15,000	15,000	15,000	15,000	75,000
Hazardous Waste Remedial Fund - Cleanup	201,132	120,000	120,000	120,000	120,000	120,000	600,000
Youth Facilities Improvement Fund	54,451	22,602	13,000	13,000	13,000	13,000	74,602
Housing Program Fund	419,967	104,200	104,200	104,200	104,200	104,200	521,000
Engineering Services Fund	284,665	0	0	0	0	0	0
MH Capital Improvements - Authority Bonds	732,674	330,277	174,635	165,215	166,190	167,203	1,003,520
Correctional Facilities Capital Improvement Fund	827,137	205,000	205,000	205,000	205,000	205,000	1,025,000
Other Funds	322,396	9,092	7,200	7,200	7,200	7,200	37,892
Type Subtotal	23,971,710	6,808,072	5,618,599	5,334,993	6,612,475	6,590,985	30,965,124
Fiduciary Fund Type	253,224	75,000	57,000	57,000	57,000	57,000	303,000
Special Revenue Fund Type	177,658	88,002	65,364	66,364	67,364	68,364	355,458
Total (All Fund Types)	24,402,592	6,971,074	5,740,963	5,458,357	6,736,839	6,716,349	31,623,582

SUMMARY OF
PROJECTED APPROPRIATIONS, ALL FUNDS, ALL PROGRAMS
BY FUND TYPE, AND MAJOR FUND, 2005-2006 THROUGH 2009-2010
(thousands of dollars)

DISBURSEMENTS

	Estimated 2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	Total 2005-2010
Capital Projects Funds Type							
Capital Projects Fund	216,754	220,929	232,946	230,268	235,791	263,551	1,183,485
Capital Projects Fund - Advances	257,900	299,300	355,150	410,610	462,979	511,050	2,039,089
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	8,000	6,000	4,000	2,000	2,000	2,000	16,000
Capital Projects Fund - EQBA (Bondable)	3,000	3,000	3,000	3,000	3,000	3,000	15,000
Capital Projects Fund - PWBA (Bondable)	1,200	1,200	1,200	1,200	1,200	1,200	6,000
Capital Projects Fund - Infrastructure Renewal (Bondable)	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Capital Projects Fund - Aviation (Bondable)	400	400	400	400	400	400	2,000
Capital Projects Fund - Energy Conservation (Bondable)	200	200	200	200	200	39	839
Capital Projects Fund - EQBA 86 (Bondable)	63,775	61,185	50,861	47,059	0	0	159,105
Capital Projects Fund - 1996 CWA (Bondable)	122,064	122,181	100,000	100,000	75,000	75,000	472,181
Cap Proj Fund - Alfred E. Smith Bldg. (Auth Bonds)	39,500	16,000	0	0	0	0	16,000
Cap Proj Fund - Elk Street Garage (Auth Bonds)	4,500	14,000	6,100	0	0	0	20,100
Capital Projects Fund - Authority Bonds	98,618	184,425	270,550	404,850	323,550	85,350	1,268,725
Cap Proj Fund - State Revolving Fund (Auth Bonds)	28,000	28,000	28,000	28,000	28,000	28,000	140,000
Cap Proj Fund - Onondaga Lake (Auth Bonds)	10,000	10,000	10,000	10,000	10,000	10,000	50,000
Cap Proj Fund - DEC Regular (Auth Bonds)	10,729	11,000	12,000	12,000	12,000	12,000	59,000
Cap Proj Fund - RESCUE (Auth Bonds)	34,551	0	0	0	0	0	0
Cap Proj Fund - Transition Grants (Auth Bonds)	75,000	0	0	0	0	0	0
Cap Proj Fund - Stadium (Auth Bonds)	8,000	7,000	0	0	0	0	7,000
Cap Proj Fund - Downtown Buffalo (Auth Bonds)	6,000	22,000	22,000	0	0	0	44,000
Cap Proj Fund - High Tech Hud Vly (Auth Bonds)	0	150,000	25,000	75,000	0	0	250,000
Cap Proj Fund - NYC Sprts & Con Ctr (Auth Bonds)	0	0	50,000	150,000	100,000	0	300,000
Cap Proj Fund - CEFAP (Direct Auth Bonds)	8,000	8,200	7,500	6,200	6,000	5,800	33,700
Cap Proj Fund - SUNY CC (Direct Auth Bonds)	40,000	40,000	40,000	40,000	40,000	40,000	200,000
Cap Proj Fund - CUNY (Direct Auth Bonds)	120,000	332,830	436,198	411,607	198,439	52,255	1,431,329
Cap Proj Fund - Reg Econ Dev (Direct Auth Bonds)	150,000	218,000	165,000	215,000	230,000	230,000	1,058,000
Dedicated Highway and Bridge Trust Fund	1,787,209	1,936,002	2,049,872	2,100,018	2,426,464	2,804,636	11,316,992
State University Residence Hall Rehabilitation Fund	22,000	24,000	26,000	28,000	30,000	30,000	138,000
SUNY Dorms (Direct Auth Bonds)	150,000	150,000	150,000	40,000	50,000	50,000	440,000
State Parks Infrastructure Fund	22,000	22,000	22,000	22,500	22,500	22,500	111,500
Environmental Protection Fund	121,000	125,000	130,000	135,000	145,000	150,000	685,000
Energy Conservation Improved Transportation Bond Fund	0	0	0	0	0	0	0
Pure Waters Bond Fund	0	0	0	0	0	0	0
Transportation Capital Facilities Bond Fund	0	0	0	0	0	0	0
Environmental Quality Protection Bond Fund	0	0	0	0	0	0	0
State Housing Bond Fund	0	0	0	0	0	0	0
Transportation Infrastructure Renewal Bond Fund	0	0	0	0	0	0	0
Environmental Quality Bond Act Fund - 1986	0	0	0	0	0	0	0
Accelerated Capacity and Transportation Improvements Fund	0	0	0	0	0	0	0
Clean Water - Clean Air Bond Fund	0	0	0	0	0	0	0
Federal Capital Projects Fund	1,505,155	1,569,758	1,531,032	1,469,661	1,428,423	1,380,444	7,379,318
Hazardous Waste Remedial Fund - Oversight & Assessment	15,000	15,000	15,000	15,000	15,000	15,000	75,000
Hazardous Waste Remedial Fund - Cleanup	68,000	81,000	95,000	105,000	120,000	120,000	521,000
Youth Facilities Improvement Fund	13,056	13,502	14,800	15,120	15,000	15,000	73,422
Housing Program Fund	115,450	127,200	108,200	104,200	104,200	104,200	548,000
Engineering Services Fund	97,693	25,203	8,632	3,516	3,772	1,896	43,019
MH Capital Improvements - Authority Bonds	201,248	199,302	190,510	196,702	196,692	197,005	980,211
Correctional Facilities Capital Improvement Fund	175,000	187,500	189,200	189,400	195,225	201,277	962,602
Consol Hwy Improve Program (Direct Auth Bonds)	343,927	343,409	339,909	336,409	332,909	329,409	1,682,045
Other Funds	29,156	30,558	27,494	27,223	19,217	19,217	123,709
Type Subtotal	5,977,085	6,610,284	6,722,754	6,940,143	6,837,961	6,765,229	33,876,371
Fiduciary Fund Type	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Special Revenue Fund Type	56,925	64,138	71,602	77,979	73,115	69,842	356,676
Total (All Fund Types)	5,035,010	6,675,422	6,795,356	7,019,122	6,912,076	6,836,071	34,238,047

NON-STATE-SUPPORTED DEBT OBLIGATIONS

This section of the Plan describes non-State-supported debt obligations, which include State-guaranteed debt, moral obligation financings and contingent contractual-obligation financings. Under these financings, the State does not have a direct obligation to pay debt service, but may be called upon to pay debt service if specified non-State resources are insufficient to satisfy scheduled debt service payments. The State does not expect to be required to pay debt service on any of these obligations in 2005-06.

Non-State-Supported Debt Obligations Outstanding as of 3/31/05 (millions of dollars)	
State-Guaranteed Debt	
Job Development Authority	64
Moral Obligation Financings	
Housing Finance Agency	102
MCFFA Hospitals & Nursing Homes	16
Contingent Contractual-Obligations	
Secured Hospital Program	905
Tobacco Revenue Bonds	4,495
Total	5,582

STATE-GUARANTEED DEBT

The State Constitution and applicable statutes currently authorize the State to directly guarantee certain public authority debt obligations that finance or guarantee loans to encourage economic development throughout the State. The statute further limits the amount of such bonds that may be outstanding at any one time to $750 million.

The only obligations outstanding under this authorization have been issued by the Job Development Authority (JDA) (doing business as ESDC). As of March 31, 2005, outstanding JDA obligations are projected to be $64 million, a decline of $16 million from the end of 2003-04. The State has never been called upon to make any payments pursuant to such guarantees and does not anticipate that it will be called upon to make any State guaranteed payments in 2005-06.

MORAL OBLIGATION FINANCINGS

The State's current outstanding moral obligation financings have involved the issuance of debt by a public authority to finance a revenue-producing project. The debt is secured by project revenues and includes statutory provisions morally committing the State, subject to appropriation by the Legislature, to restore any deficiencies that may occur in the issuer's debt service reserve fund in the event the issuer accesses such reserves.

Two authorities currently have outstanding moral obligation debt as authorized by their enabling acts. HFA issued bonds to finance various housing programs and hospital and health care facilities, while DASNY has statutorily assumed liability for bonds issued originally by the Medical Care Facilities Finance Agency for the purpose of financing hospital and nursing home facilities. As of March 31, 2005, outstanding moral obligation bonds are projected at $118 million, a decline of $257 million from the end of 2003-04.

On September 30, 2004, Riverbay Corporation, the tenant-owned corporation that owns Co-Op City, closed on a third party financing that provided HFA with a mortgage prepayment sufficient to redeem on November 1, 2004 all of the Agency's outstanding Non-Profit Housing Project Bonds relating to Co-Op City ($207,065,000). Riverbay released the Agency from damages or liabilities of any kind, including but not limited to, suits, judgments, debts and causes of action of any kind, in connection with the Co-Op City project. Thus, the State's previous moral obligation is now eliminated.

The Executive Budget does not recommend new moral obligation financings, and there has never been a default on any moral obligation debt of any public authority.

CONTINGENT CONTRACTUAL OBLIGATIONS

The State may also enter into statutorily authorized contingent contractual-obligation financings under which the State enters into contracts obligating it to recommend appropriations to pay debt service on bonds in the event there are shortfalls in revenues from the non-State resources available to pay debt service on the bonds. Pursuant to legislation enacted in 1985 and 2003, respectively, the State has entered into contingent contractual-obligation agreements related to bonds issued by DASNY under the Secured Hospital Program and asset backed revenue bonds issued by the Tobacco Settlement Financing Corporation (TSFC). As required by these agreements, the debt service appropriation bill submitted with the Executive Budget includes appropriation authority sufficient to pay debt service due in 2005-06 on all such outstanding contingent contractual-obligations.

Contingent contractual-obligations under the Secured Hospital Program were issued for the purpose of enabling 11 financially distressed not-for-profit hospitals to gain access to the capital markets. Subject to annual appropriation, the State is contractually obligated to pay debt service in the event there are shortfalls of revenues from other sources, which include hospital payments made under loan agreements between DASNY and the hospitals, and certain reserve funds held by the applicable trustees for the bonds. The initial authorization to issue bonds under the Program, including refunding bonds, expired on March 1, 1998. Legislation enacted in 2002 and which expired on December 31, 2004, allowed certain eligible secured hospital borrowers to refinance outstanding debt, and two eligible borrowers have refinanced their outstanding debt. Before the redemption of St. Agnes bonds described below, there is projected to be $905 million in Secured Hospital Bonds outstanding as of March 31, 2005, a decline of $37 million from the end of 2003-04. The Executive Budget does not anticipate that any payments would be made from these contingent appropriations during the 2005-06 fiscal year.

In April 2003, one eligible borrower, St. Agnes Hospital, ceased operations and surrendered its operating certificate. DASNY obtained a Judgment of Foreclosure and Sale against St. Agnes on October 22, 2004 and the property subject to DASNY's mortgage was sold at a sale of foreclosure on December 14, 2004 for the amount of $21,775,000. The closing date for the sale is scheduled for January 13, 2005, but there can be no assurances that the sale will occur on that date. Assuming that the court appointed referee completes the sale on the scheduled closing date of January 13, 2005, it is expected that the net proceeds of the foreclosure sale together with other resources will be applied to the redemption of all outstanding St. Agnes bonds. As of September 30, 2004, there were approximately $35 million in outstanding secured hospital bonds attributable to St. Agnes, with annual debt service payments of $3 million due in State Fiscal Year 2005-06.

Legislation enacted in 2003 authorized the State to sell all of its tobacco settlement payments to the TSFC (a statutorily-created corporation that is a subsidiary of the Municipal Bond Bank Agency) through an asset-backed securitization transaction. The State entered into a contingent contractual-obligation to pay debt service in the event that tobacco receipts are insufficient. To ensure that State contractual payments will not be required and that tobacco receipts are sufficient to pay debt service, the tobacco bonds were structured to meet or exceed all rating agency tobacco bonds stress tests. The bonds carry a final nominal maturity of 20 years and an expected final maturity of 13 years. As of March 31, 2005, $4.5 billion in tobacco bonds are projected to be outstanding.

The Executive Budget does not recommend new contingent contractual-obligations, and there has never been any payments from these contingent appropriations.