EXECUTIVE BUDGET APPENDIX II

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PART I

FINANCIAL PLAN OVERVIEW

FINANCIAL PLAN OVERVIEW

The Financial Plan Overview summarizes the Governor's Executive Budget for 1999-2000. The State Constitution and State Finance Law prescribe the content and format of budgetary information to be supplied by the Governor at the time of submission of the Executive Budget. This section of the Budget fulfills the requirements of section 22 of the State Finance Law, providing summary financial plans and explanations of projected receipts and disbursements for the State's major governmental funds.

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SUMMARY

Under Governor Pataki, New York has adopted a multi-year strategy to lower taxes, restrain spending, and improve its financial practices. The results are impressive: the State has produced soundly balanced budgets and large year-end budget surpluses, increased its "rainy day" reserves to their highest level ever, and will have provided $28 billion in cumulative tax reductions to New Yorkers through 1999-2000.

The 1999-2000 Executive Budget builds on this successful record by restraining spending, proposing $1 billion in new job creating tax cuts, and launching a new debt reduction policy that will lower State debt by $4.7 billion compared to the previous Capital Plan. It also returns the available 1998-99 surplus of $1.79 billion to taxpayers by reserving it for enacted tax cuts — ensuring that the promised reductions go forward on schedule.

Under the 1999-2000 Executive Budget, spending by all measures — General Fund, State Funds and All Funds — grows at less than inflation, which is projected at slightly higher than 2 percent. The following table summarizes the spending plan.

1999-2000 Spending ($ millions)			
	Size of the Budget	**Dollar Change from 1998-99**	**Percent Change from 1998-99**
General Fund	37,100	+482	+1.3
State Funds	49,325	+867	+1.8
All Funds	72,656	+1,251	+1.8

This Budget reflects the basic premise that a responsible government spends only what is necessary — not what is available to spend — and returns the excess to the taxpayers. With continued fiscal discipline New York will maintain the progress of the last four years.

EXPLANATION OF THE FINANCIAL PLAN

Appropriation bills and State laws provide the legal basis for the State to levy taxes and fees to fund the operations of State agencies, provide aid to local governments and school districts and pay debt service, as well as to borrow money for capital projects. Tax laws do not prescribe how much income the State will generate from each levy; these amounts must be estimated. Similarly, spending estimates must be based upon an evaluation of the projected costs and demand for each State program. Together, these projections of receipts and disbursements constitute the Financial Plan.

This Overview summarizes the latest Financial Plan projections of receipts and disbursements for both the current and upcoming State fiscal years. It includes the State's revised projections to the 1998-99 Mid-Year Financial Plan Update published in October 1998, as well as projections for 1999-2000, which compare receipts and disbursements estimates in the Executive Budget to these revised estimates for 1998-99. The Overview also summarizes projections for fiscal years 2000-01 and 2001-02.

THE STATE'S FUND STRUCTURE

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

The General Fund receives the majority of State taxes and is required by the Constitution to be balanced when the Governor submits the Executive Budget. State Funds incorporate not only the General Fund, but funds for dedicated purposes, with the exception of Federal Funds. All Funds include the General Fund and State Funds and adds Federal Funds.

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

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

Within each of these fund types, revenues and spending are classified by major category of the Financial Plan (e.g., taxes, miscellaneous receipts, grants to local governments, State operations). Activity in these Financial Plan categories is described in greater detail later in this section. Summary charts display the annual change for each category of the Financial Plan, and a narrative explanation of major changes follows each chart. The tables at the end of the Overview summarize projected General Fund, State Funds and All Governmental Funds receipts and disbursements for the 1998-99 through 2001-02 fiscal years.

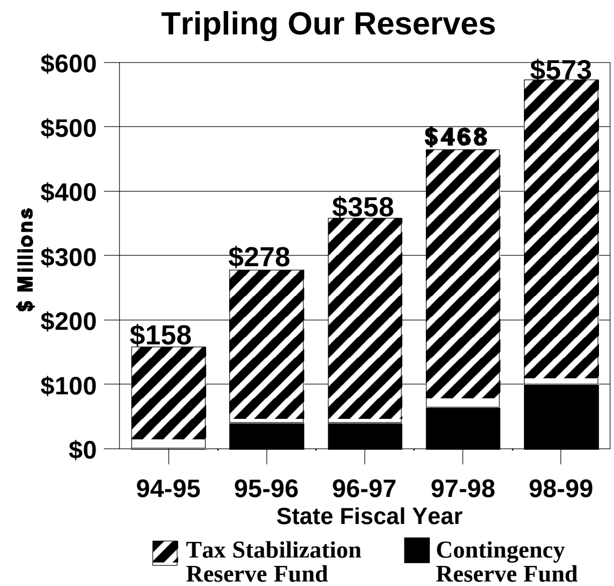
THE 1998-99 GENERAL FUND FINANCIAL PLAN UPDATE

The State currently projects a year-end available cash surplus of $1.79 billion in the General Fund, an increase of $749 million over the surplus estimate in the Mid-Year Update to the Financial Plan issued in October. The State has increased the surplus estimate primarily because receipts have grown and disbursements are projected to fall slightly below the Mid-Year Update, as explained in more detail below. The State revised both its receipts and disbursements estimates based on a review of actual operating results through December 1998, as well as an analysis of underlying economic and programmatic trends it believes may affect the Financial Plan for the balance of the current fiscal year, as described in more detail below.

The Executive Budget reserves the projected $1.79 billion surplus to ensure that enacted tax reductions move forward on schedule. The State plans to use the reserve funds beginning in fiscal year 2000-01 to offset a portion of the projected incremental loss of tax receipts from the enacted tax cuts scheduled for the next two fiscal years. Under current projections, the State expects to return to taxpayers an additional $2.1

billion in revenue in 2000-01 and $1.4 billion in 2001-02 from the phase-in of tax cuts already in law.

To further strengthen its reserves, the State plans to deposit $73 million in the Tax Stabilization Reserve Fund (TSRF), the "rainy day" reserve, which it may call on to cover an unexpected cash shortfall. This will be the State's fourth consecutive maximum deposit to the TSRF, bringing the fund balance to $473 million, its highest level ever. The State also plans to deposit $32 million into the Contingency Reserve Fund (CRF) to help guard against litigation risks, bringing the balance in that fund to $100 million.



REVISIONS TO THE 1998-99 RECEIPTS ESTIMATES

Underlying estimates of General Fund receipts have been revised upward by $729 million from the projections contained in the Mid-Year Update, primarily in personal income taxes, contributing to the $1.79 billion net surplus.

To make the 1998-99 surplus available for the tax reduction reserve, $1.79 billion in income tax refund payments are being reserved in 1998-99 for payment in 1999-2000. This action has the effect of decreasing reported personal income receipts in 1998-99, while increasing available personal income receipts in 1999-2000, as these refunds will no longer be a charge against current revenues in 1999-2000. However, the entire $1.79 billion will remain unspent in 1999-2000 and is reserved to help balance outyear Financial Plans. As a result of the refund reserve transaction, projections of available tax receipts in 1998-99 have been decreased by $1.21 billion from the levels in the Mid-Year Update.

REVISIONS TO THE 1998-99 DISBURSEMENTS ESTIMATES

The State projects total General Fund disbursements of $36.62 billion in 1998-99, a reduction of $161 million from the October estimate. Compared to the Mid-Year Update, the State has lowered its estimate of disbursements for local assistance by $248 million and for State operations by $54 million. Higher projected spending for General State Charges ($71 million) and transfers to other funds ($70 million) partially offset these reductions.

In local assistance, spending from the Community Projects Fund, which pays primarily for legislative initiatives, has lagged behind earlier projections and accounts for $68 million of the $248 million downward revision. In special education programs, claims from school districts are running behind projections, leading the State to lower its spending estimate in this area by $31 million for 1998-99. Lower estimated program and administrative costs in welfare ($99 million), Medicaid ($32 million), and Children and Families Services ($21 million) account for most of the remaining downward revisions in projected local assistance spending.

In State Operations, projected spending is lower by $54 million primarily due to savings from the statewide hiring freeze, agency attrition management and continued nonpersonal service efficiencies.

The revised spending estimate for fringe benefits ($71 million) reflects higher-than-anticipated costs for employee benefits and health insurance. This includes contractual payments to insurance carriers associated with the award of new prescription drug and mental health contracts. Transfers for debt service decline ($29 million) because of higher refunding savings and other debt management activities. Capital projects spending increases modestly ($5 million). Other transfers increase by $94 million primarily to cover unanticipated shortfalls in the State Lottery Fund ($80 million) and the Oil Spill Fund ($10 million).

1998-99 CLOSING BALANCE IN THE GENERAL FUND

The State now projects a closing balance in the General Fund of $799 million: $473 million in the Tax Stabilization Reserve Fund (the State's "rainy day" reserve) after a fourth consecutive deposit of $73 million at the close the current fiscal year; $100 million in the Contingency Reserve Fund (which protects against litigation risks), following a planned $32 million deposit in 1998-99; and $226 million in the Community Projects Fund. In 1999-2000, the Financial Plan assumes that $80 million in Community Projects spending will occur, exhausting available appropriations for this fund. The State will use the remaining balance ($146 million), against which there are no appropriations as a result of the Governor's vetoes last year, to fund operations in 1999-2000.

THE 1999-2000 GENERAL FUND FINANCIAL PLAN

ECONOMIC AND RECEIPTS OUTLOOK

When projecting receipts, the Division of the Budget (DOB) first forecasts the economic outlook for both the Nation and New York. After consulting with public and private sector experts, a detailed forecast is prepared including estimates for U.S. gross domestic product (GDP), employment levels, inflation, wages, and consumer sales. DOB uses this economic forecast, together with a statistical analysis of historical data and a detailed examination of tax collection experience, to project tax receipts. For example, if the economic forecast calls for modest growth in wages, withholding tax collections would also be expected to increase at a modestly higher rate, consistent with the historical and structural relationship between withholding tax collections and wages.

DOB also adjusts for changes in the State's tax laws. For example, the 1999-2000 Executive Budget reflects a continuation of phased tax reductions in a variety of taxes, as well as recommendations for additional tax cuts that together will produce incremental taxpayer savings of almost $2.0 billion during the next fiscal year. For a more detailed discussion of the economy and the sources of State revenue, see the Explanation of Receipts Estimates section later in this document.

U.S. Economy

Strong growth in 1998 in real Gross Domestic Product (GDP) combined with a sharp drop in the inflation rate resulted in a moderate growth rate of 4.8 percent for nominal GDP. For 1999, a slowdown in real GDP growth will drop nominal GDP growth to 3.6 percent. Further international and financial economic distress could reduce U.S. economic growth even more than projected. Deflationary pressures resulting from falling commodity prices and declining import prices are balanced against domestic inflationary pressures caused by tight labor markets resulting in subdued inflation and relatively stable short- and long-term interest rates. Although employment growth will remain fairly strong, income growth will slow and corporate profits will decline modestly.

State Economy

Paralleling the national trend, a moderate slowdown in New York economic growth is expected for 1999. Annual growth in total and private-sector employment in 1999 is projected to fall below the 1998 pace, although a continuation of international financial and economic turmoil may result in a sharper slowdown than currently projected. Continued growth by the business service sector is expected for 1999, although the growth rate will slow from the 1998 pace. The financial services sector will see some retrenchment in employment as Wall Street adjusts to lower profit levels and consolidation in the banking services industry continues. Losses in manufacturing employment will increase as foreign economic weakness and the strong dollar reduce both domestic and foreign demand for U.S. manufactured goods. Both wage and personal income growth will recede from their 1998 rates of growth, partly due to a leveling out of bonus payments by the financial sector.

General Fund Receipts

General Fund receipts in 1999-2000 will reflect the next stage of the STAR property tax reduction program as well as the continuing impact of earlier tax reduction accomplishments. In addition, this year’s Budget reflects several tax reduction proposals that have only a modest impact on 1999-2000 receipts but will reduce receipts by $1 billion when fully phased in.

The Executive Budget reflects the Governor's ongoing commitment to provide fiscally prudent tax reductions designed to stimulate economic development and expansion. The proposals are designed to provide fiscal stimulus as prior year phased tax reductions are completed, thereby avoiding any additional pressures on revenue growth. The proposals include:

- Raising the personal income tax top rate threshold — increasing the threshold before the top rate kicks in to $60,000 from $40,000 for married taxpayers, $30,000 from $20,000 for single taxpayers, and $45,000 from $30,000 for head of household filers;
- Doubling the dependent exemption under the personal income tax to $2,000;
- Reducing utility taxes and reforming the taxation of the energy industry to promote and extend competition in the energy market;
- Lowering the alternative minimum tax on corporations from 3 percent to 2.5 percent;
- Extending the rate reductions afforded general corporations last year to bank and insurance companies;
- Creating a New York Capital Asset Exclusion for investments in a New York business;
- Creating a new credit for job creation in cities;
- Expanding the Qualified Emerging Technology Credit;
- Conforming to recent Federal estate tax changes;
- Eliminating several nuisance taxes and fees, including minimum taxes imposed on petroleum and aviation businesses; and
- Expanding the income tax credit benefits provided to farmers to ease school property tax burdens.

Receipts in the General Fund will also reflect the accelerated phase-out of assessments on health care providers.

General Fund Receipts ($ millions)			
SFY:	**1998-1999**	**1999-2000**	**Annual Change**
Total Tax Receipts	33,298	35,495	2,197
All Other Receipts	3,481	3,168	(313)
Total Receipts	36,779	38,663	1,884

Since the Mid-Year Update, the forecast of 1998-99 tax receipts has been increased by $729 million, offset by the decision to create reserves for the payment of $1.79 billion in 1998 tax year personal income tax refunds which has the effect of reducing reported receipts. The increased deposits to the refund reserve account will be used to provide the resources necessary to ensure completion of the existing tax reduction program. On balance, tax receipts are reduced $1.21 billion from the Mid-Year Update.

Reflecting these transactions, total receipts to be deposited in the General Fund in 1998-99 are projected to be $36.78 billion, $1.06 billion less than projected at the time of the Mid-Year Update.

Total General Fund receipts for 1999-2000 are now projected at $38.66 billion, an increase of nearly $1.9 billion from the revised 1998-99 estimate. The increase is due, in part, to the refund reserve transaction described above. Continued moderate economic growth will also serve to increase receipts in the upcoming year. These increases in receipts are partially offset by the scheduled implementation of the next phase of the Governor's multi-year tax reduction program.

Miscellaneous receipts and transfers from other funds are expected to fall in 1999-2000, reflecting the phase-out of assessments on health facility providers and a reduction in amounts available for transfer to the General Fund, especially from the Clean Water/Clean Air Fund.

Personal Income Tax ($ millions)			
SFY:	**1998-1999**	**1999-2000**	**Annual Change**
Personal Income Tax	20,176	22,830	2,654

Personal income tax collections for the current year are now expected to be $20.18 billion, a decrease of $1.26 billion from the estimate at the time of the Mid-Year Update. Again, this reflects the Financial Plan decision to create reserves for the payment of 1998 personal income tax refunds in fiscal year 1998-99.

Personal income tax collections for 1999-2000 are projected to reach $22.83 billion, an increase of $2.65 billion (13.2 percent) over 1998-99. This increase is due in part to the refund reserve transaction described above which serves to increase 1999-2000 personal income tax receipts. Collections also benefit from the 13.5 percent estimated increase in 1998 liability and the projected 5.3 percent liability increase for 1999. The large increases in income tax liability in recent years have been supported by the continued surge in taxable capital gains realizations. This activity is related at least partially to recent changes in the Federal tax treatment of such income. The growth in capital gains income is expected to plateau in 1999.

Growth in 1999-2000 receipts is offset by deposits into the School Tax Relief Fund which provides the revenue resources to finance the STAR tax reduction program. The incremental value of this deposit is $638 million in 1999-2000.

User Taxes and Fees ($ millions)			
SFY:	1998-1999	1999-2000	Annual Change
User Taxes and Fees	7,229	7,157	(72)

User tax and fee receipts in 1998-99 are now projected at $7.23 billion, $23 million above the Mid-Year forecast and $193 million or 2.7 percent above 1997-98 collections. For 1999-2000, collections in this category of taxes will decrease by $72 million to $7.16 billion. The decline in this category reflects the incremental impact of approximately $267 million in already enacted tax reductions, and additional earmarking of motor vehicle registration fees to the Dedicated Highway and Bridge Trust Fund. Adjusted for these changes, the underlying growth of receipts in this category is projected at 2.5 percent.

The largest source of receipts in this category is the sales and use tax which accounts for nearly 80 percent of projected receipts. Sales tax receipts are responsive to economic trends such as growth in income, prices, employment, and consumer confidence. Strength in the economy in 1998 produced growth in the continuing base of the sales and use tax of 5 percent in 1998-99. The continuing base of the sales tax is projected to grow by 4.4 percent in the coming year.

This category also includes: cigarette, tobacco and alcoholic beverage taxes and fees, motor fuel taxes, and the container and auto rental levies. The majority of the receipts from these sources are attributable to flat-rate volume-based levies that respond little, if at all, to short-term economic developments (other than price changes impacting consumption) and are marked, in the main, by declining consumption trends.

Business Taxes ($ millions)			
SFY:	1998-1999	1999-2000	Annual Change
Business Taxes	4,794	4,527	(267)

Total business taxes are now projected at $4.79 billion in 1998-99, an increase of $4 million from the projections in the Mid-Year Update and $253 million below 1997-98 receipts. In 1999-2000, receipts from this category are expected to total $4.53 billion — $267 million below 1998-99 estimated results.

A major reason for the decline in this category in 1998-99 is the almost 5 percent decline estimated for receipts from the corporation franchise tax. This tax is imposed on general business corporations and is the largest revenue source in this category, accounting for more than 40 percent of receipts. Underlying liability for this revenue source is sensitive to changes in the net taxable income of companies subject to the tax. Profits are estimated to decline by more than 2 percent in 1998 at the national level. In addition, profits from the financial services companies taxed under this category are also expected to decline in 1998 when compared to the record levels achieved in 1997. Negative adjustments to prior year payments are also driving down 1998-99 collections. In 1999-2000, receipts are projected to increase by $154 million, due primarily to the impact of legislation submitted with this Budget to address the tax issues raised in the deregulation of the energy utility industry.

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

Receipts from the bank franchise tax during 1998-99 are projected to decline by $127 million from 1997-98, reflecting lower payments on 1998 liability and negative adjustments associated with prior year payments. This decrease is being offset in small part by an increase in audit collections. In 1999-2000, receipts are projected to be $650 million — $70 million above estimates for 1998-99. This increase is the result of improved liability growth based on a projection of renewed strength in banking industry performance.

Net collections from insurance taxes are expected to reach $669 million in 1998-99, an increase of $28 million from the prior year. This reflects the net impact of law changes, the end of litigation related to refunds of MTA credits, a sharp slowdown in taxable premium growth and strength in the liability position of certain insurers. Premium growth is expected to slow in 1999 and other factors impacting on net taxable income are also expected to dampen receipts. As a result, collections are expected to decline to $646 million in 1999-2000.

The 1998-99 yield from the corporation and utilities taxes is now estimated at $1.46 billion, $38 million above the projections in the Mid-Year Update, but $49 million below 1997-98 receipts. The absence of several small nonrecurring transactions that benefitted 1997-98 collections account for the bulk of the year-over-year decline. Additional tax reductions include: energy and telecommunications tax rate cuts; the tax credits flowing from the Power for Jobs programs; the legislation submitted with this Budget to reform and reduce energy taxes; and the effects of the LILCO/LIPA rate cuts on Long Island. These are expected to produce a decline in collections in 1999-2000 of $454 million.

Declining General Fund estimates for the petroleum business tax of $104 million in 1998-99 and $90 million in 1999-2000 reflect the impact of distributional changes in removing resources from the General Fund.

Other Taxes
($ millions)

SFY:	1998-1999	1999-2000	Annual Change
Other Taxes	1,099	980	(119)

In 1998-99 and thereafter, this category includes receipts from estate and gift levies on transfers of wealth, pari-mutuel taxes on wagering at race tracks and off-track betting facilities and other minor sources. Historically, the category also included the yield of the real property gains tax (repealed in 1996) and receipts from the real property transfer tax which, over the last three years, has been earmarked to support various environmental programs.

The General Fund yield from other taxes for 1998-99 is currently estimated at $1.1 billion, which is $27 million above the estimate in the Mid-Year Update. The major factors affecting this category include: the earmarking of the real estate transfer tax to support the Environmental Protection Fund and the Clean Water/Clean Air Fund, the repeal of the real property gains tax and the impact of estate and gift tax reductions.

In 1999-2000 receipts from other taxes will drop to $980 million. The largest factor in the decline is the estimated effect of already enacted legislation reducing the estate and gift tax.

Miscellaneous Receipts
($ millions)

SFY:	1998-1999	1999-2000	Annual Change
Miscellaneous Receipts	1,534	1,242	(292)

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

Revisions to estimates for the current year have raised the miscellaneous receipts estimate to $1.53 billion, a net increase of $60 million from the Mid-Year Update. The primary changes are a $21 million increase in expected licenses and fees and similar growth in abandoned property receipts.

Receipts in this category are projected to decline in 1999-2000, largely as a result of the net loss of $165 million in statutory reductions to medical provider assessments.

Transfers From Other Funds
($ millions)

SFY:	1998-1999	1999-2000	Annual Change
Sales Tax in Excess of LGAC Debt Service	1,546	1,589	43
All Other Transfers	401	338	(63)
Total Transfers from Other Funds	1,947	1,927	(20)

Transfers from other funds to the General Fund consist primarily of tax revenues in excess of debt service requirements. Proceeds from one percent of the State's 4 percent sales tax in excess of amounts used to support the debt service payments of the Local Government Assistance Corporation account for 82 percent of the 1999-2000 receipts in this category. Other transfers periodically include non-recurring transactions, which result in significant annual volatility for this category. Beginning in 1997-98, this transfer category also reflects excess real estate transfer tax receipts not required for debt service on the Clean Water/Clean Air bonds authorized by the voters.

Other transfers in 1999-2000 reflect a decline in expected receipts from the real estate transfer tax.

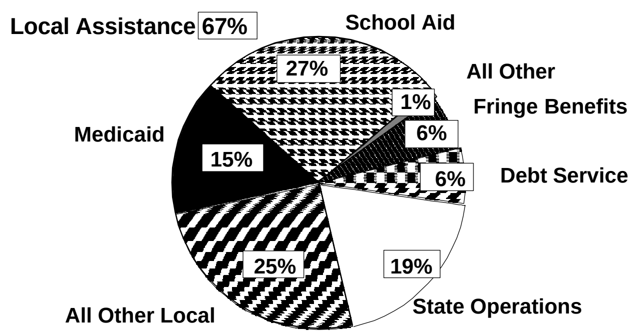
DISBURSEMENTS OUTLOOK

General Fund Disbursements ($ millions)			
SFY:	**1998-1999**	**1999-2000**	**Annual Change**
General Fund Disbursements	36,618	37 ,100	482

The Executive Budget projects General Fund spending to grow by 1.3 percent to $37.1 billion in 1999-2000, an increase of $482 million from the current fiscal year.

From 1995-96 through 1998-99, the State invested heavily in programs such as education that are essential to its long-term economic competitiveness. Aid to school districts accounted for over 40 percent of General Fund spending growth in these years. At the same time, the State enacted and began implementing a series of sweeping tax reductions to stimulate economic growth. To help finance both the tax cuts and higher spending on priority programs, the State enacted a series of reforms in Medicaid and welfare to reduce spending in these programs — spending that has historically been the highest in the nation. Managed care, cost containment, Federal revenue maximization efforts and market-based reforms to the health care system have helped reduce General Fund spending for Medicaid. Welfare reform has helped to improve job placement, increase local administrative flexibility, expand child care support and reduce welfare fraud. Since the Governor took office, 607,000 people have left the welfare rolls. As a result, Medicaid and welfare's share of General Fund spending has actually declined from 24 percent in 1994-95 to 19 percent in 1999-2000, as school aid has increased from 25 percent to 27 percent over the same period.

General Fund Spending 1999-2000



Grants to Local Governments ($ millions)			
SFY:	**1998-1999**	**1999-2000**	**Annual Change**
Grants to Local Governments	24,893	24,806	(87)

Grants to Local Governments include financial aid to local governments and non-profit organizations, as well as entitlement payments for individuals. The largest areas of spending in local assistance are for aid to elementary and secondary schools (40 percent) and for the State's share of Medicaid payments to providers (22 percent). Spending in this category is estimated at $24.81 billion in 1999-2000, a decrease of 0.4 percent from the current year (down in part because of $175 million in lower spending for legislative member items in 1999-2000).

After two years of record increases, General Fund spending for school aid is projected at $9.99 billion in 1999-2000 (on a State fiscal year basis), an increase of $292 million (3.0 percent) from the current year. The Budget provides additional funding for operating aid, building aid, and textbook and computer aids. It also funds the "tail" of aid payable for the 1998-99 school year. These increases are partially offset by the elimination of categorical grants, reductions in BOCES aid, and other formula modifications designed to improve equity. A new Educational Improvement (EI) block grant replaces separate categorical programs such as Pre-K and minor maintenance aid to give school districts greater flexibility in meeting locally-determined needs.

Medicaid spending is estimated to total $5.50 billion in 1999-2000, a modest decline of $87 million or 1.6 percent from 1998-99. To achieve program savings, the Executive Budget recommends a series of cost containment actions, including restructuring rates paid to providers for certain services, shifting treatments for certain services to outpatient settings, and maximizing allowable Federal funds. These actions help produce recurring savings without limiting current benefits or access to services. At the same time, medical providers will benefit from the proposed acceleration of the phase-out of provider assessments already scheduled in law. The State had planned to eliminate provider taxes on April 1, 2000; the Executive Budget proposes eliminating them one year earlier. As a result, health care providers will not be required to pay $223 million in assessments in 1999-2000.

Spending on welfare is projected at $1.49 billion, a decline of $41 million (2.7 percent) from 1998-99. Since 1994-95, State spending on welfare has fallen by $709 million, or 32 percent, driven by sweeping welfare changes initiated at the State and Federal levels and a large, steady decline in the number of people receiving benefits. Several trends have contributed to falling caseloads, including the State's strong economic performance over the past three years, State, Federal and local welfare-to-work initiatives that have expanded training and support services to assist recipients in becoming self-sufficient, tightened eligibility review for applicants, and aggressive fraud prevention measures.

Local assistance spending for Children and Families Services is projected at $864 million in 1999-2000, down $42 million (4.7 percent) from 1998-99. The decline in General Fund spending is more than offset by higher spending on child care and child welfare services that is occurring with Federal TANF funds, which has allowed the State to lower General Fund spending while still expanding services in this area.

In Mental Health, the State will spend $619 million in 1999-2000, an increase of $40 million (7 percent) over 1998-99, including $23 million in additional funding for the Community Reinvestment Program. The spending increase of $17 million, to $576 million, for Mental Retardation and Developmental Disabilities reflects more than $52 million in increased funding, net of growth of $35.6 million in Federal offsets. Major components of spending growth include a trend factor for Medicaid programs, annualization of new community services from 1998-99 and the first year of the Governor's NYS-CARES initiative that will invest $129 million in State funds over five years to develop community-based beds for persons on waiting lists.

Spending for all other local assistance programs will total $5.72 billion in 1999-2000, a decline of $266 million from 1998-99. Lower spending of $175 million for legislative member items in 1999-2000 accounts for the majority of the year-to-year change.

State Operations ($ millions)			
SFY:	**1998-1999**	**1999-2000**	**Annual Change**
State Operations	6,650	6,875	225

State Operations reflect the costs of running the Executive, Legislative and Judicial branches of government. Spending in this category is projected to increase by $225 million or 3.4 percent above 1998-99, and reflects the annualized costs of current collective bargaining agreements, the loss of Federal receipts that offset General Fund spending in mental hygiene programs, the costs of staffing a new State prison, and growth in the Legislative and Judiciary budgets. The State's overall workforce is projected to remain stable at around 191,200 persons.

Personal service costs are projected to be $5.01 billion, an increase of $128 million from the current year. No funding is included in the Financial Plan for new collective bargaining agreements, most of which expire on April 1, 1999. Nonpersonal service is projected to be $1.87 billion, with the increase of $97 million used primarily to fund Year 2000 compliance and related activities in the Office for Technology.

General State Charges ($ millions)			
SFY:	**1998-1999**	**1999-2000**	**Annual Change**
General State Charges	2,286	2,333	47

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

Total spending in General State Charges is projected to grow by $47 million (2.1 percent) in 1999-2000. The increase is comprised of higher health insurance costs, Court of Claims payments and taxes on State-owned lands, offset by decreases for pension contributions and higher reimbursements for fringe benefit costs charged to positions financed by non-General funds, which lowers General Fund expenses.

Debt Service ($ millions)			
SFY:	**1998-1999**	**1999-2000**	**Annual Change**
Debt Service	11	11	0

This category reflects debt service on short-term obligations of the State, i.e., the interest costs on the State's commercial paper program. The commercial paper program is expected to have an average of approximately $287 million outstanding during

1999-2000, similar to past experience, with interest rates of about 4 percent. The majority of the State's debt service is for long-term bonds, and is reflected as a transfer to the General Debt Service Fund.

Transfers To Other Funds
($ millions)

SFY:	1998-1999	1999-2000	Annual Change
Transfers In Support of Debt Service	2,102	2,287	185
Transfers in Support of Capital Projects	205	188	(17)
Transfer to Debt Reduction Reserve Fund	50	250	200
All Other Transfers	421	350	(71)

Transfers in support of debt service reflect the initial impact of the Governor's efforts to reduce the portion of the State's Capital Plan that is financed with debt, as well as the reclassification of SUNY community college debt service ($33 million) from local assistance. Governor Pataki's debt reduction initiatives will ensure that for the first time in decades debt service costs actually decline during the Five Year Capital Program and Financing Plan period.

Transfers in support of capital projects for 1999-2000 are estimated to total $438 million and are comprised of two components: $188 million for direct capital spending to finance a variety of recreational, educational and cultural projects and $250 million for the second deposit to the Debt Reduction Reserve Fund (DRRF). This deposit will be used to assist in achieving debt reduction goals in future years. The existing money in DRRF will support disbursements in 1999-2000 for certain capital programs which are currently financed by bonds, but will now be financed with cash. These include the West Valley Nuclear Service Center, the State Education Department, the Department of Health and Youth Opportunity Centers. In addition, pay-as-you-go resources will eliminate bond financing for the Petroleum Tank Storage program one year earlier than anticipated. In addition to the $50 million deposit to DRRF, 1998-99 General fund support for capital projects also includes $205 million for direct capital spending.

Other transfers decline by $71 million from 1998-99, as the one-time transfers in the current year for the Lottery and Oil Spill Funds do not recur in 1999-2000.

NON-RECURRING RESOURCES

The 1999-2000 Financial Plan relies on $33 million in non-recurring resources, the lowest level ever reported. Since 1996-97, the State has used an average of less than $60 million a year in one-time resources. In 1999-2000, the largest one-time resource will consist of a $15 million loan repayment from the Long Island Power Authority. The remaining amounts include various routine fund sweeps and transfers to the General Fund that occur each year.

CLOSING FUND BALANCE

The State will close the 1999-2000 fiscal year with a fund balance of $2.36 billion. The balance is comprised of $1.79 billion set aside as a tax reduction reserve, $473 million in the Tax Stabilization Reserve Fund and $100 million in the Contingency Reserve Fund. The entire $226 million balance in the Community Projects Fund will be used in 1999-2000, with $80 million in cash spent to pay for existing projects and the remaining balance of $146 million, against which there are no appropriations as a result of the Governor's 1998 vetoes, used to fund operations in 1999-2000.

GENERAL FUND FINANCIAL PLAN OUTYEAR PROJECTIONS

The State projects budget gaps of $1.11 billion in 2000-01 and $2.08 billion in 2001-02. The gap estimates assume that the Legislature will enact the 1999-2000 Executive Budget and accompanying legislation in its entirety. The gaps also assume $500 million in annual spending efficiencies, which is comparable to the State's assumptions in previous years. Nearly all the actions proposed by the Governor to balance the 1999-2000 Financial Plan recur and grow in value in future years. If the projected budget gap for 2000-01 is closed with recurring actions, the 2001-02 budget gap would be reduced to $963 million.

PROJECTED BUDGET GAPS FOR SFYs 2000-01 AND 2001-02
($ in millions)

	2000-01	2001-02
Receipts	35,987	36,197
Disbursements	38,189	39,973
Use of 1998-99 Tax Reduction Reserve	589	1,200
Efficiencies	500	500
Remaining Gap	**(1,113)**	**(2,076)**
2001-02 Gap if 2000-01 Gap is Closed With Recurring Actions		**(963)**

The State plans to use the $1.79 billion tax reduction reserve to offset the incremental loss of tax receipts beginning in 2000-01. The State Financial Plan currently assumes that $589 million of the reserves — or about one-third of the amount available — will be applied in 2000-01, with the remaining $1.2 billion used in 2001-02. The State may alter how it apportions the reserves across the outyears to ensure that enacted tax cuts go forward on schedule.

OUTYEAR RECEIPTS

General Fund Receipts ($ millions)		
SFY:	**2000-01**	**2001-02**
General Fund Receipts	35,987	36,197

General Fund receipts fall to an estimated $35.99 billion in 2000-01 reflecting the incremental impact of already enacted tax reductions, the impact of prior refund reserve transactions and the earmarking of receipts for dedicated highway purposes. Receipts are projected to grow modestly to $36.20 billion in 2001-02, again reflecting the impact of enacted tax cuts on normal receipts growth, as well as the incremental impact of tax reductions recommended with the Budget.

Personal Income Tax ($ millions)		
SFY:	2000-01	2001-02
Personal Income Tax	20,718	20,943

Personal income tax receipts are projected to decline to $20.72 billion in 2000-01. The decline from 1999-2000 reflects the positive impact of refund reserve transactions on 1999-2000 receipts and reduced growth in underlying liability. The slowdown in liability growth results from a moderate slowdown in personal income and wage increases and an end to the rapid escalation in taxable capital gains realizations. In addition, receipts are reduced by the incremental value of the STAR tax reduction plan and the required deposit of personal income tax receipts into the School Tax Relief Fund.

Personal income tax receipts for 2001-02 are projected to increase to $20.94 billion. The modest increase results from continued normal growth in liability offset by increasing deposits to the School Tax Relief Fund.

User Taxes and Fees ($ millions)		
SFY:	2000-01	2001-02
User Taxes and Fees	6,877	7,104

Receipts from the User Taxes and Fees category are estimated to total $6.88 billion in 2000-01, a decline of $281 million from 1999-2000. This decline results, in part, from the dedication of a portion of motor fuel tax receipts to the Highway and Bridge Trust Fund. Further, receipts growth is reduced due to the incremental impact of already enacted tax reductions such as the elimination of the sales tax on clothing and shoes under $110 in value.

User taxes and fees receipts increase to an estimated $7.10 billion in 2001-02. Moderate economic growth projected over the next several years will keep underlying growth in the sales tax base in the 4 to 5 percent range over the 2000-01 and 2001-02 period.

Business Taxes ($ millions)		
SFY:	2000-01	2001-02
Business Taxes	4,331	4,193

Business Tax receipts are estimated to decline to $4.33 billion in 2000-01 as the impact of recently enacted tax reductions begin to take effect. Receipts are projected to fall to $4.19 billion in 2001-02, reflecting the ongoing effect of business tax reductions and the recommended changes associated with energy tax reform and reduction, as well as other business tax reductions proposed in this Budget.

Other Taxes ($ millions)		
SFY:	**2000-01**	**2001-02**
Other Taxes	813	772

Other taxes are projected to decline to $813 million in 2000-01 as the impact of estate tax reform and the elimination of the gift tax begin to affect receipts. Further, the tail in real property gains tax receipts will fall off as prior year liabilities and assessments are drawn down. Other tax receipts fall to an estimated $772 million in 2001-02 as the impact of estate and gift tax reduction provisions enacted in 1997 are fully phased in.

Miscellaneous Receipts ($ millions)		
SFY:	**2000-01**	**2001-02**
Miscellaneous Receipts	1,204	1,172

Miscellaneous Receipts are estimated to total $1.20 billion in 2000-01, a decline of $38 million from the prior year. Receipts in this category are projected to reach $1.17 billion in 2001-02.

Transfers From Other Funds ($ millions)		
SFY:	**2000-01**	**2001-02**
Transfers From Other Funds	2,044	2,013

Transfers from other funds are estimated to grow to $2.04 billion in 2000-01, reflecting the transfer back to the General Fund of certain resources supporting the Dedicated Highway and Bridge Trust Fund. Transfers fall slightly in 2001-02 as normal growth in LGAC transfers associated with the sales tax is offset by declines in other transfers.

OUTYEAR DISBURSEMENTS

General Fund Disbursements ($ millions)		
SFY:	**2000-01**	**2001-02**
General Fund Disbursements	38,189	39,973

The State currently projects spending to grow by $1.09 billion (2.9 percent) in 2000-01 and an additional $1.78 billion (4.7 percent) in 2001-02. General Fund spending increases at a higher rate in 2001-02 than in 2000-01 because of higher growth rates for Medicaid, Welfare, Children and Families, and Mental Retardation, which are due in part to the loss of Federal money that offsets General Fund spending.

Grants to Local Governments ($ millions)		
SFY:	**2000-01**	**2001-02**
Local Assistance	25,846	27,307

Local assistance spending accounts for most of the projected growth in General Fund spending in the outyears, increasing by $1.04 billion in 2000-01 and $1.46 billion in 2001-02. School aid, the largest category of General Fund spending, is projected to grow by $612 million in 2000-01 and $578 million in 2001-02. Continuing growth in building aid ($141 million in 2000-01; $188 million in 2001-02) and selected operating aids drive higher growth. Other education spending, particularly in pre-school handicapped programs, is also expected to grow strongly, increasing by 8 to 9 percent (roughly $70 million annually) during the projection period. Enrollment growth and higher costs per pupil contribute to the added program costs.

Medicaid is the next largest General Fund program. Spending is expected to grow by $313 million (5.7 percent) in 2000-01 and $452 million (7.8 percent) in 2001-02. Consistent with national trends, underlying growth in health care costs is estimated at 6.5 percent over the projection period. The State expects proposed cost containment and managed care to reduce the Medicaid program's spending base, but not to alter the underlying forces driving the rise in health care costs. In welfare, spending is expected to increase by less than 2.7 percent in 2000-01, but grow at around 6 percent in 2001-02 as caseloads stabilize and Federal work participation rules require additional State resources. Spending on Children and Family Services is expected to increase rapidly in both 2000-01 and 2001-02, reflecting investments in child care and the projected loss of Federal money in 2001-02 that is currently used to offset General Fund spending. Mental hygiene programs continue to grow faster than inflation as a result of the expansion of community programs for the mentally ill through the Mental Health Community Reinvestment Act , and for the developmentally disabled through the five-year NYS-CARES initiative.

State Operations ($ millions)		
SFY:	**2000-01**	**2001-02**
State Operations	7,054	7,225

State Operations costs are projected to increase by $179 million (2.6 percent) in 2000-01 and $171 million (2.4 percent) in 2001-02. Most of this increase reflects the costs of staffing additional correctional facilities, the loss of Federal money used to offset General Fund spending in mental hygiene agencies, modest inflationary increases in non-personal service costs, and additional spending for computer systems and technology initiatives. Consistent with past practice, the State's outyear projections do not assume any new costs from collective bargaining agreements negotiated after the current round of contracts expire.

General State Charges ($ millions)		
SFY:	**2000-01**	**2001-02**
General State Charges	2,428	2,504

General State Charges will increase by $95 million in 2000-01 and $76 million in 2001-02. The growth reflects inflationary increases for health insurance and other benefits for State employees. The projections do not assume any changes in existing benefits.

Transfers To Other Funds ($ millions)		
SFY:	**2000-01**	**2001-02**
Transfers To Other Funds	2,850	2,926

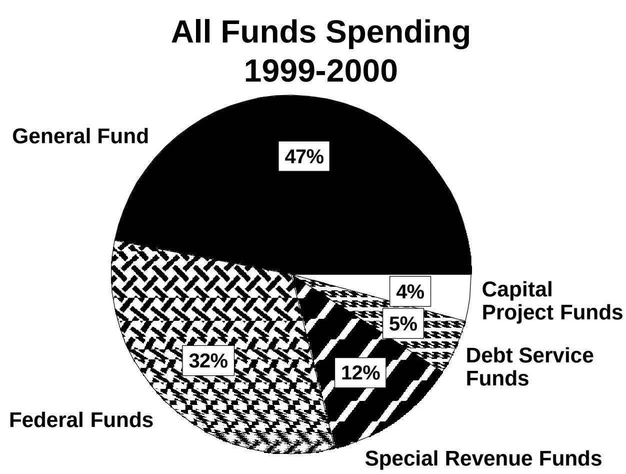
Capital project transfers will continue to increase as the Governor's proposed debt reduction initiatives drive higher hard-dollar spending in the future. Other transfers show little change in the outyears.

GOVERNMENTAL FUNDS FINANCIAL PLANS

ALL GOVERNMENTAL FUNDS

The All Governmental Funds Financial Plan combines activity in the four governmental fund types: the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. In 1999-2000, spending from All Governmental Funds is estimated at $72.66 billion, an increase of $1.25 billion or 1.8 percent from 1998-99.

Spending from All Governmental Funds includes $1.22 billion in payments under the STAR program, which lowers school property tax bills for homeowners and reduces the New York City resident personal income tax. Non-senior home owners will receive STAR benefits for the first time in 1999-2000, and STAR growth will drive $638 million of the $1.25 billion increase in All Funds spending from 1998-99. Growth in the General Fund ($184 million excluding transfers) and Federal grants ($384 million) account for most of the remaining increase in All Funds spending.



STATE FUNDS

State Funds represents the portion of New York State's budget which is supported exclusively by State revenues: taxes, fees, fines, and other revenues imposed and collected by the State. Federal grants are not included as part of State Funds. Funds which are not part of the All Governmental Funds group — Fiduciary, Internal Service, and Enterprise funds — are also excluded. Projected 1999-2000 disbursements from State Funds (including STAR as noted above) is $49.33 billion, an increase of $867 million or 1.8 percent from 1998-99.

SPECIAL REVENUE FUNDS

The Special Revenue Funds (SRFs) group consists of numerous funds that receive dedicated sources of revenues that are spent for specified purposes. These funds exist to ensure that monies are used solely for their intended purpose or that individual programs are self-supporting.

Special Revenue Funds spending is projected at $30.54 billion in 1999-2000. This includes $8.61 billion from SRFs containing State revenues, and $21.93 billion from funds containing Federal grants, primarily for social welfare programs.

State Special Revenue Funds

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

Disbursements in State SRFs are projected at $8.61 billion, an increase of $315 million or 3.8 percent from 1998-99. The School Tax Relief (STAR) program, which increases by $638 million from 1998-99, accounts for most of the year-to-year growth. The elimination of medical provider assessments on April 1, 1999 partially offsets this growth. Major components of State SRFs are discussed in more detail below.

— **STAR**: A dedicated fund that receives personal income tax receipts dedicated to support the $2.7 billion School Tax Relief (STAR) program. This multi-year program, when fully implemented in 2001-02, will provide $2.27 billion in local property tax relief and $470 million in lower personal income taxes for New York City residents. Spending is estimated at $1.22 billion in 1999-2000, an increase of $638 million from 1998-99. The phase-in of benefits for non-senior homeowners, increased participation by seniors and further New York City income tax relief account for the higher spending from the STAR SRF.

— **Lottery**: The Lottery Fund receives the net proceeds of lottery ticket sales which are used to support education aid and fund administrative costs. The 1999-2000 Executive Budget projects the receipt of $1.59 billion in lottery proceeds, which, after payment of administrative expenses, permits the distribution of $1.45 billion for education purposes. Lottery proceeds remain level with the current year.

— **State University of New York**: The State University's income reported in the State SRFs is received from tuition, third-party payers, room rents, and user fees. Revenues of the University support the costs of operating hospitals, dormitories and regular campus services. The University's spending from receipts in the State SRFs is projected to total $1.84 billion in 1999-2000, a slight decrease of $7 million from the current year.

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

$1.39 billion, $116 million less than in 1998-99. Spending in this category declines primarily because of a one-time disbursement of surplus MTOA funds in 1998-99.

— **Indigent Care**: The Indigent Care Fund receives monies from a bad debt and charity care pool funded by various third-party payers. Total disbursements are estimated at $620 million in 1999-2000, an increase of $30 million over 1998-99, and are used to support health care provided by hospitals serving indigent patients.
— **Child Health Plus**: The Child Health Plus program matches Federal dollars to subsidize health insurance coverage for children of low-income families and is funded by revenues authorized in the Health Care Reform Act (HCRA). The revised 1998-99 Financial Plan includes $112 million for this program, which grows to $154 million in 1999-2000.
— **Nursing Home Assessments**: The Nursing Home Assessment account receives monies from nursing homes and is used to offset the costs of the State's Medicaid program. Total spending is estimated at $244 million in 1998-99. Effective April 1, 1999, all medical provider assessments, including those previously deposited into this account, are recommended for elimination.
— **All Other**: The remaining spending in the State SRFs includes fees, licenses, and assessments collected by State agencies to support the costs of providing specific services. Spending for these SRFs is projected at $1.80 billion for 1999-2000, a slight decrease of $28 million.

Federal Special Revenue Funds

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

Total disbursements for programs supported by Federal grants account for approximately three-quarters of all spending in the Special Revenue fund type. Federal SRF disbursements are estimated at $21.93 billion in 1999-2000, an increase of $222 million or 1.0 percent from 1998-99. The higher spending is primarily due to increases in Education ($170 million), Children and Families ($123 million), Child Health Plus ($96 million), and Labor ($89 million), offset by a decrease in Welfare ($259 million). Major components of Federal SRFs are discussed in more detail below.

The single largest program in Federal SRFs is Medicaid, which comprises 61 percent of Federal aid spending. Disbursements represent payments made to State-operated facilities as well as other health care providers, and reimbursements to local governments for administrative costs and other minor programs. The Budget projects $13.55 billion in total Federal Medicaid reimbursements, a decrease of $57 million from 1998-99. This decrease is primarily due to the cost containment measures recommended with the Budget.

The State receives Federal welfare funding through the Temporary Assistance for Needy Families (TANF) block grant. The amount of the block grant is calculated based on 1995 expenditures, when the State had a much higher welfare caseload. Thus, the State receives a higher level of funding than would otherwise be required to support the current welfare program. The difference between the block grant and the current spending requirements allows the State and localities to expand program services, and provides

State and local fiscal relief. In 1999-2000, the State plans to use this surplus, which is estimated at $1.4 billion, to increase support for child welfare services, child care, and other welfare-reform initiatives, as well as fund reserves for future needs.

Federal welfare spending is projected at $1.69 billion in 1999-2000, a decrease of $259 million from 1998-99. This decrease is due to declining caseloads. This allows an additional distribution from the TANF block grant for expanded services in Children and Family Services and Labor, and permits additional funds to be set aside for future contingencies.

Education spending is projected at $1.86 billion in 1999-2000, an increase of $170 million from 1998-99. This increase is primarily due to new funding for the class size reduction program and increased funding for the school-age and preschool special education programs.

Children and Family Services are projected at $1.47 billion in 1999-2000 and represent an increase of $123 million from the prior year. Most of this increase is to support the continued growth for child care services financed by available TANF block grant funds.

Labor spending is estimated at $655 million in 1999-2000, an increase of $89 million from the prior year. This increase is primarily due to continued implementation of the Welfare-to-Work program.

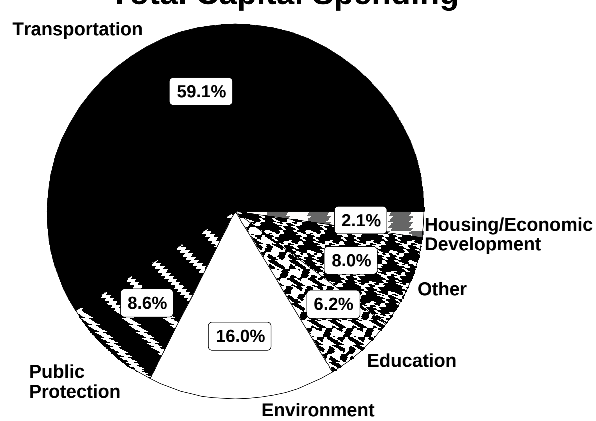
Federal support for the Child Health Plus program began in 1998-99. This funding, in conjunction with State money, facilitates access to comprehensive health care coverage for virtually every eligible child in New York through age 18. Spending is projected at $278 million in 1999-2000 and represents an increase of $96 million from 1998-99.

All other Federal spending is projected at $2.43 billion for 1999-2000, an increase of $60 million over the prior year.

CAPITAL PROJECTS FUNDS

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

Share of 1999-2000 Total Capital Spending



An integral component of the Governor's overall debt reform strategy is to prudently and gradually reduce the use of debt. The 1999-2000 Budget represents a long-term approach of financing a larger share of the State's strategic capital investments with pay-as-you-go resources. Those efforts include transferring $50 million in the Debt Reduction Reserve Fund to the Capital Projects Fund in 1999-2000 to finance a variety of capital projects previously financed with bond proceeds. Compared to the 1998-99 enacted Capital Plan, pay-as-you-go spending is increased by $165 million in 1999-2000, reducing the amount of capital spending financed with general obligation and authority bond proceeds in that year from 56 percent to 46 percent.

Capital Projects Funds spending in fiscal year 1999-2000 is projected at $4.4 billion, or $145 million higher than the revised projection for 1998-1999.

Proposed spending for 1999-2000 will continue to be targeted to high priority capital programs. Capital spending for transportation activities will account for approximately 59 percent of total capital spending in 1999-2000. Transportation spending increases of $169 million from the prior year will continue to improve the State's transportation infrastructure, producing continued economic development benefits from the efficient movement of raw materials, goods and people.

Spending for higher education will increase eleven percent ($27 million) from 1998-1999 estimated levels and primarily reflects the Governor's commitment to multi-year capital investments that will lead the State and City University systems into the Twenty-First Century.

Projected capital spending for the environment in 1998-99 and 1999-2000 will exceed $700 million annually and will preserve the State's environmental resources with the continued implementation and expansion of the 1996 Clean Water/Clean Air Bond Act. In addition, the Governor will maintain his commitment to the environment with continued support for the Hudson River Park project and other State parks and land projects.

These increases are offset by modest decreases in other functional areas which reflect the completion of initiatives begun in prior years or the refinement of projected spending levels.

The 1999-2000 capital spending plan of $4.4 billion is highlighted by:

- A $2.6 billion State and local highway and bridge program. Total transportation spending reflects 59 percent of all capital spending in 1999-2000;
- $709 million for the Environment, including $150 million in program activities from the Clean Water/Clean Air Bond Act for water, air and other environmental priorities, and over $100 million in spending from the Environmental Protection Fund;
- $348 million for Correctional services in bond and Federally-financed projects. This recommendation includes a new 750-cell maximum security prison, projects that rehabilitate existing facilities, and continues the Health Care Infrastructure Program. Spending for public protection also reflects continuing disbursements for correctional facilities located in Franklin and Seneca counties which were authorized in 1997-98 and 1998-99, respectively;
- $272 million for SUNY and CUNY will primarily reflect maintenance, preservation and improvements projects at existing facilities as well as selected new projects. In addition, 1999-2000 will reflect the second year of a multi-year capital effort designed to continue to ensure that SUNY and CUNY will be equipped to meet the challenging academic and research demands of the future;

— $271 million for OMH, OMRDD and OASAS. This includes essential health and safety, rehabilitation and maintenance projects needed to preserve and maintain both institutional and community-based facilities. In addition, OMH will complete major projects at Manhattan Psychiatric Center and New York Psychiatric Institute, and OMRDD will expand secure treatment facility capacity within the service system for individuals who require specialized residential placement;
— Local transportation programs (Consolidated Highway Improvement Program or CHIPs, and the Marchiselli Program), will be funded at $227 million in 1999-2000. The Multi-modal Program will be fully authorized at $350 million; and
— Additional initiatives are continued for the construction and rehabilitation of various State office buildings.

General Fund support for capital projects is made through a transfer, which is net of all other available financing resources, to the Capital Projects Fund. The projected 1998-1999 General Fund transfer to the Capital Projects Fund will increase by $5 million to $205 million, primarily reflecting changes in the timing of projects. In addition, $50 million will be also be transferred in 1998-99 from the General Fund to DRRF (a capital projects fund). In 1999-2000, the receipts in DRRF will be used to reduce previously projected new debt by increasing pay-as-you-go spending. Finally, in 1999-2000, an additional $250 million will be deposited to DRRF from the General Fund. This deposit will be used to assist in achieving debt reduction goals in future years.

Financing Sources

Spending for capital projects is financed with cash or bond proceeds. Cash resources include pay-as-you-go State resources and Federal grants. Bond resources include proceeds from the sale of bonds, including voter-approved General Obligation bonds or public authority bonds.

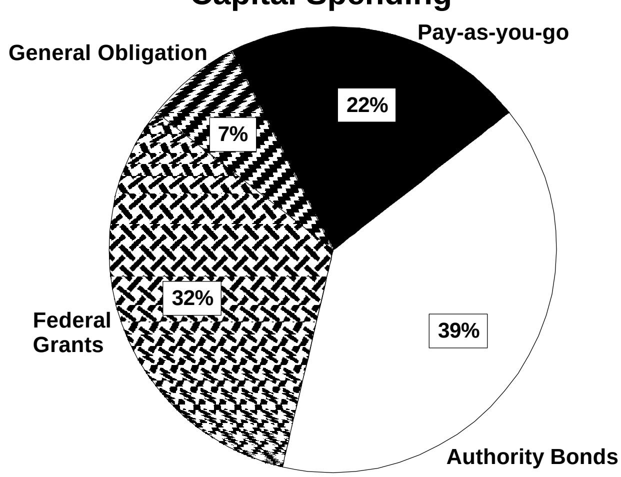
The Governor's debt reduction measures lower the State's dependence on debt by ensuring that a larger and growing share of the State's essential capital investments are financed with pay-as-you-go resources. The prudent financing of capital needs with cash resources ensures that less than one-half or 46 percent of capital spending in 1999-2000 will be financed with debt while State pay-as-you-go resources and Federal grants will support the majority or 54 percent of capital costs.

Cash Resources

Total cash resources are comprised of State pay-as-you-go and Federal grants, and will finance 54 percent of 1999-2000 capital spending.

— **Pay-as-you-go Resources**: The percentage of the Capital Plan financed with pay-as-you-go resources in 1999-2000 will represent 22 percent of total projected capital spending, an increase of 4 percent over last year's Plan estimate.
— **Federal Grants**: Approximately 32 percent of the State's total spending for capital projects is

1999-2000 Sources of Capital Spending



expected to be supported by Federal grants, mainly for transportation and environmental purposes. Primarily as a result of the new Federal Highway Act, TEA-21, spending supported by Federal grants in 1999-2000 will increase by $272 million, or 24 percent, from the 1998-99 enacted Capital Plan.

Bond Resources

— **General Obligation Bonds**: $316 million, or 7 percent of projected 1999-2000 capital spending will be supported by the Clean Water/Clean Air Environmental Bond Act approved by the voters in 1996. These projects will continue to protect the environment and the health and safety of all New Yorkers.

— **Authority Bonds**: Efforts to shift the financing of capital projects from bonds to cash resources will significantly reduce the share of 1999-2000 capital spending projected to be financed with authority bond proceeds from last year's projection of 46 percent to 39 percent. In 1999-2000, $1.7 billion of total capital spending, primarily in the areas of transportation, corrections, mental hygiene and higher education programs will be reimbursed by authority bond proceeds.

DEBT SERVICE FUNDS

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

Debt Service Funds projections for 1998-99 and 1999-2000 will reflect the beginning of historic debt reduction initiatives that, over the course of the Five Year Capital Program and Financing Plan, will result in dramatic decreases in New York’s debt burden — with debt levels and debt service costs declining for the first time in decades. Responsibly supporting a large and growing share of the State’s Capital Plan with pay-as-you-go resources will ensure that debt outstanding in 2003-04 will be less than 1999-2000 levels.

As a result of savings from the debt reduction initiatives, estimated debt service disbursements from the Debt Service Funds type for 1998-99 and 1999-2000 are lower than those projected with last year’s Enacted Budget. Although prior capital commitments financed by bonds issued by the State and its public authorities will increase estimated 1999-2000 debt service disbursements to $3.68 billion, or $384 million more than the prior year, debt reduction initiatives in the current and following years ensure a decline in debt service costs by the end of the Five Year Capital Plan. Of this increase, $131 million is attributable to transportation bonding for State and local highway and bridge programs financed by the Dedicated Highway and Bridge Trust Fund, $80 million is for SUNY and CUNY higher education purposes, and $38 million is for mental hygiene programs financed through the Mental Health Services Fund. Disbursements on bonds for State University upstate community colleges, previously appropriated as local aid, have now been reclassified as debt service spending.

In addition, overall financing costs will continue to be minimized through a number of other debt management strategies. These include the continuation of prior efforts such as the elimination of the use of capitalized interest and the use of shorter bond maturities.

Market conditions permitting, the State will continue to implement its more recent debt management initiatives, including the expanded use of short-term debt instruments (e.g., variable rate bonds and a limited use of interest rate swaps).

The General Debt Service Fund pays debt service on general obligation bonds, as well as payments for financing agreements on other bonds. Transfers from the General Fund are the primary source of funds for these payments, and are only made in the amount necessary to meet net disbursements. In 1999-2000, the transfer from the General Fund is projected at $2.29 billion. Additional transfers of $176 million from the Dedicated Highway and Bridge Trust Fund, $27 million from the Clean Water/Clean Air Fund, and $1.5 million from the State Parks Infrastructure Fund are projected to bring 1999-2000 total disbursements from the General Debt Service Fund to $2.49 billion. Those additional transfers pay the debt service on bonds issued for the Consolidated Highway Improvement Program (CHIPs), environmental projects under the Clean Water /Clean Air Bond Act, and State parks purposes, respectively. Continued retirement of previously issued general obligation bonds largely contributes to a $24 million reduction in debt service costs. Similarly, prior-year financings for CUNY, SUNY, prisons, housing, CHIPs and other programs will increase 1999-2000 lease-purchase and contractual obligation payments by $262 million.

The Local Government Assistance Tax Fund is projected to receive $1.93 billion in receipts from the dedicated one-cent statewide sales tax. Debt service and associated costs on the completed $4.7 billion LGAC program are projected at $340 million, which results in the transfer of excess sales taxes to the General Fund in the amount of $1.59 billion.

The next largest debt service fund is the Mental Health Services Fund, to which $2.11 billion of patient revenues are deposited and transferred. Those revenues will meet debt service obligations of $330 million, with the remainder being transferred to special revenue funds to support program costs for the various mental hygiene agencies. The Health Income Fund also receives patient revenue deposits and transfers from certain Health Department facilities, including the Roswell Park Cancer Institute Corporation (whose operations were transferred to a public authority). Revenues of the Corporation will continue to support the debt service on those bonds through their maturity, and the balance will be periodically transferred from the Health Income Fund back to the Roswell Corporation. However, pursuant to the Corporation's Act, its revenues in excess of debt service requirements will not be reflected in the State's Financial Plan. Health Income Fund monies of $144 million are expected to support debt service obligations of $32 million in 1999-2000, with the remainder being transferred to support the Health Department's State operations costs.

The Clean Water/Clean Air Fund, which was created in 1997-98 as a part of that bond act's implementation, is expected to receive $167 million from the real estate transfer tax. This Fund will transfer $27 million to the General Debt Service Fund for Clean Water/Clean Air debt service, and the remaining $140 million to the General Fund. Other Debt Service Funds are used for debt service on housing, SUNY dormitory, and State highway projects.

GAAP-BASIS FINANCIAL PLANS

The General Fund and All Governmental Funds Financial Plans are also prepared in accordance with Generally Accepted Accounting Principles (GAAP). Additional schedules are provided which detail the differences between the General Fund Financial

Plan prepared on a cash basis versus that prepared in accordance with GAAP. The GAAP projections for both years are based on the accounting principles applied by the State Comptroller in the financial statements issued for the 1997-98 State fiscal year, and do not reflect any pending proposals of the Governmental Accounting Standards Board.

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

Fiscal Year Ended:	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accumulated General Fund Surplus/(Deficit)
March 31, 2000	(507)	(31)	43	310	(185)	512
March 31, 1999	452	220	63	170	905	1,019
March 31, 1998	1,562	49	(43)	232	1,800	567
March 31, 1997	1,933	65	(37)	98	2,059	(995)
March 31, 1996	380	(409)	185	276	432	(2,928)
March 31, 1995	(1,426)	39	(38)	(366)	(1,791)	(3,308)

* Deficits noted in parentheses.

The GAAP projections indicate that the State will have three consecutive years of a General Fund GAAP accumulated surplus, completely eliminating the GAAP deficit of $3.3 billion as of March 31, 1995. In 1998-99, the General Fund GAAP Financial Plan shows total revenues of $36.63 billion, total expenditures of $36.07 billion, and net other financing uses of $106 million. In 1999-2000, projections reflect total revenues of $36.14 billion, total expenditures of $36.18 billion and net other financing uses of $466 million. The net impact of the additional 1998-99 cash surplus accounts for most of the change in projected operating results across the two fiscal years. At the end of 1999-2000, the accumulated General Fund GAAP surplus is projected to be $512 million.

CASH FLOW

The General Fund cash flow for 1999-2000 is projected to have balances no lower than $2.36 billion in all months. Healthy balances early in the year are largely the result of reserving or paying an additional $1.79 billion in personal income tax refunds associated with the 1998-99 surplus. In June, the projected balance in the General Fund is $4.25 billion. Balances at the close of the second and third quarters of the fiscal year are projected to be $5.57 billion and $5.13 billion, respectively. As a result of cash flow reforms made in the 1990s, the State cannot normally issue short-term debt to meet its cash flow needs throughout the year.

INDEX OF FINANCIAL PLAN TABLES

Cash Financial Plan
General Fund
1998-1999
(millions of dollars)

	October	Change	January
Opening fund balance	638		638
Receipts:			
Taxes			
Personal income tax	21,435	(1,259)	20,176
User taxes and fees	7,206	23	7,229
Business taxes	4,790	4	4,794
Other taxes	1,072	27	1,099
Miscellaneous receipts	1,474	60	1,534
Transfers from other funds			
-- LGAC	1,539	7	1,546
-- All other	323	78	401
Total receipts	37,839	(1,060)	36,779
Disbursements:			
Grants to local governments	25,141	(248)	24,893
State operations	6,704	(54)	6,650
General State charges	2,215	71	2,286
Debt service	11	0	11
Transfers to other funds			
-- Debt service	2,131	(29)	2,102
-- Capital projects	200	5	205
-- Debt reduction reserve	50	0	50
-- Other purposes	327	94	421
Total disbursements	36,779	(161)	36,618
Change in fund balance	1,060	(899)	161
Closing fund balance	1,698	(899)	799
-- Tax Stabilization Reserve Fund	400	73	473
-- Contingency Reserve Fund	100	0	100
-- Community Projects Fund	158	68	226
-- Reserve for Future Needs	1,040	(1,040)	0

Cash Financial Plan
General Fund
1998-1999 and 1999-2000
(millions of dollars)

	1998-1999 Estimate	1999-2000 Recommended	Change
Opening fund balance	638	799	
Receipts:			
Taxes			
Personal income tax	20,176	22,830	2,654
User taxes and fees	7,229	7,157	(72)
Business taxes	4,794	4,527	(267)
Other taxes	1,099	980	(119)
Miscellaneous receipts	1,534	1,242	(292)
Transfers from other funds			
-- LGAC	1,546	1,589	43
-- All other	401	338	(63)
Total receipts	36,779	38,663	1,884
Disbursements:			
Grants to local governments	24,893	24,806	(87)
State operations	6,650	6,875	225
General State charges	2,286	2,333	47
Debt service	11	11	0
Transfers to other funds			
-- Debt service	2,102	2,287	185
-- Capital projects	205	188	(17)
-- Debt reduction reserve	50	250	200
-- Other purposes	421	350	(71)
Total disbursements	36,618	37,100	482
Change in fund balance	161	1,563	
Closing fund balance	799	2,362	
-- Tax Stabilization Reserve Fund	473	473	
-- Contingency Reserve Fund	100	100	
-- Community Projects Fund	226	0	
-- Tax Reduction Reserve	0	1,789	

Cash Financial Plan
General Fund
1999-2000 through 2001-2002
(millions of dollars)

	1999-2000 Recommended	2000-2001 Projected	2001-2002 Projected
Receipts:			
Taxes			
Personal income tax	22,830	20,718	20,943
User taxes and fees	7,157	6,877	7,104
Business taxes	4,527	4,331	4,193
Other taxes	980	813	772
Miscellaneous receipts	1,242	1,204	1,172
Transfers from other funds			
-- LGAC	1,589	1,574	1,652
-- All other	338	470	361
Total receipts	38,663	35,987	36,197
Disbursements:			
Grants to local governments	24,806	25,846	27,307
State operations	6,875	7,054	7,225
General State charges	2,333	2,428	2,504
Debt service	11	11	11
Transfers to other funds			
-- Debt service	2,287	2,281	2,284
-- Capital projects	188	225	296
-- Debt reduction reserve	250	0	0
-- Other purposes	350	344	346
Total disbursements	37,100	38,189	39,973
Use of Community Projects Fund	226	0	0
(Deposit to)/Use of Tax Reduction Reserve	(1,789)	589	1,200
Spending Efficiencies	0	500	500
Margin	0	(1,113)	(2,076)

Cash Financial Plan
All Governmental Funds
1997-1998
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	433	600	(200)	150	983
Receipts:					
Taxes	30,936	1,371	1,020	2,064	35,391
Miscellaneous receipts	1,598	5,531	1,326	639	9,094
Federal grants	0	20,511	1,131	0	21,642
Total receipts	32,534	27,413	3,477	2,703	66,127
Disbursements:					
Grants to local governments	23,268	21,646	510	0	45,424
State operations	6,193	5,681	0	4	11,878
General State charges	2,265	320	0	0	2,585
Debt service	10	0	0	3,081	3,091
Capital projects	0	3	3,055	0	3,058
Total disbursements	31,736	27,650	3,565	3,085	66,036
Other financing sources (uses):					
Transfers from other funds	2,018	2,482	220	4,263	8,983
Transfers to other funds	(2,611)	(2,229)	(345)	(3,867)	(9,052)
Bond and note proceeds	0	0	485	0	485
Net other financing sources (uses)	(593)	253	360	396	416
Change in fund balance	205	16	272	14	507
Closing fund balance	638	616	72	164	1,490

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	638	616	72	164	1,490
Receipts:					
Taxes	33,298	1,932	1,107	2,218	38,555
Miscellaneous receipts	1,534	5,812	1,805	622	9,773
Federal grants	0	22,016	1,249	0	23,265
Total receipts	34,832	29,760	4,161	2,840	71,593
Disbursements:					
Grants to local governments	24,893	23,486	695	0	49,074
State operations	6,650	6,183	0	6	12,839
General State charges	2,286	326	0	0	2,612
Debt service	11	0	0	3,289	3,300
Capital projects	0	7	3,573	0	3,580
Total disbursements	33,840	30,002	4,268	3,295	71,405
Other financing sources (uses):					
Transfers from other funds	1,947	2,417	274	4,338	8,976
Transfers to other funds	(2,778)	(1,940)	(423)	(3,881)	(9,022)
Bond and note proceeds	0	0	331	0	331
Net other financing sources (uses)	(831)	477	182	457	285
Change in fund balance	161	235	75	2	473
Closing fund balance	799	851	147	166	1,963

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	799	851	147	166	1,963
Receipts:					
Taxes	35,494	2,565	1,093	2,206	41,358
Miscellaneous receipts	1,242	5,678	1,871	629	9,420
Federal grants	0	21,862	1,411	0	23,273
Total receipts	36,736	30,105	4,375	2,835	74,051
Disbursements:					
Grants to local governments	24,806	23,911	707	0	49,424
State operations	6,875	6,275	0	6	13,156
General State charges	2,333	347	0	0	2,680
Debt service	11	0	0	3,673	3,684
Capital projects	0	6	3,706	0	3,712
Total disbursements	34,025	30,539	4,413	3,679	72,656
Other financing sources (uses):					
Transfers from other funds	1,927	2,297	465	4,680	9,369
Transfers to other funds	(3,075)	(1,968)	(553)	(3,833)	(9,429)
Bond and note proceeds	0	34	235	0	269
Net other financing sources (uses)	(1,148)	363	147	847	209
Change in fund balance	1,563	(71)	109	3	1,604
Closing fund balance	2,362	780	256	169	3,567

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	780	256	169	1,205
Receipts:					
Taxes	32,739	3,305	1,228	2,191	39,463
Miscellaneous receipts	1,204	5,763	1,817	647	9,431
Federal grants	0	22,440	1,586	0	24,026
Total receipts	33,943	31,508	4,631	2,838	72,920
Disbursements:					
Grants to local governments	25,846	25,429	738	0	52,013
State operations	7,054	6,111	0	7	13,172
General State charges	2,428	329	0	0	2,757
Debt service	11	0	0	3,801	3,812
Capital projects	0	6	3,758	0	3,764
Total disbursements	35,339	31,875	4,496	3,808	75,518
Other financing sources (uses):					
Transfers from other funds	2,044	2,284	250	4,757	9,335
Transfers to other funds	(2,850)	(1,912)	(836)	(3,799)	(9,397)
Bond and note proceeds	0	0	286	0	286
Net other financing sources (uses)	(806)	372	(300)	958	224
Use of Tax Reduction Reserve	589	0	0	0	589
Spending Efficiencies	500	0	0	0	500
Change in fund balance	(1,113)	5	(165)	(12)	(1,285)
Closing fund balance	(1,113)	785	91	157	(80)

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	785	91	157	1,033
Receipts:					
Taxes	33,012	4,027	1,276	2,278	40,593
Miscellaneous receipts	1,172	5,826	1,557	657	9,212
Federal grants	0	23,113	1,404	0	24,517
Total receipts	34,184	32,966	4,237	2,935	74,322
Disbursements:					
Grants to local governments	27,307	26,855	546	0	54,708
State operations	7,225	6,138	0	7	13,370
General State charges	2,504	340	0	0	2,844
Debt service	11	0	0	3,899	3,910
Capital projects	0	7	3,548	0	3,555
Total disbursements	37,047	33,340	4,094	3,906	78,387
Other financing sources (uses):					
Transfers from other funds	2,013	2,208	297	4,758	9,276
Transfers to other funds	(2,926)	(1,829)	(815)	(3,770)	(9,340)
Bond and note proceeds	0	0	276	0	276
Net other financing sources (uses)	(913)	379	(242)	988	212
Use of Tax Reduction Reserve	1,200	0	0	0	1,200
Spending Efficiencies	500	0	0	0	500
Change in fund balance	(2,076)	5	(99)	17	(2,153)
Closing fund balance	(2,076)	790	(8)	174	(1,120)

Cash Financial Plan
State Funds
1997-1998
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	433	716	(81)	150	1,218
Receipts:					
Taxes	30,936	1,371	1,020	2,064	35,391
Miscellaneous receipts	1,598	5,432	1,324	639	8,993
Federal grants	0	0	0	0	0
Total receipts	32,534	6,803	2,344	2,703	44,384
Disbursements:					
Grants to local governments	23,268	3,819	321	0	27,408
State operations	6,193	2,984	0	4	9,181
General State charges	2,265	184	0	0	2,449
Debt service	10	0	0	3,081	3,091
Capital projects	0	3	2,111	0	2,114
Total disbursements	31,736	6,990	2,432	3,085	44,243
Other financing sources (uses):					
Transfers from other funds	2,018	592	220	4,263	7,093
Transfers to other funds	(2,611)	(82)	(341)	(3,867)	(6,901)
Bond and note proceeds	0	0	485	0	485
Net other financing sources (uses)	(593)	510	364	396	677
Change in fund balance	205	323	276	14	818
Closing fund balance	638	1,039	195	164	2,036

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	638	1,039	195	164	2,036
Receipts:					
Taxes	33,298	1,932	1,107	2,218	38,555
Miscellaneous receipts	1,534	5,714	1,805	622	9,675
Federal grants	0	0	0	0	0
Total receipts	34,832	7,646	2,912	2,840	48,230
Disbursements:					
Grants to local governments	24,893	4,710	497	0	30,100
State operations	6,650	3,393	0	6	10,049
General State charges	2,286	189	0	0	2,475
Debt service	11	0	0	3,289	3,300
Capital projects	0	7	2,527	0	2,534
Total disbursements	33,840	8,299	3,024	3,295	48,458
Other financing sources (uses):					
Transfers from other funds	1,947	621	274	4,338	7,180
Transfers to other funds	(2,778)	(126)	(418)	(3,881)	(7,203)
Bond and note proceeds	0	0	331	0	331
Net other financing sources (uses)	(831)	495	187	457	308
Change in fund balance	161	(158)	75	2	80
Closing fund balance	799	881	270	166	2,116

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	799	881	270	166	2,116
Receipts:					
Taxes	35,494	2,565	1,093	2,206	41,358
Miscellaneous receipts	1,242	5,577	1,871	629	9,319
Federal grants	0	0	0	0	0
Total receipts	36,736	8,142	2,964	2,835	50,677
Disbursements:					
Grants to local governments	24,806	5,003	491	0	30,300
State operations	6,875	3,404	0	6	10,285
General State charges	2,333	201	0	0	2,534
Debt service	11	0	0	3,673	3,684
Capital projects	0	6	2,516	0	2,522
Total disbursements	34,025	8,614	3,007	3,679	49,325
Other financing sources (uses):					
Transfers from other funds	1,927	478	465	4,680	7,550
Transfers to other funds	(3,075)	(111)	(548)	(3,833)	(7,567)
Bond and note proceeds	0	34	235	0	269
Net other financing sources (uses)	(1,148)	401	152	847	252
Change in fund balance	1,563	(71)	109	3	1,604
Closing fund balance	2,362	810	379	169	3,720

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	810	379	169	1,358
Receipts:					
Taxes	32,739	3,305	1,228	2,191	39,463
Miscellaneous receipts	1,204	5,658	1,817	647	9,326
Federal grants	0	0	0	0	0
Total receipts	33,943	8,963	3,045	2,838	48,789
Disbursements:					
Grants to local governments	25,846	5,876	522	0	32,244
State operations	7,054	3,297	0	7	10,358
General State charges	2,428	182	0	0	2,610
Debt service	11	0	0	3,801	3,812
Capital projects	0	6	2,393	0	2,399
Total disbursements	35,339	9,361	2,915	3,808	51,423
Other financing sources (uses):					
Transfers from other funds	2,044	489	250	4,757	7,540
Transfers to other funds	(2,850)	(86)	(831)	(3,799)	(7,566)
Bond and note proceeds	0	0	286	0	286
Net other financing sources (uses)	(806)	403	(295)	958	260
Use of Tax Reduction Reserve	589	0	0	0	589
Spending Efficiencies	500	0	0	0	500
Change in fund balance	(1,113)	5	(165)	(12)	(1,285)
Closing fund balance	(1,113)	815	214	157	73

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	815	214	157	1,186
Receipts:					
Taxes	33,012	4,027	1,276	2,278	40,593
Miscellaneous receipts	1,172	5,719	1,557	657	9,105
Federal grants	0	0	0	0	0
Total receipts	34,184	9,746	2,833	2,935	49,698
Disbursements:					
Grants to local governments	27,307	6,603	482	0	34,392
State operations	7,225	3,353	0	7	10,585
General State charges	2,504	188	0	0	2,692
Debt service	11	0	0	3,899	3,910
Capital projects	0	7	2,212	0	2,219
Total disbursements	37,047	10,151	2,694	3,906	53,798
Other financing sources (uses):					
Transfers from other funds	2,013	492	297	4,758	7,560
Transfers to other funds	(2,926)	(82)	(810)	(3,770)	(7,588)
Bond and note proceeds	0	0	276	0	276
Net other financing sources (uses)	(913)	410	(237)	988	248
Use of Tax Reduction Reserve	1,200	0	0	0	1,200
Spending Efficiencies	500	0	0	0	500
Change in fund balance	(2,076)	5	(98)	17	(2,152)
Closing fund balance	(2,076)	820	116	174	(966)

Cash Financial Plan
Special Revenue Funds
1997-1998
(millions of dollars)

	State	Federal	Total
Opening fund balance	716	(116)	600
Receipts:			
Taxes	1,371	0	1,371
Miscellaneous receipts	5,432	99	5,531
Federal grants	0	20,511	20,511
Total receipts	6,803	20,610	27,413
Disbursements:			
Grants to local governments	3,819	17,827	21,646
State operations	2,984	2,697	5,681
General State charges	184	136	320
Capital projects	3	0	3
Total disbursements	6,990	20,660	27,650
Other financing sources (uses):			
Transfers from other funds	592	1,890	2,482
Transfers to other funds	(82)	(2,147)	(2,229)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	510	(257)	253
Change in fund balance	323	(307)	16
Closing fund balance	1,039	(423)	616

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

	State	Federal	Total
Opening fund balance	1,039	(423)	616
Receipts:			
Taxes	1,932	0	1,932
Miscellaneous receipts	5,714	98	5,812
Federal grants	0	22,016	22,016
Total receipts	7,646	22,114	29,760
Disbursements:			
Grants to local governments	4,710	18,776	23,486
State operations	3,393	2,790	6,183
General State charges	189	137	326
Capital projects	7	0	7
Total disbursements	8,299	21,703	30,002
Other financing sources (uses):			
Transfers from other funds	621	1,796	2,417
Transfers to other funds	(126)	(1,814)	(1,940)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	495	(18)	477
Change in fund balance	(158)	393	235
Closing fund balance	881	(30)	851

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

	State	Federal	Total
Opening fund balance	881	(30)	851
Receipts:			
Taxes	2,565	0	2,565
Miscellaneous receipts	5,577	101	5,678
Federal grants	0	21,862	21,862
Total receipts	8,142	21,963	30,105
Disbursements:			
Grants to local governments	5,003	18,908	23,911
State operations	3,404	2,871	6,275
General State charges	201	146	347
Capital projects	6	0	6
Total disbursements	8,614	21,925	30,539
Other financing sources (uses):			
Transfers from other funds	478	1,819	2,297
Transfers to other funds	(111)	(1,857)	(1,968)
Bond and note proceeds	34	0	34
Net other financing sources (uses)	401	(38)	363
Change in fund balance	(71)	0	(71)
Closing fund balance	810	(30)	780

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

	State	Federal	Total
Opening fund balance	810	(30)	780
Receipts:			
Taxes	3,305	0	3,305
Miscellaneous receipts	5,658	105	5,763
Federal grants	0	22,440	22,440
Total receipts	8,963	22,545	31,508
Disbursements:			
Grants to local governments	5,876	19,553	25,429
State operations	3,297	2,814	6,111
General State charges	182	147	329
Capital projects	6	0	6
Total disbursements	9,361	22,514	31,875
Other financing sources (uses):			
Transfers from other funds	489	1,795	2,284
Transfers to other funds	(86)	(1,826)	(1,912)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	403	(31)	372
Change in fund balance	5	0	5
Closing fund balance	815	(30)	785

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

	State	Federal	Total
Opening fund balance	815	(30)	785
Receipts:			
Taxes	4,027	0	4,027
Miscellaneous receipts	5,719	107	5,826
Federal grants	0	23,113	23,113
Total receipts	9,746	23,220	32,966
Disbursements:			
Grants to local governments	6,603	20,252	26,855
State operations	3,353	2,785	6,138
General State charges	188	152	340
Capital projects	7	0	7
Total disbursements	10,151	23,189	33,340
Other financing sources (uses):			
Transfers from other funds	492	1,716	2,208
Transfers to other funds	(82)	(1,747)	(1,829)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	410	(31)	379
Change in fund balance	5	0	5
Closing fund balance	820	(30)	790

Cash Financial Plan
Capital Projects Funds
1997-1998
(millions of dollars)

	State	Federal	Total
Opening fund balance	(81)	(119)	(200)
Receipts:			
Taxes	1,020	0	1,020
Miscellaneous receipts	1,324	2	1,326
Federal grants	0	1,131	1,131
Total receipts	2,344	1,133	3,477
Disbursements:			
Grants to local governments	321	189	510
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,111	944	3,055
Total disbursements	2,432	1,133	3,565
Other financing sources (uses):			
Transfers from other funds	220	0	220
Transfers to other funds	(341)	(4)	(345)
Bond and note proceeds	485	0	485
Net other financing sources (uses)	364	(4)	360
Change in fund balance	276	(4)	272
Closing fund balance	195	(123)	72

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

	State	Federal	Total
Opening fund balance	195	(123)	72
Receipts:			
Taxes	1,107	0	1,107
Miscellaneous receipts	1,805	0	1,805
Federal grants	0	1,249	1,249
Total receipts	2,912	1,249	4,161
Disbursements:			
Grants to local governments	497	198	695
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,527	1,046	3,573
Total disbursements	3,024	1,244	4,268
Other financing sources (uses):			
Transfers from other funds	274	0	274
Transfers to other funds	(418)	(5)	(423)
Bond and note proceeds	331	0	331
Net other financing sources (uses)	187	(5)	182
Change in fund balance	75	0	75
Closing fund balance	270	(123)	147

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

	State	Federal	Total
Opening fund balance	270	(123)	147
Receipts:			
Taxes	1,093	0	1,093
Miscellaneous receipts	1,871	0	1,871
Federal grants	0	1,411	1,411
Total receipts	2,964	1,411	4,375
Disbursements:			
Grants to local governments	491	216	707
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,516	1,190	3,706
Total disbursements	3,007	1,406	4,413
Other financing sources (uses):			
Transfers from other funds	465	0	465
Transfers to other funds	(548)	(5)	(553)
Bond and note proceeds	235	0	235
Net other financing sources (uses)	152	(5)	147
Change in fund balance	109	0	109
Closing fund balance	379	(123)	256

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

	State	Federal	Total
Opening fund balance	379	(123)	256
Receipts:			
Taxes	1,228	0	1,228
Miscellaneous receipts	1,817	0	1,817
Federal grants	0	1,586	1,586
Total receipts	3,045	1,586	4,631
Disbursements:			
Grants to local governments	522	216	738
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,393	1,365	3,758
Total disbursements	2,915	1,581	4,496
Other financing sources (uses):			
Transfers from other funds	250	0	250
Transfers to other funds	(831)	(5)	(836)
Bond and note proceeds	286	0	286
Net other financing sources (uses)	(295)	(5)	(300)
Change in fund balance	(165)	0	(165)
Closing fund balance	214	(123)	91

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

	State	Federal	Total
Opening fund balance	214	(123)	91
Receipts:			
Taxes	1,276	0	1,276
Miscellaneous receipts	1,557	0	1,557
Federal grants	0	1,404	1,404
Total receipts	2,833	1,404	4,237
Disbursements:			
Grants to local governments	482	64	546
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,212	1,336	3,548
Total disbursements	2,694	1,400	4,094
Other financing sources (uses):			
Transfers from other funds	297	0	297
Transfers to other funds	(810)	(5)	(815)
Bond and note proceeds	276	0	276
Net other financing sources (uses)	(237)	(5)	(242)
Change in fund balance	(98)	(1)	(99)
Closing fund balance	116	(124)	(8)

Cash Financial Plan
Proprietary And Fiduciary Funds
1998-1999
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(49)	17	26
Receipts:			
Unemployment taxes	0	0	1,921
Miscellaneous receipts	408	71	53
Federal grants	0	0	29
Total receipts	408	71	2,003
Disbursements:			
Grants to local governments	0	0	8
State operations	334	72	51
Unemployment benefits	0	0	1,950
General State charges	25	2	1
Debt service	91	0	0
Total disbursements	450	74	2,010
Other financing sources (uses):			
Transfers from other funds	45	0	3
Transfers to other funds	(3)	0	0
Net other financing sources (uses)	42	0	3
Change in fund balance	0	(3)	(4)
Closing fund balance	(49)	14	22

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

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(49)	14	22
Receipts:			
Unemployment taxes	0	0	1,921
Miscellaneous receipts	569	77	58
Federal grants	0	0	29
Total receipts	569	77	2,008
Disbursements:			
Grants to local governments	0	0	10
State operations	401	76	73
Unemployment benefits	0	2	1,950
General State charges	25	0	1
Debt service	202	0	0
Total disbursements	628	78	2,034
Other financing sources (uses):			
Transfers from other funds	44	0	20
Transfers to other funds	(3)	0	0
Net other financing sources (uses)	41	0	20
Change in fund balance	(18)	(1)	(6)
Closing fund balance	(67)	13	16

GAAP Financial Plan
General Fund
1998-1999
(millions of dollars)

	July	Change	January
Revenues:			
Taxes			
Personal income tax	19,855	790	20,645
User taxes and fees	7,292	(2)	7,290
Business taxes	4,977	(237)	4,740
Other taxes	1,047	74	1,121
Miscellaneous revenues	2,551	281	2,832
Total revenues	35,722	906	36,628
Expenditures:			
Grants to local governments	25,896	(194)	25,702
State operations	8,451	81	8,532
General State charges	1,737	77	1,814
Debt service	22	0	22
Capital projects	0	0	0
Total expenditures	36,106	(36)	36,070
Other financing sources (uses):			
Transfers from other funds	4,139	82	4,221
Transfers to other funds	(4,581)	(46)	(4,627)
Proceeds from financing arrangements/ advance refundings	286	14	300
Net other financing sources (uses)	(156)	50	(106)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(540)	992	452
Accumulated Surplus (Deficit)	27	992	1,019

GAAP Financial Plan
General Fund
1998-1999 and 1999-2000
(millions of dollars)

	1998-1999 Estimate	1999-2000 Recommended	Change
Revenues:			
Taxes			
Personal income tax	20,645	21,018	373
User taxes and fees	7,290	7,173	(117)
Business taxes	4,740	4,546	(194)
Other taxes	1,121	1,019	(102)
Miscellaneous revenues	2,832	2,379	(453)
Total revenues	36,628	36,135	(493)
Expenditures:			
Grants to local governments	25,702	25,403	(299)
State operations	8,532	8,930	398
General State charges	1,814	1,817	3
Debt service	22	25	3
Capital projects	0	1	1
Total expenditures	36,070	36,176	106
Other financing sources (uses):			
Transfers from other funds	4,221	4,227	6
Transfers to other funds	(4,627)	(5,027)	(400)
Proceeds from financing arrangements/ advance refundings	300	334	34
Net other financing sources (uses)	(106)	(466)	(360)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	452	(507)	(959)
Accumulated Surplus (Deficit)	1,019	512	

Conversion of Cash Financial Plan
To GAAP Financial Plan
General Fund
1998-1999
(millions of dollars)

	Cash Financial Plan	Perspective Diff. Special Revenue Funds	Entity Diff. Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intra-fund Elimin-ations	Reclass-ification	GAAP Financial Plan
Receipts/revenues:									
Taxes									
Personal income tax	20,176	0	0	20,176	469	0	0	0	20,645
User taxes and fees	7,229	0	0	7,229	61	0	0	0	7,290
Business taxes	4,794	0	0	4,794	(54)	0	0	0	4,740
Other taxes	1,099	0	0	1,099	22	0	0	0	1,121
Miscellaneous receipts	1,534	1,571	458	3,563	44	(96)	(406)	(273)	2,832
Total receipts/ revenues	34,832	1,571	458	36,861	542	(96)	(406)	(273)	36,628
Disbursements/expenditures:									
Grants to local governments	24,893	793	0	25,686	628	(12)	0	(600)	25,702
State operations	6,650	2,880	383	9,913	(141)	(184)	(406)	(650)	8,532
General State charges	2,286	149	26	2,461	28	(20)	0	(655)	1,814
Debt service	11	0	91	102	11	0	0	(91)	22
Capital projects	0	0	0	0	0	0	0	0	0
Total disbursements/ expenditures	33,840	3,822	500	38,162	526	(216)	(406)	(1,996)	36,070
Other financing sources (uses):									
Transfers from other funds	1,947	2,328	45	4,320	0	(127)	(245)	273	4,221
Transfers to other funds	(2,778)	(94)	(3)	(2,875)	(5)	4	245	(1,996)	(4,627)
Proceeds from financing arrangements/advance refundings	0	0	0	0	300	0	0	0	300
Net other financing sources (uses)	(831)	2,234	42	1,445	295	(123)	0	(1,723)	(106)
TSRF/CRF/CPF	(161)	0	0	(161)	161	0	0	0	0
Receipts/revenues and other financing sources over (under) disbursements/expenditures and other financing uses	0	(17)	0	(17)	472	(3)	0	0	452

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

		Perspective Diff.	Entity Diff.						
	Cash Financial Plan	Special Revenue Funds	Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intra-fund Elimin-ations	Reclass-ification	GAAP Financial Plan
Receipts/revenues:									
Taxes									
Personal income tax	21,041	0	0	21,041	(23)	0	0	0	21,018
User taxes and fees	7,157	0	0	7,157	16	0	0	0	7,173
Business taxes	4,527	0	0	4,527	19	0	0	0	4,546
Other taxes	980	0	0	980	39	0	0	0	1,019
Miscellaneous receipts	1,242	1,389	625	3,256	51	(84)	(567)	(277)	2,379
Total receipts/ revenues	34,947	1,389	625	36,961	102	(84)	(567)	(277)	36,135
Disbursements/expenditures:									
Grants to local governments	24,806	661	0	25,467	509	(1)	0	(572)	25,403
State operations	6,875	2,912	456	10,243	72	(187)	(567)	(631)	8,930
General State charges	2,333	158	26	2,517	29	(19)	0	(710)	1,817
Debt service	11	0	202	213	14	0	0	(202)	25
Capital projects	0	1	0	1	0	0	0	0	1
Total disbursements/ expenditures	34,025	3,732	684	38,441	624	(207)	(567)	(2,115)	36,176
Other financing sources (uses):									
Transfers from other funds	1,927	2,389	44	4,360	0	(130)	(280)	277	4,227
Transfers to other funds	(3,075)	(113)	(3)	(3,191)	(5)	4	280	(2,115)	(5,027)
Proceeds from financing arrangements/advance refundings	0	34	0	34	300	0	0	0	334
Net other financing sources (uses)	(1,148)	2,310	41	1,203	295	(126)	0	(1,838)	(466)
TSRF/CRF/CPF	226	0	0	226	(226)	0	0	0	0
Receipts/revenues and other financing sources over (under) disbursements/expenditures and other financing uses	0	(33)	(18)	(51)	(453)	(3)	0	0	(507)

Note: The PIT receipts above are lower than the Cash Financial Plan amount by the value of the PIT Refund Reserve Fund transaction.

GAAP Financial Plan
General Fund
1999-2000 through 2001-2002
(millions of dollars)

	1999-2000 Recommended	2000-2001 Projected	2001-2002 Projected
Revenues:			
Taxes			
Personal income tax	21,018	20,489	21,083
User taxes and fees	7,173	6,880	7,113
Business taxes	4,546	4,223	4,189
Other taxes	1,019	881	757
Miscellaneous revenues	2,379	2,395	2,413
Total revenues	36,135	34,868	35,555
Expenditures:			
Grants to local governments	25,403	26,292	27,972
State operations	8,930	8,932	9,112
General State charges	1,817	1,877	1,941
Debt service	25	28	32
Capital projects	1	3	4
Total expenditures	36,176	37,132	39,061
Other financing sources (uses):			
Transfers from other funds	4,227	4,387	4,283
Transfers to other funds	(5,027)	(4,753)	(4,852)
Proceeds from financing arrangements/ advance refundings	334	190	190
Net other financing sources (uses)	(466)	(176)	(379)
Spending Efficiences	0	500	500
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(507)	(1,940)	(3,385)

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	33,796	1,927	1,112	2,241	39,076
Federal grants	0	23,703	1,298	0	25,001
Lottery	0	3,883	0	0	3,883
Patient fees	0	0	0	394	394
Miscellaneous revenues	2,832	387	102	66	3,387
Total revenues	36,628	29,900	2,512	2,701	71,741
Expenditures:					
Grants to local governments	25,702	23,790	686	0	50,178
State operations	8,532	3,717	0	5	12,254
General State charges	1,814	174	0	0	1,988
Debt service	22	0	0	2,844	2,866
Capital projects	0	7	3,451	0	3,458
Total expenditures	36,070	27,688	4,137	2,849	70,744
Other financing sources (uses):					
Transfers from other funds	4,221	775	255	4,460	9,711
Transfers to other funds	(4,627)	(2,767)	(463)	(4,249)	(12,106)
Proceeds of general obligation bonds	0	0	331	0	331
Proceeds from financing arrangements/ advance refundings	300	0	1,672	0	1,972
Net other financing sources (uses)	(106)	(1,992)	1,795	211	(92)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	452	220	170	63	905

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	33,756	2,572	1,090	2,201	39,619
Federal grants	0	23,591	1,462	0	25,053
Lottery	0	3,790	0	0	3,790
Patient fees	0	0	0	398	398
Miscellaneous revenues	2,379	417	85	66	2,947
Total revenues	36,135	30,370	2,637	2,665	71,807
Expenditures:					
Grants to local governments	25,403	24,358	698	0	50,459
State operations	8,930	3,689	0	7	12,626
General State charges	1,817	185	0	0	2,002
Debt service	25	0	0	3,263	3,288
Capital projects	1	5	3,643	0	3,649
Total expenditures	36,176	28,237	4,341	3,270	72,024
Other financing sources (uses):					
Transfers from other funds	4,227	716	440	4,882	10,265
Transfers to other funds	(5,027)	(2,880)	(596)	(4,234)	(12,737)
Proceeds of general obligation bonds	0	0	235	0	235
Proceeds from financing arrangements/ advance refundings	334	0	1,935	0	2,269
Net other financing sources (uses)	(466)	(2,164)	2,014	648	32
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(507)	(31)	310	43	(185)

Cash Flow
General Fund
1997-1998
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Actual)	Total (Actual)
Opening fund balance	433	2,340	3,222	3,899	433
Receipts:					
Taxes					
Personal income tax	6,217	4,106	4,391	3,045	17,759
User taxes and fees	1,764	1,829	1,780	1,663	7,036
Business taxes	1,196	1,215	1,175	1,461	5,047
Other taxes	314	307	225	248	1,094
Miscellaneous receipts	299	474	392	433	1,598
Transfers from other funds	476	613	526	403	2,018
Total receipts	10,266	8,544	8,489	7,253	34,552
Disbursements:					
Grants to local governments	5,108	4,573	5,000	8,587	23,268
State operations	1,939	1,488	1,762	1,004	6,193
General State charges	606	839	459	361	2,265
Debt service	2	3	2	3	10
Transfers to other funds	704	759	589	559	2,611
Total disbursements	8,359	7,662	7,812	10,514	34,347
Excess (deficiency) of receipts over disbursements	1,907	882	677	(3,261)	205
Closing fund balance	2,340	3,222	3,899	638	638

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

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	638	3,981	5,021	5,331	638
Receipts:					
Taxes					
Personal income tax	7,823	4,548	4,130	3,675	20,176
User taxes and fees	1,868	1,848	1,813	1,700	7,229
Business taxes	1,121	1,163	1,170	1,340	4,794
Other taxes	256	320	271	252	1,099
Miscellaneous receipts	332	390	416	396	1,534
Transfers from other funds	524	466	550	407	1,947
Total receipts	11,924	8,735	8,350	7,770	36,779
Disbursements:					
Grants to local governments	5,260	4,499	5,133	10,001	24,893
State operations	1,967	1,732	1,742	1,209	6,650
General State charges	633	724	481	448	2,286
Debt service	1	3	3	4	11
Transfers to other funds	720	737	681	640	2,778
Total disbursements	8,581	7,695	8,040	12,302	36,618
Excess (deficiency) of receipts over disbursements	3,343	1,040	310	(4,532)	161
Closing fund balance	3,981	5,021	5,331	799	799

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

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	799	4,246	5,566	5,130	799
Receipts:					
Taxes					
Personal income tax	8,417	4,845	3,993	5,575	22,830
User taxes and fees	1,799	1,884	1,816	1,658	7,157
Business taxes	1,084	1,087	1,036	1,320	4,527
Other taxes	205	250	260	265	980
Miscellaneous receipts	287	281	319	355	1,242
Transfers from other funds	541	462	543	381	1,927
Total receipts	12,333	8,809	7,967	9,554	38,663
Disbursements:					
Grants to local governments	5,548	4,219	5,409	9,630	24,806
State operations	1,905	1,872	1,766	1,332	6,875
General State charges	629	721	482	501	2,333
Debt service	3	2	3	3	11
Transfers to other funds	801	675	743	856	3,075
Total disbursements	8,886	7,489	8,403	12,322	37,100
Excess (deficiency) of receipts over disbursements	3,447	1,320	(436)	(2,768)	1,563
Closing fund balance	4,246	5,566	5,130	2,362	2,362

Cash Disbursements By Function
General Fund
(Thousands of Dollars)

	1997-1998 Actual	1998-1999 Estimate	1999-2000 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture & Markets, Department of	29,382	35,758	30,621
Alcoholic Beverage Control	7,531	7,852	236
Banking Department	268	0	0
Consumer Protection Board	314	377	449
Economic Development, Department of	38,474	38,722	39,956
Empire State Development Corporation	53,366	110,004	89,255
Energy Research and Development Authority	0	0	0
Housing Finance Agency	450	775	760
Housing and Community Renewal, Division of	87,079	95,391	92,964
Insurance Department	0	0	0
Olympic Regional Development Authority	1,972	3,962	3,972
Public Service, Department of	0	0	0
Science and Technology Foundation, New York State	20,048	24,740	23,295
Functional Total	238,884	317,581	281,508
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,260	3,583	3,532
Environmental Conservation, Department of	81,640	91,115	89,276
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	89,864	102,250	100,015
Functional Total	174,764	196,948	192,823
TRANSPORTATION			
Motor Vehicles, Department of	114,764	123,622	124,020
Niagara Frontier Transportation Authority	0	0	0
Transportation, Department of	355,578	336,527	328,881
Functional Total	470,342	460,149	452,901
HEALTH & SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	760	896	993
Aging, Office for the	59,246	60,566	59,172
Children and Families, Council on	737	865	892
Children & Family Services, Office of	1,033,804	1,127,603	1,080,207
Health, Department of	6,089,152	6,300,324	6,250,011
Medical Assistance	5,456,830	5,584,971	5,497,552
Medicaid Administration	75,285	78,400	93,400
All Other Local Aid	423,343	489,334	515,785
Agency Operations/Capital	133,694	147,619	143,274
Human Rights, Division of	8,884	9,908	9,853
Labor, Department of	19,379	25,611	44,629

Cash Disbursements By Function
General Fund
(Thousands of Dollars)

	1997-1998 Actual	1998-1999 Estimate	1999-2000 Recommended
HEALTH & SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	2,134,727	2,007,911	1,979,203
Welfare Assistance	1,689,939	1,526,840	1,485,971
Local Administration	368,241	384,525	410,500
All Other Local Aid	9,582	15,842	18,342
Agency Operations/Capital	66,965	80,704	64,390
Workers' Compensation Board	0	0	0
Functional Total	9,346,689	9,533,684	9,424,960
MENTAL HEALTH			
Mental Health, Office of	916,108	1,055,470	1,109,646
Mental Retardation and Developmental Disabilities, Office of	693,482	679,021	717,478
Alcohol and Substance Abuse Services, Office of	277,954	290,299	286,837
Quality of Care for the Mentally Disabled, Commission on	2,637	3,123	2,986
Functional Total	1,890,181	2,027,913	2,116,947
PUBLIC PROTECTION			
Capital Defenders Office	9,946	13,087	13,271
Correction, Commission of	1,886	2,191	2,195
Correctional Services, Department of	1,590,447	1,604,006	1,666,423
Crime Victims Board	2,890	3,123	2,920
Criminal Justice Services, Division of	90,823	91,233	95,092
Investigation, Temporary State Commission of	1,901	2,130	2,289
Judicial Commissions	1,808	2,128	2,038
Military and Naval Affairs, Division of	24,089	31,773	26,764
Parole, Division of	181,045	182,500	186,276
Probation and Correctional Alternatives, Division of	84,446	91,087	91,066
State Police, Division of	278,373	289,570	292,349
Functional Total	2,267,654	2,312,828	2,380,683
EDUCATION			
Arts, Council on the	35,208	53,579	48,039
City University of New York	630,173	693,713	684,556
Education, Department of	10,058,542	11,006,838	11,219,800
School Aid	8,883,157	9,701,311	9,993,071
STAR Property Tax Relief	0	0	0
Handicapped	663,292	756,079	792,251
All Other Local Aid	461,645	492,997	380,357
Agency Operations/Capital	50,448	56,451	54,121
Higher Education Services Corporation	649,826	658,849	642,572
State University Construction Fund	0	0	0
State University of New York	1,097,975	1,174,580	1,161,417
Functional Total	12,471,724	13,587,559	13,756,384

Cash Disbursements By Function
General Fund
(Thousands of Dollars)

	1997-1998 Actual	1998-1999 Estimate	1999-2000 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	83,168	99,257	108,145
Budget, Division of the	24,759	26,699	26,076
Civil Service, Department of	23,704	28,134	26,607
Elections, State Board of	2,546	3,030	3,061
Employee Relations, Office of	3,533	3,979	3,982
Executive Chamber	11,008	12,333	15,588
General Services, Office of	102,409	108,668	107,758
Inspector General, Office of the	4,286	4,925	4,642
Law, Department of	74,345	85,976	86,953
Lieutenant Governor, Office of the	341	375	455
Lottery, Division of	0	0	0
Public Employment Relations Board	3,137	3,352	3,337
Racing and Wagering Board, State	8,432	9,254	0
Real Property Services, Office of	23,178	50,904	41,308
Regulatory Reform, Governor's Office of	2,127	2,782	2,326
State, Department of	10,767	14,007	15,333
Tax Appeals, Division of	2,852	3,130	2,895
Taxation and Finance, Department of	252,762	269,250	269,066
Technology, Office for	476	2,606	72,008
Veterans Affairs, Division of	6,405	7,067	7,345
Functional Total	640,235	735,728	796,885
ALL OTHER CATEGORIES			
Legislature	175,718	185,945	195,519
Judiciary (excluding fringe benefits)	932,840	1,053,254	1,096,734
Local Government Assistance	799,866	831,028	821,614
General State Charges (incl. fringes for Judiciary & SUNY)	2,265,165	2,285,664	2,332,874
Short-Term Debt Service	10,430	11,193	10,763
Long-Term Debt Service	2,020,780	2,101,695	2,286,699
Capital Projects	206,181	254,511	438,089
Miscellaneous	435,756	722,029	514,235
Functional Total	6,846,736	7,445,319	7,696,527
TOTAL GENERAL FUND SPENDING	34,347,209	36,617,709	37,099,618

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

	1997-1998 Actual	1998-1999 Estimate	1999-2000 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture & Markets, Department of	53,839	64,690	61,812
Alcoholic Beverage Control	9,733	11,587	11,157
Banking Department	35,417	45,226	48,092
Consumer Protection Board	2,024	2,372	2,326
Economic Development, Department of	42,538	44,601	45,537
Empire State Development Corporation	53,366	110,004	89,255
Energy Research and Development Authority	32,439	32,855	31,295
Housing Finance Agency	450	775	760
Housing and Community Renewal, Division of	193,177	246,800	229,764
Insurance Department	74,928	77,156	80,319
Olympic Regional Development Authority	4,408	6,379	6,389
Public Service, Department of	48,759	51,376	50,315
Science and Technology Foundation, New York State	20,048	24,740	23,295
Functional Total	571,126	718,561	680,316
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,475	3,958	3,907
Environmental Conservation, Department of	628,236	775,000	794,715
Environmental Facilities Corporation	2,886	4,153	4,284
Parks, Recreation and Historic Preservation, Office of	159,347	183,581	196,711
Functional Total	793,944	966,692	999,617
TRANSPORTATION			
Motor Vehicles, Department of	172,516	194,313	206,543
Niagara Frontier Transportation Authority	0	0	0
Transportation, Department of	3,835,944	4,341,108	4,372,919
Functional Total	4,008,460	4,535,421	4,579,462
HEALTH & SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	1,660	1,879	1,734
Aging, Office for the	141,280	148,822	147,428
Children and Families, Council on	1,179	1,087	1,165
Children & Family Services, Office of	1,933,219	2,503,553	2,589,435
Health, Department of	19,405,593	20,610,998	20,480,734
Medical Assistance	17,520,726	18,180,225	17,799,305
Medicaid Administration	272,254	316,400	378,771
All Other Local Aid	1,044,115	1,439,962	1,646,336
Agency Operations/Capital	568,498	674,411	656,322
Human Rights, Division of	10,286	11,421	11,641
Labor, Department of	524,637	629,258	737,821

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

	1997-1998 Actual	1998-1999 Estimate	1999-2000 Recommended
HEALTH & SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	4,982,771	4,468,676	4,154,965
Welfare Assistance	4,038,381	3,499,840	3,199,971
Local Administration	593,024	615,705	570,500
All Other Local Aid	39,487	47,710	52,289
Agency Operations/Capital	311,879	305,421	332,205
Workers' Compensation Board	93,447	125,375	120,284
Functional Total	27,094,072	28,501,069	28,245,207
MENTAL HEALTH			
Mental Health, Office of	1,818,423	1,837,829	1,863,762
Mental Retardation and Developmental Disabilities, Office of	2,036,568	1,980,578	2,038,867
Alcohol and Substance Abuse Services, Office of	393,962	438,710	449,566
Quality of Care for the Mentally Disabled, Commission on	7,165	8,176	8,619
Functional Total	4,256,118	4,265,293	4,360,814
PUBLIC PROTECTION			
Capital Defenders Office	9,946	13,087	13,271
Correction, Commission of	1,941	2,191	2,195
Correctional Services, Department of	1,852,639	2,072,446	2,106,623
Crime Victims Board	28,638	39,713	38,548
Criminal Justice Services, Division of	113,080	130,153	139,709
Investigation, Temporary State Commission of	1,934	2,330	2,489
Judicial Commissions	1,808	2,128	2,038
Military and Naval Affairs, Division of	87,733	138,339	116,479
Parole, Division of	182,370	187,244	191,320
Probation and Correctional Alternatives, Division of	84,593	91,087	91,066
State Police, Division of	336,619	372,431	382,107
Functional Total	2,701,301	3,051,149	3,085,845
EDUCATION			
Arts, Council on the	35,702	54,058	48,599
City University of New York	659,679	733,309	728,653
Education, Department of	13,334,723	14,870,057	15,811,918
School Aid	10,478,156	11,231,311	11,441,071
STAR Property Tax Relief	0	585,000	1,223,000
Handicapped	851,069	957,144	1,033,316
All Other Local Aid	1,818,828	1,889,591	1,902,260
Agency Operations/Capital	186,670	207,011	212,271
Higher Education Services Corporation	720,828	731,759	717,866
State University Construction Fund	7,059	7,900	7,900
State University of New York	3,126,707	3,419,068	3,425,290
Functional Total	17,884,698	19,816,151	20,740,226

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

	1997-1998 Actual	1998-1999 Estimate	1999-2000 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	101,956	102,330	111,506
Budget, Division of the	26,520	31,899	31,276
Civil Service, Department of	23,704	28,477	27,529
Elections, State Board of	2,551	3,035	3,066
Employee Relations, Office of	3,629	4,109	4,092
Executive Chamber	11,008	12,333	15,588
General Services, Office of	168,739	196,301	172,673
Inspector General, Office of the	4,286	5,893	5,610
Law, Department of	103,484	125,856	123,865
Lieutenant Governor, Office of the	341	375	455
Lottery, Division of	126,305	132,393	133,345
Public Employment Relations Board	3,196	3,529	3,514
Racing and Wagering Board, State	9,973	12,107	15,804
Real Property Services, Office of	32,126	60,427	51,055
Regulatory Reform, Governor's Office of	2,127	2,782	2,326
State, Department of	76,750	86,109	87,433
Tax Appeals, Division of	2,852	3,130	2,895
Taxation and Finance, Department of	272,135	291,256	296,855
Technology, Office for	2,984	25,098	82,008
Veterans Affairs, Division of	6,702	7,932	8,257
Functional Total	981,368	1,135,371	1,179,152
ALL OTHER CATEGORIES			
Legislature	176,754	186,895	196,469
Judiciary (excluding fringe benefits)	995,194	1,144,550	1,197,641
Local Government Assistance	799,866	831,028	821,614
General State Charges	2,584,647	2,611,528	2,679,649
Short-Term Debt Service	10,430	11,193	10,763
Long-Term Debt Service	3,080,886	3,289,173	3,673,165
Capital Projects	0	0	0
Miscellaneous	97,467	340,710	206,312
Functional Total	7,745,244	8,415,077	8,785,613
TOTAL ALL FUNDS SPENDING	66,036,331	71,404,784	72,656,252

Cash Disbursements By Function
State Funds
(Thousands of Dollars)

	1997-1998 Actual	1998-1999 Estimate	1999-2000 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture & Markets, Department of	49,553	59,294	56,091
Alcoholic Beverage Control	9,590	11,587	11,157
Banking Department	35,417	45,226	48,092
Consumer Protection Board	2,024	2,372	2,326
Economic Development, Department of	41,233	42,220	43,156
Empire State Development Corporation	53,366	110,004	89,255
Energy Research and Development Authority	29,761	29,645	28,710
Housing Finance Agency	450	775	760
Housing and Community Renewal, Division of	132,321	184,462	169,026
Insurance Department	74,928	77,156	80,319
Olympic Regional Development Authority	4,408	6,379	6,389
Public Service, Department of	47,387	50,448	49,307
Science and Technology Foundation, New York State	20,048	24,740	23,295
Functional Total	500,486	644,308	607,883
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,260	3,583	3,532
Environmental Conservation, Department of	418,523	598,244	619,938
Environmental Facilities Corporation	2,886	4,153	4,284
Parks, Recreation and Historic Preservation, Office of	156,886	178,509	192,864
Functional Total	581,555	784,489	820,618
TRANSPORTATION			
Motor Vehicles, Department of	166,750	183,731	191,711
Niagara Frontier Transportation Authority	682	0	0
Transportation, Department of	2,900,585	3,312,671	3,260,034
Functional Total	3,068,017	3,496,402	3,451,745
HEALTH & SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	760	896	993
Aging, Office for the	59,246	60,566	59,172
Children and Families, Council on	737	865	892
Children & Family Services, Office of	1,064,594	1,157,258	1,120,297
Health, Department of	7,290,655	7,663,150	7,417,022
Medical Assistance	6,275,389	6,418,971	6,117,552
Medicaid Administration	75,285	78,400	93,400
All Other Local Aid	531,907	727,476	806,727
Agency Operations/Capital	408,074	438,303	399,343
Human Rights, Division of	8,884	9,951	9,861
Labor, Department of	51,945	63,210	82,974

Cash Disbursements By Function
State Funds
(Thousands of Dollars)

	1997-1998 Actual	1998-1999 Estimate	1999-2000 Recommended
HEALTH & SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	2,163,587	2,076,150	2,030,669
Welfare Assistance	1,707,943	1,549,840	1,508,971
Local Administration	368,241	384,525	410,500
All Other Local Aid	9,582	20,060	27,139
Agency Operations/Capital	77,821	121,725	84,059
Workers' Compensation Board	93,447	125,375	120,284
Functional Total	10,733,855	11,157,421	10,842,164
MENTAL HEALTH			
Mental Health, Office of	1,140,189	1,264,725	1,309,670
Mental Retardation and Developmental Disabilities, Office of	737,719	738,652	777,747
Alcohol and Substance Abuse Services, Office of	304,586	330,597	331,458
Quality of Care for the Mentally Disabled, Commission on	2,637	3,133	2,996
Functional Total	2,185,131	2,337,107	2,421,871
PUBLIC PROTECTION			
Capital Defenders Office	9,946	13,087	13,271
Correction, Commission of	1,886	2,191	2,195
Correctional Services, Department of	1,820,843	1,943,206	1,919,923
Crime Victims Board	16,726	18,835	18,424
Criminal Justice Services, Division of	92,371	94,459	97,267
Investigation, Temporary State Commission of	1,934	2,330	2,489
Judicial Commissions	1,808	2,128	2,038
Military and Naval Affairs, Division of	36,477	45,719	42,291
Parole, Division of	181,045	182,600	186,676
Probation and Correctional Alternatives, Division of	84,446	91,087	91,066
State Police, Division of	327,730	362,998	370,697
Functional Total	2,575,212	2,758,640	2,746,337
EDUCATION			
Arts, Council on the	35,208	53,579	48,039
City University of New York	659,679	733,309	728,653
Education, Department of	11,698,961	13,175,078	13,946,922
School Aid	10,478,156	11,231,311	11,441,071
STAR Property Tax Relief	0	585,000	1,223,000
Handicapped	663,292	756,079	792,251
All Other Local Aid	467,413	500,772	388,157
Agency Operations/Capital	90,100	101,916	102,443
Higher Education Services Corporation	714,004	729,359	715,466
State University Construction Fund	7,059	7,900	7,900
State University of New York	2,976,353	3,262,418	3,268,640
Functional Total	16,091,264	17,961,643	18,715,620

Cash Disbursements By Function
State Funds
(Thousands of Dollars)

	1997-1998 Actual	1998-1999 Estimate	1999-2000 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	101,956	102,330	111,506
Budget, Division of the	26,520	31,899	31,276
Civil Service, Department of	23,704	28,477	27,529
Elections, State Board of	2,551	3,035	3,066
Employee Relations, Office of	3,629	4,109	4,092
Executive Chamber	11,008	12,333	15,588
General Services, Office of	164,756	193,276	169,648
Inspector General, Office of the	4,286	5,893	5,610
Law, Department of	89,496	104,913	102,374
Lieutenant Governor, Office of the	341	375	455
Lottery, Division of	126,305	132,393	133,345
Public Employment Relations Board	3,196	3,529	3,514
Racing and Wagering Board, State	9,973	12,107	15,804
Real Property Services, Office of	32,126	60,427	51,055
Regulatory Reform, Governor's Office of	2,127	2,782	2,326
State, Department of	30,301	37,872	38,637
Tax Appeals, Division of	2,852	3,130	2,895
Taxation and Finance, Department of	272,049	290,996	296,595
Technology, Office for	2,984	25,098	82,008
Veterans Affairs, Division of	6,405	7,067	7,345
Functional Total	916,565	1,062,041	1,104,668
ALL OTHER CATEGORIES			
Legislature	176,668	186,895	196,469
Judiciary (excluding fringe benefits)	994,024	1,140,260	1,190,741
Local Government Assistance	799,866	831,028	821,614
General State Charges	2,449,258	2,474,360	2,533,858
Short-Term Debt Service	10,430	11,193	10,763
Long-Term Debt Service	3,080,886	3,289,173	3,673,165
Capital Projects	0	0	0
Miscellaneous	79,588	322,696	187,522
Functional Total	7,590,720	8,255,605	8,614,132
TOTAL STATE FUNDS SPENDING	44,242,805	48,457,656	49,325,038

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
1997-1998
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	17,759	0	0	0	17,759
User taxes and fees	7,036	309	457	1,921	9,723
Sales and use tax	5,442	306	0	1,813	7,561
Cigarette and tobacco taxes	676	0	0	0	676
Motor fuel tax	165	0	219	108	492
Motor vehicle fees	487	0	73	0	560
Alcoholic beverages taxes	177	0	0	0	177
Highway use tax	0	0	165	0	165
Hotel/motel tax	0	0	0	0	0
Alcoholic beverage control license fees	30	3	0	0	33
Container tax	27	0	0	0	27
Auto rental tax	32	0	0	0	32
Business taxes	5,047	1,062	476	0	6,585
Corporation franchise tax	2,081	0	0	0	2,081
Corporation and utilities tax	1,504	73	0	0	1,577
Insurance taxes	641	0	0	0	641
Bank tax	707	0	0	0	707
Petroleum business tax	114	388	476	0	978
Regional business surcharge	0	601	0	0	601
Other taxes	1,094	0	87	143	1,324
Estate and gift taxes	1,022	0	0	0	1,022
Real property gains tax	33	0	0	0	33
Real estate transfer tax	0	0	87	143	230
Pari-mutuel taxes	38	0	0	0	38
Other taxes	1	0	0	0	1
Total Taxes	30,936	1,371	1,020	2,064	35,391
Miscellaneous receipts	1,598	5,531	1,326	639	9,094
Federal grants	0	20,511	1,131	0	21,642
Total	32,534	27,413	3,477	2,703	66,127
Bond and note proceeds	0	0	485	0	485

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	20,176	585	0	0	20,761
User taxes and fees	7,229	319	492	2,000	10,040
Sales and use tax	5,691	319	0	1,891	7,901
Cigarette and tobacco taxes	660	0	0	0	660
Motor fuel tax	170	0	221	109	500
Motor vehicle fees	443	0	107	0	550
Alcoholic beverages taxes	185	0	0	0	185
Highway use tax	0	0	164	0	164
Hotel/motel tax	0	0	0	0	0
Alcoholic beverage control license fees	27	0	0	0	27
Container tax	19	0	0	0	19
Auto rental tax	34	0	0	0	34
Business taxes	4,794	1,028	503	0	6,325
Corporation franchise tax	1,986	0	0	0	1,986
Corporation and utilities tax	1,455	77	0	0	1,532
Insurance taxes	669	0	0	0	669
Bank tax	580	0	0	0	580
Petroleum business tax	104	413	503	0	1,020
Regional business surcharge	0	538	0	0	538
Other taxes	1,099	0	112	218	1,429
Estate and gift taxes	1,033	0	0	0	1,033
Real property gains tax	28	0	0	0	28
Real estate transfer tax	0	0	112	218	330
Pari-mutuel taxes	37	0	0	0	37
Other taxes	1	0	0	0	1
Total Taxes	33,298	1,932	1,107	2,218	38,555
Miscellaneous receipts	1,534	5,812	1,805	622	9,773
Federal grants	0	22,016	1,249	0	23,265
Total	34,832	29,760	4,161	2,840	71,593
Bond and note proceeds	0	0	331	0	331

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	22,830	1,223	0	0	24,053
User taxes and fees	7,157	325	498	2,039	10,019
Sales and use tax	5,790	325	0	1,930	8,045
Cigarette and tobacco taxes	618	0	0	0	618
Motor fuel tax	170	0	221	109	500
Motor vehicle fees	355	0	137	0	492
Alcoholic beverages taxes	173	0	0	0	173
Highway use tax	0	0	140	0	140
Hotel/motel tax	0	0	0	0	0
Alcoholic beverage control license fees	16	0	0	0	16
Container tax	0	0	0	0	0
Auto rental tax	35	0	0	0	35
Business taxes	4,527	1,017	483	0	6,027
Corporation franchise tax	2,140	0	0	0	2,140
Corporation and utilities tax	1,001	92	0	0	1,093
Insurance taxes	646	0	0	0	646
Bank tax	650	0	0	0	650
Petroleum business tax	90	396	483	0	969
Regional business surcharge	0	529	0	0	529
Other taxes	980	0	112	167	1,259
Estate and gift taxes	929	0	0	0	929
Real property gains tax	14	0	0	0	14
Real estate transfer tax	0	0	112	167	279
Pari-mutuel taxes	36	0	0	0	36
Other taxes	1	0	0	0	1
Total Taxes	35,494	2,565	1,093	2,206	41,358
Miscellaneous receipts	1,242	5,678	1,871	629	9,420
Federal grants	0	21,862	1,411	0	23,273
Total	36,736	30,105	4,375	2,835	74,051
Bond and note proceeds	0	34	235	0	269

Cash Receipts
General Fund
1997-1998 through 1999-2000
(millions of dollars)

	1997-1998 Actual	1998-1999 Estimated	1999-2000 Recommended	1999-2000 Compared with 1998-1999
Personal income tax	17,759	20,176	22,830	2,654
User taxes and fees	7,036	7,229	7,157	(72)
Sales and use tax	5,442	5,691	5,790	99
Cigarette and tobacco taxes	676	660	618	(42)
Motor fuel tax	165	170	170	0
Motor vehicle fees	487	443	355	(88)
Alcoholic beverage taxes	177	185	173	(12)
Hotel/motel tax	0	0	0	0
Alcoholic beverage control license fees	30	27	16	(11)
Container tax	27	19	0	(19)
Auto rental tax	32	34	35	1
Business taxes	5,047	4,794	4,527	(267)
Corporation franchise tax	2,081	1,986	2,140	154
Corporation and utilities taxes	1,504	1,455	1,001	(454)
Insurance taxes	641	669	646	(23)
Bank tax	707	580	650	70
Petroleum business taxes	114	104	90	(14)
Other taxes	1,094	1,099	980	(119)
Estate and gift taxes	1,022	1,033	929	(104)
Real property gains tax	33	28	14	(14)
Real estate transfer tax	0	0	0	0
Pari-mutuel taxes	38	37	36	(1)
Other taxes	1	1	1	0
Total taxes	30,936	33,298	35,494	2,196
Miscellaneous receipts	1,598	1,534	1,242	(292)
Total	32,534	34,832	36,736	1,904

Cash Receipts
Special Revenue Funds
1997-1998 through 1999-2000
(millions of dollars)

	1997-1998 Actual	1998-1999 Estimated	1999-2000 Recommended	1999-2000 Compared with 1998-1999
Personal income tax	0	585	1,223	638
User taxes and fees	309	319	325	6
Sales and use tax	306	319	325	6
Alcoholic beverage control license fees	3	0	0	0
Business taxes	1,062	1,028	1,017	(11)
Corporation and utilities taxes	73	77	92	15
Petroleum business taxes	388	413	396	(17)
Regional business surcharge	601	538	529	(9)
Total taxes	1,371	1,932	2,565	633
Miscellaneous receipts	5,531	5,812	5,678	(134)
State university income	1,545	1,653	1,653	0
Lottery	1,658	1,587	1,586	(1)
Indigent care	574	590	620	30
All other	1,754	1,982	1,819	(163)
Federal grants	20,511	22,016	21,862	(154)
Total	27,413	29,760	30,105	345
Bond and note proceeds	0	0	34	34

Cash Receipts
Capital Projects Funds
1997-1998 through 1999-2000
(millions of dollars)

	1997-1998 Actual	1998-1999 Estimated	1999-2000 Recommended	1999-2000 Compared with 1998-1999
User taxes and fees	457	492	498	6
Motor fuel tax	219	221	221	0
Motor vehicle fees	73	107	137	30
Highway use tax	165	164	140	(24)
Business taxes	476	503	483	(20)
Petroleum business taxes	476	503	483	(20)
Other taxes	87	112	112	0
Real estate transfer tax	87	112	112	0
Total taxes	1,020	1,107	1,093	(14)
Miscellaneous receipts	1,326	1,805	1,871	66
Authority bond proceeds	1,225	1,693	1,759	66
State park fees	23	24	26	2
Environmental revenues	29	35	22	(13)
All other	49	53	64	11
Federal grants	1,131	1,249	1,411	162
Total	3,477	4,161	4,375	214
Bond and note proceeds	485	331	235	(96)

Cash Receipts
Debt Service Funds
1997-1998 through 1999-2000
(millions of dollars)

	1997-1998 Actual	1998-1999 Estimated	1999-2000 Recommended	1999-2000 Compared with 1998-1999
User taxes and fees	1,921	2,000	2,039	39
Sales and use tax	1,813	1,891	1,930	39
Motor fuel tax	108	109	109	0
Other taxes	143	218	167	(51)
Real estate transfer tax	143	218	167	(51)
Total Taxes	2,064	2,218	2,206	(12)
Miscellaneous receipts	639	622	629	7
Mental hygiene patient receipts	266	262	296	34
SUNY dormitory fees	194	195	196	1
Health patient receipts	145	131	102	(29)
All other	34	34	35	1
Total	2,703	2,840	2,835	(5)

ECONOMIC BACKDROP

The national economy grew rapidly during the first three months of 1998, then slowed sharply in the second quarter, due largely to the labor strike against General Motors. The second half of the year was relatively strong, but characterized by conflicting signs — strength in the consumer-oriented sectors of the economy offset by weakness in production and a moderate slow down in the rate of job creation. Internationally, a succession of countries succumbed to both financial turmoil and economic contraction and, as a result, foreign demand for U.S. goods and services declined.

By the fall of 1998, despite the resilience of the national economy, there were widespread fears that the economy would soon slow sharply or even decline. Falling commodity prices and consumers' expectation of relatively stable domestic retail prices constrained producers from raising prices, which, in turn, led to declining profit margins. In addition, faltering economies abroad led to decreases in the price of imported goods, thereby putting even more pressure on U.S. firms to keep their own prices low. Further, weakness in foreign economies led to a sharp deterioration in net exports. The "flight to quality" in the financial markets in the late summer and early fall signaled that investors were becoming averse to risk, which typically indicates that credit will be largely unavailable for financing future expansion. In response to the heightened danger of a major slowdown, the Federal Reserve Board (FRB) attempted to stabilize financial markets and buoy the economy by rapidly cutting short-term interest rates by a total of 75 basis points over a six-week period from late September to mid-November. So far, the interest rate cuts have had the desired effect. However, as 1998 ended, a number of economic indicators were still signaling slower growth in the near-term.

The economy is projected to continue growing in 1999, but at a slower rate than has occurred during recent years. Consumer spending will remain the mainstay of growth, as employment, wages and income continue to rise. However, net exports will continue to suffer from the strong dollar and the economic recessions in Asia and parts of Latin America. Although labor markets will remain tight, thereby placing significant upward pressure on labor costs, overall measures of inflation are projected to remain stable as most producers are forced to hold the line on prices due to fierce domestic and international competition. The FRB, faced with the prospect of stable inflation and a slowing domestic economy, is expected to continue to lower short-term interest rates during 1999.

New York's economy grew strongly throughout 1998 due, in part, to a financial sector that has been booming for several years. Private-sector employment growth exceeded 2 percent for the first time in this economic expansion. Likewise, the unemployment rate declined to its lowest level since 1990. The service sector accounted for a large portion of private employment growth, which outpaced overall employment growth by a substantial margin. The decline in manufacturing employment was minor. The combination of improved employment growth, a tighter labor market, and a surge in bonus payments at the beginning of the year provided a boost to wage growth.

Paralleling the national economy, New York's employment growth is expected to continue in 1999, although at a slower rate than in 1998. Growth rates in construction and business services will retreat slightly from their unusually high 1998 growth rates, and manufacturing employment will also decline, while financial sector will not likely match its gains of 1998. Overall private-sector employment is projected to grow slightly faster than total employment. A hiatus in the large increases in bonus payments, as well as the slowdown of employment growth, will result in slower wage growth in 1999. Non-wage income growth is expected to rise at a higher rate than in 1998 even though property income growth will be lower.

THE NATION

Recent History

The national economic growth rate accelerated in the first quarter of 1998 and although it slowed modestly during the remainder of the year, the resulting annual increase for the real Gross Domestic Product (GDP) was a healthy 3.7 percent. Inflation, as measured by the price index (chain-type) for GDP, remained remarkably low after seven consecutive years of economic recovery, rising by only 1.0 percent. The strong rate of real economic growth led to a continued high level of job creation — a gain of 3.2 million new jobs in 1998 — exceeding the 3.1 million gain achieved in 1997. In parallel with the large increase in new jobs, the unemployment rate, which dropped below 5.0 percent in 1997, stayed well below that threshold throughout 1998. Income growth was strong, which, in turn, supported growth in consumer spending and rapid growth in business investment.

However, the international financial turmoil and the sharp economic contractions that occurred, mainly in Asia, had a dampening effect on the U.S. economy. The trade deficit soared as a result of the strong dollar combined with the recessions in countries that can now no longer afford to purchase U.S. goods and services. By the fall of 1998, weakness in domestic farming and manufacturing, combined with jittery financial markets, the specter of a credit crunch, and a sudden downdraft in consumer sentiment, led to concerns that the economy could rapidly descend into a recession in 1999. In response, the FRB lowered short-term interest rates three times totaling 75 basis points in a six week period during September through November. The FRB's activity was in stark contrast to the steadfastness it had exhibited over the previous three years when it held rates relatively constant. The FRB actions stabilized financial markets and, by year end, the possibility of a 1999 recession had decreased.

Growth in consumption and investment provided the foundation for GDP expansion in 1998. Consumers continued to spend freely, attributable, in part, to wage gains, falling interest rates and extremely low energy prices, as well as a decline in the savings rate. Due to a continued high borrowing rate and the decision by some consumers to cash in a portion of their capital gains, the Nation's savings rate fell below zero during the fourth quarter of the year. However, consumer spending was boosted by the third straight year of 20 percent plus gains in major equity market indices. This "wealth effect" has made it difficult to judge the significance of traditional measures, such as the savings rate, on the ability of consumers to sustain increases in consumption.

Investment increases were led by growth in purchases of producers' durable equipment, particularly computer-related goods. Other significant factors in the Nation's growth were advances in housing starts and, in spite of weakened export markets, a solid increase in industrial production. Also, spending by state and local governments increased. On the negative side, corporate profits declined and the financial markets became very volatile. Finally, with exports to many countries almost coming to a halt, there was a substantial deterioration in the trade deficit, resulting in a drag on the real GDP growth rate of almost a full percentage point, the worst in 50 years.

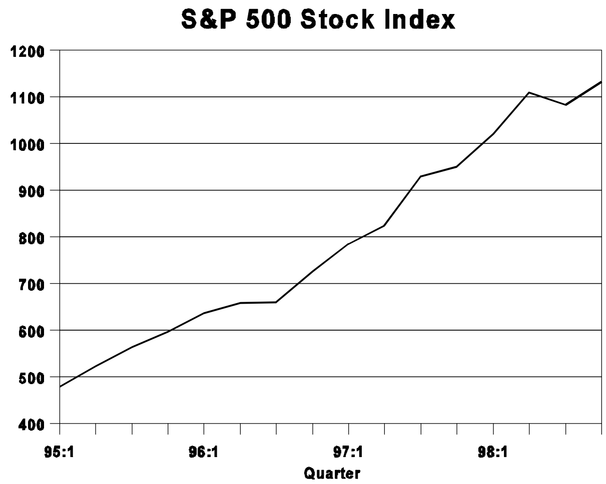
In spite of strong economic growth and a tight labor market, the inflation rate receded to levels last seen in the mid-1960's Viet Nam War era, mainly due to productivity increases, competition among worldwide producers, a significant rise in the value of the dollar, sharply lower oil prices and restrained increases in the cost to employers of fringe benefits for workers. Medical prices increased only modestly for the third consecutive year, which contributed to keeping total medical expenditures for both private businesses and governments under control. Inflation, as measured by the price index for GDP, was almost a full percentage point lower than the rate experienced in 1997. The Consumer Price Index (CPI) measure of inflation rose at a 1.6 percent annual rate in 1998, seven-tenths of one percentage point lower than in 1997. While consumer prices were showing modest increases, the underlying Producer Price Index (PPI) actually fell by a substantial 2.4 percent in 1998. The lack of evidence of accelerating inflation, combined with the strength of the dollar in comparison with most of the world's major currencies, kept long-term interest rates low during 1998, with the yield on 30-year Treasury bonds falling below 5.0 percent for a substantial portion of the year.

Compared with 1997, nominal GDP growth decreased substantially from 5.9 to 4.8 percent. However, due to the receding inflation rate, growth in real GDP was almost unchanged, falling only from 3.9 to 3.7 percent. The unemployment rate declined for the sixth consecutive year, falling from an annual average of 5.0 percent in 1997 to 4.5 percent in 1998. Average wages posted a robust 4.0 percent gain. Nominal personal income expanded at a rate of 5.0 percent, while real disposable income grew by 3.1 percent. Nominal consumption grew briskly by 5.7 percent, significantly faster than the nominal disposable income growth rate of 4.0 percent.

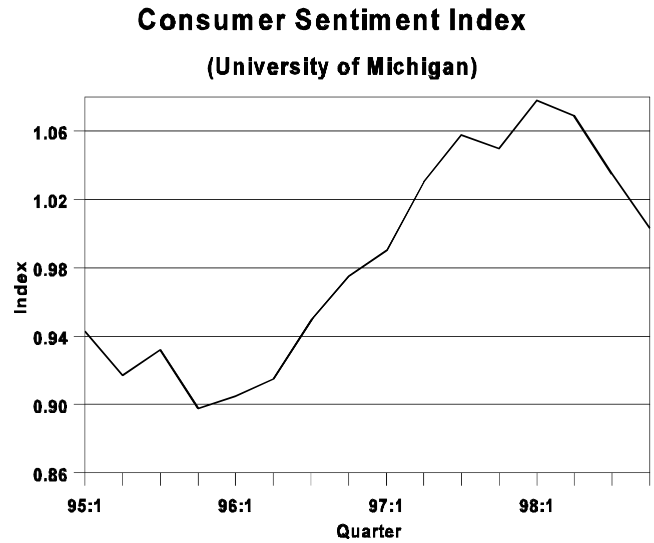
In summary, as displayed in the following graphs, two key factors, one positive and one negative, had major impacts on the Nation's economic performance in 1998. On the positive side, the booming stock market helped real consumer spending growth soar to its highest rate in the last fifteen years. This spending increase, compared with the prior year's increase, contributed 1.0 percentage points to real GDP growth. On the negative side, significant economic recessions in Asia, along with economic slowdowns elsewhere, led to an absolute decline in real exports. This decline, compared with the 1997 increase, reduced real GDP growth by 1.5 percentage points.

THE STOCK MARKET BOOMED

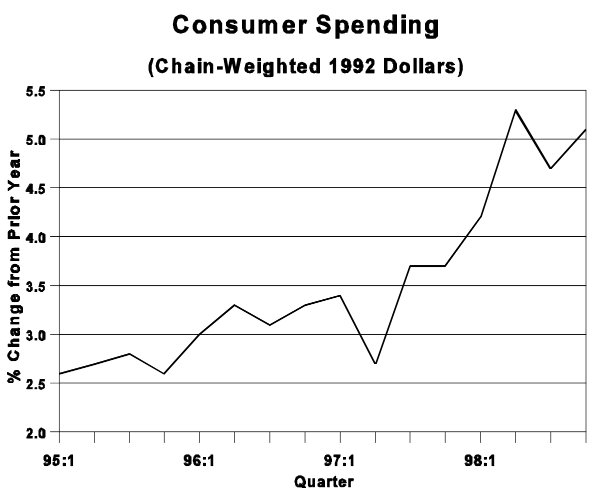
A strong stock market...



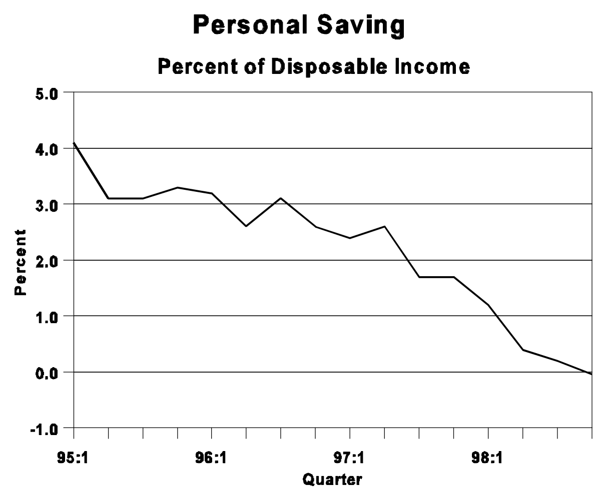
...has buoyed consumer sentiment.



Both factors have kept consumer spending strong...

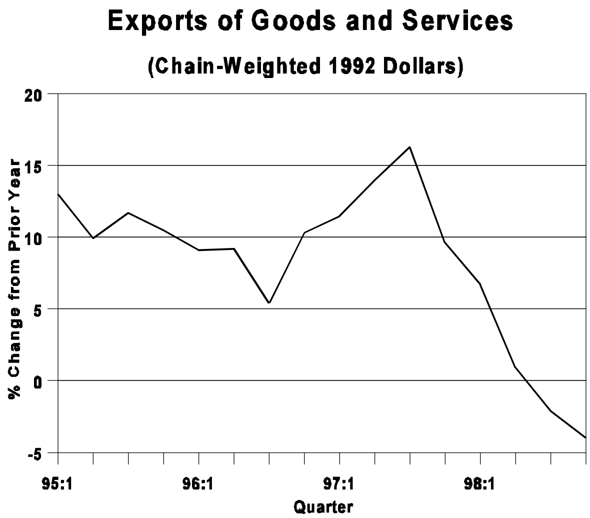


...and the savings rate plunging.

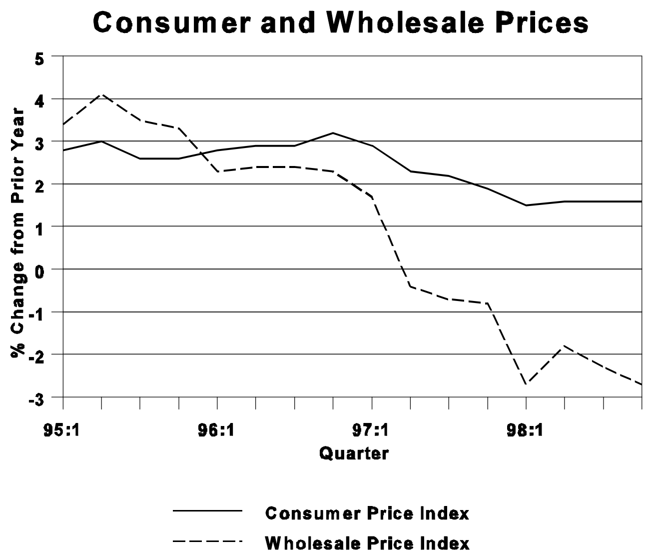


FOREIGN ECONOMIES FELL INTO RECESSION

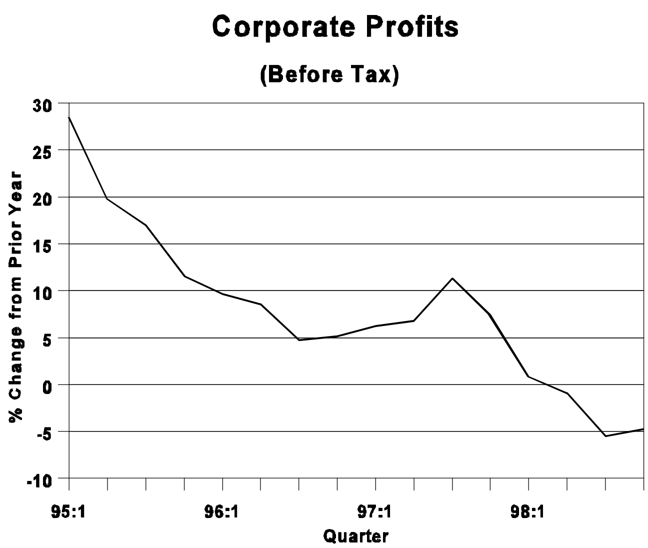
Foreign recessions are hurting exports...



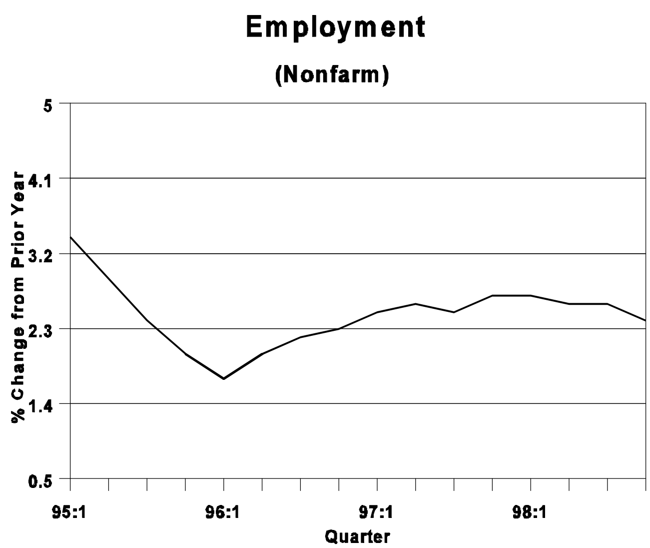
...and driving down prices.



Leading to lower profits...



...and slowing job gains.



There are several prominent features of the current economic environment that will significantly affect the GDP growth rate during the year ahead. Among the positive factors are the high level of consumer confidence (although the index has retreated somewhat from the record-setting levels achieved in the first half of 1998), the strong growth in disposable income, the decline in oil prices, the substantial retreat of long-term interest rates from their 1996 highs and the recent cuts in short-term interest rates by the FRB. These factors, combined with underlying support provided by the wealth that has been created in financial markets during the past few years, enhance the prospects of continued growth in consumption and business investment. With the Federal budget deficit eliminated and practically no evidence of incipient inflation, the chance of a near-term sharp rise in long-term interest rates remains low.

Unfortunately, other features of the current economic landscape will tend to inhibit growth. The low unemployment rate will hinder the rate of increase in employment. The high level of consumer debt burden and the low savings rate will restrain the size of spending increases, thereby offsetting some of the positive factors affecting consumption growth. This will be especially true should growth in the equity markets return to more normal levels. The declining rate of capacity utilization of the Nation's factories will weaken the demand for business investment. Rising labor costs and the inability to pass on cost increases because of competition from low-cost foreign producers is likely to prevent corporate profits from rising significantly. Also, the continuation, in 1999, of current recessions in many Asian and Latin American countries, along with slow economic growth in Europe, will exacerbate our trade deficit.

Outlook

Under the weight of a burgeoning trade deficit, economic growth will slow during the first half of 1999, followed by a rebound to a moderate pace that will, nevertheless, be significantly below the growth rate achieved over the last few years. The inflation rate will rise only modestly even though it will continue to be buffeted by contrary forces. A tight domestic labor market would normally begin to push up wages and then prices. However, pressures stemming from an excess of low-priced foreign goods and declining commodity prices will continue to keep prices down, thereby slowing profits growth. As a result of inflation remaining subdued, the FRB is expected to reduce short-term interest rates further.

Consumer spending is expected to be a mainstay of economic growth during 1999. However, with a high consumer debt burden and the savings rate at historically low levels, consumer confidence and equity markets must remain strong to avoid a potentially sharp slowdown in the growth of consumption. Business investment will continue to grow, but much more slowly than it did during the previous five years. In addition, excess production capacity in foreign countries, as well as the modest level of domestic capacity utilization, may cause U.S. businesses to scale back their investment plans more sharply than expected. Residential investment is expected to grow due to the positive impact of lower long-term interest and mortgage rates. The rate of business inventory buildup, which helped fuel the economic acceleration of the past two years, is expected to drop from its current high levels. Fiscal policy will no longer dampen the economy; however Congress is unlikely to approve major increases in Federal spending until the long-term requirements of the Social Security Trust Fund have been addressed. Imports will rise at a rapid rate as the strong dollar makes foreign goods relatively less expensive. Export growth will remain slow as economic growth in many countries around the world weakens and U.S. products become relatively more expensive for foreign consumers to purchase. As a result, there will be another substantial increase in the trade deficit.

Inflationary pressures are expected to be contained in 1999, kept in check by productivity gains, moderating increases in wage and fringe benefit costs, a continuation of low oil prices and severe domestic and international competition. As measured by the CPI, prices will increase slightly more than 2 percent, while the GDP price index measure will be up slightly more than 1 percent. This continues a trend of stable or declining inflation rates that has been prevalent throughout the 1990's. However, with the dollar weakening from its 1998 highs against both European and Asian currencies and oil prices no longer declining, the inflation rate will rebound from its 1998 lows. On an average annual basis, short-term interest rates are expected to fall below 4.0 percent and long-term rates will decline to about 4.8 percent. Interest payments to individuals are expected to decrease from 1998 levels.

In summary, nominal GDP is expected to grow by 3.6 percent, reflecting growth in real GDP of 2.4 percent and a small increase in the GDP price deflator. Nonagricultural employment should gain about 2.5 million new jobs on an average annual basis, although the rate of increase will be under 2.0 percent for most of the year. The unemployment rate will increase slightly to an annual rate of 4.7 percent. Labor costs, as measured by the employment cost index, are expected to increase by 4.2 percent. Given the forecast for employment and labor costs, nominal personal income will increase by 4.5 percent and nominal disposable income will rise by 4.6 percent. Nominal consumption, as a whole, will grow by 5.0 percent, with the service consumption component expected to grow more rapidly at 5.7 percent. Nondurable consumption is expected to grow at 4.6 percent and durable consumption will grow somewhat more slowly at 2.9 percent. Corporate profits growth will decline by 1.6 percent.

Risks

The overall forecast, which is an aggregation of many individual point estimates, reflects an economy that will grow moderately, yet still avoid significant inflationary pressures. There are, however, some major uncertainties in the forecast. Faster real growth could occur if the U.S. economy's internal strength is able to overcome negative forces which, for the most part, originated in other areas of the world. Robust increases in consumer spending could continue if a high level of consumer confidence, relatively low interest rates and rapid growth in the value of financial assets continues throughout 1999. Industry, to remain cost-competitive, may spend more heavily than expected to modernize its production facilities, thereby increasing not only investment, but also productivity. Growth in productivity could then provide opportunities for additional increases in employment without triggering inflation.

Alternatively, higher inflation could occur, even if growth does not rise faster than forecast. An acceleration of labor costs could occur, particularly if there are further reductions in the unemployment rate. Independently, oil prices could move sharply higher if countries that are currently experiencing economic hardship recover more quickly than expected and increase their demand for oil. Alternatively, if oil-producing nations regain the ability to limit worldwide production, prices for petroleum products could be increased by limiting supply. Given the low level of the world's inventory of food, major crop failures could push food prices sharply higher. As a consequence of any, or all, of the above factors, the rate of inflation could rise more rapidly than anticipated.

Perhaps more importantly, recent FRB actions to stabilize growth may lead to increased inflation as more liquidity creates upward pressure on prices. Under such circumstances, the FRB might reverse its current direction and raise short-term interest rates. Also, long-term rates could rise sharply if investors perceived a strengthening of inflationary pressures. Increases in Federal spending or, more likely, cuts in taxes, could be more stimulative than expected, depending upon the composition of the cuts and the extent of accommodation between fiscal policy and monetary policy.

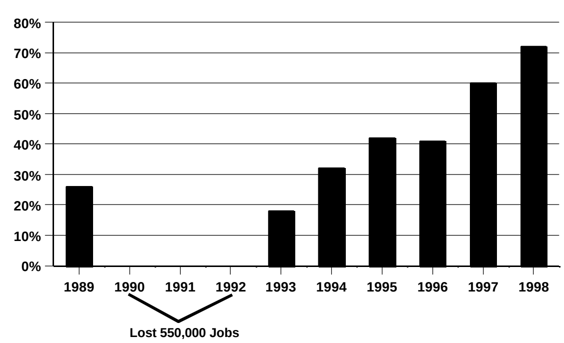
In sharp contrast to the inflation fears which have dominated U.S. monetary policy in recent years is the risk of recession. The mushrooming financial crisis in Asia and elsewhere has caused many countries to devalue their currency (e.g. Brazil has recently devalued its currency), which could result in an even more precipitous drop in foreign demand for U.S. goods and services. A sharp drop in the value of foreign assets and a withdrawal of credit, could trigger a chain reaction of defaults throughout the international banking system, sending the global economy into recession. Declining equity prices throughout the world would similarly impact U.S. markets, thereby reducing wealth and causing consumers to lose their optimism. Such a set of circumstances would likely be sufficient to end the long expansion of the U.S. economy as well as place severe downward pressure on prices. Economic forecasts, by their nature, are uncertain. It is necessary to recognize that factors exist, alone or in combination, which will lead to economic outcomes that are sometimes significantly different than those originally envisioned.

THE STATE

Recent History

The New York economy grew in 1998 at the most rapid rate in a decade. Most major sectors improved on their 1997 performance. Solid employment gains in the private sector were recorded despite weaknesses in banking and some manufacturing industries. The service, trade and construction sectors were the primary contributors to growth. The Budget Division estimates that overall nonagricultural employment growth was 1.9 percent — over 150,000 jobs — for 1998, with private employment increasing at a rate of 2.2 percent. This compares with overall employment growth at the national level of 2.6 percent and private-sector job growth of 2.8 percent. The growth rate of New York's private-sector employment has been steadily improving, relative to the nation, for the last four years and the relative performance is now at its best level in a decade.

Private Sector Employment Growth Rate
N.Y. rate divided by U.S. rate

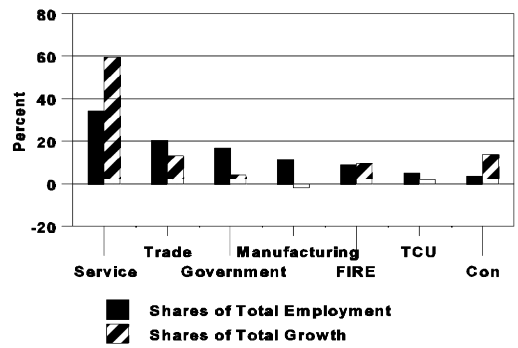


All major sectors recorded increases in employment except for manufacturing. Of the major sectors in the State's economy (based on part-year data):

— Employment in the service sector climbed 92,000. Business, engineering and management services did particularly well; growth in health services was slightly faster than in the prior year while growth in education services was a bit slower.
— Manufacturing shed only 3,000 jobs, the best showing since 1984.
— Construction employment grew by 21,000, the largest increase since 1986.
— The trade sector added approximately 21,000 jobs.

- — Finance, insurance, and real estate employment grew by 15,000, the largest increase since 1987, supported by heavy activity on Wall Street, but restrained by banking layoffs due in part to merger activities.
- — Employment in transportation, communications, and public utilities increased by 3,000 jobs.
- — Government employment grew by 6,000, with local government employment increasing by 9,000 and State government employment unchanged from the 1997 level. Federal employment declined by 3,000 jobs.

Employment
1998

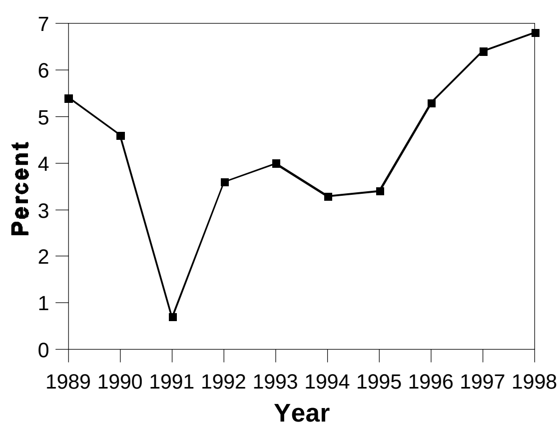


Note: TCU=Transportation, Communication & Utilities;
FIRE=Finance, Insurance & Real Estate; Con=Construction.

The unemployment rate, at 5.7 percent, declined significantly from 1997, due to the acceleration of growth in employment. Despite low inflation, average wages increased by 4.8 percent, which is significantly higher than the national rate of increase. In real terms, average wages increased by 3.2 percent, compared with an average annual rate of increase of 1.7 percent for the previous three years. The growth in real wages experienced in the past several years has been significantly higher than the average over the period 1975-1997 and broad-based with significant growth across the private sector of the economy.

The strong average wage growth in 1998 resulted in part from a tighter labor market and the large increase in bonuses paid by Wall Street firms at the beginning of 1998. Bonuses paid by the securities industry at the end of 1998 are expected to be similar to those paid a year ago as a result of the decrease in securities industry profits in the second half of the year. (For industry detail on real average wage growth, see the table below.) The combination of improved employment growth and the strong performance of average wages produced wage[1] growth of 6.8 percent, the highest rate since 1988. The growth in wages was dominated by the service and FIRE sectors. Personal property income growth was weak and has dwindled substantially over the last two years due mostly to a decline in the growth of both dividend and rental income. Total personal income grew

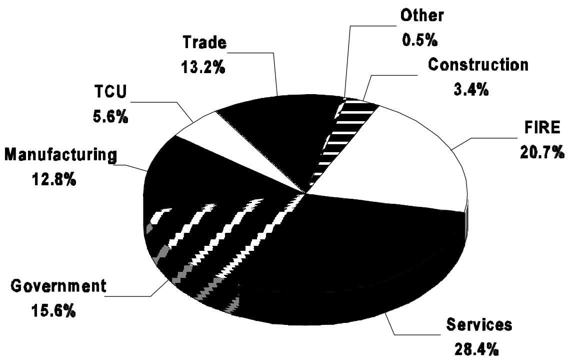
Wage Growth Rate
1989-1998



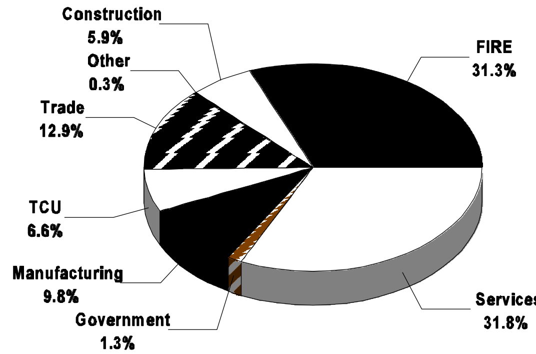
[1] For an explanation of the difference between wages as reported by DOB and as reported by the Federal Government (BEA), see the boxed text at the end of this section.

by approximately 4.9 percent, nearly identical to the national rate of 5.0 percent. Income growth substantially outpaced inflation, resulting in real income growth of over 3.5 percent in 1998.

Share of Wages
1998



Share of Wage Growth
1998



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

In the 1998-99 fiscal year, nominal growth in personal income is estimated to be close to 4.6 percent. In real terms, personal income will increase by 3.1 percent.

Employment, Real Wages and Average Wage Growth**

1975 to 1997

	EMPLOYMENT		REAL WAGE		REAL AVERAGE WAGE	
	Level (thous.)	Average Growth Rate (%)	Level (bil.)	Average Growth Rate (%)	Level (thous.)	Average Growth Rate(%)
	1997	1975-97	1997	1975-97	1997	1975-97
Construction	264.5	1.0	6.2	0.6	23.6	-0.4
Manufacturing	921.2	-2.0	25.3	-1.2	27.5	0.8
Trans., Comm., and Utilities	408.4	-0.3	10.7	-0.3	26.3	0.0
Trade	1641.3	0.7	25.8	0.3	15.7	-0.5
FIRE*	722.7	1.0	37.8	4.7	52.3	3.7
Service	2698.3	2.9	54.9	3.1	20.3	0.2
Government	1375.8	0.2	32.1	0.4	23.3	0.3
Total***	8037.0	0.7	194.3	1.3	24.2	0.5

1998

	EMPLOYMENT		REAL WAGE		REAL AVERAGE WAGE	
	Level (thous.)	Average Growth Rate (%)	Level (bil.)	Average Growth Rate (%)	Level (thous.)	Average Growth Rate(%)
Construction	285.9	8.1	6.9	10.7	24.2	2.4
Manufacturing	918.1	-0.3	26.1	3.0	28.4	3.4
Trans., Comm., and Utilities	411.7	0.8	11.4	6.4	27.7	5.6
Trade	1661.9	1.3	27.0	4.8	16.2	3.5
FIRE*	737.5	2.1	41.7	10.4	56.6	8.2
Service	2790.5	3.4	58.0	5.7	20.8	2.2
Government	1382.2	0.5	31.8	-1.0	23.0	-1.5
Total***	8192.4	1.9	204.3	5.2	24.9	3.2

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

Construction of Wage Series

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

DOB uses only actual or estimated New York wage data for the construction of the series. BEA, in contrast, uses national information to adjust the quarterly values determined from the New York wage data. Often, the consequence is a significant difference in the quarterly pattern between the two series (For example, for the first quarter of 1998, see footnote ** at the bottom of this page). Also, both series include bonus payments, but the DOB series averages its estimate of these payments across two calendar years, while BEA does not. Thus the shift of bonus payments from December to January, or vice versa, has little impact on the growth rate for wages in the DOB series. BEA does not smooth these payment shifts, resulting in annual growth rates that can be radically different than the DOB growth rates.

The series generated by either of these methods differs, on a quarterly percent-change-year-ago basis, from the series that results from using the DOB methodology except for simply leaving bonus payments in the quarter of actual payment. This series is referred to as the "actual payment" method. These three methods result in the annual growth rates shown below.

Wages
(Percent Change)

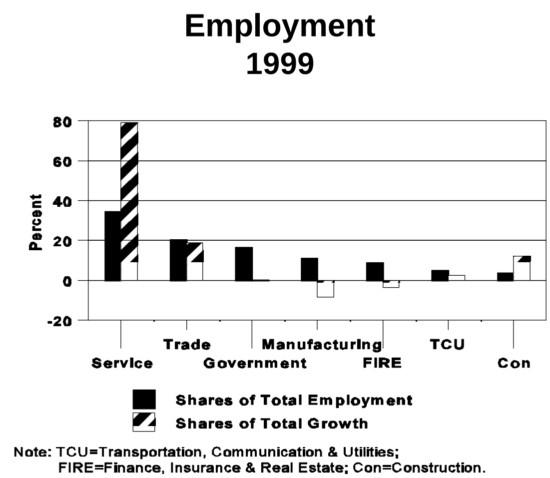
	1995	1996	1997	1998
DOB	3.4	5.3	6.4	7.2
AP*	4.6	5.9	5.9	7.4
BEA	4.6	5.9	6.1	5.5**

* Actual payment method. This is the series that is used to analyze and forecast personal income tax collections and liability.

** Based on published BEA numbers for the first two quarters of 1998 and the assumption that wages grew at an annual rate of 6 percent for the last two quarters. However, according to the Federal Unemployment Insurance Program wage data, the wage growth for the first quarter of 1998, based on a percent-change-year-ago basis, was 9.2 percent, while the comparable growth rate published by BEA was 5.0 percent. Therefore, the BEA-based 5.5 percent estimate in the table is likely to be revised upward when the data for all of 1998 becomes available.

Outlook

The New York economy is expected to continue to grow in 1999, although, following national trends, at a more moderate rate than in 1998. The strong employment growth of the last two years in the financial sector is likely to be partially reversed. This results from continued mergers in the banking sector and especially to the absence of profit growth for Wall Street firms in the second half of 1998. Also, a more moderate economic growth will prevent construction growth from being as robust in 1999 as in 1998. Employment in the government sector should remain at the 1998 level, and some declines in manufacturing employment will occur again as the drop-off in international demand for U.S. exports takes its toll. The service sector will not only continue to remain the largest contributor to growth but also will increase its share of total growth, a pattern that is typical of periods when overall employment growth slows. For the year as a whole, the projected employment change by sector is:

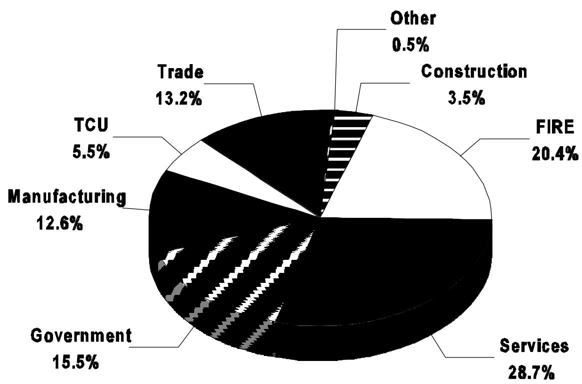


— Services — 77,000 job gain.
— Manufacturing — 8,000 job loss.
— Construction — 12,000 job gain.
— Retail and wholesale trade — 18,000 job gain.
— Finance, insurance and real estate — 4,000 job loss.
— Transportation, communications and utilities — 2,000 job gain.
— Government — unchanged from 1998.

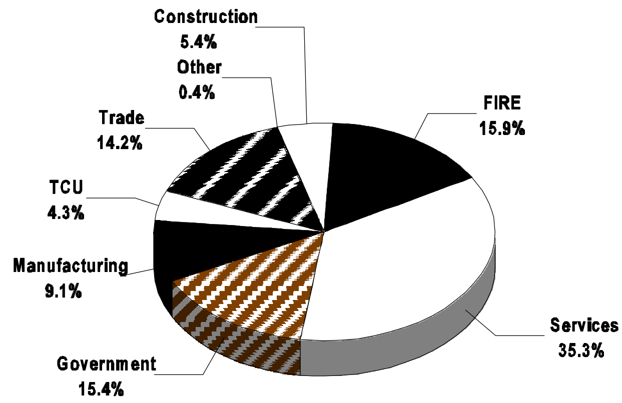
On an average annual basis, private-sector employment is expected to climb about 1.4 percent, while total employment will grow by about 1.2 percent or approximately 97,000 jobs. The unemployment rate will decline slightly. Unlike past periods of economic slowdown, the State's private employment situation will not deteriorate relative to the nation.

Low inflation, the general economic slowdown, and weak growth in bonus payments during 1999 should combine to drop average wage growth to 3.9 percent, about the same as the national growth in average wages. Growth in overall wages is expected to be 5.1 percent, due partly to a Wall Street slowdown in both job growth and bonus payments. Non-wage income is expected to increase by 2.8 percent, with property income rising at a rate of 0.4 percent, due mostly to a decline in interest income. Total personal income should increase by 4.2 percent.

Share of Wages
1999



Share of Wage Growth
1999



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

Risks

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

Selected Economic Indicators [1/]

	1994	1995	1996	1997	1998 (prelim.)*	1999 (proj.)	2000 (proj.)
United States							
Gross Domestic Product (current dollars, percent change) . . .	5.9	4.6	5.4	5.9	4.8	3.6	4.0
Gross Domestic Product (constant dollars, percent change) . .	3.5	2.3	3.4	3.9	3.7	2.4	2.3
Corporate Profits (before tax, percent change)	15.0	18.8	7.0	8.0	-2.6	-1.6	-0.2
Personal Income [2/] (percent change)	5.1	5.5	5.8	5.6	5.0	4.5	4.3
Wages [2/] (percent change)	4.9	5.8	5.9	7.1	6.7	5.7	5.1
Nonagricultural Employment (percent change)	3.1	2.7	2.1	2.6	2.6	2.0	1.5
Unemployment Rate (percent)	6.1	5.6	5.4	5.0	4.5	4.7	4.9
New York State							
Personal Income [2/] (percent change)**	4.1	4.4	5.0	4.4	4.9	4.2	4.0
Wages [2/] (percent change)**	3.3	3.4	5.3	6.4	6.8	5.1	4.6
Nonagricultural Employment (percent change)	0.9	0.7	0.6	1.5	1.9	1.2	1.0
Unemployment Rate (percent)	7.0	6.3	6.2	6.4	5.7	5.5	5.5

[1/] Additional information on economic indicators is available on the Economic Outlook page of the N.Y.S. Division of the Budget's Web Site (www.state.ny.us/dob).

[2/] Technical note for personal income and wages for 1994 through 1995: U.S. personal income reflects a shift of wage income into the fourth quarter of 1993, with most of this income drawn from the first quarter of 1994, and a shift of wage income from the fourth quarter of 1994 to the first quarter of 1995. N.Y. personal income reflects smoothing of both historical and forecasted wage shifts at the State level across several quarters.

* Based on part-year data.

** Series developed by N.Y.S. Division of the Budget; excludes legal underground wages.

Source: U.S. Dept. of Commerce, N.Y.S. Dept of Labor, U.S. Bureau of Labor Statistics. (1998 estimates and 1999 and 2000 projections by N.Y.S. Division of the Budget.)

IMPLICATIONS FOR STATE REVENUES

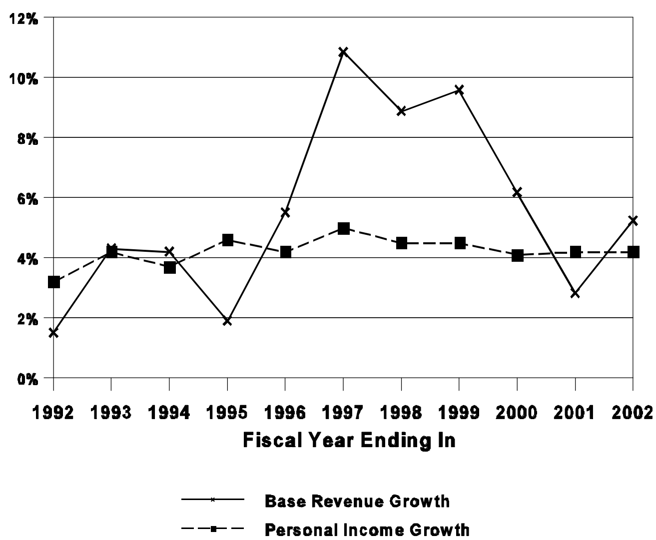
The receipt side of the Budget is comprised of a varied set of taxes, fees and miscellaneous revenue sources. These revenue sources are, to a significant extent, dependent upon national and State economic conditions. For example, revenue sources, such as the corporate franchise tax and the personal income tax, are sensitive to changes in profits, employment and income. In contrast, there are other revenue sources, such as the cigarette, tobacco, alcoholic beverage, and gasoline excise taxes, that are directly tied to the purchase of particular commodities. The purchase of these commodities are not very sensitive to general economic conditions in the short term, but are directly affected by commodity prices and personal income, as well as by the demographic characteristics of the State's population.

Historically, revenue growth has paralleled personal income growth fairly closely. However, there are periods when special factors influence revenue growth and distort this relationship. Examples include both State and Federal tax policy changes which create a wedge between economic events and revenue growth. Other examples, specific to base revenue growth in New York, include the payment by the State of refunds based on prior period activity or the earmarking of revenue sources to special revenue funds(which may have an effect on the General Fund without having any impact on the total funds received by the State.)

The significant and broad-based tax reductions that New York has enacted in recent years have obscured the normal relationship between income growth and tax receipts. The following analysis employs a base revenue series which was developed by removing the impact of tax law and administrative changes on revenues. The adjustments include the tax reductions of the last three years, other statutory and administrative changes, extraordinary refunds and earmarked revenues.

Personal income growth was aligned fairly closely with base revenue growth until fiscal year 1995-96, as the accompanying chart illustrates. However, starting in fiscal year 1996-97, growth in base revenues was almost twice the rate of personal income growth through fiscal year 1998-99.

Base Revenue and Personal Income Growth
(Percent Change)

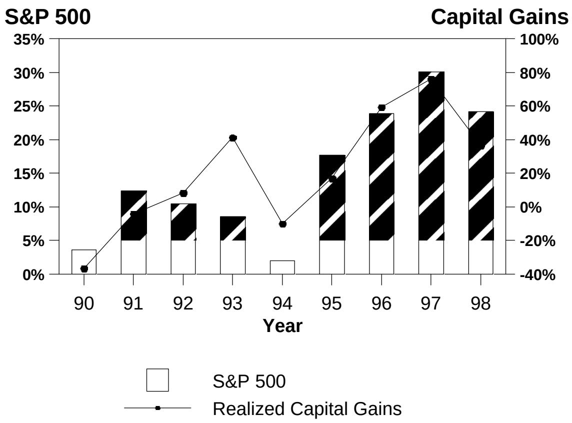


The rapid growth rate in base revenues relative to income is, in significant measure, due to the unprecedented growth in equity markets over this period, as exemplified by the increases in the Standard and Poor's 500 Stock Index in recent years. In fact, three consecutive years (1996 through 1998) of 20 percent plus gains in the S&P 500 index had never before occurred. The rapid appreciation in the value of stocks, coupled with recent changes in the Federal tax treatment of capital gains, has led to a striking increase in capital gains realizations for New York tax purposes. Realizations increased by approximately 60 percent for the 1996 tax year and by an estimated 75 percent in 1997.[2]

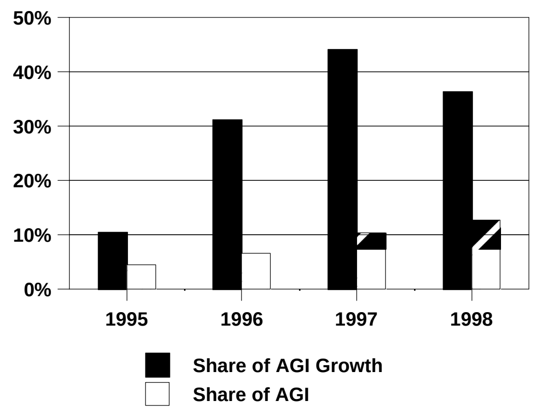
[2]The data sources are the Personal Income Tax study file and estimates of Adjusted Gross Income components based on income tax collection data. The last actual capital gains data is 1996, while 1998 data are based on estimated liability.

The share of adjusted gross income accounted for by capital gains has grown dramatically in recent years, increasing from 4.4 percent in 1995 to an estimated 12.7 percent in 1998. This in turn has had a large positive impact on personal income tax liability.

S&P 500 and Capital Gains
(Percent Change)

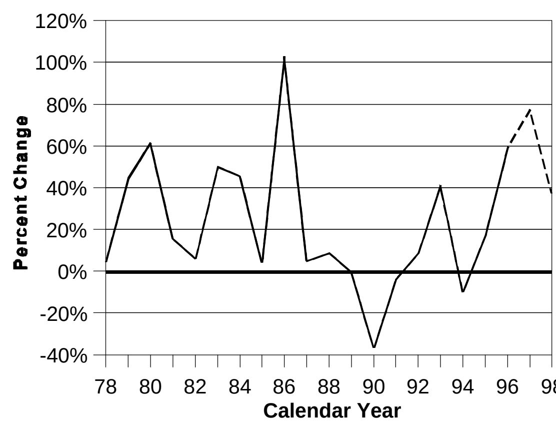


Capital Gains as Share of AGI



For 1999, the major economic variables impacting revenues, including stock market appreciation, are projected to moderate from their 1998 growth rates. The levels of most variables are still forecast to increase, and, as a result, the expectation is that State revenues will also increase, but at a slower rate. Historical growth in capital gains realizations has been extremely volatile as the accompanying chart indicates, and the rapid increases experienced recently can be expected to flatten out or actually turn negative in the near future.

Realized Capital Gains
NY Tax Returns



Large swings in capital gains realizations are often the result of the Federal tax policy treatment of capital gains. There was a major change in Federal treatment of capital gains realizations in 1997, which induced a significant increase in realizations in both 1997 and 1998. This tax-policy-induced impact on realizations should moderate significantly in 1999 and beyond. Given the volatility in the gains component of income, it would be imprudent to estimate revenues based on continued significant increases in equity markets in light of market volatility and in the absence of additional policy changes favorable to gains realization. Thus, expected growth in base revenue will return to a level consistent with the historical relationship to personal income growth. As a result, for the upcoming years, base revenues are projected to grow at a rate that is consistent with personal income growth.

TAX REDUCTION PACKAGE

This year, to build upon the proven success of the Governor's program of tax cuts that provide much needed relief to taxpayers and stimulate economic activity, the following package of tax reductions is recommended in the 1999-2000 Budget. When fully phased in, the package will return $1 billion of new tax relief to the hardworking taxpayers of the State. The plan is designed to be gradually implemented as the impact of already enacted tax reductions are fully absorbed in the State Financial Plan.

PERSONAL INCOME TAX

The top tax rate threshold, that now applies to taxable income over $40,000 for married couples filing jointly, will be moved up to $50,000 on January 1, 2002, and then to $60,000 on January 1, 2003. The corresponding thresholds for single and head of household filers will be moved from $20,000 to $30,000 and $30,000 to $45,000, respectively. This will reduce taxes for middle-income families by applying the 5.9 percent tax rate rather than the current top rate of 6.85 percent to a larger share of taxable income. The benefit of these changes will be confined to middle-class New Yorkers with taxable incomes between $20,000 and $150,000.

In addition, the dependent exemption will be doubled, increasing to $2,000 per dependent. When fully effective, these changes will produce annual savings of over $600 million.

UTILITY TAX REDUCTIONS

To reduce energy costs for residential and industrial consumers and to promote increased competition in the energy market, the Governor is proposing the following reforms and reductions in various taxes that affect utility bills:

- — The tax on the importation of natural gas (section 189 of the Tax Law) will be repealed.
- — The current franchise tax based on gross receipts and dividends (section 186 of the Tax Law) will be repealed.
- — All energy companies will be taxed under a franchise tax based on net income, the method used by most corporations.
- — The excise tax imposed on the receipts from the sale of energy commodities (gas and electricity) will be phased out.
- — All energy corporations will be taxed on the same basis as other commercial enterprises for property tax purposes. This reform will phase in over a ten-year period to protect local government revenue streams.

The plan is designed to produce immediate rate relief and is expected to save utility ratepayers more than $150 million annually when fully effective.

BANK AND INSURANCE TAX REDUCTIONS

Last year, legislation was enacted to phase down the tax rate imposed on business corporations from 9 percent to 7.5 percent. This year equivalent changes will be made for the bank and insurance taxes. This will ensure business corporations will be treated equitably and provided the same incentives to expand and invest.

When fully effective, these reductions will save banks and insurance companies $150 million and provide additional incentives to expand and invest in New York to the vital sector of financial services.

ALTERNATIVE MINIMUM TAX (AMT)

The AMT will be reduced from 3 percent to 2.5 percent on July 1, 2000. This will lower taxes and provide a boost to manufacturing companies who are often subject to the AMT and find the tax an uncompetitive burden that makes New York an unattractive business location. This reduction will improve New York's competitive position relative to other states who do not impose an AMT. When fully effective, this reduction will save companies subject to the AMT $12 million.

URBAN JOBS TAX CREDIT

Beginning January 1, 2001, businesses who expand employment by more than 25 full-time jobs in a city will be offered up to a $1,000 credit per qualified employee. The credit applies to each job created over the 25 job threshold. In New York City the credit will be available in targeted areas. To receive the maximum benefit the jobs will have to pay at least $8.00 per hour and must be maintained for two years. When fully effective the credit should save employers $60 million per year. This credit is designed to aid economic development, generate jobs and rejuvenate cities throughout the State.

NEW YORK CAPITAL ASSET EXCLUSION

The Governor's tax reduction plan recognizes the importance of attracting entreprenuers and new business enterprises to New York. To encourage this activity, individuals that realize a gain from the sale of tangible or intangible assets actively used in a business in New York will benefit from an exclusion of a portion of the gain from income. The plan applies to assets first used in New York on or after June 1, 1999. The benefits increase the longer the assets are held. For assets held for one year, there is a 5 percent exclusion; for three years, a 10 percent exclusion; for five years, a 15 percent exclusion; and for 10 years, a 20 percent exclusion. When fully effective, this provision is estimated to save taxpayers $20 million.

QUALIFIED EMERGING TECHNOLOGY CREDIT

Beginning January 1, 2000, the Qualified Emerging Technology Credit will be expanded by increasing the employment tax credit from $1,000 for each individual to $1,500 and by expanding the emerging technology capital credit from 10 percent and 20 percent to 25 percent and 50 percent of a qualified investment which is held for a minimum of four and nine years, respectively. When fully effective, companies that qualify will receive an additional savings of $20 million.

ACCELERATE THE ELIMINATION OF MEDICAL PROVIDER ASSESSMENTS

This proposal will terminate the assessments on health facility providers as of March 31, 1999, instead of March 31, 2000, and save $223 million.

OTHER CHANGES

The Governor is also proposing several changes to the Tax Law that will have minimal effect on revenues, but will benefit taxpayers by reducing unnecessary burdens and providing tax savings to small businesses, farmers, non-profit organizations and individuals.

- The estate tax will be amended to ensure that State law continues to conform to recent Federal estate tax changes.
- The Tax Law will be amended to expand the farm land eligible for the existing credit to offset school property taxes.
- The minimum taxes imposed on petroleum businesses and aviation fuel businesses, and homeowner associations will be eliminated and the tax on agricultural cooperatives will be eliminated for small cooperatives.
- The personal income tax will be amended to protect innocent spouses where one spouse provides erroneous information on a joint return. These changes reduce administrative costs for the Tax Department and burdensome filing requirements for joint filers.
- The existing provisions that reduce the State's real estate transfer tax rates on Real Estate Investment Trusts (REITs) will be extended for three years to continue a successful program promoting real estate development.
- The threshold for filing personal income tax returns will be increased to equal the standard deduction.

ALCOHOLIC BEVERAGE CONTROL LICENSE FEES

New York State distillers, brewers, wholesalers, retailers, and others who sell alcoholic beverages are required by law to be licensed by the State Liquor Authority. License fees vary, depending upon the type and location of the establishment or premises operated as well as the class of beverage for which the license is issued. The most significant source of revenue in this category is the licensing of about 2,500 retail liquor outlets, including package stores engaged in carry-out sales, and nearly 24,000 bars and restaurants that offer on-premises consumption. Of the universe of State-licensed bars and restaurants, about 18,600 are authorized to sell beer, wine, and liquor, approximately 3,450 licensees are permitted to sell beer and wine, and 1,700 sell only beer.

Until 1998-99, most licenses and permit fees were issued for three-year periods. This distribution led to variances in gross receipts on a year-to-year basis, particularly for liquor wholesaler and retailer licenses, which peaked every third year. The current fiscal year, 1998-99, would have been a peak year for liquor wholesaler and retailer licenses. However, legislation effective in 1998 (see below), will significantly reduce revenues in 1998-99 and 1999-2000, by replacing certain three-year licenses with one- and two-year licensing options. Since 1992-93, a portion of license fee receipts had been deposited in the Alcoholic Beverage Control Enhancement Account on an annual basis. Revenues deposited into the Account were used to support efforts to improve compliance and expedite license processing. To simplify agency budget presentation and execution, beginning in 1998-99, this special revenue fund was eliminated and all licensing fees were deposited in the General Fund. There will be no reduction in agency funding in 1998-99 and 1999-2000 resulting from this action.

Legislation enacted in 1997 will benefit the alcoholic beverage industry by clarifying the provisions for the sale of beer and wine products and by liberalizing licensing terms for bars and restaurants. On December 1, 1998, the required purchase of three-year licenses was changed, allowing licensees the option of purchasing annual or biennial licenses at a prorated cost. The new licensing plan enables licensees to realize improved cash flow by having the option of making reduced cash outlays on a more frequent annual or biennial basis, rather than the prior three-year basis. Due to the new payment option, and anticipated licensee behavior, the State will lose revenues during the initial three years of the program.

1998-99 RECEIPTS

Alcoholic beverage control license fee net receipts for the first nine months of the fiscal year were $22.6 million, 1.8 percent greater than receipts for the comparable period in 1997-98. Due to the initial effects of the licensing remittance changes discussed above, total gross receipts from alcoholic beverage control license fees will be reduced by $6 million for the year. As a result, gross receipts are estimated to reach $30 million. Refunds will be approximately $3 million, bringing estimated 1998-99 net receipts from this source to $27 million.

1999-2000 PROJECTIONS

Compared to 1998-99, gross alcoholic beverage control license fee receipts will decline significantly, due to the full-year effect of the 1997 licensing legislation. The legislation is expected to reduce projected State license fee receipts by $14 million in 1999-2000. Accordingly, gross receipts are projected at $19 million and refunds at $3 million, resulting in projected net receipts from alcoholic beverage control license fees of $16 million in 1999-2000.

OTHER FUNDS

Until 1998-99, a specific portion of total alcoholic beverage control license fee receipts was designated for deposit in the Alcoholic Beverage Control Enhancement Account. Deposits to this account totaled $2.3 million in 1996-97 and 1997-98. There are no deposits to the Account anticipated in 1998-99 and 1999-2000, as all license fees will be credited to the General Fund.

GENERAL FUND

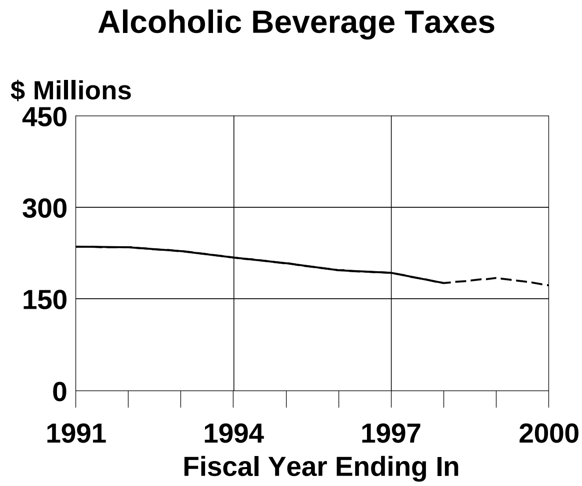
Gross General Fund receipts for 1998-99 are estimated to reach $30 million, and refunds will be about $3 million, bringing net General Fund receipts from this source to $27 million. In 1999-2000, gross General Fund receipts are projected at $19 million and refunds are expected to reach $3 million, leaving projected net General Fund receipts of $16 million for the year.

Receipts from Alcoholic Beverage Control License Fees
(thousands)

	Gross All Funds Collections	Refunds	Net All Funds Collections	Net General Fund Collections	Net ABC Fund 339 Account Collections
			Actual		
1990-91	$30,937	$3,003	$27,934	$27,934	....
1991-92	32,835	3,024	29,811	29,811	....
1992-93	37,120	2,627	34,493	32,678	$1,815
1993-94	32,007	2,237	29,770	27,615	2,155
1994-95	35,964	3,283	32,681	30,581	2,100
1995-96	36,356	2,981	33,375	30,975	2,400
1996-97	34,048	3,417	30,631	28,331	2,300
1997-98	35,549	2,629	32,920	30,620	2,300
			Estimated		
1998-99	$30,000	$3,000	$27,000	$27,000	....
1999-2000 ...	19,000	3,000	16,000	16,000	....

ALCOHOLIC BEVERAGE TAXES

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



LEGISLATIVE CHANGES

Legislation enacted in 1990 increased the tax rate on all liquor with more than 2 percent alcohol by 21 percent. On July 1, 1994, the tax rates on natural sparkling and artificially carbonated sparkling wines were reduced from 25 cents per liter and 15 cents per liter, respectively, to 5 cents per liter, equal to the State excise tax rate on still wine. On January 1, 1996, the State excise tax rate on beer with at least 0.5 percent alcohol was reduced from 21 to 16 cents per gallon. On January 1, 1999, the State beer excise tax was further reduced, to 13.5 cents per gallon.

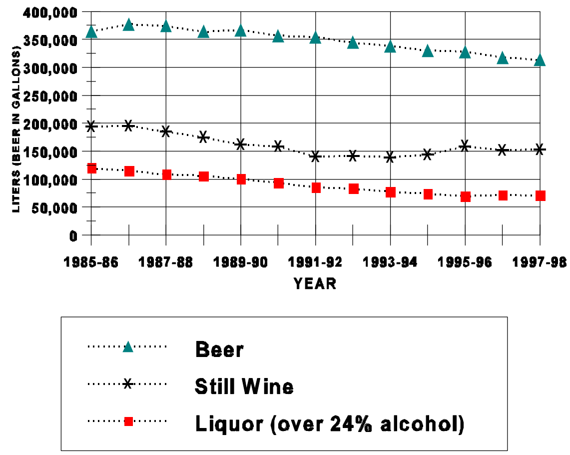
Current State tax rates are as follows:

Liquor over 24% alcohol	$1.70 per liter
All other liquor with more than 2% alcohol	67 cents per liter
Natural sparkling wine	5 cents per liter
Artificially carbonated sparkling wine	5 cents per liter
Still wine	5 cents per liter
Beer with 0.5% or more alcohol	13.5 cents per gallon
Liquor with not more than 2% alcohol	1 cent per liter
Cider with more than 3.2% alcohol	1 cent per liter

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

For several years, overall per capita consumption of taxed beverages remained fairly constant. The most important trends were a general decline in liquor consumption and an increase in the consumption of other beverages, reflecting a shift in consumer preferences toward lighter beverages, particularly wines, which peaked in consumption levels in 1995-96. The rising popularity of less expensive beverages with lower alcoholic content is attributed to the increasing proportion of young adults in New York's population and to the impact of rising prices on beverages with higher alcohol content. Additionally, there was an acceleration in the shift of overall consumer tastes toward low alcohol and nonalcoholic beverage selections that further reduced sales of the more traditional alcoholic beverages. (See chart.)

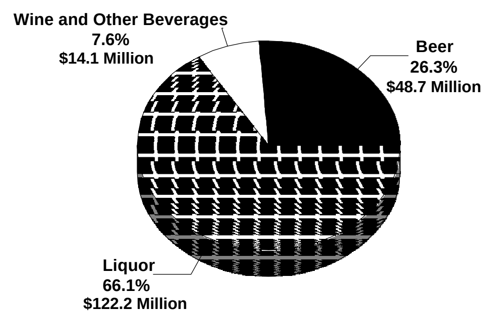
Consumption of Alcoholic Beverages



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

1998-99 RECEIPTS

State Alcoholic Beverage Tax Receipts
1998-1999



Estimated Share by Source

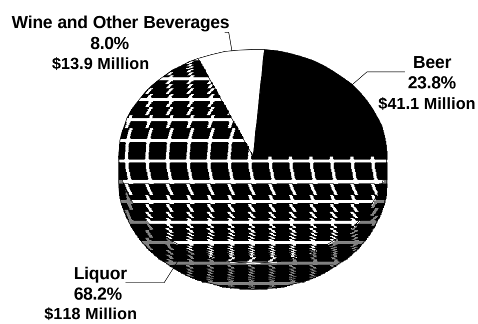
Net receipts during the first nine months of the current fiscal year of $144.3 million represent an increase of 5.4 percent from the comparable period in 1997-98. Collections through the first nine months of 1998-99 include approximately $1.8 million that was improperly distributed to New York City in February 1998 and was properly credited to the State in May 1998. Revenue in the first nine months of 1997-98 was reduced by $6.3 million from the effects of the repeal of the original EFT provisions, which were enacted in 1996-97. Absent these adjustments, year-to-year tax collections would have declined by 0.5 percent ($0.8 million). Long-term declines in liquor consumption have been somewhat offset by a relatively new consumer preference for higher-priced liquor brands that began to become apparent in 1996-97 collections. Based on this experience, as well as the revenue effect of the 1996, 5 cents per gallon, reduction in the beer excise tax rate, and the 2.5 cents per gallon beer excise tax reduction effective January 1, 1999, gross alcoholic beverage tax receipts for 1998-99 are estimated at $185.3

million and refunds at $0.3 million. The resulting net General Fund receipt estimate of $185 million includes $122.2 million from liquor over 24 percent alcohol. The 1997 enforcement provisions will preserve an estimated $3 million in liquor tax revenues that otherwise would have been lost due to evasion and avoidance. The January 1, 1999, excise tax reduction on beer is expected to reduce beer tax collections by $1.2 million, to $48.7 million. Revenues from wine and other specialty beverages are estimated to reach $14.1 million in 1998-99.

1999-2000 PROJECTIONS

Consumption of alcoholic beverages in the coming fiscal year are expected to follow national trends that reflect declines in the sales volume of liquor, beer and specialty beverages. These consumption declines will result in projected excise tax receipt declines from alcoholic beverage sources. Gross alcoholic beverage tax receipts are projected at $173.2 million and refunds at $0.2 million. Total projected net receipts of $173 million include $118 million from liquor, a decline of $4.2 million from 1998-99. Projected beer excise tax receipts of $41.1 million include a reduction of $7.6 million due to the 1999, 2.5 cents per gallon, beer excise tax cut. Revenues from wine and other specialty beverages are projected to total $13.9 million.

State Alcoholic Beverage Tax Receipts
1999-2000

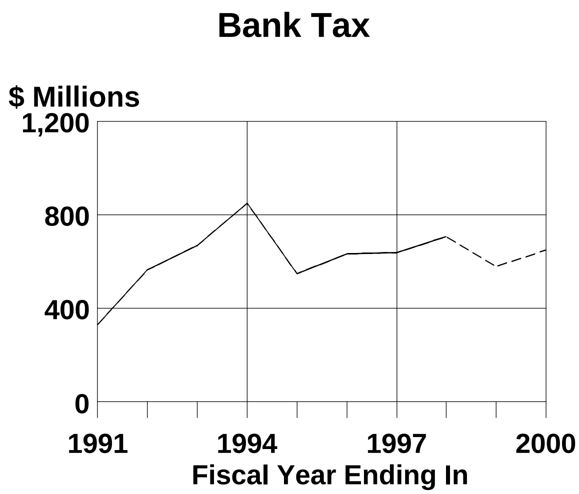


Projected Share by Source

General Fund Receipts from Alcoholic Beverage Taxes
(thousands)

	Gross Receipts	Refunds	Net Receipts
	------------------- Actual -------------------		
1990-91	$236,373	$ 227	$236,146
1991-92	235,254	251	235,003
1992-93	229,113	142	228,971
1993-94	218,341	99	218,242
1994-95	209,134	98	209,036
1995-96	198,280	492	197,788
1996-97	192,960	(123)	193,083
1997-98	177,124	115	177,009
	----------------- Estimated -----------------		
1998-99	$185,300	$ 300	$185,000
1999-2000	173,200	200	173,000

BANK TAX (Article 32)



Article 32 of the Tax Law imposes a franchise tax on banking corporations. The basic tax rate is 9 percent of entire net income with certain exclusions, discussed below. If a greater tax results, either a fixed minimum tax of $250 or one of two alternative taxes applies. The first alternative tax calculation is one-tenth of a mill on each dollar of taxable assets, or the amount of such assets apportioned to this State. For thrift and other institutions where mortgages comprise 33 percent or more of total assets, and where net worth is less than 5 percent of assets, this alternative tax rate is reduced to one-twenty-fifth of a mill; and for such institutions with a net worth of less than 4 percent of assets, one-fiftieth of a mill. The second alternative tax calculation is 3 percent of alternative entire net income, which is net income calculated without regard to certain exclusions.

SIGNIFICANT STATUTORY CHANGES

When originally added, many provisions of the Bank Tax were scheduled to expire for taxable years beginning on or after January 1, 1990, except the alternative minimum tax measured by assets and those provisions which apply to savings banks and savings and loan associations. Under legislation enacted in subsequent years, the last time being in 1997, this "sunset date" was extended through taxable years beginning before January 1, 2001.

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

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

— Other differences reflect Federal exclusions, Federal agency assistance and monetary transactions unique to banking corporations.

Legislation, enacted in 1990 and extended in 1992 and 1993, increased a temporary surcharge in effect since 1981 from 2.5 percent to 15 percent of tax otherwise due for taxable years ending after June 1990 and before July 1994. However, 1994 legislation provided for a phase-out of the surcharge, which reduced rates to 10 percent midway through the 1994 tax year, 5 percent midway through the 1995 tax year and to zero midway through the 1996 tax year.

The temporary surcharge imposed to support the metropolitan commuter transportation district is also applied to the bank tax, at the rate of 17 percent of the portion of tax otherwise due (excluding the regular business surcharge) allocable to such district.

Legislation in 1994:

— Conformed State estimated tax rules to the Federal rules by requiring large firms to pay 100 percent of their tax liability by the twelfth month of their fiscal year, instead of the previous 97 percent rule.

— Conformed the depreciation rule for non-New York property to Federal law by allowing the Federal tax treatment for such property.

— For taxable years beginning in 1994, the subsidiary capital taxation rules allow deduction of 60 percent of the amount by which gains exceed losses from such capital, to the extent such gains and losses were taken into account in determining taxable income.

Beginning June 1, 1997, the Federal Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 took effect. This act allows interstate mergers between adequately capitalized and managed banks, subject to concentration limits, state laws and the Community Reinvestment Act evaluations by the Federal Reserve.

In anticipation of changes to the Federal treatment of loan loss reserves by qualified thrift institutions (section 593 of the Internal Revenue Code), New York State amended the Tax Law in 1996 to prevent Federal law changes from significantly altering the deductibility of loan loss reserves when calculating taxable income. Section 593 required thrift institutions to maintain a bad debt reserve and, if converting to a bank, recognize the amount of bad debt reserves as income. The Federal Small Business Job Protection Act of 1996 amended section 593 of the Internal Revenue Code.

The Federal Deposit Insurance Funds Act of 1996 requires that the Federal Deposit Insurance Corporation assess a special premium on deposits insured by the Savings Association Insurance Fund (SAIF). This legislation is an attempt to recapitalize the depleted savings Fund after the SAIF was obligated to bail out thrift institutions during the S & L crisis of the 1980's. The Act also amends section 162 of the Internal Revenue Code to make the assessment deductible in the year paid. The State conforms to this latter provision.

In December 1996, the Federal Reserve Board announced it was increasing, from 10 percent to 25 percent, the amount of total revenue that a nonbank subsidiary of a bank holding company (generally identified as a "section 20 subsidiary") may derive from underwriting and dealing in securities that a member bank may not underwrite or trade. This limit is designed to ensure that the subsidiary will not violate section 20 of the Glass-Steagall Act, the depression era reform intended to separate lending and underwriting institutions. The increase became effective March 6, 1997.

During 1997, legislation was enacted to continue tax relief efforts and conform State tax law to Federal reform. Such legislation:

— Allows banks to claim a prospective net operating loss deduction (NOLD) for losses incurred on or after January 1, 2001.
— Allows banks that have elected Federal S corporation status to elect New York S corporation status and receive the same treatment as other New York S corporations (under the corporation franchise tax), including conforming changes as a result of the 1996 Federal Small Business Jobs Protection Act.
— Authorizes the formation of limited liability trust companies under Article 32, subject to certain restrictions.

The 1998-99 State Budget included bank tax relief as follows:

— The investment tax credit (ITC) was extended to banks that are brokers or dealers in securities.
— Gain from the sale of a qualified, emerging technology investment is deductible from Federal income for the bank tax, if reinvested in another qualified company. The amount deferred must be added to Federal income when the reinvestment is sold.

Proposed Statutory Changes

The 1998-99 State Budget included legislation to reduce the rate imposed under the net income base of the corporation franchise tax on general business corporations. The rate reduction, from 9 percent to 7.5 percent, is phased in over three years with the first phase applying to taxable years beginning after June 30, 1999. The current Budget proposes the same benefits be afforded to banks and insurance companies. The first phase applies to taxable years beginning after June 30, 2000. The timing of these reductions and the phase-in schedule provide the same benefit to banking corporations while allowing the State to continue to implement all of the multi-year tax reduction programs already in place.

RECENT DEVELOPMENTS

Historically, bank tax collections have been extremely volatile. For example, receipts grew by 50 percent between 1991-92 and 1993-94, declined by 36 percent in 1994-95, increased by 16 percent in 1995-96, increased by less than 1 percent in 1996-97, and by almost 11 percent in 1997-98. However, only extraordinary audit collections in 1996-97, which accounted for approximately 28 percent of collections, versus 11 percent in 1995-96 and 2 percent in 1997-98, prevented an 18 percent decline in that year.

Since 1993-94, with the exception of a single extraordinary payment in 1996-97, audit collections as a percent of net collections have declined considerably. This reduction can, in part, be attributed to the end of adjustments to liability periods from the mid to late 1980's when significant State and Federal law changes occurred.

CARTS Collections to Net Collections
(millions)

State Fiscal Year	CARTS	Net Collections	CARTS to Net Collections (Percent)
1989-90	$141	$425	33
1990-91	116	330	35
1991-92	154	566	28
1992-93	139	670	21
1993-94	76	851	9
1994-95	53	548	10
1995-96	71	635	11
1996-97	178	640	28
1997-98	16	707	2

Even with the expected decline in audit collections, net collections have remained volatile. Part of this volatility is attributed to large swings in underlying liability, which exacerbates collection volatility because of payment rules. The first installment on current liability is based on 25 percent of prior year liability, which is paid at the end of the State fiscal year (March for calendar year filers). For years in which liability is increasing the remaining installments are disproportionately higher than the first installment, while the reverse occurs when liability drops. The following table illustrates this relationship. If the current year estimated liability for a bank is low, the first installment on the bank's next year's liability reflects this weakness because of the first installment rule. However, if the taxpayer's current year estimated liability increases, subsequent estimated liability payments must increase to meet revised current year liability expectations. Summarizing, if there are swings in liability these are exacerbated by payment rules.

Calendar Year Commercial Banks Estimated Liability Payments
(millions)

Year	First Installment	Percent Change	Estimated Liability Payments	Percent Change	Current Year Estimated Liability	Percent Change
1992	$ 61	NA	$315	NA	$376	NA
1993	66	8	563	79	629	68
1994	145	120	412	-27	557	-11
1995	89	-39	588	43	677	21
1996	146	64	445	-24	591	-13
1997	112	-23	602	35	714	21
1998	166	48	. . . .	. . . .	. . . .	. . . .

As the following table illustrates, when the estimated liability payments and the first installment are converted to a State fiscal year the problem is magnified. For example, the 68 percent increase in 1993 estimated liability translates into an 86 percent increase in payments on 1993 liability during SFY 1993-94, while an 11 percent decline in 1994 estimated liability causes a 29 percent decline in payments on liability during SFY 1994-95. The impact of the volatile earnings of banking corporations in recent years coupled with the payment pattern described here is a primary factor in understanding the wide fluctuation in bank tax collections during the 1990's. This recurring pattern is described in more detail for the past several years in what follows.

Calendar Year Commercial Banks Estimated Liability Payments During the State Fiscal Year
(millions)

State Fiscal Year	Current Year Estimated Liability Payments	Next Year First Installment	Payments on Liability (Current and Next) during the State Fiscal Year	Percent Change
1992-93	$315	$ 66	$381	. . . .
1993-94	563	145	708	86
1994-95	412	89	501	-29
1995-96	588	146	734	47
1996-97	445	112	557	-24
1997-98	602	166	768	38

In addition to the calendar year commercial banks' swings in liability, part of the decline in 1994-95 was due to the continued weakness in earnings from foreign banks, especially from Japanese banks, many of which had incurred substantial losses as the table at the end of this section illustrates. The largest absolute changes in receipts occurred almost exclusively in the commercial (calendar year and fiscal year) banking sector.

Although several factors contributed to the 1994 liability decline, the single most important reason was the steady rise in interest rates during this period, which affected the following areas:

— The unprecedented spread between the interest rates banks charge on existing loan portfolios and their "cost of funds" as paid on deposits, which contributed to the growth in bank earnings through 1993, deteriorated in 1994 as the Federal Reserve Board increased interest rates on several occasions, thereby depressing bank earnings.

— These interest rate increases also adversely affected trading and investment banking revenues from stock and bond markets, and from such financial hedging instruments as derivatives. In general, banks that specialize in the capital market business, including some of the largest commercial banks in New York, experienced declining profits in 1994 following very strong earnings in 1993. This is in contrast to firms that focus on consumer banking, many of which benefitted from rising interest rates through improved earnings from non-fixed interest rate products such as credit cards and other loans.

— Some banks posted substantial losses from currency trading and experienced well publicized losses from derivative activity, some of which were the subject of litigation by customers.

— As interest rates increased, the value of certain investment portfolios deteriorated and was reflected in 1994 earnings.

However, the decrease in payments on 1994 liability during the 1994-95 period does not fully explain the unprecedented decline in receipts between 1993-94 and 1994-95. Although "back-year adjustments," the credits against current year liabilities or refunds taken against prior voluntary overpayments, are usually substantial in the bank tax, such adjustments reached unprecedented levels in 1994-95, as banks reduced payments on 1994 liability with credits from 1993. This suggests that many commercial banks overstated their 1993 earnings to a larger degree than in the past, which they subsequently corrected by reducing their payments on 1994 liability.

In addition to taxpayers overstating their ultimate liability in 1993, the installment payment rules in the Tax Law further exaggerated the swing in collections. Although these effects are always present, the unusually large change in liability in calendar year 1993 and 1994 made, in effect, 1993-94 collections considerably larger and 1994-95 collections much smaller than they would have been in the absence of the fixed first installment rule.

The increase in 1995-96 collections was driven primarily by an estimated 50 percent increase in the calendar year commercial banking sector's surcharge-adjusted liability. Because 1994 liability was low, the first surcharge-adjusted installment on 1995 taxes was reduced to $79 million, or a 37 percent decline from the comparable payment on the 1994 tax year. This small first installment magnified growth in the remaining surcharge-adjusted payments on 1995 liability during the 1995-96 period. Some of the cash benefit of the 1995 liability increase was absorbed in 1996-97 as lower prior year adjustments; this pattern continued into 1997-98.

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

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

1998-99 RECEIPTS

Net collections from commercial banks during 1998-99 are projected to decrease by $179 million from 1997-98. This reflects a $36 million decline in payments on current-year (1998) liabilities and reduced first installments on next-year (1999) liabilities during 1998-99. Commercial bank collections have also suffered from increased refunds and carry forwards of prior year payments which are projected to increase by $143 million. However, bank tax collections will benefit from a $44 million increase in audit payments. In addition, net collections for thrift institutions are projected to increase by $8 million. As a result, net collections for Article 32 are projected to be $580 million, $127 million below the amount received in 1997-98.

More specifically, refunds are expected to reach approximately $75 million by year's end, $15 million above 1997-98 levels. In addition to cash refunds issued to taxpayers, collection reports for calendar year commercial banks also show higher overpayments of prior-year (1997) liability, which are taken as credits against current-year (1998) liability. Through December, prior-year adjustments (1997) have totaled $185 million for calendar year commercial banks and have reduced cash payments by that amount in State fiscal year 1998-99. Over the last five State fiscal years (1993-94, 1994-95, 1995-96, 1996-97 and 1997-98), calendar year commercial banks have made prior-year adjustments of $97 million, $126 million, $200 million, $185 million and $152 million respectively. The growing overpayment of estimated liability from 1993-94 to 1995-96 may have been the result of changes in the estimated payment provisions of the Tax Law, discussed earlier, and the phase-out of the business tax surcharge. However, while prior year adjustments slowed in 1996-97 and 1997-98 as banks adjusted to earlier changes, they are expected to increase in 1998-99.

Commercial bank net collections through December have totaled $408 million. Based on collections to date, net collections for the entire period are projected to reach approximately $565 million. This is a $135 million decrease from the 1997-98 level. The decrease is more than accounted for by the lower payments on 1998 liability and the increased adjustments (refunds and credit carry forwards) to prior-year payments. However, these net cash collection decreases have been partially offset by the return of audits to more normal levels during the current period.

Through December, collections from commercial bank fiscal year taxpayers of approximately $86 million represent a 45 percent increase over 1997-98. These fiscal year taxpayers are projected to account for just over 15 percent of total bank tax collections.

For the first time since 1995, collections from savings institutions through December are positive. It is possible that the large adjustments to prior-year liabilities resulting from the savings and loan debacle have diminished.

However, the restructuring of savings and savings and loan institutions has lowered the number of these firms and their tax liability base. In some cases, commercial banks have acquired thrifts and in other cases thrifts have merged and have been reclassified as commercial banks. In fact, from 1990 to 1994 the number of thrifts declined by 28 percent while their liability declined by 45 percent.

1999-2000 PROJECTIONS

Net collections for Article 32 are projected to be $650 million, $70 million above the amount received in 1998-99. Payments on 1999 liability from calendar year commercial banks during 1999-2000 are projected to increase by just under 10 percent. This growth is the result of a lower 1998 estimated liability that generates a small first installment in March of 1999. Subsequently, a higher estimated 1999 liability will require the banks to increase their payments on 1999 liability during 1999-2000. Also, the lower 1998 estimated liability should reduce the credit carry forwards from 1998 into 1999.

As discussed earlier, the increased amount of revenue "section 20" subsidiaries may derive from underwriting and dealing in securities will increase acquisition opportunities for banks. For example, during 1997, Banker's Trust purchased a stock brokerage firm and in 1998 Citicorp merged with Travelers Group whose subsidiaries included Salomon Smith Barney. While bank acquisitions, if successful, will increase the tax base in the long run, these transactions increase the volatility of the tax base in the short run, as these firms complete very complex financial transactions.

As discussed earlier, large adjustments to prior year liability stemming from the savings and loan crisis have subsided. However, friendly mergers with, or acquisitions of, other thrift institutions will continue as a variety of financial institutions look to expand their market coverage into traditional thrift businesses, including home mortgage loans and residential and commercial loans. These complex financial transactions will continue to increase this industry's revenue uncertainty.

Total bank collections for 1999-2000 are projected at $650 million, with collections from commercial banks estimated at $640 million, and the balance, $10 million, from thrift institutions.

Tax Receipts by Type of Bank
(thousands)

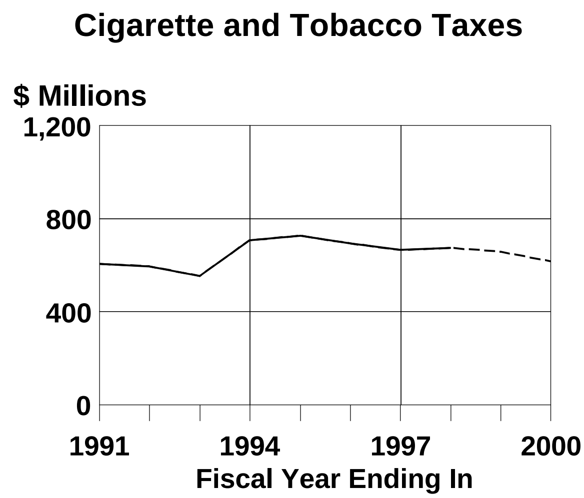
	State Banks, Trust Co's & National Banks	Savings Banks	Savings & Loan Assocs.	Total
	Actual			
1990-91	$270,647	$50,961	$ 9,092	$330,700
1991-92	498,918	54,432	12,469	565,819
1992-93	569,244	84,798	16,440	670,482
1993-94	784,033	45,861	20,840	850,734
1994-95	486,102	50,965	10,885	547,952
1995-96	611,513	24,455	(1,305)	634,663
1996-97	637,448	(3,003)	5,492	639,937
1997-98	700,344	1,183	5,796	707,323
	Estimated			
1998-99	$565,000	$10,000	$ 5,000	$580,000
1999-2000	640,000	7,000	3,000	650,000

Bank Tax Receipts
(thousands)

	Gross Collections	Refunds	Net Collections
	Actual		
1990-91	$442,822	$112,122	$330,700
1991-92	628,800	62,981	565,819
1992-93	705,705	35,223	670,482
1993-94	905,413	54,679	850,734
1994-95	614,609	66,657	547,952
1995-96	702,354	67,691	634,663
1996-97	723,569	83,632	639,937
1997-98	765,723	58,400	707,323
	Estimated		
1998-99	$655,000	$ 75,000	$580,000
1999-2000	710,000	60,000	650,000

CIGARETTE AND TOBACCO TAXES

The New York State cigarette excise tax is imposed on the sale or use of cigarettes in the State at the rate of 56 cents per package of 20 cigarettes. State registered wholesalers purchase tax stamps from licensed stamping agents and affix the stamps to cigarette packages to be sold by New York State registered retailers. Purchasers of non-State stamped cigarettes (e.g., those sold on Indian reservations or out-of-State) are required to remit a cigarette use tax to the Department of Taxation and Finance for product consumed within the State. Prior to June 1, 1993, the State tax rate was 39 cents per package; prior to June 1, 1990, the State tax rate had been 33 cents per package. New York City levies a separate tax of 8 cents per standard package.



The Federal government imposes a cigarette excise tax on manufacturers and first importers of cigarettes. This tax was raised from 20 cents to 24 cents per pack of 20 cigarettes on January 1, 1993. (See table below for a listing of historical State, Federal and New York City excise tax rate revisions.) Federal legislation, signed on August 5, 1997, increased the Federal cigarette tax to 34 cents per pack, beginning January 1, 2000. On January 1, 2002, the Federal cigarette tax will increase an additional 5 cents, to 39 cents per pack. The reduced consumption resulting from the Federal tax increases will have no State revenue effect in 1998-99, but will result in a revenue loss in 1999-2000.

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

State		Federal		New York City	
Date Revised	*Rate*	*Date Revised*	*Rate*	*Date Revised*	*Rate*
--	3 cents	--	7 cents	--	1 cent
April 1, 1959	5 cents	November 1, 1951	8 cents	May 1, 1959	2 cents
April 1, 1965	10 cents	January 1, 1983	16 cents	June 1, 1963	4 cents
June 1, 1968	12 cents	January 1, 1991	20 cents	January 1, 1976	8 cents
February 1, 1972	15 cents	January 1, 1993	24 cents		
April 1, 1983	21 cents	January 1, 2000*	34 cents		
May 1, 1989	33 cents	January 1, 2002*	39 cents		
June 1, 1990	39 cents				
June 1, 1993	56 cents				

* Scheduled excise tax increase

Since 1993, the State has imposed a tax on other tobacco products, such as chewing tobacco and cigar tobacco, equal to 20 percent of their wholesale price. From July 1, 1989, to May 31, 1993, the tax rate was 15 percent. Similar to the cigarette tax, the Federal government imposes an excise tax on manufacturers and importers of tobacco products.

Legislation enacted in 1990 added an annual license fee of $100 for the registration of retail establishments and $25 for every vending machine that sells cigarettes or tobacco products. There are currently about 33,000 State-licensed retailers. This represents an increase of almost 5,000 retailers since enforcement legislation was signed by Governor Pataki in 1996. There are also approximately 6,000 retail vending machines in the State.

EVASION

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

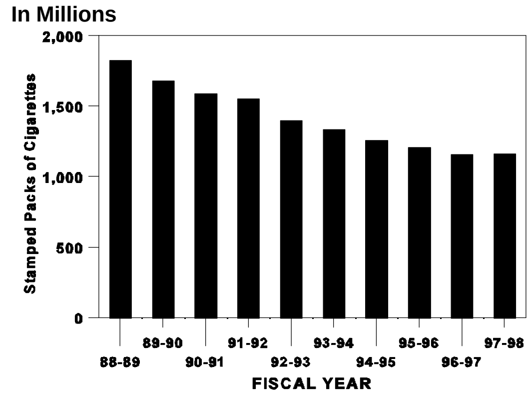
The positive effects of this legislation have been realized in the current fiscal year through an increase in the number of new retailer license applications for the 1999 calendar year. The increase in retailer licenses, as well as a continued enforcement presence, will lead to more moderate declines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

CONSUMPTION TRENDS

Taxable cigarette consumption has declined by about 53 percent since 1965 due to increases in: prices, awareness of the adverse health effects of smoking, smoking restrictions, and anti-smoking education programs. In recent years, consumption declines have slowed as less expensive "generic" brands of cigarettes have gained a larger share of taxable cigarette purchases.

Price-cutting promotions of major-label cigarette brands, intended to regain market share from generic brands that began in 1993 and continued through 1994, offset much of the expected consumption declines resulting from the June 1, 1993, 17 cent State cigarette excise tax increase. Since 1994, manufacturers have resumed their normal pattern of semi-annual price increases for major-label brands. These price increases, in addition to a major price increase announced on November 23, 1998, have increased prices well above their pre-1994 levels. Additionally, the settlement of cigarette wholesale bankruptcies resulted in approximately $6.7 million in atypical revenues in the last quarter of 1994-95 and $1.7 million in 1995-96. Adjusted for these bankruptcies and other atypical audit receipts, taxable State cigarette consumption declined 4.1 percent (see chart) and taxable tobacco consumption increased 13.8 percent during 1995-96. Cigarette consumption declined by 4.1 percent in 1996-97, but the revenue impact was mitigated by gains in revenue from an increase in other tobacco products consumption of 22.8 percent. Partly through the enforcement efforts of the Department of Taxation and Finance, cigarette excise tax collections increased by about $4 million, or 0.4 percent in 1997-98. Tobacco tax collections increased by $3.7 million (22.5 percent) during the same period.

New York State Taxable Cigarette Consumption



1998-99 RECEIPTS

Tobacco Settlement

On November 23, 1998, a major settlement between 46 states' Attorneys General and cigarette manufacturers was signed. In addition to billions of dollars in settlement costs to be paid out to eligible states, the major cigarette companies agreed to take actions to reduce teen smoking, limit advertising, pay punitive damages and provide funds for smoking cessation programs.

In the first nine months of 1998-99, net cigarette and tobacco tax receipts of $531.6 million represent an increase of about 0.7 percent over the similar period in 1997-98. Cigarette tax collections have increased by $4.3 million (0.8 percent) largely due to advanced purchases of stamped cigarettes in November 1998, made in anticipation of the major manufacturers' cigarette price increases. These purchases resulted in increased December credit payments and a 5.2 percent tax receipt increase in December 1998, compared to December 1997. Also, positive year-to-year comparisons were due to the success of the Department of Taxation and Finance's enforcement efforts which offset taxable consumption declines from two manufacturers' price increases: 5 cents per package of 20 cigarettes on April 13, 1998, and 6 cents per package on August 8, 1998. A third price increase, of 45 cents per package, beginning on November 23, 1998, coinciding with the landmark litigation settlement, is expected to reduce taxable cigarette consumption in the last quarter of 1998-99 and more dramatically in 1999-2000.

Year-to-year cigarette consumption in the last quarter of 1998-99 is estimated to decline about 12.6 percent, due primarily to retail prices that are more than 20 percent higher than in the similar period of 1997-98. Collections are also expected to decline due to the November pre-buying that accelerated purchases out of December 1998 and moved subsequent credit payments from January 1999 into the third quarter of the fiscal year. Receipts from the tobacco products tax have declined by about $0.8 million (5.4 percent) in the first nine months of 1998-99. Tobacco consumption is expected to continue to fall in the last three months of 1998-99, by $0.7 million compared to the last quarter of 1997-98.

For the full year, cigarette consumption is estimated to fall by 2.1 percent, and tobacco consumption is expected to decline by 7.5 percent. Resulting gross cigarette and tobacco products tax receipts for the year are estimated at $669 million and refunds at $9 million, for net General Fund receipts of $660 million for all of 1998-99. This amount includes net cigarette tax receipts of $638 million, tobacco products tax receipts of $18.4 million, and retail license and vending machine fees of $3.6 million. The estimated cigarette tax collections include the continued effects of the special 1996 enforcement legislation, which will raise $15 million in 1998-99.

1999-2000 PROJECTIONS

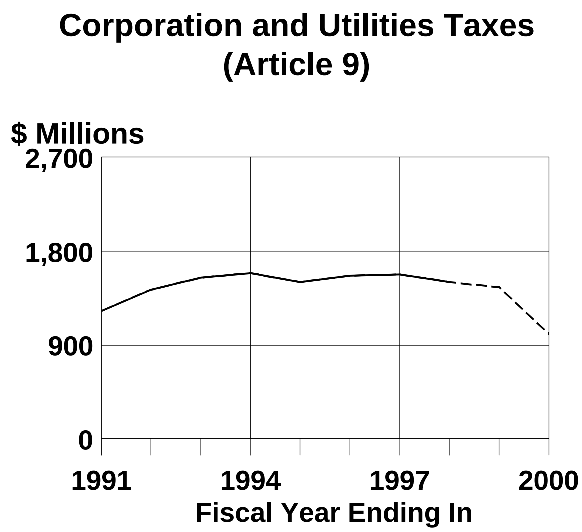
The full-year effect of the three manufacturers' price increases in 1998, coupled with the initial effects of the January 1, 2000, Federal excise tax increase, and the continuation of manufacturers' smaller semiannual price increases are projected to substantially reduce State excise tax collections in 1999-2000. Restrictions on cigarette advertising agreed to in the 1998 settlement, combined with expanded public health laws and persistent concerns with the health effects of cigarette smoking, will result in further declines of taxable cigarette consumption in the coming fiscal year. The continued impact of the 1996 cigarette enforcement legislation is expected to moderate the rate of decline in the overall "taxable" cigarette consumption base in 1999-2000. This will result in "taxed" cigarette purchases that are 6.4 percent less than in 1998-99. The major cigarette price increases instituted in 1998, as well as the advertising restrictions imposed upon manufacturers, are projected to reduce receipts by about $32 million in 1999-2000. Gross General Fund cigarette and tobacco tax receipts in 1999-2000 are projected at $628 million and refunds at $10 million, for net General Fund receipts of $618 million. This estimate includes $597 million in net cigarette tax receipts, $17.3 million from the tobacco products tax, and $3.7 million in license fees.

General Fund Receipts from
Cigarette and Tobacco Taxes
(thousands)

	Gross Collections	Less Refunds	Net General Fund Collections
	Actual		
1990-91	$611,895	$ 5,553	$606,342
1991-92	601,851	5,692	596,159
1992-93	560,584	5,497	555,087
1993-94	716,103	8,485	707,618
1994-95	734,134	7,638	726,496
1995-96	700,691	7,275	693,416
1996-97	675,756	8,724	667,032
1997-98	680,950	5,447	675,503
	Estimated		
1998-99	$669,000	$ 9,000	$660,000
1999-2000	628,000	10,000	618,000

CORPORATION AND UTILITIES TAXES
(Article 9)

Article 9 of the Tax Law imposes taxes on a number of industries, including public utilities, newly organized or reorganized corporations, out-of-State corporations doing business in New York State, transportation and transmission companies, and agricultural cooperatives. The primary sources of Article 9 State revenues come from gross receipts taxes on the public utility, telecommunications and transportation industries.



Legislation in 1997 continued the series of steps that have been taken to reduce the tax load on utility bills by scheduling rate cuts that will bring the rate on the largest components of this Article down from 3.5 percent to 2.5 percent of gross income. Prior to 1995, section 186-a imposed a tax on both the furnishing of utility services (including both the energy and lighting public utilities) and the telecommunications industry. Chapter 2 of the Laws of 1995 moved the tax on telecommunications services to a new section 186-e and provided an industry supported method of allocating revenues. Under the 1997 legislation, the section 186-a and 186-e rates were reduced from 3.5 percent to 3.25 percent October 1,1998, and to 2.5 percent after 1999.

The 1995 legislation enacting section 186-e for the taxation of telecommunications services, in part, corrected a provision governing the deduction of carrier access services that was found unconstitutionally discriminatory. That legislation also promoted tax equity among long distance carriers by allocating revenues depending upon where a call is placed or terminated and billed. These changes also averted the payment of an estimated $54 million of additional retroactive refund claims arising from the suit against the carrier access deduction. Section 186-a and 186-e taxes accounted for over 78 percent of Article 9 General Fund collections in 1997-98.

The 1997 rate cuts also reduced the additional franchise tax on transportation and transmission companies imposed by section 184. This tax is imposed on gross earnings from all sources in the State, including an allocated portion of receipts from interstate activities. The tax rate on local telephone companies will be 0.75 percent through June 2000 and 0.375 percent thereafter. The Telecommunications Act of 1995 restructured the transmission portion of section 184 to apply to only local telecommunications services. Furthermore, all toll revenues from international, interstate and between Local Access Transport Areas (LATAs) services and 30 percent of intra-LATA toll revenues were excluded from the tax base. Legislation enacted in 1996 subjects railroad and trucking companies to the Article 9-A net income tax for tax years beginning after 1997 unless such companies elect to remain subject to Article 9 taxes. Companies making such an election would become subject to a reduced section 184 tax rate of 0.6 percent, effective for tax years beginning in 1997. After the 1997 rate cuts, companies so electing would be subject to the reduced 0.375 percent rate for periods beginning in July 2000 and thereafter. Approximately 3 percent of 1997-98 Article 9 General Fund collections were attributable to section 184 taxes.

Section 186 provides for a franchise tax on public utilities including waterworks companies, gas companies, and electric or steam heating, lighting and power companies. The tax is assessed at the rate of 0.75 percent on gross earnings and 4.5 percent on the amount of dividends paid which exceed 4 percent of the amount of paid-in capital employed in New York State. Section 186 taxes contributed over 13 percent of 1997-98 Article 9 General Fund collections.

Taxpayers subject to sections 184, 186, 186-a and 186-e make tax payments on an estimated basis in March, June, September and December; a final payment is made in March. These payment schedules are comparable to those required for corporations taxable under other articles of the Tax Law. In addition, for taxable years beginning in 1994, State estimated tax rules for large businesses conform to Federal rules by requiring affected firms to pay 100 percent of their tax liability by the 12th month of their fiscal year.

Section 183 provides for a franchise tax on transportation and transmission companies including telecommunications, pipeline, trucking, railroad and other transportation companies. The tax is imposed on these companies either at the rate of 1.5 mills on each dollar of net value of issued capital stock allocated to New York State or, if dividends paid on its capital stock are 6 percent or more, the tax rate is 3/8 of a mill for each 1 percent of dividends. There is a minimum tax of $75, but the method of computation that yields the largest tax is controlling. Chapter 61 of the Laws of 1989 exempts airlines and freight forwarders from this tax and the tax imposed under section 184; these companies are now subject to the general business taxes imposed under Article 9-A of the Tax Law. The distribution of receipts from sections 183 and 184 to the State's General Fund and the Mass Transportation Operating Assistance Fund (MTOA) are discussed below in "Other Funds." Approximately 1 percent of 1997-98 Article 9 General Fund collections were derived from section 183 taxes.

Minor amounts of Article 9 taxes are collected under sections 180, 181, 185 and 189 and are discussed below.

Section 180 assesses an organization tax upon newly incorporated or reincorporated domestic (in-State) corporations. The tax is imposed at a rate of 1/20 of 1 percent of the total amount of the par value of the stock that the corporation is authorized to issue; for shares without par value the rate is five cents per share. Any change in authorized stock or capital structure is also taxed.

Section 181 imposes a license fee on out-of-State corporations for the privilege of exercising a corporation franchise or conducting business in a corporate or organized capacity in New York State at a rate equivalent to the organization tax imposed by section 180. An annual maintenance fee of $300 is also imposed. The first payments under the franchise taxes imposed by Article 9 (Corporation Tax), Article 9-A (General Business Tax), or Article 32 (Bank Tax) are considered payments of section 180 or 181 liability. After the Tax Department determined that maintenance fee receipts paid by corporations together with their other franchise tax remittances should be reflected in the Department's accounts as collected for section 181 liabilities, adjustments were taken in 1996-97 and 1997-98 for remittances for corporations' franchise taxes for liability years ending in 1993, 1994 and 1995. Such adjustments are not a net cash gain to the financial plan, however, because the roughly $34 million and $20 million increases shown for section 181 are fully offset by reductions in other tax articles, primarily the corporation franchise tax. Adjustments for liability years ending in 1996 and 1997 are projected to be approximately $17 million in 1998-99.

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

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

The temporary 17 percent surcharge imposed to support the metropolitan commuter transportation district applies to the taxes imposed under sections 183, 184, 186, 186-a, 186-e and 189. Collections totaled over $188 million in 1997-98 and are included in the "Regional Business Tax Surcharge" section estimates.

1998-99 RECEIPTS

The primary factors used for estimating corporation and utilities tax collections are the level of consumption of electricity and natural gas and the price of each commodity. The following table illustrates annual trends in the consumption of electricity and natural gas through 1999. The information shown for the years 1990 to 1997 is based on published reports of the Public Service Commission, while that shown for 1998 through 1999 are estimates based on the historical data and on forecasts of general economic conditions for such years.

The quantities in the table reflect sales to ultimate consumers and do not include sales for resale.

Table I

	Electricity Sales (millions of kilowatt hours)	Percent Change	Gas Sales (millions of M cubic feet)	Percent Change
1990	112,312	0.8	538.3	-4.1
1991	112,426	0.1	523.8	-2.7
1992	111,478	-0.8	589.2	12.5
1993	112,352	0.8	595.1	1.0
1994	113,369	0.9	627.7	5.5
1995	112,771	-0.5	627.5	0.1
1996	113,660	0.8	635.5	1.3
1997	114,087	0.4	634.5	-0.2
1998 (est)	111,945	-1.9	539.1	-15.4
1999 (est)	115,465	3.1	553.6	3.1

Based on data through September 30, 1998, consumption of electricity in 1998 is estimated to have decreased by less than 2 percent from the previous year, while the quantity of natural gas consumed dropped by more than 15 percent. Natural gas prices have increased by nearly 7 percent. The price of electricity decreased by approximately 3 percent. These are reflected in the estimates for section 186 and 186-a taxpayers.

More than one-third of section 186-a receipts and three-quarters of 184 receipts in recent years have come from telecommunications companies. Former 186-a telecommunication receipts are now received under section 186-e. New services and data communications have increased call and message volume, while competition and deregulation have held down prices. Telecommunications companies' gross receipts in 1998 are estimated to have declined by less than 1 percent.

Legislation enacted in 1996 to lower section 184 taxes on rail and trucking companies is estimated to reduce collections by $12 million in each of 1998-99 and 1999-2000.

All funds collections through December 1998 are $1,144 million, a decrease of $23 million from the comparable period in 1997. Total receipts for 1998-99 include an estimated $20 million in audit collections. After adjusting for net refunds, year-to-year cash collections are expected to decline by approximately $45 million or 3 percent. After reflecting the factors discussed above, corporation and utilities taxes for 1998-99 are expected to yield total All Funds receipts of $1,532 million.

1999-2000 PROJECTIONS

In the coming year, the consumption of electricity and natural gas is projected to grow over 3 percent. The price of electricity is projected to drop nearly 3 percent and the price of natural gas is expected to decline less than 1 percent. Factors such as conversion from one fuel type to another, the severity of the weather, and the availability of oil or natural gas influence the levels of energy consumption and energy prices. Telecommunications companies' receipts are expected to grow over 1 percent.

Apart from the underlying economic activity, collections will be affected by scheduled tax rate reductions. The elimination of the Temporary Business Tax Surcharge reduced aggregate collections in 1997-98 by approximately $240 million. It is estimated that rate payers will save approximately $220 million in 1998-99 and $230 million in 1999-2000 from the elimination of the 15 percent surcharge. The 1997 tax rate reductions are estimated to reduce collections in 1999-2000 by approximately $99 million. The Power for Jobs tax credits, first enacted in 1997 and accelerated by legislation enacted in 1998, will lead to a further reduction of $80 million. Also, collections of prior-year liabilities, after audit, are projected at $20 million in 1999-2000. Under current law, total receipts are projected at $1,402 million.

RISKS

The forecast assumes average temperature ranges during 1999 and 2000. Continued milder-than-average weather could reduce heating or cooling energy demand and lower consumption below the current forecast. Prices are sensitive to supply and demand, conditions in the commodity market in question and general inflation. The present forecast is based on the economic projections outlined in the Economic Backdrop section. The US economy is expected to grow without fanning inflation and this results in continued growth in oil and natural gas production to meet domestic demand, offset by upward pressure on prices. In a boom-bust scenario, energy prices could climb rapidly in 1999-2000, following overall inflation. In a hard-landing scenario, a correction in the financial markets early in 1999 leads to a downward spiral of economic activity, reducing energy consumption below the baseline forecast. Lowered demand would put further downward pressure on energy prices.

Ongoing changes in the regulation of electric services and natural gas distribution and sale have the potential to interact with our tax structure in unpredictable ways. The former system of heavily regulated energy utility companies with monopoly markets is evolving into a competitive marketplace. New energy service companies as well as subsidiaries or combinations of the former utility companies will provide power to customers wherever it may be economically delivered. These changes will erode the Article 9 tax base over time.

PROPOSED LEGISLATION

This Budget recommends a complete overhaul of energy taxation in recognition of a rapidly evolving marketplace for energy products. Legislation submitted with this Budget will eliminate the section 186 special franchise tax. This will level the competitive playing field so that all energy companies will be subject to the same net income based franchise taxes. The section 189 gas import tax will also be eliminated. In addition, that portion of the 186-a additional franchise tax applicable to revenues from the commodity costs of energy will be phased down and eliminated over a five-year period. The proposal is designed to provide immediate benefits to ratepayers. Article 9 receipts will be reduced by an estimated $309 million.

OTHER FUNDS

Taxes imposed under Article 9 also support activities outside the General Fund. In calendar year 1997, 49.5 percent of receipts from the basic taxes levied under sections 183 and 184 were statutorily required to be deposited in the Metropolitan Transportation Operating Assistance Fund (MTOAF), a special revenue fund. In 1998 and 1999, 54 percent, 64 percent in 2000 and 80 percent in 2001 and thereafter of such receipts will go to MTOAF. The General Fund distribution will correspondingly drop to 50.5 percent for calendar year 1997, to 46 percent in 1998 and 1999, to 36 percent in 2000 and to 20 percent for 2001 and thereafter. These changes will compensate MTOAF for revenue losses associated with the 1997 tax rate cuts and 1996 legislation reducing taxes on the railroad and trucking industries by shifting the financial impact to the General Fund. Estimated special revenue fund receipts from section 183 and 184 taxes are anticipated to total $77 million in 1998-99 and $92 million in 1999-2000. Receipts from the 17 percent regional business tax surcharge imposed in the Metropolitan Transportation region also are deposited to this fund.

GENERAL FUND

After the deposits discussed above, General Fund net receipts for 1998-99 are estimated to reach $1,455 million.

Under current law, General Fund net collections for 1999-2000 are projected at $1,310 million, after the tax rate reductions, proposed additional reforms and distributions to other funds. After the proposed legislation, General Fund net receipts are projected at $1,001 million.

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

Section of Law	Type of Companies	1997-98 Actual	1998-99 Estimated	1999-2000 Projected	1999-2000 Proposed
		All Funds			
180	Organization and reorganizations	$ 1.7	$ 7.0	$ 2.0	$ 2.0
181	Foreign corporations and maintenance fees	23.7	23.0	23.0	23.0
183	Transportation and transmission companies	36.6	48.0	49.0	49.0
184	Additional tax on transportation and transmission companies	106.8	95.0	114.0	114.0
185	Agricultural cooperatives	0.2	0.2	0.2	0.2
186	Water, steam, gas, electric, light and power companies	196.3	189.0	191.0	(57.8)
186a&e	Public utilities	1,187.4	1,146.8	999.8	962.6
189	Natural gas importers	24.3	23.0	23.0	0.0
	Subtotal	$1,577.0	$1,532.0	$1,402.0	$1,093.0
		Special Revenue Funds			
	Less Other Funds MTOA*	73.1	77.0	92.0	92.0
	Net General Fund	$1,503.9	$1,455.0	$1,310.0	$1,001.0

* Per statute, 49.5 percent of sections 183 and 184 receipts in 1997, and 54 percent in 1998 and 1999, 64 percent in 2000 and 80 percent in 2001 and thereafter are dedicated to the Mass Transportation Operating Assistance Fund (MTOA).

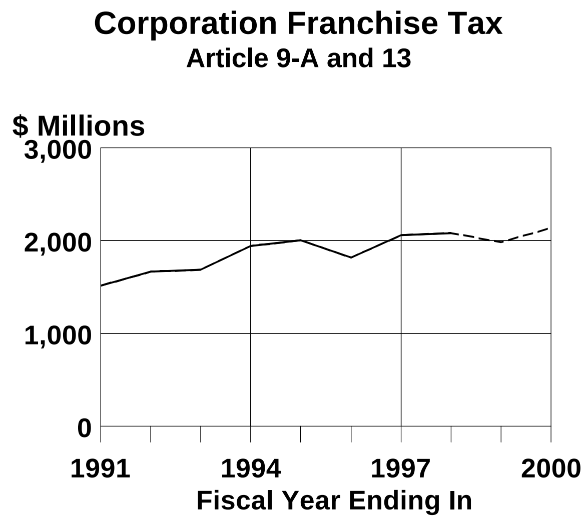
Table III
General Fund Receipts from
Corporation and Utilities Taxes
(Article 9)
(thousands)

	Gross Collections*	Refunds	Net Collections
	Actual		
1990-91	$1,237,350	$ 8,512	$1,228,838
1991-92	1,445,876	16,975	1,428,902
1992-93	1,549,389	5,078	1,544,312
1993-94	1,603,747	11,539	1,592,208
1994-95 **	1,573,834	69,245	1,504,589
1995-96 **	1,580,875	13,623	1,567,252
1996-97	1,615,662	38,823	1,576,839
1997-98	1,517,259	13,345	1,503,914
	Estimated		
1998-99	$1,472,000	$17,000	$1,455,000
1999-2000 (current law)	1,327,000	17,000	1,310,000
1999-2000 (proposed law)	$1,018,000	$17,000	$ 1,001,000

*Includes the 15 percent Temporary Business Tax Surcharge for 1991-92 and 1993-94, phased out to yield effective surcharge rates of 12.5 percent in 1994-95, 7.5 percent in 1995-96 and 2.5 percent in 1996-97.

**Legislation enacting the Revenue Accumulation Fund effectively increased the General Fund distributions from sections 183 and 184 to 94.4 percent for 1994-95 and 1995-96.

CORPORATION FRANCHISE TAX
(Article 9-A and 13)



This privilege tax is imposed on general business corporations under Article 9-A of the Tax Law, at the rate of 9 percent (see Recent Legislation) of Federal taxable income allocated to New York and modified by the exclusion, deduction, or addition of certain items. A variety of credits, discussed below, are allowed against the tax. In addition, Article 9-A requires tax computations to determine liability based on: (1) 3.25 percent of an alternative net income base (see Recent Legislation), against which no credits are allowed; (2) net worth; and (3) a fixed dollar minimum, which ranges from $100 to $1,500, depending on the size of the corporation's gross payroll, assets, and receipts. A corporation is required to pay tax on the basis of whichever of the applicable computations produces the greatest tax liability. For tax years ending after June 1990 and before July 1994, a State business surcharge of 15 percent of tax after the application of any credits was in effect. The surcharge fell to 10 percent during 1994, to 5 percent during 1995, and was eliminated during 1996. Also, since 1990, S corporations are required to pay certain of the taxes under this Article.

For Federal and State tax purposes, general business corporations operate either on a calendar year or, where the taxable fiscal year ends on the last day of a month other than December, on a fiscal-year accounting basis. All corporations follow a quarterly payment cycle with payment dates for calendar year corporations on the 15th day of March, June, September, and December. During any State fiscal year, collections under the corporation franchise tax reflect payments by fiscal year corporations primarily for two tax liability periods. For example, during State fiscal year 1998-99, fiscal year taxpayers are making installment and final payments on liability for tax years ending in 1998 and installments on liability for tax years ending in 1999. Similarly, activity by calendar year corporations is split among settlements (final payments and refunds) on 1997 tax year liability, installment and tentative final payments on 1998 liability, and an initial installment payment on 1999 liability.

Collections can be strongly influenced by transactions arising from earlier tax years, including refunds and credit carry-forwards of overpayments in such years, and collections of assessments issued following audits of returns filed for those years.

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

NEW YORK STATE CORPORATION FRANCHISE TAX INCENTIVES

Business tax incentives, which take the form of tax credits, deductions, or allocation formula changes, are designed to spur business investment and economic development within the State. While the distribution of these benefits varies widely among firms, their aggregate effect is to reduce the overall effective tax on "New York profits" of firms with net income to well below the amount that would be due from application of the statutory tax rate.

Special Tax Credits and Deductions

Use of the following credits and any other tax credits provided under this Article may not reduce final tax liability below the fixed minimum tax. Furthermore, taxpayers, whose liability is based on the alternative minimum tax (AMT), may not use tax credits to reduce their liability below the AMT.

Investment Tax Credit (ITC)

A firm doing business in New York is authorized to apply, as an offset against its computed tax liability, a credit determined as a percentage of the cost of new or expanded production facilities located in the State. The rate of this credit equals either: (1) 5 percent of eligible investments up to $350 million, (2) 4 percent of investments in excess of $350 million, (3) 9 percent of investments if such investments pertain to research and development costs, (4) 10 percent of investments made in Economic Development Zones, or (5) 25 percent of qualified historic barn rehabilitation expenditures in lieu of the regular ITC. In 1998, the ITC was extended to corporations, banks, and personal income taxpayers that are brokers or dealers in securities (see Recent Legislation).

Employment Incentive Credit/Wage Credit

The employment incentive tax credit (EITC), which complements the investment tax credit (ITC), equals as much as 2.5 percent of the original investment in each of the two years following the investment (for a total credit of up to 5 percent), depending on the percentage increase in employment within the State over the level achieved in the year preceding the investment. The period in which unused credits may be carried forward is, similar to the ITC, 15 years. Such credit may equal up to 15 percent of eligible investments in Economic Development Zones (EDZ). Beginning in 1994, for areas that are eligible to become an EDZ, but are not so designated, there is a wage tax credit either for a period up to five years or until the area becomes designated as an EDZ.

Allocation Formula Modification and Other Statutory Changes

Corporations that do business within and outside New York State are required to allocate a portion of their total income to New York, based on a three-factor allocation formula, the components of which are: (1) property, (2) payroll, and (3) receipts from sales. Receipts from sales are weighted twice in the computation of the allocation factor. This double-weighted receipts factor is designed to help improve the State's business climate, by reducing the tax liability of every corporation that has located a higher proportion of its total assets and workforce within New York than the percentage of its total sales made within the State. While this benefit was not available under the computation of the alternative minimum tax (AMT) for taxable years ending prior to 1994, legislation enacted in 1994 allows for double-weighting of receipts under the AMT after 1993.

Economic Development Zones Program

Legislation enacted in 1986 created the Economic Development Zones (EDZ) Program to target limited State resources, both direct expenditures and tax incentive "expenditures," to its neediest geographic areas. There are currently 40 designated zones. Within such zones, the investment tax credit rate is increased from 5 percent to 10 percent. The employment incentive credit "tail" on the initial investment has a maximum value of 15 percent. Thus, a manufacturing business locating in a zone and maintaining constant employment levels in the following three years could credit up to 25 percent of its investment in plant and equipment against its tax liability for its first four years in operation. In addition, any business may take a tax credit for eligible wages paid to employees in such zone. Such credits are targeted at, but not limited to, wages paid to individuals from groups that have been traditionally under-employed and to zone residents. Further, taxpayers investing in economic development zone capital corporations, established to provide equity capital for businesses locating in the zones, may take a credit of 25 percent of such investment. This capital corporation credit has a maximum of $300,000 and may not exceed half of the taxpayer's pre-credit tax liability.

Depreciation Changes

The Federal Tax Reform Act of 1986 (TRA) adopted the Modified Accelerated Cost Recovery System (MACRS) to increase markedly deductions for short-lived property and decrease (stretch out) deductions for buildings or other real estate, to which New York conformed regarding property located in New York and placed in service beginning in 1987. In 1994, the MACRS treatment was extended to non-New York property placed in service beginning in 1994.

REGIONAL BUSINESS TAX SURCHARGE

Legislation, first enacted in December 1982 and subsequently extended, imposes a temporary surcharge on business taxes to support mass transportation in the metropolitan commuter transportation district; the last extension was in 1997, effective for tax years ending before December 31, 2001. The surcharge rate is 17 percent of tax otherwise due, allocable to the district, after deduction of allowable credits and before application of the State business surcharge. This surcharge is not imposed on businesses located in the metropolitan district that are either S corporations or subject to tax under Article 13.

PRIOR LEGISLATION

Conforming to changes in the Federal tax law, the estimated payment rules were increased from 90 percent for taxable years ending in 1991, to 93 percent (1992), to 97 percent (1993), and to 100 percent in 1994 and thereafter. Under this rule, large corporations must remit the required percentage of their tax liability by the twelfth month of their taxable year.

The Federal Omnibus Budget Reconciliation Act (OBRA) of 1993 contained a number of provisions that have flow-through effects on New York taxpayers. The mark-to-market accounting method for securities dealers, effective for the 1993 tax year requires: (1) that securities held in inventory must be valued at their fair market value; and (2) that securities held at year end and not in inventory are treated as sold by the dealer for fair market value. OBRA also reduces or eliminates deductions for expenses relating to:

meals and entertainment, employer's share of compensation contributed to certain qualified retirement accounts, club dues, certain executive compensation over $1 million, moving, and lobbying.

During 1994, a number of changes to the State's Tax Law were enacted that have had a substantial impact on collections:

- — A phase-out of the business surcharge rate was enacted, as described above.
- — Starting with taxable year 1994, taxpayers paying under the alternative minimum tax (AMT) are provided a schedule for allowing net operating losses (NOLs) in the computation of the AMT. Additionally, those firms that paid under the AMT in the 1990-1993 period, as a result of not being allowed to include NOLs in the AMT computation, receive a credit for the amount of tax generated from the denial of the NOL deduction. Such credit is to be applied against future tax liability under the net income tax computation.
- — The business allocation formula for computing taxable income under the alternative minimum tax (AMT) has been changed to allow double-weighting of the receipts factor, similar to the rules under the regular business income allocation formula used in the net income tax computation.
- — For taxable years beginning in 1994, the depreciation rule for non-New York property was changed to conform to Federal law.
- — The period in which the unused portion of the investment and employment incentive tax credits (ITC and EITC) can be carried forward to future tax years has been extended from 7 to 10 years (and from 10 to 15 years in 1997).
- — A wage tax credit has been adopted for firms increasing employment in areas that are eligible to become Economic Development Zones but are not so designated.
- — Effective with tax year 1994, the tax rate applied to the income of subchapter S corporations has been reduced.
- — International airlines are now exempt from taxation when, under a reciprocity agreement, domestic airlines operating in a foreign country receive a similar exemption.
- — Beginning with tax year 1994, New York no longer requires the inclusion of subsidiary income for companies using the Federal Internal Revenue Code section 936, regarding domestic companies operating subsidiaries in Puerto Rico and the Virgin Islands.
- — Refundability of the unused portion of the Special Additional Mortgage Recording Tax credit is provided to both regular and S corporation nonbank mortgage lenders starting with taxable year 1994.
- — In 1994, New York authorized formation of Limited Liability Companies (LLC) and Limited Liability Partnerships (LLP), which are business organizations that provide many of the tax benefits associated with partnerships and the liability protection afforded to corporations. Over time, this change is expected to reduce the number of taxpayers under this Article.

The 1996-97 State Budget contained additional reduction benefits:

- — Effective for taxable years beginning on or after January 1, 1997, the investment tax credit (ITC) was expanded to allow a corporate franchise tax credit for the rehabilitation of historic barns in New York State. Eligible barns must meet the standards as defined by the Federal rehabilitation credit under section 47 of the Internal Revenue Code. However, a taxpayer may not claim both the regular investment tax credit on manufacturing property and the investment tax credit for rehabilitation of historic barns on the same property; and

— Eligible corporate farmers may claim a credit for school taxes paid against the corporate franchise tax. The tax credit is available to an eligible farmer defined as a taxpayer whose gross income from farming is at least two-thirds of total gross income.

The 1997-98 State Budget continued the State's business tax relief efforts with the following tax credits:

— Extends the investment tax credit carryforward period from 10 to 15 years. Any unused pre-1987 credits will now be available until 2002. Post-1986 credits will have a 15-year carryforward;
— Allows tax credits for electric vehicles, clean fuel vehicles using natural gas, methanol and other alternative fuels, and clean fuel refueling facility property; and
— Creates a new tax credit for employers who employ individuals with disabilities.

In addition, 1997 statutes conform the treatment of New York's S corporations to the treatment of Federal subchapter S corporations as amended by the 1996 Federal Small Business Job Protection Act.

RECENT LEGISLATION

The 1998-99 State Budget included a number of Tax Law changes that will have a significant impact on current and future receipts. The broadest reductions will result from the sweeping reforms to the corporate franchise tax rates. The following tables outline the rate reduction schedules for various taxpayers:

Table I: Large Business Taxpayers

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

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

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

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

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

Table IV: Alternative Minimum Tax Rate Reduction

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

Table V: Reduction in Fixed Dollar Minimum Tax for Small Business Taxpayers

Gross Payroll (set ranges in accordance with the second)	Present Law	Taxable Year Beginning After June 30, 1998 and Before July 1, 1999	Taxable years Beginning After June 30, 1999
$250,000 or less	$325	$100	$100
More than $250,000, but not more than $500,000	$325	$325	$225

The personal income tax (Article 22) equivalent used to compute the S corporation rate differential is reduced over a three year period. The following tables illustrate the phase in of the S corporation rate reduction:

Table VI: S Corporation Differential Rate for S Corporations with Entire Net Income over $290,000

Effective Date	Article 9-A Rate	Article 22 Equivalent Tax Rate	S Corporation Differential Rate
Before July 1, 1999	9.0%	7.875%	1.125%
Taxable years beginning after June 30, 1999 and before July 1, 2000	8.5%	7.525%	0.975%
Taxable years beginning after June 30, 2000 and before July 1, 2001	8.0%	7.175%	0.825%
Taxable years beginning after June 30, 2001	7.5%	6.850%	0.65%

Table VII: S Corporation Differential Rate for S Corporations with Entire Net Income of more than $200,000 but less than $290,000

Effective Date	Formula
Before July 1, 1999	$16,000 plus 9% of the amount over $200,000, but not over $290,000 plus an additional 5% of the amount over $250,000, but not over $290,000
Taxable years beginning after June 30, 1999	$14,900 plus 6.85% of the first $50,000 in excess of $200,000, plus 3.85% of the excess over $250,000

Table VIII: S Corporation Differential Rate Under the New law for S Corporations with Entire Net Income of $200,000 or less

Effective Date	Article 9-A Rate	Article 22 Equivalent Tax Rate (Percent)	S Corporation Differential Rate (Percent)
Before July 1, 1999	8.0%	7.875%	0.125%
Taxable years beginning after June 30, 1999	7.5%	7.450%	0.050%

In addition to the rate reductions and base changes, the 1998-99 State Budget added two new tax credits, an Investment Tax Credit for Brokers/Dealers in the Financial Securities Sector and tax credits for qualified emerging technology companies.

For corporations, banks, and personal income taxpayers, investments eligible for the ITC have been extended to equipment or buildings used in broker/dealer activity and in activities connected with broker/dealer operations such as the provision of investment advice and lending activities associated with the purchase and sale of securities.

The "New York State Emerging Industry Jobs Act" established Article 9-A tax credits for qualified emerging technology companies that invest in research and development in New York State. The provisions included an employment tax credit equal to $1,000 for each individual employed full time over a base year level. The Jobs Act also established two emerging capital credits that vary depending on how long the investment is held. The 1998-99 changes also provided for an emerging technology investment gain deferral. Effective for investments acquired on or after March 12, 1998, taxpayers may subtract from Federal adjusted gross income the gain from the sale of a qualified emerging technology investment (QETI), if they hold the investment for at least 36 months and reinvest the gain in a replacement QETI within one year.

PROPOSED LEGISLATION

This Budget includes a number of tax reductions and statutory relief measures that will be phased-in over several years.

— Energy Restructuring: As a result of the proposed Article 9 legislation (see related story in this appendix) for taxable years beginning on or after January 1, 1999, energy companies, previously taxed under section 186 of Article 9, will now be subject to the Article 9-A corporate franchise tax.

— Sales Tax Credit: In addition, energy service companies (not subject to rate regulation by State Department of Public Service) will be provided a temporary, one year, refundable tax credit against their Article 9-A tax liability for sales tax paid on the transmission and distribution of electricity beginning April 1, 1999, and ending March 31, 2000.

— New York Capital Asset Exclusion: Assets, used in a business acquired or created on or after June 1, 1999, will be provided special treatment by excluding a portion of the gain from the sale of these assets depending on the holding period: greater than one year, exclude 5 percent; greater than three years, exclude 10 percent; greater than five years, exclude 15 percent; and greater than ten years, exclude 20 percent.

— New Jobs Tax Credit Program for Cities: This targeted tax credit will provide an incentive to businesses to expand their workforce in cities across New York State. The credit applies to any employer in a city in New York State, including most of New York City, who employs more than 25 new workers in a year, above a base year employment level. The credit will be as much as $1,000 for every worker over the 25 person threshold.

— Targeted Tax Cut for Emerging Technology Companies: The 1998-99 State Budget created the "New York State Emerging Industry Jobs Act" that is designed to encourage the creation of jobs and investments in emerging technology industries by creating wage and capital tax credits. This Budget expands the wage credit from $1,000 per employee above a base level to $1,500, and it expands the capital credit of 10 percent and 20 percent for qualified investments held for four or nine years, respectively, to 25 percent and 50 percent.

— Lower Alternative Minimum Tax (AMT): This Budget builds on the AMT reduction enacted in the 1998-99 State Budget by further reducing the AMT rate from 3.0 percent to 2.5 percent for taxable years beginning after June 30, 2000.

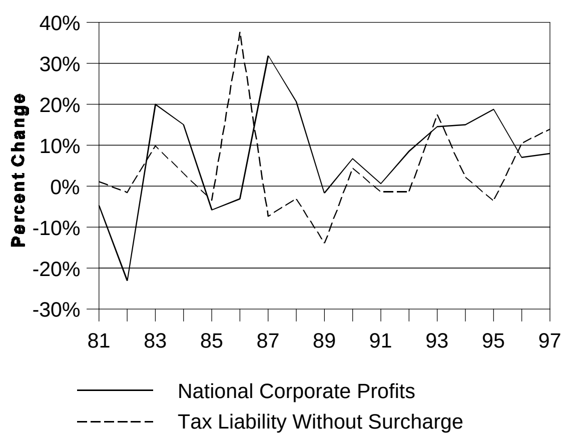
CORPORATE PROFITS IN 1992 THROUGH 1997

National pretax corporate profits grew by more than 8 percent in 1992, over 15 percent in 1993, by 15 percent in 1994, over 16 percent in 1995, and over 8 percent in 1996 and 1997. Corporate profits are expected to have grown by just under 4 percent in 1998.

National profit levels are made up of many diverse industries. The diversity of this base reduces the impact of any one sector on overall national profitability. However, a large and often volatile contributor to the New York State profit's base is the securities brokerage industry. This industry emerged from the recession of the early nineties by reporting record profits' levels in 1993. Profits declined by more than 60 percent, increased by 70 percent in 1995, and increased again in 1996 by 53 percent. Two years of solid growth drove the 1996 profit level above the previous record (1993) by almost 17 percent. Based on earnings reports, 1997 profit levels exceeded the record 1996 levels by over 26 percent. The underlying volatility of this segment of the New York State profits' base often makes comparisons with the national profit picture more difficult and less instructive for estimating the yield of this tax source.

The following graph illustrates that there is no simple correlation between corporate profits and franchise tax liability. In part, this difference stems from the fact that profits, as measured in the national income and product accounts and income subject to tax in New York are very different. In addition, the multitude of State and Federal tax reforms and reductions in recent years contribute to the differences between measured profits and tax liability. As a result, estimating collections for this tax requires a careful analysis of underlying liability and collection patterns.

Corporate Profits and Tax Liability



COLLECTIONS HISTORY

Between 1986 and 1992, national corporate profits nearly doubled, while the State tax liability of calendar year taxpayers grew by less than 1 percent. While the impact of this disparity in growth was masked in the early years of the period by changes in estimated tax rules and taxpayer behavior, the latter years of the period saw prolonged weakness in collections from this tax source.

Despite robust economic growth, as suggested by national corporate profit growth of 57 percent, collections dropped $275 million (18 percent) in the period between 1986-87 and 1989-90. Due to various tax law changes, such as the temporary business tax surcharge, the alternative minimum tax, and the expansion of the S corporation tax, collections rebounded sharply between 1989-90 and 1992-93. However, underlying liability, excluding the regional business and corporate franchise tax surcharges, only increased by 11 percent over the five-year period from 1987 to 1992. This weakness in liability growth was due, in part, to a structural change in the tax base, as more firms elected S corporation status, and to Federal tax changes which depressed liability at both the national and state level.

Further, the fortunes of the financial services industry have been an important element in this State's economy and in corporate franchise tax liability. For that reason, it is believed that the sharp declines in profitability experienced in the securities industry in the late 1980's also contributed to the declining collection pattern in that period. Data suggest that this industry's profit rebound in 1991 and 1992 was the primary cause of the liability growth underlying the 1991-92 and 1992-93 collection increase. Clearly, record profits on Wall Street in 1993 were the primary factor that contributed to the sharp increase in revenues in 1993-94, which occurred despite increased prior-year adjustments.

RECENT COLLECTIONS HISTORY

A broader array of taxpayers began to show improvement in 1993 continuing into 1994. In that year, payments on liability for calendar year taxpayers increased by just under 10 percent, only slightly below the national profits growth rate of 13 percent. The broad base of this growth becomes even more evident in light of the weakness in the financial services industry in 1994 (see table below), which, according to one publication (The Value Line Investment Survey), experienced a net profit decline of more than 50 percent between 1993 and 1994. The strong growth in the larger economy was the primary factor contributing to the record receipts in 1994-95, which topped the $2 billion mark, the third largest total in history. Total collections in 1995-96 declined by just under 10 percent from the prior fiscal year. This reduction was, in part, the result of the 1994 business tax cuts taking effect, including the phase down of the business tax surcharge.

Percent Distribution of Corporation Franchise Liability by Industry
1990 through 1995

Industry	1990	1991	1992	1993	1994	1995
Finance, Insurance and Real Estate*	25	34	31	33	26	30
Wholesale and Retail Trade	16	16	15	16	18	18
Manufacturing	35	26	33	29	31	27
Services	12	13	12	14	16	15
Other	9	8	7	7	8	8
Not Classified	3	3	2	1	1	2

*Excludes banks taxable under Article 32, insurance companies taxable under Article 33, and S corporations taxable under Article 9-A.

Reported collections in 1996-97 exceeded the previous record by over 2 percent and those of the 1995-96 period by 13 percent. Strong receipts growth was driven by the securities brokerage industry's 1996 profit growth, which exceeded 53 percent. The robust financial services sector, combined with moderate growth in the broader economy, offset the impact of the reduced surcharge rate and the second year of the 1994 tax cuts. In addition, audit collections increased by 9 percent from the 1995-96 levels and refunds decreased by 12 percent for the same period. The net impact of these adjustments was approximately $75 million.

Strong receipts continued into 1997-98 as collections exceeded the record 1996-97 level by almost 1 percent and the 1995-96 level by over 14 percent. Building on the securities brokerage industry's 1996 profit growth of 53 percent profit, the 1997 profit growth from this sector exceeded 26 percent. However, during 1997-98, calendar year corporations' payments on 1997 liability increased by just over 2 percent. These payments on 1997 liability were reduced, in part, because of lower 1997 estimated liability and a strong first installment. However, final payments on 1997 liability from fiscal year taxpayers during 1997-98 increased by almost 33 percent, and payments on 1998 liability by fiscal year taxpayers increased by almost 12 percent. Audit payments remained virtually unchanged, increasing by less than one percent. However, refunds declined by over 13 percent from their 1996-97 level, adding almost $47 million to 1997-98 net receipts compared to the previous year.

1998-99 RECEIPTS

Through December, collections under the corporation franchise tax have totaled over $1,373 million and are 1 percent below collections from the comparable 1997-98 period. The largest factors contributing to this decline in collections are increases in calendar year taxpayers' prior year (1997) adjustments (refunds and credit carry forwards), which are $89 million ahead of 1997-98, and earlier prior-year adjustments, which are running $63 million ahead of 1997-98. In addition, audit collections through December are $57 million below 1997-98. These negative factors have more than offset the 11 percent increase from calender year taxpayers' payments on 1998 liability.

For the fiscal year as a whole, total collections for taxable years ending in 1998 are estimated at $1,714 million and collections for periods ending in 1999 are expected to reach $746 million. These amounts are expected to be reduced by refunds and credit carryforwards from 1997 taxpayers of about $570 million, and increased by a net of refunds and audits on account of earlier taxable periods of $86 million. Collections under Article 13 are projected to reach $10 million, for total corporate franchise tax receipts of $1,986 million.

Collections in 1998-99 are suffering from the weak earnings performance of the financial services industry. According to one well known report (The Value Line Investment Survey) earnings for this industry are expected to finish almost 3 percent below 1998. The volatility of the global economy has led to considerable uncertainty in the world's capital markets. As a result, one New York based firm reported its first quarterly loss in nine years during the third quarter of 1998. Another New York based firm reported a 79 percent decline in after-tax profits during the third quarter, the poorest performance for the company since 1995.

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

Article 9-A current law total collections for 1998-99 are estimated to fall almost 5 percent from receipts during 1997-98, reflecting tax reductions and increased prior year adjustments (refunds and credit carry forwards). Collections would have declined by 3 percent without the adjustment for tax cuts and conformity to ongoing changes in the Federal law.

1999-2000 PROJECTIONS

Total net corporation franchise tax receipts in 1999-2000, including an estimated $10 million in collections under Article 13, are projected at $2,140 million, $154 million above the 1998-99 estimate. The increase from 1998-99 receipts is the net result of reduced payments on 1999 liability, as a result of the tax reductions enacted over the last four years, and increases in collections resulting from legislation shifting utility taxpayers to the net income tax under Article 9-A. Based, in part, on an estimated decline in corporate profits of 2 percent and continued negative adjustments to prior year payments (refunds and credit carry forwards), receipts in 1999-2000, without the proposed Article 9 legislation, would decrease by 3 percent. The 1999-2000 estimate reflects a constant law liability increase for current calendar year taxpayers of approximately 4 percent.

Estimates of collections in 1999-2000 reflect several risks associated with the volatility of the financial markets and the global economy. Corporations, which operate in international markets, particularly emerging markets, are expected to experience slower profit growth as the upheaval in Asia's financial markets and the uncertainty in Russia and Latin America continue to unfold.

Total collections, for taxable years ending in 1999, are expected to reach $1,740 million and collections for periods ending in 2000 are projected at $749 million. These amounts are expected to be offset by refunds and credit carryforwards of over-payments from tax years ending in 1998 of $563 million. These adjustments are not significantly different than currently expected to occur during the 1998-99 period, because overpayments of 1998 estimated liability are not expected to be materially different than those attributed to the 1997 period. Net collection activity for earlier years is expected to more than double to $204 million, reflecting a decline in other back-year activity (refunds and credit forwards) and an increase in audit receipts. Collections under Article 13 are projected to add $10 million, for total corporate franchise tax receipts of $2,140 million.

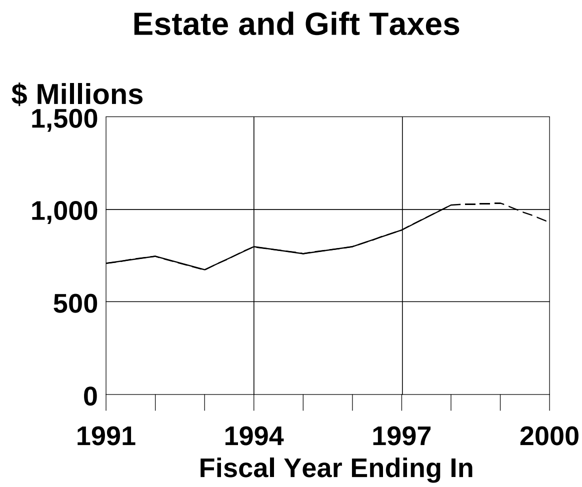
General Fund Receipts from the Corporation Franchise Tax
Articles 9-A and 13
(thousands)

	Gross Collections	Refunds	Net Collections
		Actual	
1990-91	$1,878,789	$362,423	$1,516,366
1991-92	1,981,910	310,725	1,671,185
1992-93	2,033,438	342,487	1,690,951
1993-94	2,216,507	268,445	1,948,062
1994-95	2,289,477	277,680	2,011,798
1995-96	2,216,928	396,342	1,820,586
1996-97	2,414,219	347,524	2,066,695
1997-98	2,381,266	300,103	2,081,163
		Estimated	
1998-99	$2,386,000	$400,000	$1,986,000
1999-2000	2,489,000	350,000	2,140,000

ESTATE AND GIFT TAXES

ESTATE TAX

Legislation enacted in 1997 will significantly reduce State estate tax collections and change the way the New York State estate tax is imposed. In two steps, the State's current estate tax rate structure, credits and exemptions will be eliminated, and the State will only receive an amount equal to the maximum Federal credit for state death taxes (the "pick-up tax").



The first phase of the estate tax legislation, for those dying on or after October 1, 1998, 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 from its prior $115,000 level. In addition, the provision requiring 90 percent of the estate tax to be paid within six months of death to avoid underpayment interest was changed to allow seven months. The Commissioner of Taxation and Finance may grant an extension of 12 months from the date fixed for payment and, in extreme cases, may extend the time of payment to four years from the date of death.

In the second phase, for those dying on or after February 1, 2000, the estate tax will be replaced by a "pick-up tax." Also, the fee for filing a duplicate estate tax return with the Surrogate’s Court will be repealed. In addition, the requirement for 90 percent of the estate tax to be paid within seven months of death to avoid underpayment interest will be changed to allow nine months for payment of total liability, which is consistent with Federal law.

Finally, the enacted legislation clarifies that New York’s estate tax will conform to increases in the Federal unified credit enacted by the Federal Taxpayer Relief Act of 1997. This act will gradually increase the Federal unified credit to exempt taxable estates of up to $1 million on or after January 1, 2006. (See table.) However, New York law will not conform to Federal exemption levels above $1 million.

Federal Estate Tax Exemption Levels for Estates Created by Calendar Year

1998	$ 625,000
1999	$ 650,000
2000	$ 675,000
2001	$ 675,000
2002	$ 700,000
2003	$ 700,000
2004	$ 850,000
2005	$ 950,000
2006	$1,000,000

When fully effective, this tax reform will abolish State death taxes for 85 percent of those who would currently file, and provide needed relief to, among others, owners of family farms and other closely held businesses. There is no revenue effect anticipated from this legislation in 1998-99, but it will reduce estate tax revenues beginning in 1999-2000.

Current Law

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

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

For those dying before February 1, 2000, New York's tax rates will range from 2 percent of the first $50,000 of net taxable transfers to 21 percent of net taxable transfers in excess of $10,100,000. For those dying before October 1, 1998, a general credit, in inverse relationship to the size of the gross tax liability, ranges from $2,950 at the lower brackets to $500 for net taxable estates valued at $175,000 and above. At $2,950, the credit eliminates the tax for transfers of less than $115,000. As the credit is reduced to $500, the amount of transfers sheltered declines.

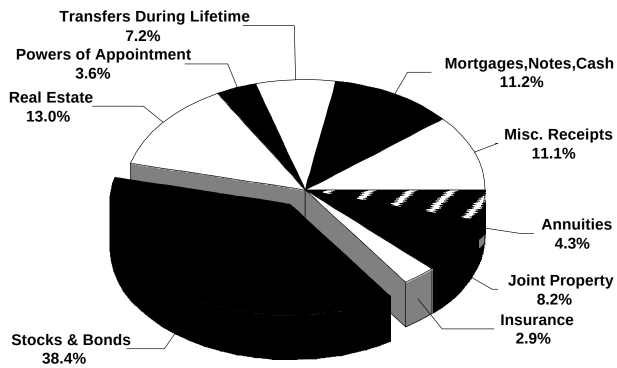
For those dying on or after October 1, 1998, and before February 1, 2000, the maximum credit is increased to $10,000. This eliminates the State estate tax for estates valued up to $300,000.

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

A portion of New York's estate taxes paid may be applied as a "credit" against Federal estate tax liability. The portion varies with the size of the taxable estate, up to a maximum credit of 16 percent of the Federal taxable estate. Most other states set their tax to equal this credit. New York's estate tax law will create a liability in excess of this credit until February 1, 2000, when New York will begin to tax at the maximum Federal credit.

The yield of the tax is heavily influenced by two factors: variations in the relatively small number of extra large estates (tax payments of at least $4 million) and the value of stocks and bonds, the largest components of estates subject to this tax. (See chart.) A pattern of fluctuating security prices and varying values of large estates is often observable (see table on next page), causing wide fluctuations in collections. A third factor, the enactment of various credits and deductions, has significantly reduced estate tax liability for many "smaller" estates, resulting in a lower level of receipts than otherwise would have been expected.

Components of Taxable Gross Estate 1996-97



Source: New York State Department of Taxation and Finance

Recent Statutory Changes

Legislation enacted in 1990 modernized the administration of the estate tax, imposed a State generation-skipping transfer tax, and revised the method for computing liability.

Legislation in 1991 increased the estimated estate tax payable within six months of the date of death from 80 percent to 90 percent, with the balance of the tax due payable within nine months of the date of death.

Legislation enacted in 1994 provided a special estate tax credit of 5 percent for the first $15 million of qualified assets for estates consisting of small business interests, and increased the maximum unified credit allowed against State estate tax liability from $2,750 to $2,950.

Legislation enacted in 1995 protects the value of a decedent's principal residence from estate tax liability. A maximum of $250,000 of equity in the decedent's principal residence may be deducted from the value of the New York gross estate. This special deduction reduces the tax burden of transferring family homes, particularly those which are the primary asset of the estate.

Legislation enacted in 1998 conformed certain State estate tax provisions to changes made to Federal law, most notably a new estate tax exclusion for assets in family-owned businesses. The 1998 legislation also repealed a $10 release of lien fee for estates created before May 25, 1990.

Estate Tax Collections - Prior to Refunds
(millions)

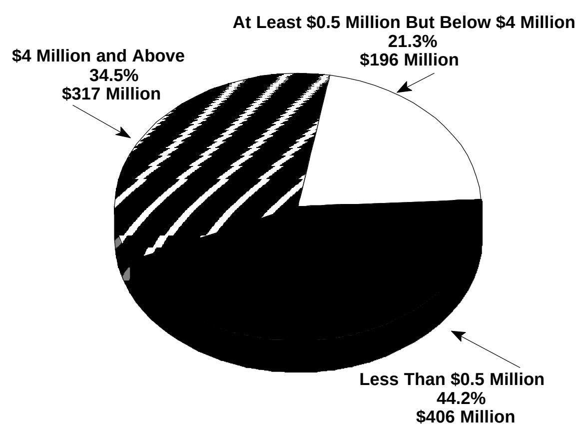
	Extra Large Estates [1]		Large Estates [2]		All Large Estates		Small Estates [3]	S&P 500 Index [4]	
	Number	Taxes	Number	Taxes	Number	Taxes	Taxes	Fiscal Year Average	Grand Total Taxes
1990-91	16	$151.0	94	$115.2	110	$266.2	$385.6	341.7	$651.8
1991-92	11	158.7	111	149.9	122	308.6	398.5	358.7	707.1
1992-93	9	78.8	125	135.9	134	214.7	410.7	406.6	625.4
1993-94	15	163.3	127	163.5	142	326.8	434.1	441.3	760.9
1994-95	13	141.4	140	152.8	153	294.2	460.6	461.4	754.8
1995-96	9	105.1	132	158.2	141	263.3	459.8	507.2	723.1
1996-97	24	243.0	123	151.3	147	394.3	447.7	638.6	842.0
1997-98	23	317.4	160	195.6	183	513.0	454.8	815.1	967.8
9-Mo.Comp.									
1997-98	18	$287.7	125	$154.0	143	$441.7	$353.9	776.8	$795.6
1998-99	16	208.4	163	198.2	179	406.6	395.4	1,027.2	802.0

[1] Liability of at least $4.0 million.
[2] Liability of at least $0.5 million but less than $4.0 million.
[3] Liability less than $0.5 million.
[4] Lagged 6 months.

1998-99 Receipts

Net estate tax collections of $762.8 million for the first nine months of 1998-99 are 0.4 percent higher than collections during the comparable period in 1997-98. Substantial increases in collections from all estates with tax payments of less than $4 million have been almost totally offset by reductions in the group of $4 million and above which tends to be extremely volatile. Nine-month collections from estates with payments of at least $4 million were about $79.3 million, or 27.6 percent, less than the comparable period in 1997-98. Spurred by equity values that were 32.2 percent higher than the similar period in 1997-1998, large estates with tax payments of at least $0.5 million but less than $4 million were roughly $44.2 million greater than collections from this category in the first three quarters of 1997-98. Growth in equity values have also led to favorable year-to-year comparisons in the category of small estate tax payments (payments of less than $0.5 million). Collections from this group of estates, net of refunds, have totaled $356.2 million, an increase of 12 percent over the similar period in 1997-98. Collections through nine months of 1998-99 from the Tax Department's Case and Resource Tracking System (CARTS - primarily audit collections) have reached $25.2 million, a decline of about 5.7 percent from the same period of 1997-98.

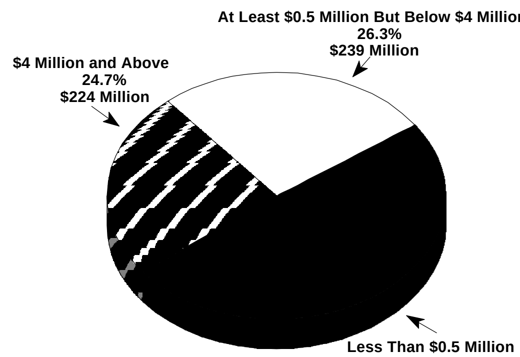
Share of Tax Payments



1997-98 Receipts

The revenue effect of the 1998 Federal conformity legislation, the 1995 principal residence deduction, and the 1994 legislation enhancing other credits, is estimated to reduce collections by $86 million in 1998-99, primarily in the small estate tax payment category. CARTS collections are projected to reach $30 million, a decline of about $1 million from 1997-98. Altogether, with gross estate tax receipts estimated to total $964 million and refunds anticipated to reach $56 million, net estate tax receipts are expected to total $908 million in 1998-99, or $11.4 million less than in 1997-98. This estimate includes $224 million from extra-large estates, $239 million from the rest of the large estates category and $445 million from small estate collections.

Share of Tax Payments

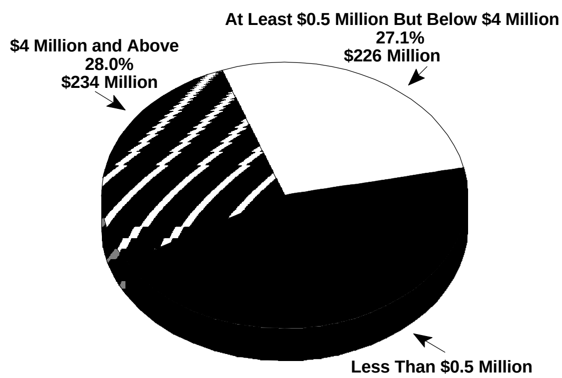


1998-99 Estimated

1999-2000 Projections

Pursuant to statute, for estates created on or after October 1, 1998, the time required to make an estimated payment of State estate liability has been extended from six months after the date of death to seven months after the date of death. This alteration to payment requirements will effectively move one month of estimated payments from 1999-2000 to 2000-01, resulting in reduced receipts despite projected continuing increases in equity values in 1999-2000 (growth of 14.7 percent in 1998-99, vs. 26.4 percent in 1999-2000; lagged seven months for valuation at date of death). A combination of the increased unified credit as well as the change in payment requirements will offset gains from the increased average value of all large estates (payments of at least $0.5 million). Large estate tax payments of more than $0.5 million but less than $4 million are projected to decline to $226 million and extra large estate tax payments are estimated to increase to $234 million in 1999-2000. As a whole, total large estate tax collections are projected to fall to $460 million in 1999-2000. The 1998 Federal conformity provisions, the 1995 principal residence deduction, and the 1994 legislation enhancing other credits are projected to save taxpayers $85 million in 1999-2000. Small estate tax receipts, buoyed by estimated CARTS collections of $31 million and higher equity values, but substantially reduced by the effects of the 1997 legislation, are projected to decline by 15.7 percent in 1999-2000, to $375 million. The 1997 estate tax legislation is projected to reduce State tax receipts by $119 million in 1999-2000. With gross estate tax collections projected

Share of Tax Payments



1999-2000 Estimated

at $893 million and refunds expected to reach $58 million, net collections from all categories of the estate tax, prior to legislation proposed with this Budget, are projected to be $835 million in 1999-2000.

Proposed Legislation

Estate and gift tax legislation submitted with this Budget will amend the State's estate and generation skipping transfer tax laws to conform to the Federal Reform and Restructuring Act of 1998, particularly Federal enactments concerning the closely held business deduction provisions. These amendments will also provide additional tax relief at the State level. This legislation will reduce estate tax revenues by $1 million in 1999-2000. Thus, total estate tax receipts are projected to be $834 million in 1999-2000.

GIFT TAX

Legislation enacted in 1997 increases the maximum unified credit to $10,000 for gifts made on or after January 1, 1999. Effective January 1, 2000, the State gift tax will be repealed for gifts made during the 2000 calendar year. These amendments will provide $41.5 million of relief to the State's taxpayers in 1999-2000.

New York is currently one of five states that impose 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 derives from the Federal tax base, with exclusions for transfers of property located outside the State. It does not apply to the first $10,000 of gifts made by a donor ($20,000 in the case of joint gifts by husband and wife) to any donee or gifts to a charity in any calendar year.

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

Gift tax collections are driven by the number of beneficiaries to which gifts are made, the value of gifts made to each donee (e.g., stocks and other assets), and the cumulative value of taxable transfers that have occurred.

Higher permissible marital deductions and the unification of the estate and gift tax credits initially reduce the gift tax base. However, after the applicable credits are exhausted, all additional gifts are subject to progressively higher rates of taxation, leading to higher levels of gift tax receipts. Additionally, since unified Federal credits in 1999 effectively exempt the first $650,000 of gifts from Federal gift tax, many persons make gifts up to this level. As the State currently exempts only the first $300,000 of such gifts, $115,000 for gifts made before January 1, 1999, State gift tax receipts have been increased by such behavior. Atypical individual tax payments, particularly in January, when estimated gift tax payments are due, may heavily skew tax collections in a given fiscal year.

RECENT STATUTORY CHANGES

Legislation enacted in 1991 required payment of 90 percent of the estimated gift tax by January 15, with the balance payable by April 15, for gifts made during the prior calendar year. Previously, the entire payment of State gift tax liability was required by April 15. Legislation enacted in 1994 increased the tax-exempt level of lifetime gifts from $108,000 to $115,000. Legislation enacted in 1996 corrected an anomaly in law and ensured that an increase in the estate and gift tax unified credit or a reduction in the rates of such taxes would not result in an increase in estate or gift tax liability, by modifying the computation of such taxes.

1998-99 Receipts

Final 1998-99 gift tax net collections are estimated to reach $125.3 million, a increase of $22.5 million, or 21.9 percent from 1997-98 receipts. In 1996-97, receipts were affected by a number of factors. Atypically large gifts made in 1995 skewed estimated gift tax payments by more than $50 million in January 1996, which resulted in an analogous increase in final payments in April 1996, which were only partially offset by refunds of $3 million paid in November 1996. Also, a combination of extraordinarily large gift tax remittances, as well as amnesty payments, resulted in additional 1996-97 payments of more than $11 million. A combination of record equity levels during the 1997 calendar year, as well as the initial effects of changes to Federal law regarding the treatment of capital gains, increased collections during the 1997-98 fiscal year. Collections through December of the current fiscal year of $28.6 million represent an increase of 1 percent from the similar period of 1997-98. Due to gift-giving behavior in calendar year 1998, similar to that in 1997, as well as record breaking equity values during 1998, receipts in the final three months of 1998-99 are expected to increase by 29.8 percent from the similar period in 1997-98.

1999-2000 Projections

Enactment of the first phase of the 1997 gift tax legislation increasing the level of tax-free lifetime gifts to $300,000, as well as anticipation of the repeal of the State gift tax for gifts made beginning January 1, 2000, will lead to a significant reduction from this source in 1999-2000. These actions are anticipated to reduce receipts by $42 million in the coming fiscal year versus what they otherwise would have been. Thus, with projected gross receipts of $100.3 million and refunds expected to reach $5.0 million, 1999-2000 net gift tax collections are projected at $95.3 million.

Estate and Gift Tax Collections
(millions)

	Estate Tax Receipts			Gift Tax Receipts			Total Net
	Gross	Refunds	Net	Gross	Refunds	Net	Receipts
Actual							
1990-91	$651.8	$21.0	$630.8	$ 80.4	$1.3	$ 79.1	$ 709.9
1991-92	707.1	40.7	666.4	83.4	2.2	81.2	747.6
1992-93	625.4	23.0	602.4	72.8	2.7	70.1	672.5
1993-94	760.9	40.7	720.2	82.7	3.5	79.2	799.4
1994-95	754.8	59.2	695.6	68.2	4.4	63.8	759.4
1995-96	723.1	44.4	678.7	123.1	2.5	120.6	799.3
1996-97	842.0	50.5	791.5	103.8	6.0	97.8	889.3
1997-98	967.8	48.4	919.4	105.7	2.9	102.8	1,022.2
Estimated							
1998-99	$964.0	$56.0	$908.0	$130.3	$5.0	$125.3	$1,033.3
1999-2000 (current law)	893.0	58.0	835.0	100.3	5.0	95.3	930.3
1999-2000 (proposed law)	892.0	58.0	834.0	100.3	5.0	95.3	929.3

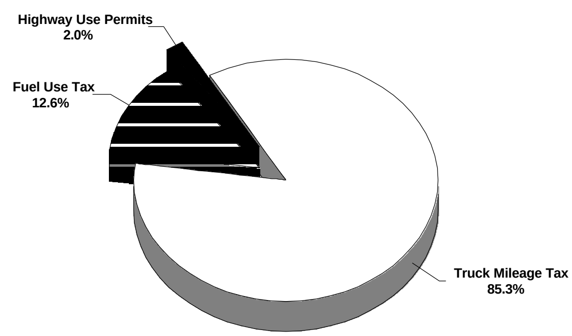
HIGHWAY USE TAX

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

The truck mileage tax is levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds or, at the option of the carrier, an unloaded weight in excess of 8,000 pounds for trucks and 4,000 pounds for tractors. The tax is imposed at rates graduated according to the gross vehicle weight. The tax is calculated by multiplying the number of "laden" or "unladen" miles traveled on public highways of the State, by the appropriate tax rate. In addition, a supplemental tax equal to the truck mileage tax was imposed prior to January 1, 1999. After January 1, 1999, the supplemental tax was reduced to 50 percent of the truck mileage tax.

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

Highway Use Tax Components



Estimated 1998-99 Receipts= $164.4 Million

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

SIGNIFICANT STATUTORY CHANGES

Chapter 190 of the Laws of 1990 made two major changes to the truck mileage tax portion of the highway use tax: (1) it eliminated the exclusion for miles traveled on the Thruway, and (2) it effectively doubled the tax on all miles traveled on New York State roadways other than the Thruway.

Chapter 329 of the Laws of 1991 provided that, beginning in April 1993, highway use tax collections be deposited in the Dedicated Highway and Bridge Trust Fund, which was established to support reconstruction, replacement, reconditioning and preservation of highways and bridges in the State. An exception to this rule produced General Fund deposits of $8.9 million in audit receipts in 1993-94. General Fund receipts in 1993-94 also included a $2 million carryover from 1992-93, reflecting moneys collected at the end of March 1993 but deposited in April.

Chapter 170 of the Laws of 1994 made three major changes to the highway use tax: (1) effective January 1, 1995, it reduced by one-half the truck mileage tax rates imposed on New York State Thruway mileage and eliminated such rates on and after January 1, 1996 (effectively restoring the pre-1991 base of the truck mileage tax); (2) on and after January 1, 1995, it 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); and (3) it 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 and 26,000 pounds and with fewer than three axles that had been taxed in New York, were excluded from the fuel use tax. Under IFTA, truckers are required to apply annually for a fuel use license and obtain decals, for each vehicle operated, from their base state. Truckers electing New York as their base state must pay an application fee of $4 for each decal required. This money is also deposited in the Dedicated Highway and Bridge Trust Fund.

Chapter 2 of the Laws of 1995 reduced the diesel fuel excise tax rate from ten cents per gallon to eight cents per gallon, effective January 1, 1996. As a result, the diesel fuel tax component of the fuel use tax has also been reduced to eight cents per gallon.

Legislation enacted in 1998 reduced the truck mileage supplemental tax by 50 percent, effective January 1, 1999.

1998-99 RECEIPTS

Net highway use tax receipts for 1997-98 were $164.8 million, including truck mileage tax receipts of $136.0 million; fuel use tax receipts of $24.6 million; and highway use permit fees of $4.2 million.

In the current fiscal year, national and New York economic growth has contributed to an increased demand for trucking. Truck mileage tax receipts for the first nine months of the fiscal year were 4.8 percent greater than the comparable period in 1997-98. Fuel use tax receipts for the first nine months of 1998-99 were 6 percent less than the comparable 1997-98 period due to lower fuel prices.

Based on collection experience to date, and expectations of a continued healthy economy, the base for computing total highway use taxes is expected to continue to grow. However, the 1998 law reducing the truck mileage supplemental tax by 50 percent, beginning January 1, 1999, will offset the expected growth. Net truck mileage tax receipts are projected at $137.1 million, fuel use tax receipts at $23.3 million, and permit fees at $4.0 million, bringing total estimated highway use tax receipts for 1998-99 to $164.4 million. The estimates reflect the continuing effect of reductions in the tax burden on the trucking industry, which are expected to total $39 million in 1998-99.

1999-2000 PROJECTIONS

Total highway use tax receipts for 1999-2000 are projected at $140.7 million. As a result of continued but slow economic growth, the base of the truck mileage tax is expected to increase by about 3.3 percent. The full-year impact of the 1998 Tax Law change, reducing the truck mileage supplemental tax by 50 percent, will reduce truck mileage tax receipts by approximately $35 million. Net truck mileage tax receipts are estimated at $111.8 million. Due to the lagged effect of a decline in fuel prices, the sales tax component of the fuel use tax is estimated to decline. Thus, despite growth in gallonage, total fuel use tax receipts are expected to fall slightly to $22.3 million. Permit fees of $6.6 million reflect the change from a regular renewal year to a peak triennial renewal year.

OTHER FUNDS

The Dedicated Highway and Bridge Trust Fund received $164.8 million in 1997-98, and will receive an estimated $164.4 million in 1998-99, and $140.7 million in 1999-2000.

Dedicated Highway and Bridge Trust Fund
(thousands)

	Gross Receipts	Refunds	Net Receipts
		Actual	
1994-95	$191,738	$2,577	$189,161
1995-96	174,377	4,373	170,004
1996-97	164,226	6,912	157,314
1997-98	167,644	2,834	164,810
		Estimated	
1998-99	$167,400	$3,000	$164,400
1999-2000	143,500	2,800	140,700

GENERAL FUND

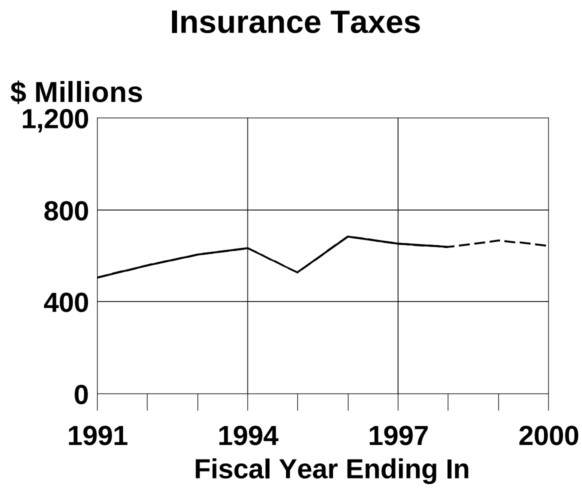
Highway use tax receipts are not required to be deposited into the General Fund in the current or subsequent fiscal years.

General Fund Highway Use Tax Receipts
(thousands)

	Gross Receipts	Refunds	Net Receipts
		Actual	
1989-90	$ 81,952	$2,225	$ 79,727
1990-91	117,269	1,734	115,535
1991-92	140,289	1,340	138,949
1992-93	154,375	2,130	152,245
1993-94	11,060	163	10,897

INSURANCE TAXES

The State collects taxes from insurance corporations, insurance brokers and certain insureds under the Tax Law and the Insurance Law. Insurance taxes account for approximately 11 percent of all business taxes and 2 percent of all General Fund tax revenues.



ARTICLE 33 OF THE TAX LAW

Article 33 of the Tax Law imposes two franchise taxes and two temporary tax surcharges on insurance corporations for the privilege of doing business or otherwise exercising a corporate franchise in New York.

The basic franchise tax under this Article is imposed on one of several measures of an insurance corporation's economic activity within the State. The most commonly used measure is a portion of a taxpayer's entire net income allocable to the State for the taxable year. Entire net income is allocated on the ratio of the taxpayer's New York premiums and payroll to its total premiums and payroll. Allocated net income is taxed at the rate of 9 percent. The basic franchise tax may be based on other measures such as business and investment capital. The final tax is based on the measure which produces the greatest liability, with a minimum franchise tax of $250.

The Tax Law also imposes an additional franchise tax on net premiums received or written by insurance corporations on risks resident or located within the State. The rate of the additional franchise tax varies generally with the type of risk covered by the insurance premium.

Net premiums received on life insurance and most accident and health insurance policies have been taxed at the rate of 0.8 percent through 1997. Net premiums written on property and casualty insurance risks are taxed at the rate of 1.3 percent. As shown in the accompanying table, the additional franchise tax generates the majority of insurance tax revenues received annually by the State under the Tax Law. Article 33 also provides for a limitation on tax liability, which caps through 1997 the aggregate of the basic franchise tax and the additional franchise tax at 2.6 percent of premiums. Liability may be reduced further by credits including, where applicable, credits for certain taxes required to be paid to other states and local jurisdictions.

Estimates of the Share of Additional Premiums Tax Rate to Total Liability
(millions)

Year	Additional Franchise Tax	Franchise Tax Liability after Surcharge	Share
1990	$291.00	$413.30	70.41%
1991	315.00	527.30	59.74%
1992	322.40	565.50	57.01%
1993	329.70	555.30	59.37%
1994	348.30	499.50	69.73%
1995	357.30	609.10	58.66%

Note: Full liability information is only available through 1995.

RECENT LEGISLATIVE CHANGES

Legislation enacted in 1997 provides for a premiums tax rate reduction and a reduction in the overall limit or "cap" on tax liability for life insurers. Beginning on January 1, 1998, the premiums tax rate fell from 0.8 percent to 0.7 percent. The legislation also lowered the limitation on tax liability for life companies from 2.6 percent to 2.0 percent of premiums. In addition, the legislation provides that the required first installment of estimated tax by these taxpayers will increase from 25 percent to 40 percent of the preceding year's tax, effective January 1, 1999.

The legislation also allows insurance companies to claim a credit for 100 percent of the amount invested in certified capital companies (CAPCOs) effective for taxable years beginning after 1998, although the credits may be earned before 1999. The money invested will be used to assist small businesses to expand and grow in New York. The credit can be claimed over 10 years, at a rate of 10 percent each year. There is a statewide cap of $100 million on the total amount of investments for which credits may be claimed. In addition, in total, insurance companies may not claim CAPCO credits of more than $10 million in any taxable year.

Finally, the legislation will allow the formation of captive insurance companies beginning in 1998, providing a competitive State tax structure for these new firms. A captive insurer is a company that primarily insures the risks of a parent or its parent's affiliated companies. Captive insurers will be subject to a special reduced premiums tax instead of the premiums and income-based tax that applies to other insurers. The tax rates decrease as the amount of premiums subject to taxation rises, with the highest rate equaling 0.4 percent. Captive insurers may not claim credits against tax liability.

EXEMPTIONS AND DEDUCTIONS

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

Certain corporations and other entities which provide insurance are exempt entirely from liability for the State franchise taxes and tax surcharges. Non-profit medical expense indemnity corporations and other health service corporations organized under Article 43 of the Insurance Law, including health maintenance organizations and Blue Cross and Blue Shield corporations, are examples of corporations and other entities which provide insurance services but are exempt from these State taxes.

Legislation in 1992 changed the method of taxation of the New York State Insurance Fund requiring the Fund to calculate its tax liability solely on the basis of the premiums tax at the rate of 2.6 percent of premiums. Legislation included with the 1999-2000 Budget will return the Fund to the same basis of taxation as other insurance companies.

In 1993, legislation was passed to correct provisions that allowed property and casualty companies to claim a deduction for undiscounted unpaid losses twice in computing State net income. The transition provisions of the change affecting Internal Revenue Code (IRC) section 847 income recognition closed the tax loophole prospectively, and required insurers to reflect underpaid amounts for tax years 1988 through 1992 over a three-year period, ending in 1995.

TAX SURCHARGE

In addition to the franchise taxes described above, a temporary tax surcharge was levied on insurance corporations by Chapter 190 of the Laws of 1990. The surcharge applied to taxable years ending after June 30, 1990, and before July 1, 1997. In the first four taxable years, the surcharge rate was 15 percent of franchise taxes imposed under Article 33, after deductions for allowable credits. The surcharge rate dropped to 10 percent halfway through the 1994 tax year, 5 percent halfway through the 1995 tax year, and to zero midway through the 1996 tax year and thereafter. As the rates changed in mid-year, the effective surcharge rates were 12.5 percent for the 1994 tax year, 7.5 percent for the 1995 tax year, and 2.5 percent in the 1996 tax year, and zero thereafter.

REGIONAL BUSINESS TAX SURCHARGE

Insurance corporations and other corporations doing business in the New York metropolitan region are also subject to a temporary regional business tax surcharge which finances mass transit operating assistance in that region. The temporary metropolitan transportation business tax surcharge was adopted in 1982 and subsequently extended through tax years ending before December 31, 2001. Receipts from this tax surcharge are deposited in a special revenue fund dedicated to mass transit assistance in the New York metropolitan region. In 1997-98, surcharge collections were $66 million, approximately 9.7 percent higher than the previous year's amount.

ARTICLE 33-A OF THE TAX LAW

Chapter 190 of the Laws of 1990 established a tax on independently procured insurance under Article 33-A of the Tax Law.

This tax is imposed on any individual, corporation or other entity purchasing or renewing an insurance contract covering certain property and casualty risks located in New York from an insurer not authorized to transact business in New York under a certificate of authority from the Superintendent of the Insurance Department. Collections under this Article were $3.3 million in 1997-98, about 31 percent lower than in the prior year.

INSURANCE LAW

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

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

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

The Insurance Law also imposes a premiums tax on a licensed excess lines insurance broker when a policy covering a New York risk is procured through such broker from an unauthorized insurer. 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.

PROPOSED LEGISLATION

To conform with the 1997 legislation that allows a reduction in the general corporate tax rate, legislation proposed with the 1999-2000 Budget reduces the net income tax rate for insurance companies from 9 percent to 7.5 percent over a three-year period beginning July 1, 2000. The proposed legislation also provides a reduction in the overall limitation on tax liability for property and casualty insurers from 2.6 percent to 2.0 percent of premiums over the same period of time.

1998-99 RECEIPTS

Collections through December are $459 million, approximately 5 percent lower than last year. The largest and most predictable component of tax collections from the insurance industry is the additional franchise tax on premiums, or the premiums tax. In 1998-99, the premiums tax is estimated to account for almost 60 percent of all insurance tax collections.

PROPERTY AND CASUALTY COMPANIES

Property and casualty insurance companies are the principal source of premiums taxes, typically accounting for some 72 percent of total premiums tax collections. A major share of these collections is attributable to the automobile, worker's compensation, commercial and homeowners multi-peril sectors.

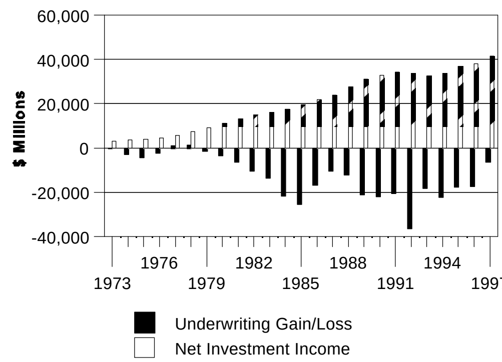
After improving in 1995 and 1996, the insurance industry enjoyed its best results in more than 20 years with its highest return on equity in 1997. Despite a continued strong economic environment in 1998, the premium base will grow only marginally for the year. Net premium growth in the property and casualty industry nationwide is expected to be about 2.4 percent, with these increases mainly in personal lines. Consistent with the national trend, New York taxable net premiums of private property and casualty insurers, excluding auto insurance, the State Insurance Fund (SIF) and the effects of statutory changes on worker's compensation, are projected to be approximately 3 percent for the year. The growth is attributed to continued economic expansion, growth in new business, higher personal injury claims, and rising property and casualty insurance rates in catastrophe-sensitive regions due to State legislation that allows insurance companies to use geographic location, catastrophe modeling, and reinsurance costs as underwriting criteria to determine rates for coastal properties. However, continued reductions in worker's compensation rates in New York since 1995, which have reduced the premium volume of private insurance companies and SIF, and the recent reductions in auto insurance rates by seven of the largest automobile insurance writers in the State, offset the positive growth and result in lower net premium growth in New York.

Estimates of collections of net income taxes in 1998-99 from property and casualty insurers reflect the losses incurred by the industry in 1998 and earlier years. In addition to reserves set aside by the property and casualty insurers of potential asbestos liability, the insurers of large Fortune 500 companies involved in the chemical, oil, nuclear, and defense industries have been pressured to put aside a portion of their capital for environmental and pollution cleanup. These long-tailed liabilities obligate insurers not only for the responsibility for the cleanup costs for current liabilities but also for the retroactive liabilities. As required by law, insurers have to report asbestos and environmental (A&E) claims and associated legal costs to state regulators. During the period from 1991 to 1997, insurers paid more than $28 billion for asbestos and environmental (A&E) claims and associated legal costs. As a result, remaining A&E reserves stood at $26.7 billion at the end of 1997, a decline of approximately 3 percent from 1996. Although the cleanup costs have been reduced as a result of advances in technology, the modification of cleanup practices and less-than expected growth in number of sites to be cleaned up, the industry's practice of putting aside A&E reserves has risen over time.

Finally, the industry is required to honor claims from catastrophes that occurred this year, as well as to continue paying claims for prior years. The major occurrences in 1998 were severe ice storms in New England and New York in January, severe windstorms, hail and tornadoes across 12 states from Minnesota to Vermont in late May and early June, Hurricane Bonnie in Carolina and Virginia and Hurricane Earl in the Florida Panhandle in August, and hurricane George in Puerto Rico, the U.S. Virgin Islands and four Gulf Coast states in October. According to industry reports, claim costs and other expenses attributable to disasters and catastrophes (defined as a single occurrence that generated insured losses exceeding $25 million) were approximately $8 billion for the first nine months of 1998, compared to $6.5 billion and $2.4 billion during the same period in 1996 and 1997, respectively.

Since 1979, the industry has consistently experienced underwriting losses as shown in the accompanying chart. Although these losses declined to $6.1 billion in 1997 from $16.7 billion in 1996, they are anticipated to increase in 1998. In the first half of 1998, underwriting losses were reported at $6 billion, compared with $2.2 billion during the same period in 1997. Had catastrophe losses remained the same as they were in first half of 1997, the industry underwriting loss for first half 1998 would have still increased by 45.5 percent to $3.2 billion. With catastrophe losses approximately $3 billion higher in the third quarter of 1998 than the third quarter of 1997, the underwriting losses for 1998 as a whole are expected to be more than $9 billion.

Property and Casualty Industry's Performance



Source: Best's Aggregates & Averages

While underwriting losses are increasing, to remain profitable, insurers have become more dependent on investment income, which is primarily made up of dividends earned from stocks, interest on bonds, and capital gains from the sale of investment assets. Over time, property and casualty insurers have sought more volatile investments with commensurately higher yields to compensate for underwriting losses. The percentage of assets invested in stocks has increased from 13.1 percent in 1993 to 19.0 percent in 1997, while the percentage in long-term bonds has decreased from 71.4 percent to 66.1 percent during the same period. Net investment income, together with realized capital gains, brought the industry's net investment gain to $38 billion in 1996 and to $41 billion in 1997, an increase of 7.9 percent. In the first half of 1998, the combination of net investment income and realized capital gains totaled $28.1 billion, an increase of 10.9 percent from $25.4 billion for the same period in 1997.

LIFE AND HEALTH COMPANIES

The other major source of premiums taxes, the life and health insurance industry, experienced a 5 percent increase in 1997, following a decline of 5 percent in 1996. Increased competition from banks, mutual funds and other financial institutions, shifting demographics, continued weak operating performance, and continued allegations of improper sales practices and other unethical and illegal conduct have depressed the industry's premium income and adversely affected its traditional life insurance business. Reserves set aside to cover potential claims and settlements in some of these cases could negatively affect earnings and tax liability. In 1998, premiums written are expected to have grown approximately 3 percent. Overall tax liability attributable to taxable life and health insurance premiums is anticipated to be flat during 1998, mainly because of the new legislation enacted in New York which lowered both the premium tax rate and the limitation on tax liability.

Due to problems associated with real estate-related investments, life and health companies invested less in real estate and more in stocks, while maintaining the same percentage of investment assets in bonds in 1997. Bonds account for more than 70 percent of the industry's invested assets. Despite the problems outlined above, net income tax liability in the life and health insurance industry increased sharply in 1995 and 1996, largely due to strong financial markets. In 1997, however, net income tax liability declined more than 10 percent. Had large insurers not paid or put aside reserves to settle regulatory disputes, net income tax liability, with the underlying strong financial markets, would have increased more than 10 percent. In 1998, net income tax liability is expected to increase approximately 5 percent.

Collections in the current year are expected to be larger than the underlying liability base because of a change in the estimated March prepayment rules governing life and health companies that increase receipts on a one-time basis. Net collections under the Tax Law in 1998-99 are estimated at $641 million, an increase of 4.2 percent from 1997-98. On a constant law basis, collections would increase by only 3.5 percent. The increase in underlying 1998 liability is being offset by a larger-than-expected refunds, a decline in SIF premiums, and a drop in taxes due to premium rate reductions.

Total collections under the Insurance Law are expected to increase in 1998-99 due to the end of litigation-related refunds of MTA credits. Collections are estimated at $28 million. This brings the sum of all insurance tax collections in the General Fund to $669 million, approximately $28 million higher than 1997-98.

1999-2000 PROJECTIONS

Despite the continuing consolidation trends and the shedding of non-core lines of business in the property and casualty and life and health industry, most industry analysts believe that the industry will remain in a low-pricing cycle in the near future.

With stagnant premium volumes, the industry continues to depend on the stock and bond market performance to offset underwriting losses. This is a potentially risky position should returns in the financial markets begin to weaken.

The soft-pricing market reflects stiff premium rate competition, despite catastrophic losses and A&E claims. In addition to these problems, loss reserve strengthening, regulatory issues, and non-price competition will continue to dampen the property and casualty industry's growth. The industry will continue to experience underwriting losses due to low premium rates and additional claims in some lines of business. Commercial lines are expected to experience continued strong price competition. While there are some rate increases anticipated in many personal lines, the homeowners line will continue to incur losses due to the increased frequency and severity of storms that have occurred in recent years. Moreover, statutory changes and competitive pressures in the workers' compensation and medical malpractice lines, which represent a major share of premium volume, are expected to weaken. This indicates that the growth rate in the State's largest source of insurance tax receipts, the 1.3 percent tax on property and casualty premiums, will continue to be modest for the foreseeable future.

The New York share of direct premiums written will continue to be the second largest, after California. The industry's premium growth in 1999, however, is anticipated to increase only modestly because of the full-year effects of the 1998 rate reductions in two major lines of business, auto insurance and workers' compensation, the likelihood of additional rate cuts in 1999, weaker economic and personal income growth, and modest inflation. The volatility in the financial markets as a consequence of world economic turmoil and political unrest is expected to continue. Investment income from dividends and interest is expected to grow modestly. As a result, the combination of investment income and realized capital gains is predicted to grow at a slower rate than for 1998.

The 1999-2000 forecast for tax receipts from property and casualty insurers is based on an increase in premium tax liability of approximately 2 percent, consistent with the prior year's growth. Assuming no extraordinary catastrophes and less vibrant stock and bond markets, net income tax liability in the property and casualty industry is projected to increase by 4 percent.

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

The forecast assumes that the life and health industry will grow modestly through the 1999 tax year. The New York share of premiums written will remain approximately 8 percent of the national market. Premiums written are expected to grow 3 percent. Net income tax liability is projected to grow 4 percent.

Net collections under the Tax Law in 1999-2000 are estimated at only $616 billion, a decrease of 4 percent from 1998-99, reflecting the impact of law changes governing life insurers.

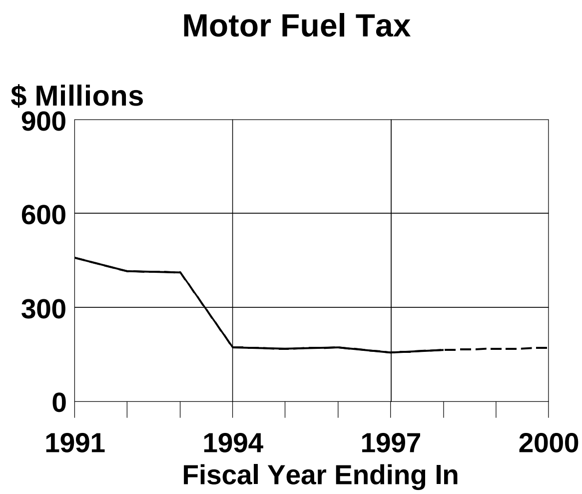
With the end of MTA credit refunding and the expected improvement in net retaliatory tax collections, net collections under the Insurance Law are estimated at $30 million, approximately $2 million more than collections for 1998-99. This brings total collections expected in the General Fund to $646 million in 1999-2000.

Insurance Tax Receipts
(millions)

	Tax Law				
	Gross Receipts	Refunds	Net	Insurance Law Net	Total Net Receipts
			Actual		
1989-90	$435.6	$33.6	$402.0	$64.8	$466.8
1990-91	446.8	36.8	445.0	63.3	508.3
1991-92	573.4	32.7	540.7	19.6	560.3
1992-93	593.7	30.2	563.5	43.2	606.7
1993-94	644.5	25.1	619.4	16.5	635.9
1994-95	538.7	36.2	502.5	27.5	530.0
1995-96	700.3	28.8	671.5	13.5	685.0
1996-97	649.5	28.8	620.7	32.8	653.5
1997-98	629.1	14.0	615.1	25.6	640.7
			Estimated		
1998-99	$680.0	$39.0	$641.0	$28.0	$669.0
1999-2000	645.5	29.5	616.0	30.0	646.0

MOTOR FUEL TAX

Motor fuel and diesel motor fuel taxes are levied by Article 12-A of the Tax Law upon the sale, generally for highway use, of gasoline and diesel fuel, respectively. The aggregate rate of tax imposed on each gallon of gasoline and diesel fuel is eight cents. The current eight cent rate for diesel fuel reflects a two cent per gallon tax reduction implemented on January 1, 1996.



ADMINISTRATION

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

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

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

EXCEPTIONS TO TAXATION

Exempted from payment of motor fuel taxes are the State and its political subdivisions (including counties, towns, cities, villages, school districts or other special districts supported by public funds), the Federal government, consular offices protected by treaties, nonpublic schools when purchases are for education-related uses, and fire companies.

The Article 12-A motor fuel tax is levied primarily on persons who operate motor vehicles on the State's public highways or who operate recreational motor boats on the State's waterways. Thus, it generally does not apply to fuel used for nonhighway purposes. For example, the State refunds any tax paid on fuel used exclusively in the operation of road-building machinery or exclusively for agricultural or commercial marine purposes, or in vehicles operated on rails or tracks.

To minimize the cost of mass transportation on riders and thereby promote its use, other partial or full exceptions are provided. Operators of private buses engaged in local transit in the State have been entitled to a full refund of motor fuel taxes paid for such use since 1974. Operators of other private buses and taxicabs are allowed a partial refund of three cents per gallon for gasoline and one cent per gallon for diesel fuel.

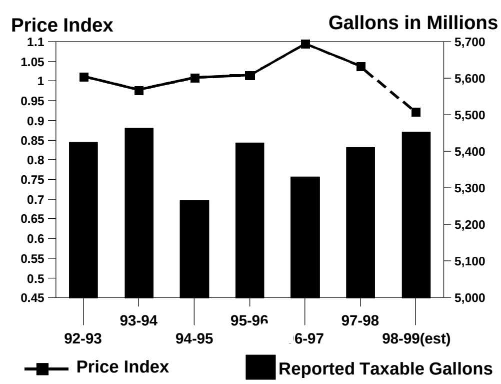
Under gasoline tax provisions in effect since 1985, the State, Federal government, and tax-exempt hospitals are exempt from payment of the tax. All other exempt organizations obtain their gasoline tax exemption through a refund of tax paid. Under 1988 diesel fuel tax provisions, fuel sold to the State or Federal government, fuel used for farming or residential heating, and kero-jet fuel sold to an airline are exempt from taxation. All other diesel fuel tax exemptions are obtained through refunds.

1998-99 RECEIPTS

Motor fuel tax receipts for 1997-98 were $491.8 million, including $437.8 million in gasoline tax receipts and $54.0 million in diesel fuel tax receipts.

Gasoline tax collections for the first nine months of 1998-99 have increased 0.3 percent from the comparable period last year. This year's increase can be attributed to increases in consumption and buildup of inventories as a result of low gasoline prices. The accompanying chart illustrates the historical relationship between gasoline prices and consumption.

Gasoline Price and Consumption



Growth in diesel motor fuel tax collections for the first nine months of the fiscal year of 8.9 percent reflects a healthy trucking industry, low fuel prices, and continued State and national economic growth.

Based on collections to date, motor fuel tax receipts for 1998-99 are estimated at $499.3 million, including $441.3 million in gasoline tax receipts and $58.0 million in diesel fuel tax receipts.

1999-2000 PROJECTIONS

Motor fuel tax receipts in 1999-2000 are expected to total $500.2 million, an increase of $0.9 million, or 0.2 percent over 1998-99. An estimated 3 percent increase in gasoline prices and slower State and national economic growth are expected to moderate year-to-year growth in gasoline consumption. Stable inventories, in contrast to the increases experienced in 1998-99, and flat audit collections will serve to further restrain growth in gasoline receipts. Total gasoline motor fuel tax receipts are estimated at $441.5 million. Diesel fuel collections for 1999-2000, estimated to be $58.7 million, similarly reflect price increases and the overall economic climate. A 1.5 percent increase in diesel motor fuel consumption is anticipated.

OTHER FUNDS

Since April 1, 1992, receipts attributable to one and three-fourths cents of the tax on each gallon of gasoline and diesel fuel sold in the State have been earmarked to the Emergency Highway Reconditioning and Preservation Fund and the Emergency Highway Construction and Reconstruction Fund. These funds were established, respectively, in 1972 and in 1983 to finance certain highway construction needs.

In 1991-92, the amount per gallon earmarked to each of these highway funds was five-eighths of one cent; in 1990-91, three-eighths of one cent; and, prior to April 1, 1990, one-quarter of one cent.

Motor fuel tax receipts earmarked to these funds in 1997-98 totaled $107.6 million. It is estimated that receipts totaling $109.2 million in 1998-99 and $109.4 million in 1999-2000 will be deposited into these funds.

Since April 1, 1993, one-half of the gasoline tax has been deposited in the Dedicated Highway and Bridge Trust Fund established to help finance the reconstruction, replacement, reconditioning and preservation of highways and bridges in the State. The Dedicated Highway and Bridge Trust Fund, which received $218.9 million in motor fuel taxes in 1997-98, will receive an estimated $220.7 million in 1998-99 and $220.8 million in 1999-2000.

GENERAL FUND

The General Fund currently receives two and one-quarter cents per gallon of the gasoline tax and six and one-quarter cents per gallon of the diesel motor fuel tax. Prior to January 1, 1996, the General Fund received eight and one-quarter cents per gallon of the 10 cent per gallon diesel motor fuel. Net General Fund motor fuel tax receipts were $165.3 million for 1997-98. General Fund receipts are estimated at $169.4 million for 1998-99, and $170 million for 1999-2000.

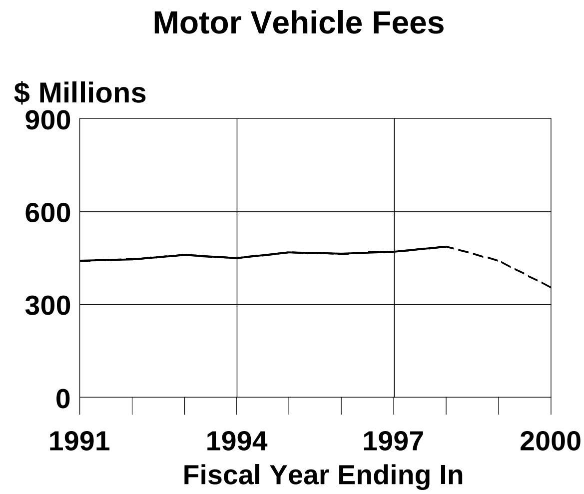
Motor Fuel Tax Receipts — All Funds
(thousands)

	Gross General Fund	Refunds	Net General Fund	Capital Projects [1]	Debt Service [2]	All Funds Net Collections
	----- Actual -----					
1990-91	$477,358	$18,410	$458,948	. . . .	$ 46,158	$505,106
1991-92	431,010	13,831	417,179	. . . .	75,264	492,443
1992-93	425,654	12,686	412,968	. . . .	102,913	515,881
1993-94	180,180	6,546	173,634	$212,211	113,806	499,651
1994-95	174,483	5,515	168,968	212,514	103,480	484,962
1995-96	178,545	4,948	173,597	220,460	107,425	501,482
1996-97	161,813	4,282	157,531	210,835	103,143	471,509
1997-98	169,018	3,763	165,255	218,897	107,562	491,713
	----- Estimated -----					
1998-99	$173,400	$ 4,000	$169,400	$220,700	$109,200	$499,300
1999-2000	174,000	4,000	170,000	220,800	109,400	500,200

[1] Dedicated Highway and Bridge Trust Fund
[2] Emergency Highway Construction and Reconstruction Fund and Emergency Highway Reconditioning and Preservation Fund

MOTOR VEHICLE FEES

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



REGISTRATION REQUIREMENTS AND EXEMPTIONS

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

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

The following narrative on fees, drivers' licenses, and administration pertains to current law.

FEES

Vehicle Registration Fees

Most vehicle registration fees in New York are based on vehicle weight. Two important exceptions are buses, which are charged according to seating capacity, and semitrailers, which are registered at a flat fee. Legislation in 1989 mandated biennial registration of vehicles weighing less than 18,000 pounds; this biennialization began on June 16, 1989, and was phased in over a two-year period. From August 1, 1991, to June 30, 1992, a 15 percent surcharge was imposed on vehicle registration fees. Effective July 1, 1992, the surcharge was incorporated into the base registration fees.

Until June 30, 1998, passenger vehicles were registered at graduated rates of 86 cents per each 100 pounds up to 3,500 pounds, and $1.29 per each 100 pounds over 3,500 pounds, with a maximum annual registration fee of $74.25. Starting July 1, 1998, pursuant to Chapter 56, Laws of 1998, the graduated rates were reduced 25 percent. The rates are now 64.5 cents per each 100 pounds, up to 3,500 pounds, and 97 cents per each 100 pounds over 3,500 pounds, with a maximum annual registration fee of $56.06. Most other states impose average automobile registration charges that are greater than New York State's current average of approximately $21.

The registration fee for trucks and light delivery vehicles is $2.88 per each 500 pounds of maximum gross weight. Motorcycles, snowmobiles, all-terrain vehicles, ambulances, trucks used exclusively in the transportation of household goods, and other specialized vehicles have separate registration fee schedules. Chapter 435, Laws of 1997, imposed additional fees pertaining to motorcycle licenses and registrations. The additional fees are deposited in the Motorcycle Safety Fund, a special revenue account.

Buses are registered under a graduated fee schedule based on seating capacity, with a minimum fee of $59.85 for those with a seating capacity of 15 to 20 passengers and a maximum fee of $77.63 plus $2.30 for each additional passenger seat over 30. A reduced fee of $10 is charged for registering certain buses used in local transit. In addition, New York and many other states have entered into reciprocal proration agreements under which buses operated both in New York State and in other participating states may be eligible for prorated registration fees based on vehicle miles traveled in New York compared with miles traveled in other states.

At the request of the American Association of Motor Vehicle Administrators, tractors and semitrailers are registered separately, despite their use as a single operating unit. This approach, under which semitrailers are registered at a nominal rate of $23 (except that for model year 1989 or later, the fee is $69 for a registration period of 5-1/2 to 6-1/2 years), gives truckers greater flexibility in interchanging semitrailers. Tractors are registered at a fee of $1.21 per each 100 pounds of maximum gross weight.

Drivers' Licenses and Other Fees

Since June 1, 1992, operators' licenses have been issued for an annual fee of $5 per year and each chauffeur's license, $10 per year; prior to that date, the fees were $4 and $8, respectively. In 1991, a fee of $15 per year was instituted for a commercial driver's license with endorsements. Drivers' licenses (since September 1997) and renewals (since February 1996) are issued for five-year periods. A photo image fee is charged at the time of license issuance and renewal. Since April 1997, the charge for the photo image on a learner's or driver's license has been $3.

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

Major Sources of Motor Vehicle Fees
(thousands)

	1995-96	1996-97	1997-98	1998-99	1999-2000
	---------- Actual ----------		Preliminary	-------- Estimated --------	
Major vehicle registration programs (passenger, commercial, IRP, re-registrations)	$383,178	$386,414	$391,377	$339,569	$329,422
Major license programs (original and renewals)	75,272	83,304	100,643	105,025	93,372

ADMINISTRATION

Registration and licensing take place at the central and district offices of the Department of Motor Vehicles, by mail, and at county clerks' offices in most counties. Traditionally, a fixed portion of each of the fees collected by the county clerks was retained as compensation for services rendered. However, Chapter 309, Laws of 1996, as amended by Chapter 435, Laws of 1997, shifted county clerks' fees from a fixed retention fee system to a system based on a percentage of gross receipts. The new system started on

January 1, 1997, and allowed county clerks to retain 8.1 percent of applicable gross receipts until June 30, 1998. Chapter 56, Laws of 1998, provided a new retention rate of 9.3 percent until December 31, 1999.

Legislation submitted with this Budget proposes to increase the percentage of retention from 9.3 percent to 12.7 percent, effective April 1, 1999. The increase mitigates, in part, the decrease in gross receipts handled by county clerks as a result of the proposed processing by the Department of Motor Vehicles of all mail-in registration and license renewals.

Chapter 435, Laws of 1997, repealed the refunding, when requested, of the fee for the second year of a two-year registration period. However, Chapter 56, Laws of 1998, restored fully, and retroactively, the provisions pertaining to such refunds.

1998-99 RECEIPTS

Deposits in the General Fund and in the Dedicated Highway and Bridge Trust Fund through the first nine months of 1998-99 totaled $413.4 million, a decrease of 3.7 percent over the comparable period in 1997-98. The decrease in deposits reflects the 25 percent reduction in the registration fees for passenger cars and the restoration of refunds, including the retroactive portion, all discussed previously. Given the historical pattern of receipts in the last quarter of the fiscal year, the current estimate represents a decrease of 8.9 percent over the prior year. For the entire 1998-99 fiscal year, gross receipts are estimated at $588.2 million, of which receipts from vehicle registrations are projected at $405.7 million. The estimate for receipts from operators' licenses and other fees is $182.5 million. An estimated $38.7 million in refunds and county clerks' fees reduce expected receipts from motor vehicle fees to $549.5 million.

1999-2000 PROJECTIONS

Receipts for 1999-2000 are estimated at $525.4 million. The estimate for receipts from vehicle registrations is $354.2 million and for receipts from operator's licenses and other fees, $171.2 million. Again, an estimated $33.4 million in refunds and county clerks' fees would reduce receipts from motor vehicle fees to $492 million. The estimate reflects the first full-year effect of the reduction in passenger registrations and the new county clerks' retention schedule (discussed previously).

OTHER FUNDS

Since April 1, 1993, a percentage of registration fees has been earmarked to the Dedicated Highway and Bridge Trust Fund, a capital projects fund. A schedule of the percentages and amounts earmarked to the Dedicated Highway and Bridge Trust Fund is presented in the table below:

Dedicated Highway and Bridge Trust Fund
(millions)

Fiscal Year	Percentage Dedicated	Amount Deposited
1993-94	13%	$46.7
1994-95	April - December: 17 January - March: 20	45.1
1995-96	20	62.4
1996-97	20	71.4
1997-98	20	73.1
1998-99	April - June: 28 July 1998 - Feb. 1999: 34 March: 45.5	106.5
1999-2000	45.5	137.0

GENERAL FUND

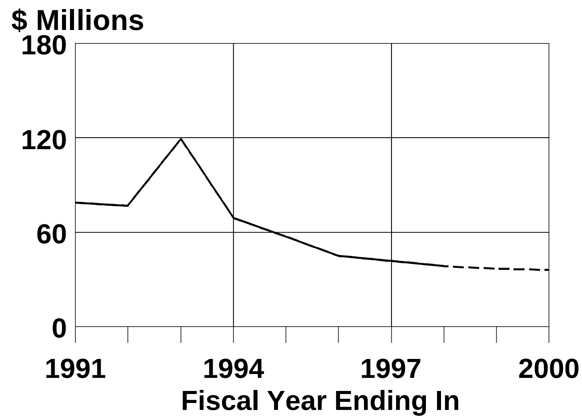
Net General Fund receipts from motor vehicle fees are estimated at $443 million for 1998-99 and $355 million for 1999-2000.

Motor Vehicle Fee Receipts
(thousands)

	Gross Receipts	Less: Dedicated Fund	Less: County Clerk Retent.	Less: Refunds	General Fund Receipts
	Actual				
1990-91	$467,442	....	$15,393	$8,749	$443,300
1991-92	475,947	....	15,453	14,206	446,288
1992-93	493,837	....	15,113	18,422	460,302
1993-94	528,967	$ 46,655	15,748	16,570	449,994
1994-95	547,930	45,128	16,678	16,258	469,866
1995-96	562,571	62,390	16,663	18,958	464,560
1996-97	582,277	71,442	17,206	21,596	472,033
1997-98	590,274	73,096	19,324	11,436	486,418
	Estimated				
1998-99	$588,200	$106,500	$19,700	$19,000	$443,000
1999-2000 (Current Law)	525,400	137,000	19,500	18,000	350,900
1999-2000 (Proposed Law)	525,400	137,000	15,400	18,000	355,000

PARI-MUTUEL TAXES

Pari-Mutuel Taxes



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

To foster New York State agriculture and breeding industries, a portion of the takeout is allocated to the State's thoroughbred and standardbred (harness) horse breeding and development funds. Since the establishment of these funds, over 400 farms and 6,000 jobs have been created or saved. During 1997 alone, some $10 million and $7 million were generated for the thoroughbred and harness funds, respectively.

The rise in OTB activity and simulcasting over the last two decades, which now accounts for 80 percent of the statewide handle, has been accompanied by a corresponding decline in handle and attendance at racetracks. To encourage the continuing viability of these tracks, the State authorized higher takeouts to support capital improvements at non-New York Racing Association (NYRA) tracks and, more importantly, reduced its on-track tax rates by 30 to 90 percent at thoroughbred and harness tracks. The State also assumed the costs for regulation and drug testing. In 1995, the State increased the takeout on NYRA wagers involving two horses, while lowering the takeout on NYRA wagers involving one horse. Legislation, enacted in 1997 and 1998, extended authorizations for telephone betting, in-home simulcasting experiments, expansion of track and OTB simulcasting through July 1, 2002, and lowered the tax rates on simulcast wagering. It also eliminated the State franchise fee on nonprofit racing associations, effective January 1, 1998.

1998-99 RECEIPTS

Increases in simulcasting handle, especially in-home and out-of-State simulcasting, are expected to offset the handle losses that result from shorter racing seasons, declining attendance, and less NYRA racing. As a result, the total 1998-99 Statewide betting handle (both on- and off-track) of $2.8 billion will be higher than the prior year.

Total thoroughbred on-track handle, including simulcasts, is estimated at $686 million, up less than 1 percent from the prior year. The continuing decline in wagering on live harness races is being offset in part by increased simulcasting. Total harness handle is estimated at $262 million. Handle at off-track betting corporations, despite a part year loss of in-home simulcasting of NYRA races, is estimated to increase to $1.9 billion, up 3.5 percent.

As a result of the reduced tax rates on simulcasting and the elimination of NYRA's franchise fee, racing receipts are expected to decline; thoroughbred racing by 3.6 percent to $18.8 million, and OTB receipts by 5.5 percent to $17.1 million. Harness receipts should be up 10 percent to $1.1 million, resulting in total pari-mutuel tax receipts of $37 million.

1999-2000 PROJECTIONS

This projection assumes a full racing season, albeit with shorter race weeks at both thoroughbred and harness tracks, except for the extended thoroughbred meet at Saratoga.

Thoroughbred racing: Total thoroughbred wagering is projected to decline 4.0 percent. A projected NYRA on-track handle of $471 million, including betting on out-of-State races, will produce $14.7 million in tax receipts, with NYRA intrastate simulcasting of $38 million producing an additional $1.4 million. The Finger Lakes racetrack, with a handle projected at $48 million, including simulcasts, will produce $0.2 million in tax, and other intratrack simulcast wagering, projected at $94 million, will add another $1.5 million.

Harness racing: Harness racing handle, including simulcasts, is projected to decrease to $252 million, generating tax receipts of $0.9 million.

Off-track betting: OTB handle is projected at $1.92 billion, producing tax collections of $17.3 million.

In aggregate, State pari-mutuel tax receipts are projected at $36 million in 1999-2000.

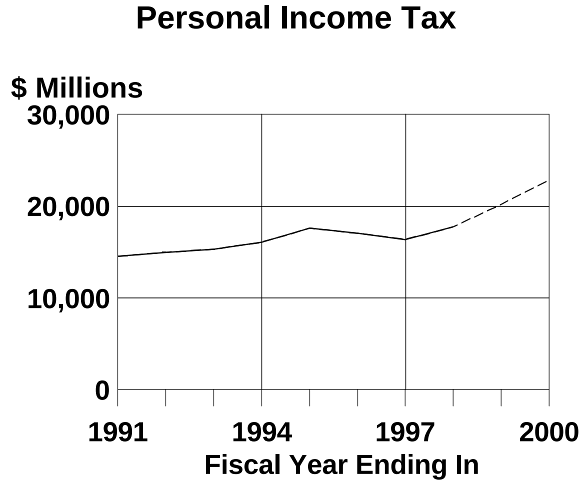
General Fund Receipts from Pari-Mutuel Taxes
(millions)

	Flat	Harness	OTB	Total
	Actual			
1990-91	$44.4	$5.6	$28.8	$78.8
1991-92	43.1	5.1	28.6	76.8
1992-93	87.6 [a/]	4.7	26.9	119.2
1993-94	37.8	5.9	25.5	69.2
1994-95	34.3	2.8	20.2	57.3
1995-96	24.0	1.2	19.9	45.1
1996-97	20.5	1.1	20.1	41.7
1997-98	19.5	1.0	18.0	38.5
	Estimated			
1998-99	$18.8	$1.1	$17.1	$37.0
1999-2000	17.8	0.9	17.3	36.0

[a/] Includes $47.9 million from the sale of land.

PERSONAL INCOME TAX

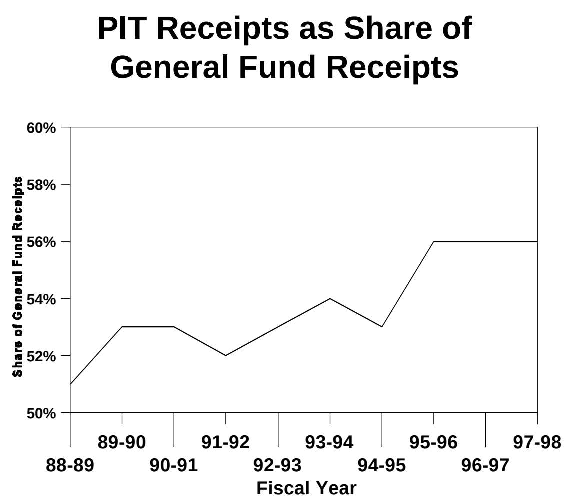
The personal income tax, the State's largest source of revenue, will account for more than one-half of estimated General Fund receipts during State fiscal years 1998-99 and 1999-2000.



Over the last decade, New York has greatly simplified its tax structure, reducing the rates applied to income and increasing standard deductions. Since 1995, the tax burden has been reduced by more than 20 percent.

Legislation enacted every year through 1994 deferred the remainder of the personal income tax cut originally enacted in the Tax Reform and Reduction Act of 1987, maintaining through 1994 the tax rate structure in effect in 1989. Also in 1994, a State earned income tax credit, calculated as a share of the Federal earned income tax credit, was added for 1994 and subsequent tax years.

In 1995, a substantial three-year reduction of the personal income tax was enacted. Under the 1987 Act, the top tax rate was scheduled to fall to 7 percent by 1997. Legislation in 1995 lowered it further to 6.85 percent by 1997. In addition, the income levels at which the top rate is effective were increased. For a married couple filing jointly, that taxable income level rose from $26,000 in 1994 to $40,000 in 1997. The State earned income tax credit was accelerated to 20 percent of the Federal credit by 1996. The 1995 legislation also retained the household credit, which had been scheduled to be phased out starting in 1996. Legislation in 1996 enhanced the State child and dependent care credit and provided additional tax relief for farmers. Legislation in 1997 further enhanced the State child and dependent care credit, expanded tax relief for farmers, created a solar energy credit for residences, and created a College Choice Tuition Savings Program with a tax exemption for qualified contributions. Legislation in 1998 enhanced the child and dependent care credit still further, accelerated implementation of the final phase of the agricultural school property tax credit, speeded up into 1998-99 the fully effective senior citizens' school property tax exemption under the STAR program, and began deposit of a portion of personal income tax receipts into the newly created STAR Fund.



Note: Impact of Refund Reserve is excluded from PIT receipts.
General Fund receipts exclude transfers.

STRUCTURE OF THE TAX

Tax Base

The State tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications: (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 otherwise included in Federal adjusted gross income.

Beginning in 1991, the new Federal limit on itemized deductions for taxpayers with Federal adjusted gross income (AGI) above a certain amount is applied for State personal income tax purposes. This base amount, set at $100,000 ($50,000 for married couples filing separately) in 1991, is indexed for inflation afterward. In 1998, the amount is $124,500 ($62,250 for married couples filing separately). Otherwise allowable itemized deductions, except for medical expenses, casualty and theft losses, and interest payments, are reduced by the lower of either 3 percent of Federal adjusted gross income in excess of the base amount or 80 percent of allowable itemized deductions.

Basic Tax Structure

For the 1989 through 1994 tax years, the tax was imposed at rates ranging from 4 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with $100,000 or more of AGI the benefit of the marginal tax rates in the lower brackets is recaptured through a supplementary mechanism in effect since 1991. In 1995, the State embarked on a major personal income tax cut which was phased in over three years as shown below:

Personal Income Tax
Top Rate, Standard Deductions, Dependent Exemptions and EITC Rates
1994 - 1997

	1994	1995	1996	1997
Top Rate				
Rate	7.875%	7.59375%	7.125%	6.85%
Thresholds				
Married Filing Jointly	$26,000	$25,000	$26,000	$40,000
Single	13,000	12,500	13,000	20,000
Head of Household .	17,000	19,000	17,000	30,000
Standard Deduction				
Married Filing Jointly	9,500	10,800	12,350	13,000
Single	6,000	6,600	7,400	7,500
Head of Household .	7,000	8,150	10,000	10,500
Dependent Exemption	1,000	1,000	1,000	1,000
EITC Rate (as % of Federal credit)	7.5%	10%	20%	20%

Current Tax Schedules

Married - Filing Jointly			Single			Head of Household		
Taxable Income	Tax	of Amt. Over	Taxable Income	Tax	of Amt. Over	Taxable Income	Tax	of Amt. Over
$0 to $16,000	$0 +4.00%	$ 0	$0 to $8,000	$0 +4.00%	$ 0	$0 to $11,000	$0 +4.00%	$ 0
$16,000 to $22,000	$640 +4.50%	16,000	$8,000 to $11,000	$320 +4.50%	8,000	$11,000 to $15,000	$440 +4.50%	11,000
$22,000 to $26,000	$910 +5.25%	22,000	$11,000 to $13,000	$455 +5.25%	11,000	$15,000 to $17,000	$620 +5.25%	15,000
$26,000 to $40,000	$1,120 +5.90%	26,000	$13,000 to $20,000	$560 +5.90%	13,000	$17,000 to $30,000	$725 +5.90%	17,000
$40,000 and over	$1,946 +6.85%	40,000	$20,000 and over	$973 +6.85%	20,000	$30,000 and over	$1,492 +6.85%	30,000

Credits

Current law authorizes a wide variety of credits against personal income tax liability. The major credits are:

— The earned income tax credit is effective for tax years beginning on and after January 1, 1994, allowed at a rate of 7.5 percent of the Federal earned income tax credit in 1994, 10 percent of the Federal credit in 1995, and 20 percent in 1996 and later. The credit is refundable for State residents. The original 1994 legislation had set the 1996 credit at 15 percent; legislation in 1995 accelerated the final step of this credit to 1996. Starting in 1996, the earned income tax credit is offset by the amount of the household credit.

— The household credit is permitted for individuals 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. Under previous law, the household credit would have been reduced by 50 percent in 1996 and eliminated in 1997. Legislation in 1995 continued the credit permanently.

— The child and dependent care credit is allowed at a rate of 20 percent or more of the comparable Federal credit. In 1998 the percentage of 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. Starting in 1999, a credit of 100 percent of the Federal credit will be available to those with incomes less than $35,000, with the percentage gradually phasing down to 20 percent for those with incomes of $50,000 or more.

— The real property tax circuit-breaker credit is based on a more inclusive definition of income than that used in the income tax generally. For eligible taxpayers over the age of 65, the credit ranges downward from $375 as income rises to $18,000; for other taxpayers, the credit can be as high as $75.

— The farmer's school property tax credit, enacted in 1996 for tax years starting in 1997 and after, provides a credit for allowable school district property taxes paid by an eligible farmer on qualified agricultural property. A farmer must derive at least two-thirds of his or her Federal gross income from farming to be eligible. If a farmer's qualified acreage exceeds the base acreage stipulated for that tax year, the credit is reduced to less than the full amount of school property taxes paid. This 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. Legislation in 1998 accelerated the base acreage level of 250 acres from the 1999 to the 1998 tax year; prior to this legislation, the 1998 base acreage level had been set at 175 acres.

— The rehabilitation credit for historic barns effective for tax years starting in 1997 and after, provides a credit equal to 25 percent of a taxpayer's qualified rehabilitation expenses incurred in restoring a pre-1936 agricultural barn.

In addition, credits are allowed for investment in certain productive facilities, for investment in economic development zones, and for personal income taxes paid to other states. Finally, the excess deduction credit was allowed in 1995 to ease the transition to the new tax structure only for taxpayers who itemized their deductions and whose taxable income was less than $24,500 ($49,000 for married couples).

RECENT ADMINISTRATIVE ACTIONS THAT AFFECT REVENUE COLLECTIONS

Withholding Changes

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

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

Refund Reserve Account Transactions

The personal income tax refund reserve account has been used to adjust fiscal-year collections for: (1) changes in withholding tables; (2) delays in implementation of withholding changes; and (3) accomplishing other State fiscal goals. The following schedule traces the changes in the year-end balance of this account and the effect of those changes on reported fiscal-year collections (also see the table, later in this section, for the effects of refund reserve transactions on the current and subsequent fiscal years).

As part of the State's multi-year effort to end the Spring Borrowing through the Local Government Assistance Corporation (LGAC), State funds were deposited annually from 1993-94 through 1995-96 in the refund reserve account. The amounts deposited were $114 million in 1993-94, $136 million in 1994-95, and $271 million in 1995-96. LGAC funds in the refund reserve, totaling $521 million at the end of 1998-99, are available to finance refunds issued in the Spring of 1999, but must be restored to the reserve by March 31, 2000.

March 31 Personal Income Tax Refund Reserve
Account Balances and Effects of Changes on
Reported Collections
(millions)

Year Ending March 31	Year End Balance	Change from Prior Year	Effect of Change in Year-End Balance on Reported General Fund Receipts
1998	$2,392.2	$ 530.4	Decreased receipts by 530.4
1997	1861.8	1,183.5	Decreased receipts by 1,183.5
1996	678.4	400.4	Decreased receipts by 400.4
1995	278.0	-861.6	Increased receipts by 861.6
1994	1,139.6	468.5	Decreased receipts by 468.5
1993	671.1	641.9	Decreased receipts by 641.9
1992	29.2	29.2	Decreased receipts by 29.2
1991	. . . .	-48.6	Increased receipts by 48.6
1990	48.6	48.6	Decreased receipts by 48.6
1989	. . . .	. . . .	No effect
1988	. . . .	-351.7	Increased receipts by 351.7

Timing of the Payment of Refunds

For many years, the payment of refunds during the final quarter of the State's fiscal year (i.e., the January-March period) had been explicitly modified to minimize potential year-end imbalances in the State's General Fund. This practice was made possible because the statute required merely that all refunds on timely filed claims (due no later than April 15, absent an approved request for an extension) be made by July 15 (i.e., within three months of the statutory due date) to avoid State liability for interest on late refunds. Effective since 1995, refunds must be paid within 45 days of the statutory due date to avoid State liability for interest. By changing the level of refunds paid in the final quarter of the fiscal year, the year-to-year change in collections under this tax can be significantly altered. The amount of refunds paid in the January-March period varied during the years 1978 to 1987, from a high of $506 million in 1979 to none in 1984. From 1988 to 1992, and in 1995, this amount was held constant by administrative practice at $360 million. In 1993 and 1994, however, refunds of $410 million were paid in the January through March period. In 1996, 1997, and 1998, refunds of $460 million, $577 million, and $500 million, respectively, were paid during that period.

Tax Tribunal Decision

In July 1997, the State's Tax Appeals Tribunal delivered a decision regarding the proper computation of State itemized deductions for certain high-income taxpayers. The new computation takes into consideration the interaction between State and Federal itemized deductions in determining State and local income taxes. It is estimated that the Tribunal's decision, which by law the State cannot appeal, reduced personal income tax receipts for 1998-99 and earlier years combined by more than $50 million. The ongoing annual impact is expected to be between $35 million and $40 million.

ESTIMATED LIABILITY

Adjusted gross income (AGI), the income base used to determine personal income tax liability, includes the major components listed below:

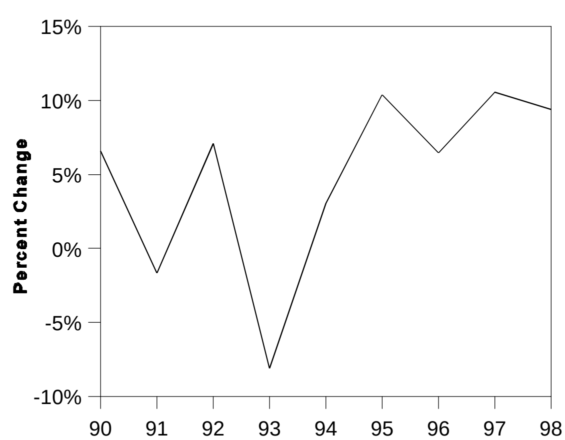
Distribution of the Major Components of New York Adjusted Gross Income (AGI)
(millions)

Component of Income	1992	1993	1994	1995	1996	1997 (Est.)
NYSAGI						
amount	$294,861	$297,112	$301,267	$321,094	$347,897	$384,927
% change		0.8%	1.4%	6.6%	8.3%	10.6%
Wages						
amount	$238,813	$237,972	$242,771	$253,551	$266,334	$281,999
% change		-0.4%	2.0%	4.4%	5.0%	5.9%
share of NYSAGI	81.0%	80.1%	80.6%	79.0%	76.6%	73.3%
Capital Gains						
amount	$ 9,457	$ 13,365	$ 12,032	$ 14,086	$ 22,441	$ 39,493
% change		41.3%	-10.0%	17.1%	59.3%	76.0%
share of NYSAGI	3.2%	4.5%	4.0%	4.4%	6.5%	10.3%
Interest and Dividends						
amount	$ 20,807	$ 18,567	$ 19,629	$ 22,680	$ 23,533	$ 25,200
% change		-10.8%	5.7%	15.5%	3.8%	7.1%
share of NYSAGI	7.1%	6.2%	6.5%	7.1%	6.8%	6.5%
Taxable Pension						
amount	$ 11,424	$ 13,078	$ 15,694	$ 16,620	$ 17,391	$ 18,217
% change		14.5%	20.0%	5.9%	4.6%	4.7%
share of NYSAGI	3.9%	4.4%	5.2%	5.2%	5.0%	4.7%
Business and Partnership Income						
amount	$ 19,586	$ 20,639	$ 19,665	$ 25,867	$ 31,424	$ 34,380
% change		5.4%	-4.7%	31.5%	21.5%	9.4%
share of NYSAGI	6.6%	6.9%	6.5%	8.1%	9.0%	8.9%
All Other Incomes/ Adjustments*						
amount	($ 5,226)	($ 6,509)	($ 8,524)	($ 11,710)	($ 13,226)	($ 14,362)
% change		24.6%	31.0%	37.4%	12.9%	8.6%

* Include alimony received, unemployment income, IRA income, and other incomes. This number is negative because of the Federal and New York adjustments to income which together reduce final NYSAGI.

Strong performances in the financial sector over the recent years have resulted in a significant shift in the capital gains share of AGI. Since 1992, the share of capital gains in AGI is estimated to have more than tripled from 3.2 percent to 10.3 percent. Over the same period the share of wages in AGI is estimated to have decreased from 81 percent to 73.3 percent. Business and partnership income also shows strong growth between 1992 and 1997, though somewhat smaller than capital gains. The AGI data suggest that much of the rapid growth in liability in recent years can be attributed to the large increases in realized gains and business income.

Change in First Quarter Bonuses



Changes in timing of year-end bonus payments affect the growth rates in AGI. Bonuses in the Finance, Insurance and Real Estate (FIRE) Sector represent more than half of the total bonuses paid out each year. Under traditional patterns, about 40 percent of FIRE bonuses for a given year are paid in December, with the balance distributed in the beginning of the following year. In the 1992-93 cycle, however, a large share of the bonuses normally paid in January and February 1993 was accelerated into December 1992 to avoid potential Federal tax increases in 1993. It is estimated that as much as 75 percent of FIRE bonuses were paid that month. This unusual pattern recurred in the 1993-1994 period. Bonuses for 1994 through 1997, however, returned to the more traditional pattern, where it is estimated that approximately 30 percent of FIRE bonuses were paid at the end of the calendar year, while 70 percent were paid early in the following year. Given the relatively weak withholding pattern in late 1998, it is expected that a higher percentage of bonuses will be paid in early 1999.

1996 and 1997 Liability

Based on tax collections, total liability for 1996 was approximately $17.1 billion. Of this amount, $16.3 billion was accounted for by the approximately 8 million returns covered in the annual study of personal income tax returns prepared by the New York State Department of Taxation and Finance. The balance reflects liability received with fiduciary returns, late filed returns and other transactions excluded from the annual study. The AGI amount in the tax study for 1996 was $348 billion, yielding an average effective tax rate of 4.7 percent. The amount of earned income tax credit reflected in the study was $276 million.

As in 1995 and 1996, 1997 saw a significant increase in the number of millionaires in New York as a result of a strong performance in the financial sector. AGI is estimated to have grown more than 10.5 percent, to $385 billion. Wages and salaries are estimated to have increased nearly 6 percent. Following a 17 percent growth in 1995 and 59 percent growth in 1996, capital gains are estimated to have risen more than 75 percent. Indeed, continued strength in the stock market combined with the tax rate reduction on capital gains by the Federal government, effective after May 7, 1997, provided a strong impetus for realizing gains. Many taxpayers may well have finally realized some of the gains which they had been deferring since 1994 in anticipation of the Federal tax cut (an unlocking effect). Interest and dividend income is estimated to have increased around 7 percent, following an increase of 3.8 percent in 1996. Business net income and income derived from partnerships and S-Corporations are expected to have risen almost 9.5 percent following a 21.5 percent increase in 1996.

Legislation, passed in June 1995, implemented the final step of the personal income tax cut in the 1997 tax year, increasing the standard deduction, and reducing the maximum tax rate imposed on taxable income, compared to 1996. The resulting liability from the study file is estimated to be about $17 billion, a 4.4 percent growth compared to 1996. The effective tax rate is estimated to be 4.4 percent. Using 1997 AGI, the estimated net liability impact of the change in law from 1996 to 1997 is a savings to taxpayers of more than $1.5 billion.

1998 Liability

By all indicators, the State economy remained strong in 1998. AGI is estimated to have grown 10.5 percent, to $425 billion. Wages and salaries are estimated to have increased 7.5 percent, reflecting employment gains and healthy bonus performance, largely linked to 1997 market activity. Interest and dividend income is estimated to have risen more than 6 percent. Again, liability was impacted by another large increase in capital gains realizations of close to 40 percent. Over the 1997-98 period, gains realizations increased by 140 percent. Business net income, and income derived from partnerships and S-Corporations are expected to grow close to 6 percent.

Estimated liability is projected to have increased more than 13.5 percent, to $19.4 billion.

As mentioned earlier, under the Federal Taxpayer Relief Act of 1997, the Federal government reduced the tax rate on capital gains effective after May 7, 1997. In addition, starting in 1998 other Federal law changes will impact New York AGI and liability. Some of these changes include the introduction of Education IRAs and "Roth IRAs." Both are expected to have minimal impact on New York liability for the 1998 tax year.

1999 Liability

In 1999, AGI is expected to grow approximately 4.4 percent, a return to a more normal historical rate. The increase in wages and salaries is projected to be 5 percent, reflecting a modest slowdown in the economy. Bonus growth is expected to pick up slightly in 1999 from relatively flat results in 1998. Capital gains realizations are expected to remain flat, after reaching a peak of 350 percent above the 1994 level. The other components of income are expected to grow, in aggregate, by about 5.3 percent. Under current law, estimated liability is projected to increase 5.3 percent, to $20.4 billion.

In addition to qualified senior citizens, the STAR program begins to take effect for all other New York residential homeowners who itemize their deductions.

1998-99 RECEIPTS

Total personal income tax receipts for the 1998-99 fiscal year are now projected at $20,761 million, down $1,378 million from the Mid-Year Update. This forecast change largely reflects higher withholding tax collections due to stronger wage growth than earlier forecast, additional estimated tax installment payments due to stronger than expected financial markets, and the use of $2,317 million for the accelerated payment of refunds in the last quarter of the fiscal year and for deposit in the refund reserve account on March 31, 1999.

Key risks for the remainder of the fiscal year include the amount of withholding tax collections to be received during the first quarter of 1999 and the balance of estimated payments received on 1998 liability.

The current forecast assumes that estimated payments on 1998 liability will end the year more than 15 percent higher than comparable payments on 1997 liability. As already noted, this increase is due in part to strong financial markets in 1998, and increased capital gains realizations in response to 1997 Federal capital gains legislation.

Withholding collections, which increased 8.4 percent through the first nine months of the fiscal year, are expected to increase 8.3 percent for the remainder of 1998-99. The strong year-to-date increase in withholding is due to increased wages resulting from stronger than expected employment and average wage gains. Continued growth for the remainder of the year reflects strong base wage growth accompanied by modest growth in bonuses.

The estimate for the current year reflects the payment of $460 million in refunds on 1998 liability during the final quarter of the fiscal year, and a net benefit to collections of

$75 million from transactions in the refund reserve account. Without the refund reserve account transactions, 1998-99 net receipts are estimated to grow to $20,686 million, an increase of 13 percent from comparable 1997-98 receipts. The components of the estimate are detailed in Table 1, and are based on actual collections of $16.6 billion through December.

Table 1
Projected Fiscal-Year Collection Components
All-Funds
(millions)

	1997-98 (Actual)	1998-99 (Estimated)	1999-2000 (Projected)
Receipts			
Withholdings	$15,285	$16,565	$17,612
Estimated Payments . . .	4,419	5,235	5,670
Current Year	3,720	4,300	4,460
Prior Year*	699	935	1,210
Final returns	958	1,206	1,395
Current Year	71	70	1,320
Prior Year*	887	1,136	75
Delinquent collections	427	470	480
Gross Receipts	$21,088	$23,476	$25,157
Refunds			
Prior Year*	$ 1,885	$ 1,890	$1,995
Previous Years	136	165	145
Current Year	500	460	460
State-City Offset*	278	275	275
Total Refunds	$ 2,799	$ 2,790	$2,875
Reserve Transactions . . .	(530)	75	1,771
Net Receipts	$17,759	$20,761	$24,053

*NOTE: These components, collectively, are known as the "settlement" on the prior year's tax liability.

The planned balance in the refund reserve account on March 31, 1999, is $2,317 million. Of this amount, $521 million is attributable to Local Government Assistance Corporation (LGAC) transactions in 1993-94 ($114 million), 1994-95 ($136 million) and 1995-96 ($271 million). These transactions are part of the State's multi-year effort to end the Spring Borrowing and, while the $521 million is available to finance refunds to be issued in the Spring of 1999, it must be restored to the reserve by March 31, 2000.

1999-2000 PROJECTIONS

Based on current law, net personal income tax receipts would be expected to increase by 16 percent, to $24,053 million, in 1999-2000. Reported receipts would include the net gain to collections of the $1,771 million from net transactions in the refund reserve account.

Withholding receipts are projected to rise by 6.3 percent. Final payments with 1998 returns are expected to increase by $184 million from 1997 returns, reflecting strong income growth in 1998.

The other major component of collections, estimated payments on 1999 income, will grow moderately. This is consistent with expected non-wage income growth in 1999, the high base level of 1998 estimated tax payments, and lower growth in capital gains realizations following the high 1997 and 1998 levels resulting at least partially from the 1997 Federal capital gains changes.

Legislation proposed with this Budget will expand the thresholds for application of the top tax rate, increase the dependent exemption, authorize a New York capital asset exclusion, authorize a jobs tax credit for cities, increase the qualified emerging technology credit, and enhance the farmers' school property tax credit for farmers with agricultural set-aside land.

OTHER FUNDS

Legislation in 1998 created the School Tax Relief (STAR) Fund to help provide school tax reductions under the STAR program, accelerated the fully effective level of the enhanced senior citizens school property tax exemption into 1998-99, and accelerated the final level of the New York City personal income tax credit into the 1998 tax year for taxpayers age 65 or more. In 1998-99 dedicated personal income tax receipts of $585 million will be deposited in the School Tax Relief Fund. This amount is $119 million less than estimated at the time of the Mid-Year Update. In 1999-2000, receipts of $1,223 million will be deposited in the Fund.

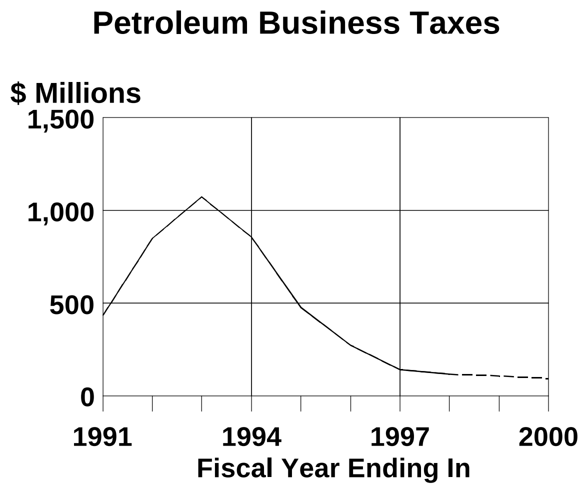
GENERAL FUND

General Fund net personal income tax receipts are estimated at $20,176 million in 1998-99 and $22,830 million in 1999-2000.

Table 2
General Fund Receipts from the Personal Income Tax
(millions)

	Gross Collections	Refunds & Reserve Transactions	Net Collections
		Actual	
1990-91	$16,699	$2,183	$14,516
1991-92	17,028	2,115	14,913
1992-93	18,074	2,755	15,319
1993-94	18,727	2,693	16,034
1994-95	19,028	1,438	17,590
1995-96	19,857	2,859	16,998
1996-97	20,238	3,867	16,371
1997-98	21,088	3,329	17,759
		Estimated	
1998-99	$22,891	$2,715	$20,176
1999-2000	23,934	1,104	22,830

PETROLEUM BUSINESS TAXES



Article 13-A of the Tax Law imposes a privilege tax on petroleum businesses operating in the State, which is based upon the quantity of various petroleum products imported for sale or use in the State. The tax is collected monthly with State motor fuel taxes. Article 13-A also imposes the petroleum business carrier tax, which is a complement to, and is collected with, the fuel use tax portion of the highway use tax. Specifically exempted from the Article 13-A taxes are fuel used for residential heating purposes, fuel sold to governments, kerosene other than kero-jet fuel, crude oil, liquefied petroleum gas (LPG), and certain bunker fuel.

Petroleum business tax (PBT) rates have two components: the base tax, whose rates vary by product type; and the supplemental tax, which is imposed, in general, at a uniform rate. Both components are indexed to reflect petroleum price changes. The following table displays the current per gallon PBT rates for 1998, 1999 and estimated rates for 2000, which reflect changes in the index.

PBT rates had been subject to a business tax surcharge. Legislation in 1994 reduced the surcharge rate from 15 percent to 12.5 percent on June 1, 1994; to 7.5 percent on June 1, 1995; and to 2.5 percent on June 1, 1996. The business tax surcharge was eliminated on June 1, 1997.

The basic and supplemental PBT tax rates have been subject to separately computed annual adjustments, on January 1 of each year, to reflect the change in the producer price index for refined petroleum products for the 12 months ended August 31 of the immediately preceding year.

Early in the decade, the PBT tax rates rose substantially due to sizable price increases in petroleum products. Those tax rates rose about 20 percent on April 1, 1991, and by more than 16 percent on January 1, 1992. Annual legislation precluded the 1992 tax rates from being further indexed through 1995.

Petroleum Business Tax Rates
(cents per gallon)

	1998			Jan.-Mar. 1999			Apr.-Dec. 1999			2000 [1]		
Petroleum Products [2]	Base	Supp	**Total**	Base	Supp	**Total**	Base	Supp	**Total**	Base	Supp	**Total**
Automotive fuels												
Gasoline and other non-diesel fuels	8.8	5.8	**14.6**	8.4	5.6	**14.0**	8.4	5.6	**14.0**	8.0	5.4	**13.4**
Diesel	8.8	5.05	**13.85**	8.4	4.85	**13.25**	8.4	3.85	**12.25**	8.0	3.65	**11.65**
Aviation gasoline	8.8	5.8	**14.6**	8.4	5.6	**14.0**	8.4	5.6	**14.0**	8.0	5.4	**13.4**
Net rate after credit	5.8	none	**5.8**	5.6	none	**5.6**	5.6	none	**5.6**	5.4	none	**5.4**
Kero-jet fuel	5.8	none	**5.8**	5.6	none	**5.6**	5.6	none	**5.6**	5.4	none	**5.4**
Non-automotive diesel fuels	7.9	5.8	**13.7**	7.6	5.6	**13.2**	7.6	5.6	**13.2**	7.3	5.4	**12.7**
Commercial gallonage after credit	7.9	none	**7.9**	7.6	none	**7.6**	7.6	none	**7.6**	7.3	none	**7.3**
Electric utility after credit	3.07	5.8	**8.87**	3.01	5.6	**8.61**	2.51	5.6	**8.11**	2.43	5.4	**7.83**
Residual petroleum products	6.3	5.8	**12.1**	6.0	5.6	**11.6**	6.0	5.6	**11.6**	5.7	5.4	**11.1**
Commercial gallonage after credit	6.3	none	**6.3**	6.0	none	**6.0**	6.0	none	**6.0**	5.7	none	**5.7**
Electric utility after credit	1.52	5.8	**7.32**	1.45	5.6	**7.05**	0.95	5.6	**6.55**	0.87	5.4	**6.27**
Railroad diesel fuel	8.8	5.05	**13.85**	8.4	4.85	**13.25**	8.4	3.85	**12.25**	8.0	3.65	**11.65**
Net rate after exemption/refund	7.5	none	**7.5**	7.1	none	**7.1**	7.1	none	**7.1**	6.7	none	**6.7**

[1] Estimated rates.
[2] PBT rates on manufacturing were eliminated.

Legislation in 1994 provided that, beginning January 1, 1996, and annually thereafter, the indexed tax rates shall not change by more than 5 percent of the rates of the previous year. The index applicable to the 1996 calendar year required the 1995 rates to be increased by up to 4.41 percent on January 1, 1996. Similarly, the index for January 1, 1997, and January 1, 1998, increased by more than 5 percent (6.9 percent and 8 percent, respectively). Therefore, the basic and supplemental tax rates on various products were increased by up to 5 percent on these dates. In addition to the 5 percent cap on rate changes, the statute also requires the basic and supplemental rates to be rounded to the nearest tenth of one cent. As a result, the tax rates usually do not change by the full 5 percent allowed by the statutory formula. Projections used in this Budget call for the index for January 1, 2000, to decline by more than 5 percent, triggering rate reductions of up to 5 percent for 2000.

Petroleum Business Tax Index

Year	**Fuel Price Change**	**PBT Index**
1991	20.19%	20.19%
1992	16.47%	16.47%
1993	-14.40%	0.00%
1994	- 0.46%	0.00%
1995	- 8.72%	0.00%
1996	4.41%	4.41%
1997	6.88%	5.00%
1998	7.96%	5.00%
1999	-18.62%	- 5.00%
2000*	-10.86%	- 5.00%

*Estimated

The tax rate for kero-jet fuel for both 1996 and 1997 also reflects 1995 legislation, effective September 1, 1995, that reduced the base tax and eliminated the supplemental tax on kero-jet fuel. A credit that reduces the aviation gasoline rate to the kero-jet rate was also provided.

As described below, the base tax adopted in 1990 provides substantial credits for fuel used by corporations in the generation of electricity for sale, and such firms were not subject to the surcharge (now eliminated) on that tax. Those credits are also adjusted to reflect changes in the index.

SIGNIFICANT STATUTORY CHANGES

Legislation in 1990 revised and simplified the tax on petroleum businesses, converting the annual percentage-rate gross receipts tax to a monthly cents-per-gallon tax as of September 1, 1990 (the base tax). Unlike the prior gross receipts tax, the base tax did not apply to kerosene, bunker fuel or LPG.

The gallonage rates initially set by statute were:
— 5.5 cents for automotive-type fuel and aviation gasoline;
— 5.0 cents for nonautomotive middle distillate fuel;
— 4.0 cents for residual petroleum product; and
— 1.9 cents for kero-jet fuel.

The 1990 legislation provided for annual indexing of these rates to reflect price changes. Partial credits, also indexed, are provided for middle distillate and residual fuels used by certain electric corporations to generate electricity.

The 1990 statute also imposed a business tax surcharge on those tax rates of 15 percent for two years and 10 percent for one year. Subsequent legislation extended the imposition of the surcharge until 1994 when legislation was enacted to implement the phase-out schedule discussed above. Fuel eligible for the utility credits was exempt from the surcharge. The initial kero-jet rate also was exempt from the surcharge.

From September 1, 1990, until August 31, 1994, the State imposed a tax of 10 cents per quart on lubricants suitable for use in a motor vehicle engine. The tax was administered with the sales tax, and was payable quarterly by the retail seller of the oil. Legislation in 1994 repealed this tax.

Unlike the base tax, which is imposed at varying rates based upon the type of fuel, the supplemental tax, first imposed in 1991, originally applied uniformly to all fuels. At that time, certain fuels used in farming were exempted from the supplemental tax, and a credit against the supplemental tax was provided for certain fuels used in manufacturing. Under an additional 1991 modification, the petroleum business carrier tax was imposed. That tax is a complement to the fuel use tax imposed under the highway use tax and as such is imposed on fuel purchased by motor carriers outside the State but consumed within the State.

Under 1992 legislation, businesses with yearly motor fuel and petroleum business taxes totaling more than $5 million were required to remit tax for the first 22 days of the month by electronic funds transfer by the third business day thereafter. The tax for the balance of the month is paid with the monthly returns filed by the 20th of the following month.

Legislation in 1994, effective September 1 of that year: (1) converted the credit/reimbursement allowed against the supplemental tax for certain manufacturing use to an exemption; (2) exempted diesel fuel and residual fuel used for off-highway farm production from all petroleum business taxes and provided farmers a reimbursement for the tax on gasoline used for off-highway farm production; (3) provided petroleum business taxpayers with a credit or reimbursement against the base tax in the amount of one-half the supplemental tax and the surcharge on that tax on commercial heating fuels (nonautomotive diesel motor fuel or residual fuel oil) that qualify as commercial gallonage; (4) allowed commercial fisherman to claim a reimbursement for petroleum business tax paid on diesel fuel and gasoline used in the operation of a commercial fishing vessel; (5) allowed petroleum businesses to apply for a refund of petroleum business taxes paid on transactions involving certain consumer bad debts; (6) allowed highway use taxpayers that purchase more fuel in New York State than they consume in State to claim refunds or credits for overpayments of the petroleum business carrier tax, effective January 1, 1995; and (7) exempted the sale or use of commercial heating oil for the exclusive use and consumption of not-for-profit organizations from the supplemental petroleum business tax and the surcharge on that tax, effective September 1, 1995.

Legislation in 1995, effective September 1, 1995, 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. In addition, effective January 1, 1996, a full exemption is provided for heating fuel oils that are for the exclusive use and consumption of certain not-for-profit organizations.

Legislation enacted in 1996 provided tax relief for railroads, commercial businesses, utilities, and motorists and truckers that use diesel motor fuel. Those tax cuts will be phased in by April 1, 1999. The 1996 tax cuts include a full exemption from the supplemental tax imposed on distillate and residual fuels used by the commercial sector for heating, effective March 1, 1997; and, effective January 1, 1998, expansion to a full exemption of the partial exemption provided for residual and distillate fuels used in manufacturing and reduction of the supplemental tax imposed on diesel motor fuel by three-quarters of one cent per gallon. On April 1, 1999, the supplemental tax imposed on diesel motor fuel will be reduced by an additional one cent per gallon and the base tax credit for residual and distillate fuels used by utilities to generate electricity will increase one-half cent per gallon. Where applicable, the new rate structure maintains indexing by allowing the rates to be adjusted by the index and then subsequently changing such rates, credits, by the fixed cents-per-gallon amount prescribed in statute.

Legislation enacted with the 1997-98 Budget created a credit or refund for vessels for fuel 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.

Legislation submitted with this Budget will eliminate the minimum taxes on petroleum businesses and aviation fuel businesses under the PBT. Currently, the Tax Law imposes a minimum tax of $25 per month on petroleum businesses, and $2 per month on aviation fuel businesses under the PBT.

DISPOSITION OF REVENUES

In past years, proceeds of the 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, 27.3 percent or a guaranteed amount. The 1990 statute converting the tax from a gross receipt to a cents-per-gallon tax, expanded the tax yield and limited the MTOAF share to slightly more than 17.7 percent of the nonsurcharge proceeds, the dollar equivalent of its share prior to the expansion. The surcharge (now eliminated) and carrier tax receipts are deposited in the General Fund.

Separate 1991 transportation legislation provided that, on and after April 1, 1993, 100 percent of the supplemental tax and a portion of the base tax (see table below) would be deposited in the PBT Dedicated Funds Pool to be split between the Dedicated Mass Transportation Trust Fund and the Dedicated Highway and Bridge Trust Fund.

The PBT base tax fund distributions are listed as follows:

PBT Base Tax Fund Distribution

Effective Date	General Fund	MTOAF[1]	Dedicated Funds Pool[2]
	------(percent)------		
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

[1] This is split between the Public Transportation System Operating Assistance Account and the Metropolitan Mass Transportation Operating Assistance Account.

[2] This pool is split 37% to the Dedicated Mass Transportation Trust Fund and 63% to the Dedicated Highway and Bridge Trust Fund.

1998-99 RECEIPTS

Petroleum business tax receipts derived from motor fuel and diesel motor fuel are projected to follow the consumption trends of the fuel subject to the motor fuel excise tax. Residual fuels used by utilities are projected to increase due to the lower fuel price and weather conditions requiring more utility fuels.

Collections through December from petroleum business taxes, including audit receipts, surcharges and the carrier tax, have increased by approximately 7.4 percent from comparable receipts in 1997-98. Based on these collection trends, petroleum business taxes for the year are projected at $1,020.9 million. Those receipts reflect the elimination of the surcharge on June 1, 1997; the impact of the 1996 tax reductions for diesel motor fuel consumed by railroads; residual and distillate fuels consumed by the commercial sector; and additional credits or refunds provided to certain purchasers of aviation gasoline.

The estimate of receipts for 1998-99 includes the increases in PBT rates of 5 percent that took effect on January 1, 1998, and the decrease of 5 percent effective on January 1, 1999.

1999-2000 PROJECTIONS

The projected moderation in economic growth is expected to produce 0.2 percent and 1.5 percent increases in gasoline and diesel consumption, respectively. The demand for residual fuels consumed by utilities is projected to remain the same as the 1998-99 level.

Projected 1999-2000 receipts of $968.7 million assume that automotive fuel prices will increase by 2.3 percent and that inventories will remain stable. The estimate also reflects the continuation of the 1996 tax reductions which are projected to reduce 1999-2000 receipts by almost $36 million. In addition, receipts for 1999-2000 anticipate that the index that will be used to set PBT rates in January 2000 will decline by 5 percent. As a result, PBT rates are expected to decline in 1999-2000.

OTHER FUNDS

In 1997-98, the petroleum business tax provided MTOAF receipts of $108.2 million, Dedicated Highway and Bridge Trust Fund receipts of $476.5 million and Dedicated Mass Transportation Trust Fund receipts of $279.8 million.

Petroleum business taxes in 1998-99 are expected to provide MTOAF receipts of $117.5 million, Dedicated Highway and Bridge Trust Fund receipts of $503.4 million, and Dedicated Mass Transportation Trust Fund receipts of $295.7 million.

Petroleum business tax receipts in 1999-2000 are projected at $112.4 million for MTOAF, $482.9 million for the Dedicated Highway and Bridge Trust Fund, and $283.6 million for the Dedicated Mass Transportation Trust Fund.

GENERAL FUND

In 1997-98, petroleum business tax receipts of $114.1 million were deposited in the General Fund. General Fund receipts in 1998-99 are projected at $104.3 million. Those receipts reflect the decline due to legislative changes, and reductions in the General Fund share of petroleum business taxes that were implemented to hold the Dedicated Funds revenue stream harmless from the tax reductions.

General Fund receipts for 1999-2000 are projected at $89.8 million and reflect additional reductions in the General Fund share of petroleum business taxes as a result of the 1996 tax reductions.

PBT Receipts by Fund Type
(thousands)

	Total	Capital Projects[1]	Special Revenue[2]	General Fund
	------------------------------	Actual	------------------------------	
1990-91	$ 490,961	. . . .	$ 58,163	$ 432,798
1991-92	927,953	. . . .	82,159	845,794
1992-93	1,172,577	. . . .	99,576	1,073,001
1993-94	1,145,348	$ 55,026	235,694	854,628
1994-95	1,045,938	228,982	341,992	474,964
1995-96	1,004,782	423,843	299,389	272,550
1996-97	967,323	454,060	372,364	140,899
1997-98	978,627	476,501	388,030	114,096
	--------------------------	Estimated	----------------------------	
1998-99	$1,020,900	$503,400	$413,200	$ 104,300
1999-2000	968,700	482,900	396,000	89,800

[1] Dedicated Highway and Bridge Trust Fund.
[2] Special Revenue includes MTOAF and Dedicated Mass Transportation Trust Fund.

REAL ESTATE TRANSFER TAX

The real estate transfer tax applies to each real property conveyance, whether by a deed or by transfer of securities, at a rate of $2 for each $500 of consideration or fraction thereof. The definition of consideration includes the value of any lien or encumbrance on the property transferred except on sales of one-, two- or three-family homes and residential condominiums, and sales where the consideration (including the value of any such lien or encumbrance) is less than $500,000. The person conveying the property (usually the seller) is responsible for payment of the tax, either through purchase of adhesive documentary stamps or by use of a metering machine, or other device, provided by the Commissioner of Taxation and Finance.

The real estate transfer tax provides invaluable data to local taxpayers and assessors, as well as to the Office of Real Property Services. Transfer deeds, which are reviewed by recording officers (i.e., county clerks or the City Register in New York City), are the most accurate and accessible source of realty sales information. Tax stamps affixed to the conveyance of transfer, usually a deed, indicate a property's sales value and offer proof that frequently is necessary when taxpayers pursue administrative or judicial review of property tax assessments.

RECENT DEVELOPMENTS

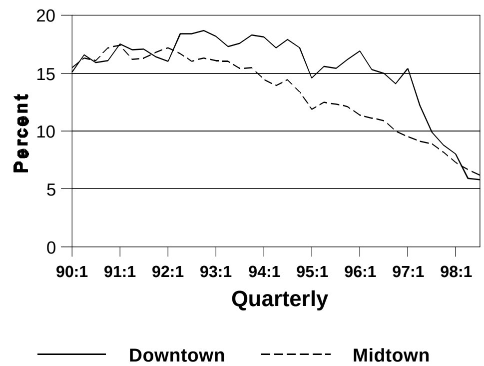
Despite periodic cyclical downturns, the historical trend of increasing property values tends to ensure long-term growth in collections from this tax. Nonetheless, the performance of New York City financial markets, interest rates, and employment expectations remain important factors influencing both sales activity and the pricing of real estate transactions in the short-term. Since 1995-96, these factors have combined to produce double digit percentage increases in collections. This period has been characterized by: sales from extra large commercial transactions, the tremendous growth of real estate investment trusts, the securitization of commercial mortgages, and the diversification of assets by large insurance companies both into real estate to establish positions, and sales of large portfolios to lighten positions. The real property gains tax was repealed in 1996, immediately lowering the tax on commercial conveyances over $1 million, which both unlocked transactions and encouraged demand. Also, the strong economy and low mortgage rates combined to drive up both residential prices and the number of sales, particularly in New York City.

Legislation enacted in 1994, and modified in 1995, 1996, and 1998 provided for the dedication of real estate transfer tax receipts to the Environmental Protection Fund (EPF) beginning June 1995. Under that legislation, $33.5 million was deposited in the EPF during 1995-96, $87 million in 1996-97 and 1997-98, and $112 million will be deposited in 1998-99 and annually thereafter. Additional legislation was enacted in 1996 that transfers all real estate transfer tax collections not dedicated to the EPF to the Clean Water/Clean Air Bond Debt Service Fund (Fund), beginning April 1, 1997. Receipts in the Fund in excess of debt service requirements are to be transferred back to the General Fund and classified as a transfer from other funds.

1998-99 RECEIPTS

Reported collections during the first nine months of 1998-99 totaled $247.3 million, up 41.3 percent from 1997-98 receipts for the comparable period. Regional growth has been uneven. The commercial sector in New York City, benefitting from lower vacancy rates and growth in the economy, has experienced tremendous increases in both pricing and sales. Receipts from Manhattan, which has benefitted from a surging financial sector, have witnessed triple-digit growth in the fiscal year through November. According to Cushman and Wakefield, the average direct vacancy rate for class A space in Midtown Manhattan dropped from 10.9 percent during the third quarter of 1996, to 6.2 percent during the third quarter of 1998. The drop in downtown Manhattan was even more dramatic — from 15 percent to 5.8 percent during the same period. (See graph.) The real estate market in New York City was extremely active in August, but the stock market downturn during September tempered demand somewhat. Anecdotal evidence suggests that banks are pulling back from providing loans in the amounts necessary to finance large commercial transactions, both buyers and sellers have backed out of deals, and residential demand has softened. Many upstate counties have yet to see any significant recovery in housing activity or prices.

Vacancy Rates in NYC Primary Markets



Source: Cushman & Wakefield

In comparison with 1997-98, county tax liabilities through November from New York City were up 70.8 percent to $75.8 million; from the five counties surrounding New York City, up 27.4 percent to $65.6 million; and, from the rest of the State, up 16.6 percent to $71.4 million; central office collections (through December), which are mostly non-deed type transactions, were up 30.7 percent to $43.3 million.

After accounting for $8 million in 1997-98 payments that were paid in April, collections for the balance of the fiscal year are expected to grow more slowly than during the first nine months. Although the September stock market downturn appeared to result in a real estate market slowdown, the subsequent rebound may cause a corresponding boost to real estate demand leading to more transactions at higher prices. Net all funds receipts in 1998-99 are estimated at $330 million, up 43.7 percent.

1999-2000 PROJECTIONS

The rapid increase both in prices and in the number of real estate transactions that typified activity in 1998-99 are unlikely to recur in 1999-2000. In particular, large one-time conveyances such as the sale of the General Motors building are not expected to occur at the same rate. Receipts from the sale of utility non-nuclear generating assets are an area of uncertainty in the estimate. Accordingly, net all funds receipts for 1999-2000, are expected to fall to $279 million, down 15.4 percent from 1998-99, but 21.5 percent higher than any prior year collections.

OTHER FUNDS

During 1998-99, the current statutory amount of real estate transfer tax receipts to be diverted from the General Fund to the EPF is $112 million. The remainder of such receipts, estimated at $218 million, are to be deposited in the Clean Water/Clean Air Bond Debt Service Fund.

GENERAL FUND

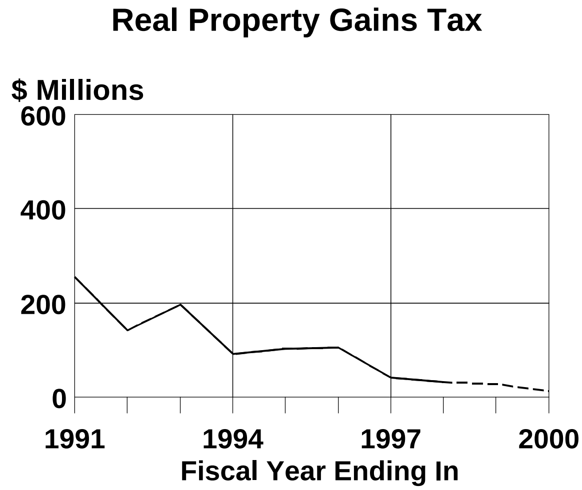
The General Fund will receive no direct deposit of real estate transfer tax receipts in 1998-99 or 1999-2000, after the statutory diversion of moneys to the EPF and all of the remaining tax receipts to the Clean Water/Clean Air Bond Debt Service Fund.

All Funds Receipts from Real Estate Transfer Taxes
(thousands)

	Gross Collections	Refunds	Net Collections (All Funds)	General Fund	EPF	CW/CA
			-------------------- Actual --------------------			
1990-91	$153,920	$ 84	$153,836	$153,836	....	....
1991-92	140,413	246	140,167	140,167	....	....
1992-93	150,085	532	149,553	149,553	....	....
1993-94	163,174	618	162,556	162,556	....	....
1994-95	187,801	278	187,523	187,523	....	....
1995-96	182,005	307	181,698	148,198	$33,500	....
1996-97	194,859	371	194,488	....	87,000	....
1997-98	229,747	115	229,632	....	87,000	$142,632
			------------------ Estimated ------------------			
1998-99	$330,010	$ 10	$ 330,000	....	$112,000	$218,000
1999-2000	279,050	50	279,000	....	112,000	167,000

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, 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.



1998-99 RECEIPTS

Remaining collections stem primarily from installments for tax liability arising from sales of condominium and cooperative housing for projects that were still being sold at the time of the gains tax repeal. These deferred payments, which were augmented by accelerated payments of $4.4 million, amounted to $21 million through December with another $1 million expected by year-end. Collections from assessments processed through the Case and Assessment Resources Tracking System (CARTS) and other sources totaled $10 million through December, with an additional $3 million expected. Total refunds for the year are estimated at $7 million. As a result, net real property gains tax collections for 1998-99 are estimated at $28 million.

1999-2000 PROJECTIONS

It is projected that collections from outstanding audits will produce $5.5 million, and installments from existing deferred payment arrangements, which will be reduced by prior-year's payment accelerations, will produce an additional $11.5 million, for gross collections of $17 million. Refunds of $3 million of prior year liability will result in net real property gains tax collections of $14 million for 1999-2000.

General Fund Receipts from the Real Property Gains Tax
(thousands)

	Gross Collections	Refunds	Net Collections
	------------------ Actual --------------------		
1990-91	$261,187	$ 5,559	$255,628
1991-92	161,579	18,659	142,920
1992-93	209,246	11,920	197,326
1993-94	119,116	26,494	92,622
1994-95	125,806	22,238	103,568
1995-96	150,412	44,503	105,909
1996-97	68,319	25,964	42,355
1997-98	68,181	35,551	32,630
	---------------- Estimated ------------------		
1998-99	$ 35,000	$ 7,000	$ 28,000
1999-2000	17,000	3,000	14,000

REGIONAL BUSINESS TAX SURCHARGE

In December 1982, a two-year surcharge on State business taxes (bank tax, corporation franchise tax, corporation and utilities taxes, and insurance taxes) was adopted to help finance mass transportation in the downstate metropolitan region. Statutes through 1997 have periodically extended the temporary surcharge, most recently for a period of four years. The surcharge is imposed at a rate of 17 percent on the portion of the statewide tax liability of the business that is allocated to the Metropolitan Commuter Transportation District (MCTD) and is the principal revenue source of the Mass Transportation Operating Assistance Fund. The MCTD comprises New York City, Long Island, and the counties of Dutchess, Orange, Putnam, Rockland and Westchester. For specific information on the taxes to which this surcharge is applied, see the related explanations in this Appendix.

For a variety of reasons, surcharge receipts have been volatile in recent years. Under a 1991 revision, the surcharge, similar to the State taxes to which it applies, is remitted quarterly, on an estimated basis. Business tax surcharge receipts were inflated in State fiscal year 1991-92, and, to a lesser extent, in 1992-93 by the effects of the conversion to quarterly estimated payments from the prior annual remittance schedule. In addition, surcharge receipts increased in 1991-92 and thereafter as a result of the rate increase enacted in mid-1991 affecting utilities paying tax under section 186-a of the Tax Law.

In recent years, a significant factor in year-to-year volatility has been the performance of the financial services sector. The exceptionally strong 1993 earnings performance of the financial services industry in New York City was the primary reason for the sharp increase in 1993-94 surcharge collections. By the same token, because of both weakness in 1994 tax liability in the financial services sector located in the New York City metropolitan region and the late enactment of the 1995 legislation to extend the surcharge, collections declined by more than 22 percent in 1994-95. The strong growth in the financial services sector in 1995 and the rollover of payments from 1994-95 contributed to a 21 percent increase in collections in 1995-96. Strong surcharge collections continued in 1996-97 with an 8 percent increase over 1995-96. Both continued growth in the financial services sector and extraordinary bank tax audit collections increased surcharge receipts in 1996-97, despite reduced collections from the utility and insurance taxes. For the third straight year, 1997-98 regional business tax surcharge collections increased over the prior fiscal year. While prior year collections were driven, primarily, by the financial sector, collections in 1997-98 increased as a result of an 18 percent increase in corporation and utilities collections. Volatility in the Article 9 taxes has occurred because of statutory changes, discussed in that section of this Appendix, that are also reflected in the surcharge collections.

RECENT LEGISLATION

Legislation enacted in 1997 extends the surcharge for taxable years ending before December 31, 2001. For gas importers under Article 9, the surcharge has been extended for taxable months ending on or before June 30, 2001.

1998-99 RECEIPTS

Surcharge receipts are projected to decrease by over 10 percent in 1998-99. This is a direct result of the general decline in business tax receipts in 1998-99. Net collections through December from the corporate franchise tax and the corporation and utilities taxes have declined relative to the same period in 1997-98. The corporation and utilities decline is related, in part, to warmer weather which has reduced heating and cooling days and tax rate reductions. Also contributing to reduced collections are lower bank tax receipts. These reductions have been offset by a minor increase in insurance receipts. See the related business tax descriptions in this Appendix for more details.

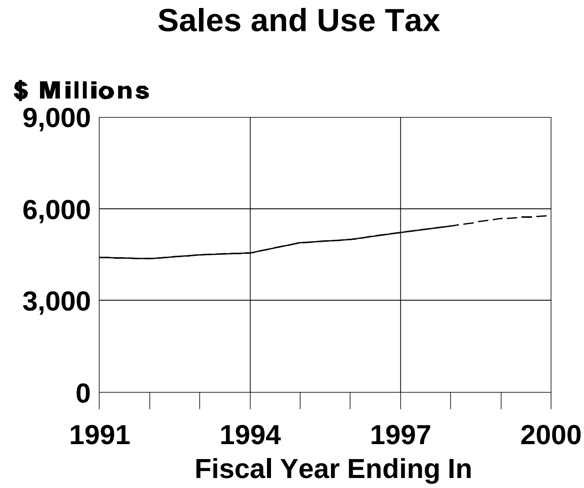
1999-2000 PROJECTIONS

Surcharge receipts are projected to decrease by under 2 percent in 1999-2000. This decrease is the net result of marginal increases in estimated surcharge receipts from the bank and insurance taxes and a decline in corporation and utilities surcharge receipts for the same period.

Regional Business Tax Surcharge Receipts
(thousands)

	Gross Collections	Refunds	Net Collections
	-------------------- Actual --------------------		
1990-91	$368,789	$22,928	$345,861
1991-92	507,799	19,663	488,136
1992-93	496,739	24,333	472,406
1993-94	577,195	26,451	550,744
1994-95	463,192	35,330	427,862
1995-96	563,776	45,433	518,343
1996-97	614,534	54,302	560,232
1997-98	641,351	40,679	600,672
	------------------ Estimated -----------------		
1998-99	$583,000	$45,000	$538,000
1999-2000	574,000	45,000	529,000

SALES AND USE TAX



New York is one of 45 states imposing a general sales and compensating use tax. The State tax rate has been raised twice: from 2 percent to 3 percent on April 1, 1969, and to the current 4 percent rate on June 1, 1971. While State law generally authorizes a maximum combined State-local rate of 7 percent (7.25 percent in the Metropolitan Commuter Transportation District), there are many exceptions to this, most of them under special temporary authorizations.

The most long-standing exception has been the New York City sales and use tax, which has been imposed at the rate of 4 percent since July 1, 1974. A one-quarter of 1 percent sales tax to fund public transportation has been imposed in the 12-county Metropolitan Commuter Transportation District (MCTD) since September 1, 1981, bringing the aggregate sales tax rate in New York City to its current rate, 8.25 percent. As of March 1998, 20 counties and 4 cities (including New York City) outside those counties, accounting for more than 75 percent of the State's population, have a State-local rate that is 8 percent or higher.

BASE OF TAX

This broad-based consumption tax applies to receipts from: (1) sales and use within the State of most tangible personal property; (2) certain utility service billings; and (3) charges for restaurant meals, hotel and motel occupancy, and specified admissions and services.

To minimize the burden of the tax on low-income families, a broad exemption is provided for rent, most food for home consumption, drugs (including nonprescription drugs formerly subject to local sales taxes in the State), medical services, and public transportation services. Since October 1, 1980, billings for residential energy use have been exempt from the 4 percent State tax. Temporary exemptions from the State's 4 percent sales and use tax for certain clothing and footwear purchases were enacted for one-week periods in January and September of 1997 and 1998. Legislation enacted in 1998 exempted clothing and footwear costing less than $500 for the period of January 17 thru January 24, 1999. Effective December 1, 1999, the exemption for clothing and footwear costing less than $110 will be made permanent.

ADMINISTRATION

The frequency with which collections are remitted is based on volume. Vendors generally are required to submit quarterly reports and remit tax collections by March 20, June 20, September 20, and December 20. By regulation, vendors collecting $3,000 or less in sales tax per year may elect to file annually, in March. Prior to June 1, 1998, this threshold was $250 and the period for filing an annual return was a year ending May 31. Beginning in March 1976, vendors with quarterly taxable volume of $300,000 or more have been required to remit tax on a monthly basis.

Monthly remittances are due on the 20th day of the month following the month of collection and until 1991 were due on an estimated basis as prepayment on March 20 for the month of March. The March prepayment requirement was eliminated in 1983 for local sales taxes and in 1991 for the State tax. Under 1992 legislation, sales tax vendors with more than $5 million in State and local annual tax liability remit tax for the first 22 days of the month by electronic funds transfer (EFT) by the third business day thereafter. Legislation in 1994 and 1995 reduced the annual tax liability threshold to $4 million and $1 million, respectively. Currently, approximately 34 percent of the tax is remitted through EFT payments.

The tax usually is collected from the consumer by the final vendor. However, other special provisions permit some taxpayers to pay the State Tax Commissioner directly. In addition, legislation in 1985 substantially revised the manner in which sales and use taxes and motor fuel taxes on gasoline are remitted in New York. These taxes now are initially remitted by the importer in the month following import, with the bulk of the sales tax prepaid at a gallonage rate based upon regional prices and rates. The regional average motor fuel prices used to determine the sales and use prepayment rate for motor fuel and diesel motor fuel are determined semiannually by the Department of Taxation and Finance. Actual sales tax liability is reconciled ultimately by the vendor at the time of final remittance. Legislation in 1995 similarly revised the manner in which sales and use taxes on cigarettes are remitted. Effective September 1, 1995, cigarette agents were required to prepay the sales tax on cigarettes at the same time and in the same manner as the agent pays for cigarette stamps. The base retail price for cigarettes used to determine the sales and use prepayment rate is adjusted annually on September 1 to reflect changes in the selling price of cigarettes. Actual sales tax liability is reconciled when the vendors file their sales tax returns.

The State also administers and collects general and selective sales taxes imposed by municipalities. In general, local levies apply to the same items as the State tax, with the exception of certain variations in the tax treatment of goods and services used by manufacturers and of residential energy use. The application of State-administered selective local sales taxes to admissions, hotel occupancy, and restaurant meals charges parallels corresponding provisions of the general State sales and use tax.

SIGNIFICANT STATUTORY CHANGES

Legislation in 1989 modified the sales tax statute to enhance the competitiveness of New York businesses, increase the State's sales tax enforcement capability, and improve revenue productivity of the tax. This measure closed loopholes in the law adversely affecting New York businesses in competition with interstate printing, building and mail order firms; included entertainment promoters among vendors with sales tax responsibilities to ensure sales tax compliance at large athletic and entertainment events; and clarified the imposition of the use tax. The 1989 legislation also broadened the definition of vendor to include sellers regularly soliciting sales in the State or regularly delivering goods to New York locations, restored part of the sales tax base eroded by certain court decisions, and included cigarette and tobacco taxes in the price of those commodities for purposes of calculating the sales tax.

Legislation in 1990 modified the sales and use tax to accelerate the payment of tax on long-term leases of automobiles and light commercial vehicles and to extend the sales tax to charges for contractual interior cleaning, motor vehicle parking, protective and detective services, interior decorating, and telephone information and entertainment services.

Statutory revisions in 1991 extended the sales tax base to prewritten computer software, telephone answering services, and certain shipping charges.

Legislation in 1993 imposed an additional 5 percent State sales tax on information and entertainment services furnished or delivered by telephone and received aurally.

In 1994, legislation provided a vendor allowance credit in the amount of one and one-half percent of the State sales tax required to be collected and paid over with timely filed and fully paid quarterly or annual returns, up to a maximum credit of $100 per return.

Legislation in 1995 exempted receipts from the sale of meteorological services, certain purchases of goods and services to maintain guide dogs and coins of the Republic of South Africa sold for investment purposes. In addition, legislation that year exempted homeowners associations from the sales and use tax imposed on dues paid to social or athletic clubs and converted the credit for sales and use tax paid on motor fuels by fire and ambulance companies to an exemption.

Legislation in 1996 expanded the sales and use tax exemption applicable vessels and aircraft; exempted receipts from t owned by municipal corporations, district corporations and public benefit corporations; simplified the criteria for determining the taxability of shopping papers; waived EFT requirements for certain materialmen that can demonstrate hardship; provided a temp exemption from the State 4 pe tax imposed on the receipts of clothing and footwear priced under $500 during the one-week period of January 18 thru January 24, 1997, with localities granted the option to exempt the same purchases from locally imposed sales and use taxes; and exempted the receipts from the sale of certain promotional materials and associated services.

Legislation enacted in 1997 exempted clothing costing less than $100 from the State's 4 percent sales and use tax for the weeks of September 1 thru September 7 in 1997 and 1998, with localities granted the option to exempt the same purchases from locally imposed sales and use tax; made the exemption for clothing priced under $100 permanent on December 1, 1999, with local option; exempted the receipts from sales of automotive emissions testing equipment required for tests mandated by the Federal Clean Air Act; extended the existing exemption applicable to certain alternative fuel vehicles, and property and services associated with such vehicles until February 28, 2003; provides that on March 1, 1999, the current vendor allowance credit will increase to 3.5 percent of their sales tax liability, not to exceed $150 per quarter; excluded from the definition of vendors persons that are not otherwise vendors who purchase fulfillment services from a non-affiliated person in New York State; and eliminated the sales tax on certain receipts from: bulk sales made through vending machines, coin-operated photocopying, passenger buses, food and drink sold through vending machines, coin-dispensed luggage carts, wine consumed at wine tastings, admissions to live circuses and homeowners' association parking services.

Legislation enacted in 1998:

1. exempted clothing and footwear priced at less than $500 from the State's sales and use tax for the one-week period of January 17 thru January 23, 1998, with localities granted the option to exempt the same purchases from locally imposed sales and use tax;

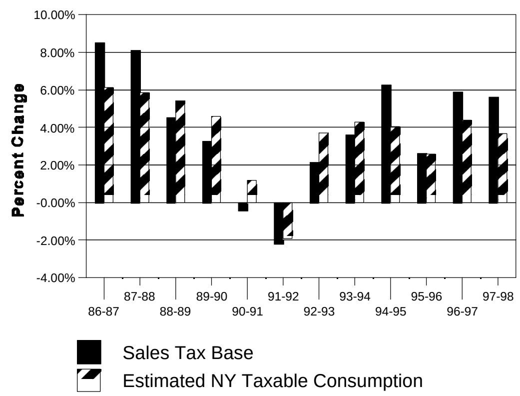
2. expanded the September 1 thru September 7, 1998, temporary clothing exemption to include both footwear and clothing priced under $500;
3. exempted clothing and footwear priced under $500 from the State's sales and use tax for the period of January 17 thru January 24, 1999, with local option;
4. expands the permanent clothing exemption commencing December 1, 1999, to include footwear and raises the threshold at which items become taxable to $110;
5. eliminated the sales tax on: required textbooks purchased by full- and part-time college students for their courses, effective June 1, 1998; computer system hardware used or consumed in designing and developing computer software for sale, effective June 1, 1998; and certain parts, tools, supplies, machinery, equipment and services used to produce oil or gas for sale, effective December 1, 1998;
6. provided for the threshold amount for the existing sales tax exemption for coin-operated telephone services to increase from 10 cents to 25 cents and expand the existing sales and use tax exemption for telephone and telegraph central office equipment to include equipment used in receiving, amplifying, processing, transmitting and re-transmitting such communications, effective September 1, 1998;
7. codified the State's policy that Internet access charges are not subject to sales and use tax and that an out-of-State business, which is not otherwise a vendor for the purposes of the sales tax, does not thereby become a vendor merely by utilizing an Internet server located in New York or advertising on a server located in New York;
8. grants qualifying materialmen primarily engaged in selling building materials to contractors the option of remitting their sales tax returns on either a cash or an accrual basis, effective June 1, 1999; and
9. clarified existing provisions concerning: the tax-exempt status of Merchant Marine veterans' groups, the definition of "affiliated persons" for the purposes of the fulfillment services exemption, and parking and garaging services provided by homeowners' associations.

EXPLANATION OF ESTIMATES

The estimates developed by the Division of the Budget begin with the forecast of the national and State economies. The variables that are most indicative of the level and changes in sales tax receipts are taxable consumption, employment, income, consumer sentiment, and industrial production which captures purchases by businesses. These variables are brought together in an econometric model to produce a forecast. This forecast is further supplemented with information on estimated audit collections, refunds, tax law changes, court decisions, administrative adjustments and changes in collection procedures to arrive at estimates of cash deposits to the General Fund, Local Government Assistance Corporation (LGAC), and the Mass Transportation Operating Assistance Fund (MTOAF).

The years since the late 1980's represent a good example of the relationship between sales tax receipts and underlying economic factors. Fiscal years 1986-87 and 1987-88 were marked by growth in the continuing sales tax base of over eight percent which can be traced back to strong employment and real income growth in New York and robust national growth in real consumption of goods and services taxable in New York. Conversely, fiscal years 1988-89 through 1991-92 were characterized by slower growth or actual declines in the sales tax base, declines in New York employment, real New York personal income, real national taxable consumption and consumer confidence. Finally, fiscal years 1992-93 to 1996-97 witnessed improved growth rates in estimated real national taxable consumption and higher levels of consumer confidence, but the State's economy came out of the recession more slowly and employment and real personal income grew only modestly. This resulted in growth in the sales tax base that, although improved from the early 1990's, was moderate compared with the late 1980's.

Growth in Base Sales Tax Receipts and Taxable Consumption



As the accompanying chart indicates, there is a close relationship between taxable consumption and growth in sales tax receipts. In periods of relative prosperity, base sales tax receipt growth exceeds growth in taxable consumption as business purchases and the consumption of durable goods subject to tax increase. The situation is reversed during recessionary periods as business purchasing contracts.

1998-99 RECEIPTS

Sales and use tax receipts for the first nine months of the fiscal year increased by approximately 4.4 percent from the comparable period in 1997-98. Sales tax receipts for all of 1998-99 are expected to reach $7,580 million (excluding MTOA receipts) which is 4.5 percent higher than 1997-98 receipts. Growth in the continuing sales tax base is projected to increase by approximately 5.0 percent over 1997-98 levels.

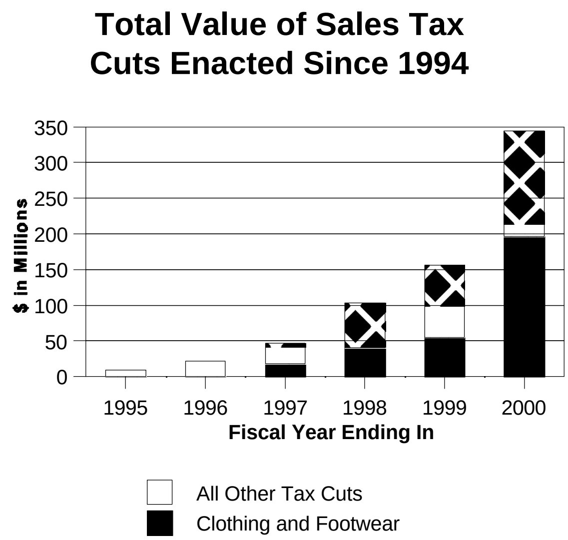
The minor reduction in growth of the continuing sales tax base from 5.6 percent in 1997-98 to 5.0 percent in 1998-99 may be traced to several underlying economic factors, including: (1) a modest drop in consumer sentiment during the late summer and early autumn; (2) slower growth in business output which implies a moderation in business spending; and (3) continued strengthening of the dollar which makes the United States a less attractive tourist destination. Offsetting these adverse factors are increases in the growth of State personal income of 4.6 percent, employment growth of 1.8 percent and an increase of 4.6 percent in consumption which is taxable in New York State.

In addition to the economic forecast, receipts from the Case Resource and Tracking System (CARTS) have not increased substantially from 1997-98 levels, and tax cuts enacted in 1997 and 1998 are expected to save taxpayers approximately $84 million more than in the preceding year. In contrast, higher cigarette prices resulting from the recent tobacco settlement should significantly increase sales tax receipts throughout the remainder of 1998-99 and into 1999-2000.

1999-2000 PROJECTIONS

The 1999-2000 sales tax forecast reflects growth in the continuing sales tax base of 4.4 percent. It is expected that growth in taxable consumption including both durable and non-durable goods will continue to slow relative to 1998-99. Further moderation in the growth rates of State employment, personal income and consumer sentiment also are expected to contribute to the slowdown in base sales and use tax receipts. Finally, it should be noted that future increases in Internet commerce may begin to significantly erode the State taxable sales base.

The 1999-2000 projections also reflect the part-year impact of the permanent clothing and footwear exemption, which will save taxpayers nearly $200 million. All other tax cuts enacted since 1994, including the full-year impact of the 1998 cuts, are expected to save taxpayers an additional $148 million. (See chart.)



CARTS receipts are not anticipated to increase substantially from 1998-99 levels. Reflecting all of these factors, General Fund and LGAC sales tax collections, including the telephone entertainment tax, are expected to total $7,719 million in 1999-2000, or an increase of 1.8 percent.

Legislation submitted with this Budget will: (1) extend certain special record keeping requirements for parking operators in Manhattan, minimally increasing 1999-2000 sales and use tax receipts; and (2) provide for a new price index to adjust the base retail price of cigarettes for the purposes of the prepaid sales tax on cigarettes. This will preserve a minimal amount of State sales tax revenue in 1999-2000.

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). The Fund received $1,813 million in 1997-98 and will receive an estimated $1,890 million in 1998-99 and $1,929 million in 1999-2000. 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. The Fund derives part of its revenues from a one-fourth of 1 percent sales and compensating use tax imposed in the Metropolitan Commuter Transportation District. The Fund, which received $306 million in sales and use tax receipts in 1997-98, will receive an estimated $319 million in 1998-99 and $325 million in 1999-2000.

GENERAL FUND

Excluding the amount transferred from the LGATF, sales and use taxes accounted for General Fund receipts of $5,442 million in 1997-98. General Fund receipts from these taxes are estimated at $5,690 million for 1998-99, and $5,790 million for 1999-2000.

General Fund
Sales and Use Tax Receipts
(thousands)

	Gross Receipts	Refunds	Net Receipts
		Actual	
1990-91	$4,423,184	$14,087	$4,409,097
1991-92	4,372,200	12,989	4,359,211
1992-93	4,514,288	27,538	4,486,750
1993-94	4,578,362	18,785	4,559,577
1994-95	4,918,969	21,151	4,897,818
1995-96	5,017,263	22,415	4,994,848
1996-97	5,265,260	40,212	5,225,048
1997-98	5,466,602	24,254	5,442,348
		Estimated	
1998-99.	$5,723,000	$33,000	$5,690,000
1999-2000 (Current law)	5,823,000	33,000	5,790,000
1999-2000 (Proposed law) . .	5,823,000	33,000	5,790,000

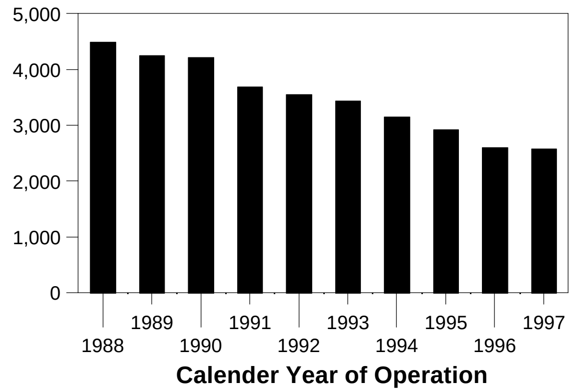
OTHER TAXES

RACING ADMISSIONS TAX

A 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters throughout the State. Expanded interstate competition (e.g., the Meadowlands in New Jersey, OTB and jai alai in Connecticut) and growth in off-track betting activity within New York as well as the proliferation of casinos within and outside New York State, have historically led to declines in total paid attendance at tracks (see charts) and in receipts from this source. Collections in 1996-97 were substantially reduced due to poor weather that resulted in a reduction of racing days.

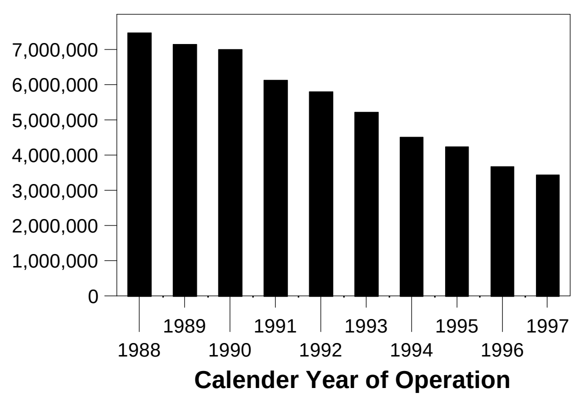
Based on receipts during the first nine months of the current fiscal year, which included the second year of the six-week extended racing season at Saratoga Racecourse, total 1998-99 collections are estimated at $280,000. Receipts from this tax for 1999-2000 are projected at $270,000. Increased attendance at simulcast facilities and Saratoga Racecourse is expected to be offset by continued admissions declines at other New York racetracks, due primarily to the New York Racing Association's decision to continue the non-Saratoga five days per week racing schedule that began in 1998.

New York State Tracks
Average Daily Attendance



Source: New York Racing Association

New York State Tracks
Total Attendance



Source: New York Racing Association

BOXING AND WRESTLING EXHIBITIONS TAX

A 5.5 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights. Single events of high spectator interest can influence the yield of the tax substantially, causing the receipts from this tax to vary considerably from year-to-year.

Based on receipts during the first nine months of the current fiscal year, full-year 1998-99 receipts are expected to reach $420,000. This represents a $219,000 decline from 1997-98 collections which were augmented by a one-time payment of back taxes. The continued growth of simulcast and on-site wrestling and boxing events are expected to increase collections from this revenue source to $430,000 for 1999-2000.

General Fund Receipts from Other Taxes
(thousands)

	Admissions	Exhibitions	Net Collections
	---------- Actual ----------		
1990-91	$477	$278	$755
1991-92	438	258	696
1992-93	405	336	741
1993-94	399	262	661
1994-95	357	277	634
1995-96	310	182	492
1996-97	272	232	504
1997-98	310	639	949
	---------- Estimated ----------		
1998-99	$280	$420	$700
1999-2000	270	430	700

MISCELLANEOUS USER TAXES

CONTAINER TAX

From September 1, 1990, until November 30, 1995, New York State imposed a two-cent tax on all nonrefillable soda containers that are in the State's bottle and can recycling deposit system. The deposit system was created in 1983 by the New York State Returnable Container Law, which imposes a refundable five-cent deposit on soda and beer bottles and cans and wine cooler containers. Legislation enacted in 1995, effective December first of that year, cut the container tax to one-cent per container. Legislation enacted in 1997 repealed the container tax effective October 1, 1998.

1998-99 Receipts

Container tax receipts for the first nine months of the current fiscal year have decreased by approximately 11.4 percent, or $2.4 million, from the comparable period in 1997-98. Estimated net General Fund receipts for 1998-99 of $19.2 million reflect the year-to-date results, and the repeal of the tax effective October 1, 1998.

1999-2000 Projections

Net container tax receipts of $0.2 million for the coming fiscal year reflect the repeal of the tax on October 1, 1998, and the net effect of audit collections and refunds.

AUTO RENTAL TAX

Since June 1, 1990, the State has imposed a 5 percent tax on charges for any rental or use in New York State of a passenger car with gross vehicle weight of 9,000 pounds or less that has seating capacity for nine or fewer passengers. The tax applies to a vehicle rented by a resident or a nonresident, regardless of where the vehicle is registered. The tax does not apply to a car lease covering a period of a year or more.

1998-99 Receipts

Receipts from the auto rental tax are influenced by the overall health of the economy, including consumer and business spending, and by the strength of the State's tourism industry. Collections for the first nine months of the current fiscal year were approximately 6.4 percent, or $1.7 million, higher than receipts in the comparable period of 1997-98. Based on collections to date and the expectation of moderate growth in the economy for the remaining months of the fiscal year, General Fund auto rental tax receipts for 1998-99 are estimated at $34.4 million.

1999-2000 Projections

Modest growth in the New York economy is anticipated next year as detailed in the Economic Backdrop section. As a result, auto rental receipts are projected to grow approximately 3.5 percent bringing General Fund auto rental receipts to $35.6 million in 1999-2000.

HOTEL OCCUPANCY TAX

From June 1, 1990, through August 31, 1994, New York State imposed a special hotel and motel occupancy tax at the rate of 5 percent of the daily charge for hotel or motel rooms or suites. Exemptions were provided for permanent residents and for rooms where the daily rate was less than $100.

On September 1, 1994, the State repealed the State hotel and motel occupancy tax, saving taxpayers approximately $100 million annually. State and, to a lesser extent, City hotel tax reductions have been credited with contributing to the recent boom in New York City hotel occupancy and revenues.

1998-99 Receipts and 1999-2000 Projections

Year-to-date hotel occupancy receipts of approximately $57,600 are the net result of audit efforts and refunds. Net residual payments for the remainder of the current year of $10,000 are expected to bring General Fund hotel receipts to $67,600. Net residual payments for 1999-2000 are projected to be zero.

General Fund Receipts from Miscellaneous User Taxes
(thousands)

	Container Tax [1/]	Auto Rental Tax	Hotel Occupancy Tax [2/]
	Actual		
1993-94	$51,602	$26,473	$70,069
1994-95	51,130	29,069	41,371
1995-96	45,574	28,344	1,783
1996-97	25,460	31,057	863
1997-98	26,937	32,039	56
	Estimated		
1998-99	$19,200	$34,400	$ 68
1999-00	200	35,600	. . . .

[1/] Repealed October 1, 1998.
[2/] Repealed September 1, 1994.

MISCELLANEOUS RECEIPTS
General Fund

Miscellaneous Receipts cover a broad range of unrelated revenue sources with significant recurring income derived from abandoned property, investment earnings, fees, and transfers from the funds of other State entities. Income also is received from licenses, fines and various reimbursements to the State's General Fund. Each year, the reported receipts are also affected by various nonrecurring transactions.

In fiscal year 1997-98, Miscellaneous Receipts totaled $1,598 million. Major revenue sources in that year included: $270 million in unclaimed and abandoned property; $125 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); $490 million in fees, licenses, fines, royalties, and rents; $472 million in medical provider assessments; $199 million in reimbursements; and $4 million in Federal grants.

In addition, the receipts included $17 million from the Energy Research and Development Authority; $18 million as repayment for the clean up of the Love Canal area (last of three payments); and a $3 million reimbursement of spending for transportation facilities at Oak Point.

1998-99 RECEIPTS

Miscellaneous Receipts are estimated at $1,534 million in 1998-99, a decrease of $64 million from the prior year. The estimate assumes receipts of $290 million in unclaimed and abandoned property; $196 million in net investment earnings; $502 million in fees, licenses, fines, royalties and rents; $365 million in medical provider assessments, reflecting the first full-year of the gradual phase-out of assessments; $164 million in reimbursements; $4 million in Federal grants; $2 million from the Energy Research and Development Authority and a $11 million repayment from the Long Island Power Authority.

1999-2000 PROJECTIONS

Miscellaneous Receipts are projected at $1,242 million in 1999-2000, a decrease of $292 million from the amount estimated for 1998-99. This baseline projection assumes receipts of $294 million in unclaimed and abandoned property; $108 million in net investment earnings; $160 million in reimbursements; $498 million in fees, licenses, fines, royalties and rents; $175 million in medical provider assessments, reflecting the phase-out of assessments; $4 million in Federal grants; and $3 million from the Energy Research and Development Authority.

Legislation submitted with this Budget accelerates by a year the gradual phase-out of the assessments on private health facility providers. Such assessments are terminated on March 31, 1999. The moneys remaining in the 1999-2000 State fiscal year represent the normal lag in payments and the closure of the special revenue account, with all remaining moneys to be deposited in the General Fund.

Miscellaneous Receipts
(millions)

	Actual			Estimated	
	1995-96	1996-97	1997-98	1998-99	1999-2000
License, Fees, Etc.	$ 409	$ 446	$ 490	$ 502	$ 498
Federal Grants	4	4	4	4	4
Abandoned Property	263	265	270	290	294
Reimbursements	183	187	199	164	160
Investment Income	42	72	125	196	108
Other Transactions	519	1,098	510	378	178
Total	$1,420	$2,072	$1,598	$1,534	$1,242

MISCELLANEOUS RECEIPTS
Special Revenue Funds

Miscellaneous receipts in the Special Revenue fund type represent approximately 19 percent of total receipts in that fund type, excluding transfers from other funds. These receipts include State University of New York (SUNY) tuition and patient income, Lottery ticket sales, assessments on regulated industries, and a variety of fees and licenses, all of which are dedicated to support specific programs.

STATE UNIVERSITY INCOME

The majority of receipts in the Special Revenue Funds which support the State University's operations are tuition, patient revenue and user fees. SUNY's three teaching hospitals at Brooklyn, Stony Brook and Syracuse receive patient revenue from third-party payors including Medicare, Medicaid, Blue Cross, commercial insurers and individuals. User fees, which include food service, parking service, career placement and recreational fees, are generated by those who use these services, including students, faculty, staff and the general public.

LOTTERY

Receipts from the sale of lottery tickets are earmarked for the support of education and the administrative costs associated with Lottery operations. The Lottery is discussed in detail in a separate section.

INDIGENT CARE

The Indigent Care Fund allows the State to claim Federal reimbursements to fund health care provided by hospitals to the medically indigent. Revenue is received from a bad debt and charity care pool funded with non-Federal Medicaid dollars and money from various payors including Blue Cross, commercial insurers and hospitals.

ALL OTHER

The remaining revenues in this category include a wide variety of fees, licenses, and assessments collected by State agencies primarily to support all, or specific components, of their operations. Receipts from assessments primarily reflect reimbursements from regulated industries to 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 Fund
(millions)

	--- Actual ---			--- Estimated ---	
	1995-96	1996-97	1997-98	1998-99	1999-2000
State university income	$1,574	$1,564	$1,545	$1,653	$1,653
Lottery	1,515	1,646	1,658	1,587	1,586
Indigent care	627	568	574	590	620
All other	1,555	1,647	1,754	1,982	1,819
Total	$5,271	$5,425	$5,531	$5,812	$5,678

LOTTERY

In 1966, New York State voters approved a referendum authorizing a State lottery, and ticket sales commenced under the auspices of the Division of the Lottery. Under the original lottery legislation, a lotto-type game was offered with 30 percent of gross receipts earmarked to prizes, 55 percent to education, and the remaining 15 percent represented a limit on administrative expenses. Since then, numerous games have been introduced with varying prize payout schedules to make them attractive to the consumer.

The Lottery Division manages the sale of lottery tickets, operating as an independent agency within the Department of Taxation and Finance. It currently operates four types of games:

— Instant games, in which most prizes are won immediately;

— Lotto games, which are pari-mutuel, pick-your-own-numbers games offering large top prizes with drawings conducted six times weekly: four 5-of-39 draws (Take 5), and two 6-of-54 draws (Lotto 54). For the Lotto 54 game, the value of any top prize not won is added to the top prize in the subsequent drawing;

— Daily numbers games, which are fixed-odds games with daily drawings in which players select either a three digit number (Daily Numbers game) or a four digit number (Win 4 game); and

— Keno-like games, which are pari-mutuel pick-your-own 10 of 80 numbers games with drawings conducted either daily (Pick 10) or every five minutes (Quick Draw). Lottery pays top prizes of $500,000 in Pick 10 and $100,000 in Quick Draw.

Under current law, the Comptroller, pursuant to an appropriation, distributes all net receipts from the lottery directly to school districts for the purposes of providing school aid. This aid also provides special allowances for textbooks for all school children and additional amounts for pupils in approved State-supported schools for the deaf and the blind.

After the earmarking for prizes, Lottery uses a portion of net sales (not exceeding 15 percent) for its administration, and the remainder is available to support education. The statutory allocation to education for Lotto 54 games is 45 percent of ticket sales; for Take 5, numbers, and Pick 10 games, 35 percent; for instant games, 30 percent; and for Quick Draw, 25 percent. At the end of each fiscal year, any unspent portion of the 15 percent of ticket sales not used for administration is also used for education. Therefore, education actually receives a larger share of ticket sales than indicated in statute. For 1997-98, net lottery receipts from sales totaled $1,367.1 million. Disbursements of $1,533.9 million supported education, including $166.8 million from surplus administrative funds.

1998-99 RECEIPTS

Sales of lottery games, which will benefit from 53 weeks of collections, are expected to be $3.84 billion in 1998-99. Lotto 54, a jackpot driven game, is experiencing continuing weakness. The gradual weakening in Lotto sales stems from several factors. The primary cause is the low level of interest rates over the past year. This inhibits the rapid increase in jackpot levels because it increases the cost of purchasing annuities. Other influences include: (1) raised expectations of exceptionally large jackpots resulting from the competitive Power-Ball offered in other states; (2) increased competition from Indian casinos in and around New York; and (3) waning consumer interest, based on the maturity of a game that has not been changed for ten years. Instant ticket sales, despite being supported by 900 new agents, the installation of 800 new instant ticket vending machines

(ITVM), and a weekly TV game show, is suffering a decline in performance. Sales levels from the current mix of instant games remain strong, but are experiencing some erosion for older games. Numbers game sales are benefitting from the addition of new agents and have fully recovered from the introduction of the Quick Draw game. Quick Draw sales declines have moderated and are expected to be down slightly.

Through December, Instant game sales of $701.3 million, were down 5.8 percent from the comparable period in 1997-98; Lotto 54 sales of $568.9 million were down 14.9 percent despite the benefit of its fourth largest jackpot ever; Take 5 sales of $274.4 million were down 4.9 percent; Daily Numbers sales of $528.3 million were up 2.3 percent; Win 4 sales of $330.3 million were up 3.0 percent; Pick 10 sales of $36.0 million were down 3.6 percent; and Quick Draw sales of $360.8 million were down 3.9 percent.

For the full year, all games will benefit from an extra week of collections. Instant game sales are estimated at $951.3 million, down 4.3 percent from 1997-98; Lotto sales at $744.9 million, down 14.4 percent; Take 5 sales at $370.5 million, down 3.2 percent; Daily Numbers sales at $725.4 million, up 4.1 percent; Win 4 sales at $455.0 million, up 5.0 percent; Pick 10 sales at $48.9 million, down 1.8 percent; and Quick Draw sales at $494.4 million, down 1.8 percent.

Total sales of all lottery games are estimated at $3,790.4 million and are expected to provide $1,304.1 million for education. After including $145.9 million from unspent administrative allowances and miscellaneous income, total net lottery receipts for education in 1998-99 are expected to total $1,450 million, which is $80 million below the estimate at the time the 1998-99 Budget was adopted.

1999-2000 PROJECTIONS

Instant ticket sales, including sales resulting from a new authorization for 500 ITVMs, of $877 million are expected in 1999-2000, down 6.0 percent from 1998-99. Lotto sales are projected at $682 million, down 6.7 percent. This projection reflects the redesign of this game to one featuring a smaller matrix and a better overall chance of winning a prize.

Sales are projected to be level for Daily Numbers at $726 million, and up 1.0 percent for Win 4 at $460 million. Pick 10 sales, are expected to decline by 3.5 percent to $47 million. Take 5 sales are projected at $354 million, down 4.5 percent from 1998-99. Under current law, no sales are projected for Quick Draw, whose authorization is scheduled to expire March 31, 1999. The above comparisons reflect 52 weeks of collections in 1999-2000, versus 53 weeks in 1998-99.

Legislation, submitted with the Budget, will eliminate any sunset provision for the Quick Draw game and increase the allowable payout for prizes for instant ticket games from 55 percent to 65 percent. In addition, it will eliminate current restrictions on Quick Draw concerning: (1) the number of hours during which the game may be offered; (2) the minimum square footage required for a location; and (3) the requirements on food sales in locations serving alcohol. The Quick Draw proposals will preserve $478 million in current sales and add $142 million in incremental sales, which will add $184.2 million in revenue for education. The instant ticket proposal is expected to add $20 million in revenues for education.

In total, this Budget projects Lottery sales for 1999-2000 in excess of $3.8 billion, with current receipts for the support of education projected at $1,448 million (see Table 1), after paying prizes and budgeting $108.7 million for administration.

Table 1
Lottery Receipt Components
(millions)

	1996-97 Actual	1997-98 Actual	1998-99 Estimated	1999-2000 Proposed Law
Instant Game	$ 298.4	$ 298.5	$ 285.4	$ 285.7
Lotto Games	399.0	395.9	335.2	306.9
Take-5 Games	118.3	133.9	129.7	124.0
Daily Numbers Games	233.7	243.9	253.9	254.1
Win-4 Games	149.0	151.7	159.2	160.9
Pick 10 Games	20.2	17.4	17.1	16.5
Quick Draw	140.7	125.8	123.6	155.0
Subtotal	$1,359.3	$1,367.1	$1,304.1	$1,303.1
Administrative Surplus*	168.6	166.8	145.9	144.9
Current Receipts Subtotal	$1,527.9	$1,533.9	$1,450.0	$1,448.0
Carry-In from Prior Year	+5.3	0	0	0
Carry-Out from Current Year	0	0	0	0
Net Receipts for Education	$1,533.2	$1,533.9	$1,450.0	$1,448.0

* Reflects miscellaneous income and the balance of the 15 percent administrative allowance, after deducting actual expenses and commissions.

Table 2
Net Lottery Receipts for Education
(thousands)

Actual	
1990-91	$ 940,012
1991-92	844,058
1992-93	961,000
1993-94	1,054,000
1994-95	1,161,850
1995-96	1,441,300
1996-97	1,533,203
1997-98	1,533,904
Estimated	
1998-99	$1,450,000
1999-2000 (Current Law)	1,243,800
1999-2000 (Proposed Law)	1,448,000

MISCELLANEOUS RECEIPTS
Capital Projects Funds

Miscellaneous receipts in the Capital Projects fund type include reimbursements from the proceeds of bonds sold by public authorities, fees, and other sources of revenue dedicated to specific funds primarily for environmental or transportation capital purposes.

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 bond 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 too will the bond receipts reimbursing such spending.

Authority bond proceeds for 1999-2000 continue to represent approximately 94 percent of all miscellaneous receipts in this fund type. Reimbursements from bond proceeds are received from: the Thruway Authority to support projects in the Dedicated Highway and Bridge Trust Fund; the Housing Finance Agency to support housing programs; the Dormitory Authority to support educational facilities, mental hygiene capital improvements, and State health facilities; the Urban Development Corporation for correctional facilities and youth facilities; and the Environmental Facilities Corporation to support environmental programs.

STATE PARKS FEES AND ENVIRONMENTAL REVENUES

User fees and other revenues generated by State parks are deposited into the State Parks Infrastructure Fund (SPIF). These revenues, which are projected at $24 million in 1999-2000, will be used to finance improvements in the State's park system.

The Environmental Protection Fund (EPF) is projected to receive miscellaneous receipts in 1999-2000 from the sale of surplus State lands, leases of coastal State property, settlements and the sale of environmental license plates. Other environmental revenues are deposited in the Hudson River Park Fund and the Natural Resource Damages Fund from settlements with individuals and other parties who are liable for damage caused to State environmental properties.

ALL OTHER

Various other monies are received in the Capital Projects funds to support capital programs and to reimburse the State for capital spending receivables on behalf of municipalities and public authorities, such as the Housing Finance Agency. The remaining receipts are repayments of monies advanced or loaned to municipalities, authorities, and private corporations.

Miscellaneous Receipts
Capital Projects Funds
(millions)

	Actual			Estimated	
	1995-96	1996-97	1997-98	1998-99	1999-2000
Authority Bond Proceeds					
Transportation	$ 697	$ 413	$ 480	$ 741	$ 964
Public protection	424	133	213	374	260
Education	122	143	169	165	175
Mental hygiene	260	226	216	210	207
Housing	136	96	50	96	82
Other	185	143	97	107	71
State park fees	22	25	23	24	26
Environmental revenues	10	14	29	35	22
All other	49	86	48	53	63
Total	$1,905	$1,279	$1,325	$1,805	$1,870

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, contractual obligations, and debt service, and support about 20 percent of the State's debt service payments. These revenues have been pledged as security for bonds issued for mental hygiene and health facilities, and dormitories, or are used by the State to pay debt service on general obligation housing bonds. After such requirements are satisfied, the balance of most miscellaneous receipts together with other receipts and transfers flow back to the General Fund or to Special Revenue funds which are used to offset the General Fund share of State operations.

MENTAL HYGIENE RECEIPTS

Payments from patients and various third-party payers, including Medicare and insurance companies, for services provided by the mental hygiene agencies are deposited in the Mental Health Services Fund as miscellaneous receipts. Additionally, portions of State local assistance and Federal Medicaid payments to not-for-profit community facilities are earmarked to pay their share of debt service, and are also deposited as miscellaneous receipts in the Mental Health Services Fund. These receipts, together with the transferred Medicaid money, secure bonds sold by the Dormitory Authority for State and community mental hygiene facilities.

DORMITORY FEES

Miscellaneous receipts in the State University of New York (SUNY) Dormitory Fund are comprised primarily of fees charged to SUNY students for room rentals in the dormitories. The receipts of the fund are pledged for debt service on bonds sold by the Dormitory Authority for the construction and improvement of the dormitories pursuant to a lease agreement.

HEALTH PATIENT RECEIPTS

Patient care reimbursements at the Department of Health's hospitals (Roswell Park Cancer Institute — whose operations have been transferred to a public authority — and Helen Hayes) and veteran's homes (Oxford, New York City and Western New York) are deposited into the Health Income Fund. Similar to the mental hygiene receipts, they are comprised of payments from Medicaid, Medicare, insurance and individuals. Although Roswell Park's receipts in excess of debt service requirements will no longer be reflected in the State's Financial Plan, its patient case reimbursements are required to continue to be deposited into the Fund to satisfy bondholder security and debt service obligations. The receipts from these Health Department facilities are pledged as security for bonds sold by the Dormitory Authority for construction and improvements.

Miscellaneous Receipts
Debt Service Funds
(millions)

	Actual			Estimated	
	1995-96	1996-97	1997-98	1998-99	1999-2000
Mental hygiene patient receipts	$270	$255	$266	$262	$296
SUNY dormitory fees	186	187	194	195	196
Health patient receipts	127	145	145	131	102
All other	36	37	34	34	35
Total	$619	$624	$639	$622	$629

FEDERAL GRANTS

In order to qualify to receive Federal grants, the State must comply with a broad spectrum of guidelines established by the Federal government. Each Federal grant is assigned a Catalog of Federal Domestic Assistance number which provides specific purposes for which grants must be used pursuant to Federal laws and regulations. Also, the State is required to follow specific cash management practices regarding the timing of cash draws from the Federal government pursuant to regulations for each grant award. In most cases, the State finances this spending in the first instance, and then subsequently receives reimbursement from the Federal government.

Total receipts from the Federal government are projected at $23,265 million in 1998-99 and $23,273 million in 1999-2000. These revenues represent approximately 32 percent of total receipts in the governmental funds, excluding general obligation bond proceeds, and are deposited into the Special Revenue and the Capital Projects fund types.

SPECIAL REVENUE FUNDS

Federal grants account for approximately three-quarters of all receipts in the Special Revenue fund type, and are used to support a wide range of programs at the State and local government level. The single largest program supported by Federal funds is Medicaid.

The Medicaid program provides care, treatment, maintenance, medical supplies, and professional services to eligible persons. The State receives monies from the Federal government to make payments to providers for both State operated and non-State operated facilities. The State operated category includes facilities of the Offices of Mental Health and Mental Retardation and Developmental Disabilities and the Department of Health, as well as teaching hospitals of the State University. These facilities receive Medicaid funds for the delivery of eligible services to patients.

Receipts for State-operated facilities represent 13 percent of total Federal Medicaid reimbursements, while receipts for non-State operated facilities represent the remaining 87 percent.

Other Federal grants in the Special Revenue Funds support programs administered primarily by the departments of Education, Family Assistance, Health and Labor. These programs include Welfare, Foster Care, Food and Nutrition Services, and Supplementary Educational Services.

CAPITAL PROJECTS FUNDS

Federal grants in the Capital Projects fund type finance transportation planning, engineering, and construction projects. Federal grants also support local wastewater treatment projects financed through the State's Revolving Loan Fund. Other Federal grants are for the rehabilitation of state armories, eligible housing programs, and other environmental purposes.

Federal Grants
(millions)

	Actual			Estimated	
	1995-96	1996-97	1997-98	1998-99	1999-2000
Special revenue					
Medicaid	$11,850	$12,424	$13,180	$13,603	$13,547
Welfare	2,146	1,864	2,330	1,950	1,691
All other special revenue	5,220	4,717	5,001	6,463	6,624
Capital projects	1,011	1,043	1,131	1,249	1,411
Total	$20,227	$20,048	$21,642	$23,265	$23,273

PART III

CAPITAL PROGRAM AND FINANCING PLAN

CAPITAL PROGRAM AND FINANCING PLAN

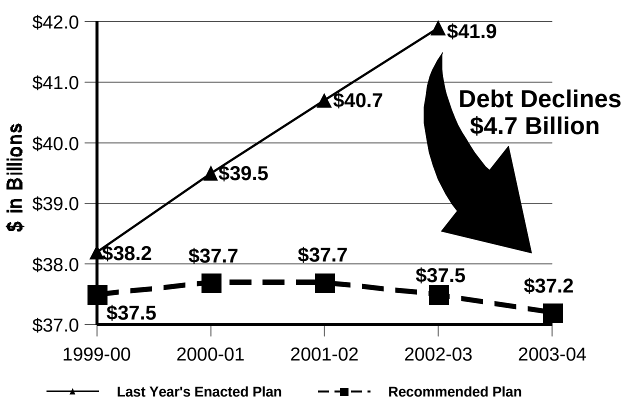
HIGHLIGHTS

HISTORIC REDUCTIONS IN STATE DEBT

With this Budget, Governor Pataki dramatically accelerates his program to reverse the soaring debt levels that are the legacy of the excesses of the past. The Governor's Five Year Capital Program and Financing Plan (the Plan) significantly reduces both State-supported debt and the share of State resources devoted to pay debt service costs.

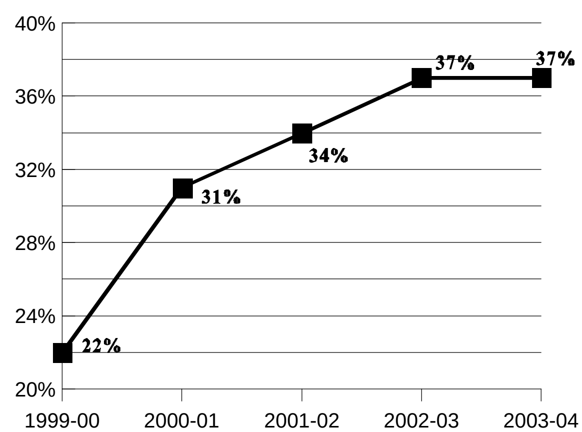
For the first time in decades, State-supported debt outstanding and debt service costs will decline. Compared to the 1998-99 enacted Plan, State-supported debt will be reduced by $4.7 billion and, importantly, be reduced in every year of the Governor's Plan. The debt reduction initiatives are accomplished primarily by financing a larger share of the Plan with pay-as-you-go resources, including funds from the Debt Reduction Reserve Fund, which is increased by a deposit of $250 million in 1999-2000, and a share of moneys from the tobacco settlement. A combination of prudent levels of capital spending and additional funds set aside beginning in 1998-99 ensures that as debt declines, and pay-as-you-go spending increases, the State's debt burden becomes more affordable.

Historic Declines In State Debt



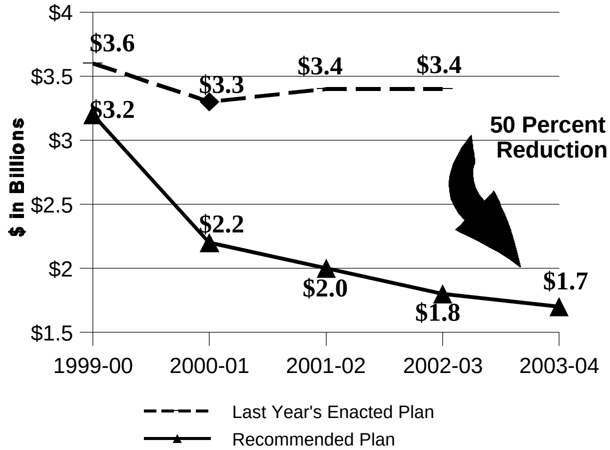
State-supported debt will decrease from $37.5 billion in 1999-2000 to $37.2 billion in 2003-04; reducing debt by $4.7 billion from the final year of the previous Plan.

Pay-As-You-Go Spending Increases



Pay-as-you-go spending will increase by about $165 million in 1999-2000 from the last Plan to a level of $962 million, and will increase to almost $1.4 billion in 2003-04; increasing the percentage of capital spending financed with pay-as-you-go resources from 22 percent in 1999-2000 to 37 percent in 2003-04.

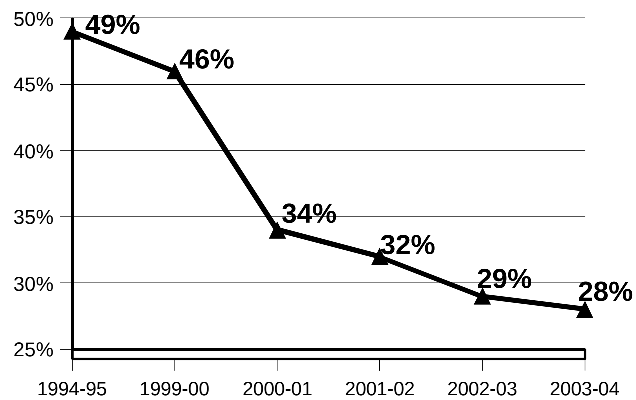
Debt Issuances Decline In Every Year



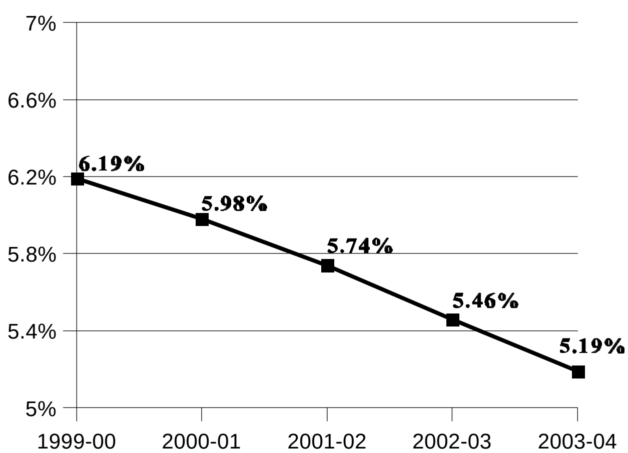
New debt issuances will decline in every year of the Plan; with a 50 percent reduction from the final year of the previously enacted Plan. By the end of the Plan, annual retirements exceed new debt issuances.

Bond Financed Spending Is Significantly Reduced

The share of the Plan financed with bonds will decline from 46 percent in 1999-2000 to 28 percent in 2003-04.



Percent of State Debt to Personal Income Declines



Declines in State debt lower debt outstanding as a percent of personal income from 6.19 percent in 1999-2000 to 5.19 percent in 2003-04.

Debt service costs as a percent of All Funds resources also declines from 5.38 percent in 1999-2000 to 5.05 percent in 2003-04.

The Plan's recommendations achieve a carefully constructed balance between efforts to reduce and control the growth in outstanding debt while responsibly addressing the State's diverse capital needs. These debt reduction efforts are partially financed by the Debt Reduction Reserve Fund, which is increased by a deposit of $250 million in 1999-2000. The Plan reflects prudent levels of targeted spending which are designed to maintain the State's transportation infrastructure and promote economic development; prepare our children to meet the demands of the 21st Century; protect the health of New Yorkers and the State's environmental landscape; and ensure the safety of all citizens by developing and maintaining adequate public protection facilities.

As compared to the prior Plan, total debt issuances are reduced by nearly $5 billion. This includes increasing pay-as-you-go spending to replace bond financing for eight separate programs, which will reduce debt issuances by more than $465 million and save taxpayers approximately $130 million in debt service costs. Beginning in 1999-2000, pay-as-you-go spending will be used to replace bond financing for the following five programs:

— The Western New York Nuclear Service Center (West Valley) administered by the Energy Research and Development Authority;
— Facilities owned and operated by the State Education Department;
— Laboratories and hospitals owned and operated by the Department of Health;
— The Underground Petroleum Storage Tank Program administered by the Office of General Services, completing the program one year earlier than projected; and
— The Youth Centers Program for capital projects at youth facilities operated by not-for-profit or charitable organizations or municipalities.

Beginning in 2000-01 pay-as-you-go spending will replace bond financing for three additional programs:

— Housing, including the Housing Trust Fund, Public Housing Modernization, Affordable Housing Corporation and Homeless Housing Assistance Program;
— Youth facilities operated by the Office of Children and Family Services; and
— The State's match for the Clean Water State Revolving Fund Program.

In addition, the Community Enhancement Facilities Assistance Program will be lowered by $75 million, commensurately reducing debt financing for this program, at the same time the remaining debt will be retired sooner than originally planned.

OVERVIEW

The Plan is submitted with the Executive Budget in accordance with section 22-c of the State Finance Law. It consists of two sections, the Financing Plan and the Capital Program Plan, which provide capital planning and financing information for the current fiscal year and the five-year period 1999-2000 through 2003-04.

The Financing Plan section provides a summary of agency capital spending by financing source and on a program, agency and issuer basis. It also shows the level of debt issuances, retirements, outstanding State-supported debt and the resultant impact on future debt service costs.

The Capital Program Plan section provides agency capital goals and objectives, including a discussion of recommended projects and changes from prior year plans. Also included in this section are the recommended methods for financing new and ongoing capital programs or initiatives, and agency schedules of projected appropriations, commitments and disbursements. The agency narratives provide a summary of each agency's capital maintenance efforts and corresponding appropriations for preventive maintenance.

FINANCING PLAN

INTRODUCTION

This section discusses the financing sources for each agency's capital program. Projected levels of spending by fiscal year are arrayed according to the expected source of funding. These include pay-as-you-go resources, proceeds of general obligation or authority bonds, and Federal grants.

The Financing section of the Capital Program and Financing Plan presents the State's current assumptions about future Federal grants, general obligation bond authorizations, the use of State-supported debt, expected General Fund transfers, and support from other resources. The capital spending and financing receipts presented in this section correspond to the financial projections contained in the Executive Budget. Five-year financial plans for the Capital Projects Funds and the Debt Service Funds are also included to provide the reader with a consolidated summary of all financial activity described in this Plan. Finally, this section includes schedules of bond issuances, retirements, debt outstanding and associated debt service costs for all State-supported debt. This information is stated separately for each program, by issuer.

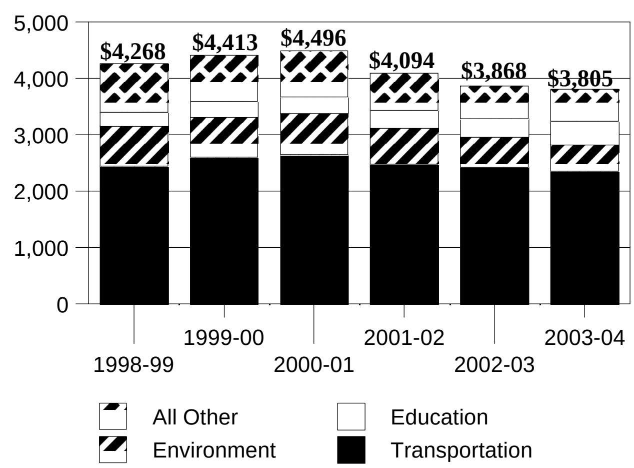
CAPITAL SPENDING SUPPORTS HIGH PRIORITY CAPITAL INVESTMENTS

Recommended 1999-2000 capital spending increases by 3.4 percent from 1998-99, while average annual spending over the Plan decreases by 3.6 percent. The increase in 1999-2000 is primarily attributable to increases in spending for transportation and public protection while the outyear spending decline is attributable to the completion of various programs begun in prior years and refinements in projected spending levels.

The Plan recommends new capital appropriations of $18.8 billion (net of transfers) to continue to support the State's diverse capital investments. Almost 98 percent of those new appropriations are targeted for the preservation of existing facilities while the balance provides for new capital facilities to accommodate additional capacity needs.

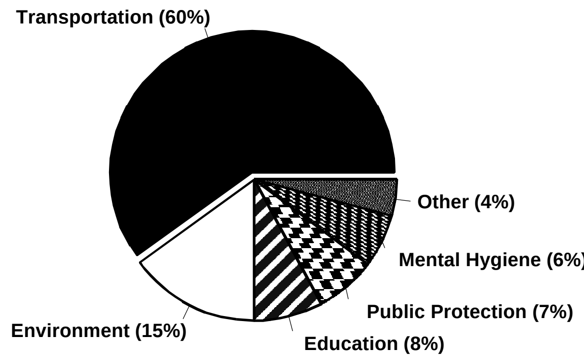
Total capital spending over the Plan is projected at $20.7 billion, an average of $4.1 billion per year. Spending recommendations are consistent with efforts to reduce State-supported debt and target spending to essential capital investments. Transportation spending,

Capital Spending Prudently Restrained



primarily for improvements to the State's highways and bridges, continues to account for the largest share of total spending, or about 60 percent. Another 15 percent is anticipated for environmental purposes, including the Clean Water/Clean Air Bond Act and approximately 21 percent is projected for education, public protection and mental hygiene purposes. The remainder will be spent in other areas, including economic development and housing. Key spending recommendations include:

Capital Spending Finances Essential Investments



— The highway and bridge construction award level of $1.5 billion in 1999-2000 reflects the final year of the Department of Transportation's five-year, $13 billion State and local transportation program. Average annual spending of $2.5 billion includes costs for design, construction management and maintenance and spending for local highways and bridges. Projected transportation spending over the remaining years of the Plan are anticipated to be sufficient to fund essential highway and bridge projects across the State.

— Local transportation programs (Consolidated Highway Improvement Program, or CHIPS, and the Marchiselli Program) will be funded at a level of $227 million in 1999-2000.

— Clean Water/Clean Air Bond Act appropriations and reappropriations are recommended for the balance of the $1.75 billion voter-approved environmental initiatives, which include spending for air and water quality improvements and the restoration of industrial sites. Annual spending during the five-year Plan from the Environmental Protection Fund will average over $116 million. Spending declines for certain other environmental programs reflect the completion of prior voter-approved bond authorizations and an anticipated decline in Federal support for water pollution control facilities. Finally, beginning in 2001-02, pay-as-you-go disbursements of $100 million per year are reflected for a program for the cleanup of hazardous substance sites and to continue the clean up of hazardous waste sites after the 1986 Environmental Quality Bond Act funds are committed.

— Appropriations and reappropriations of over $2.2 billion for Department of Correctional Services will support a new 750-cell maximum security prison and completion of the capital expansion plan commenced in 1997-98 to provide additional capacity, as well as to continue support for capital rehabilitation projects and the Health Care Infrastructure Program. These spending initiatives will provide increased capacity to support sentencing reforms, including Jenna's Law, ensuring the safety of all New Yorkers. In addition, a three million dollar appropriation will address New York City Watershed Protection concerns at Bedford Hills Correctional Facility.

— $3.7 billion of reappropriations will continue to support multi-year capital investments at the State and City Universities to address critical and deferred maintenance and support the phased revitalization of campuses to meet changing academic needs.

— State support for low and moderate income rental and home ownership and homeless housing programs is maintained.

— Spending of over $1.2 billion is recommended for Mental Hygiene projects, including 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, the Office of Mental Retardation and Developmental Disabilities, and the Office of Alcoholism and Substance Abuse Services.

— Funding is continued for the construction of a State office building for the Office of the State Comptroller, a new parking garage for downtown Albany and a new Department of Environmental Conservation building. Also included is the rehabilitation and consolidation of other State office buildings to reduce operational costs and achieve space efficiencies.

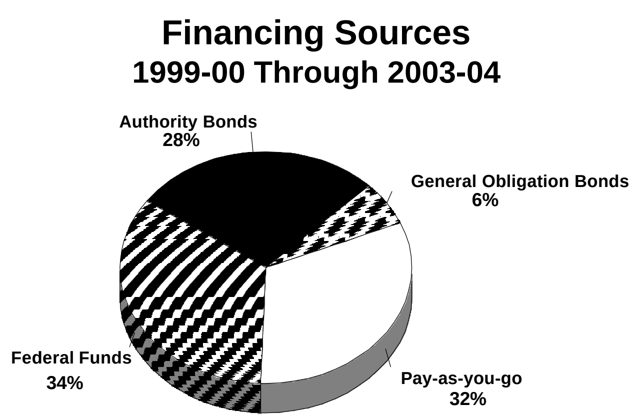
— Funding is included to expand capacity and to replace the Harlem Valley Youth Facility. Spending for the new youth facility will occur over the first four years of the Plan and will be financed predominantly with pay-as-you-go resources.

Capital Spending by Function
1998-1999 through 2003-2004
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Transportation	$2,439,537	$2,608,641	$2,654,267	$2,482,623	$2,417,321	$2,356,248
Environment and Recreation						
Clean Water/Clean Air and Environmental Protection Fund	240,525	253,817	290,920	301,089	294,661	290,724
Federal and Other Programs	475,301	454,871	442,274	348,724	250,876	184,257
Education	246,430	272,930	286,230	297,030	328,830	404,730
Public Protection	385,300	378,229	375,728	238,445	187,200	187,638
Mental Hygiene	282,043	271,264	263,911	248,083	234,001	232,009
Housing and Economic Development	107,908	92,800	92,800	94,300	98,300	99,750
Other	90,601	80,363	90,146	83,273	56,566	49,620
Total	$4,267,645	$4,412,915	$4,496,276	$4,093,567	$3,867,755	$3,804,976

DEBT REDUCTION INITIATIVES REDUCE DEPENDENCE ON BOND FINANCING

The capital spending portion of the Plan is financed by four sources: pay-as-you-go resources, State general obligation bonds, public authority State-supported bonds, and Federal grants. The State's dependence on bond financing will be greatly alleviated by significantly increasing the share of capital spending financed with pay-as-you-go resources and Federal grants. With this Plan, pay-as-you-go resources will finance 32 percent of spending, more than twice the 1998-99 enacted Plan's five-year average of 15 percent. Federal grants, another form of cash resources, will finance 34 percent of total capital spending. Authority bond-financing over the Plan declines to 28 percent, nearly one-half the enacted Plan's five-year average of 50 percent. General Obligation bonds support six percent of the Plan. Reducing the State's dependency on bond-financing ensures that by the last year of the Plan, 72 percent, or almost three-quarters, of total spending will be financed by a combination of State and Federal pay-as-you-go resources.



Capital Projects
Capital Spending by Financing Source
1998-1999 through 2003-2004
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Financing Source						
Pay-As-You-Go	$1,037,234	$961,746	$1,405,332	$1,396,044	$1,420,303	$1,388,832
General Obligation Bonds	347,919	315,764	314,235	277,002	230,587	177,441
Authority Bonds	1,638,964	1,728,931	1,195,276	1,020,709	870,741	893,665
Federal Funds	1,243,528	1,406,474	1,581,433	1,399,812	1,346,124	1,345,038
Total	$4,267,645	$4,412,915	$4,496,276	$4,093,567	$3,867,755	$3,804,976

Capital Projects
Mix of Financing Sources
1998-1999 through 2003-2004

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Financing Source						
Pay-As-You-Go	24%	22%	31%	34%	37%	37%
General Obligation Bonds	8%	7%	7%	7%	6%	5%
Authority Bonds	38%	39%	27%	25%	23%	23%
Federal Funds	30%	32%	35%	34%	34%	35%
Total	100%	100%	100%	100%	100%	100%

PAY-AS-YOU-GO FINANCING

Pay-as-you-go financing refers to payments for capital programs on a current basis from current State revenues. Pay-as-you-go resources include: General Fund taxes; other taxes and user fees set aside or dedicated for specific capital programs; repayments from local governments and public authorities for their share of projects; and transfers from other funds, including the General Fund.

During the Plan, pay-as-you-go financing will total almost 32 percent or approximately $6.6 billion of total capital projects spending. Compared to the 1998-99 enacted Plan, pay-as-you-go spending will increase by $165 million in 1999-2000 to $962 million and will increase to $1.4 billion in 2003-04. As a result, the percentage of the Plan that is financed with pay-as-you-go resources increases from 22 percent in 1999-2000 to 37 percent in 2003-04.

Capital spending supported by General Fund receipts is classified as a transfer to the Capital Projects Fund. This transfer is projected at $188 million in 1999-2000. The 1999-2000 Fiscal Year also reflects a transfer of $50 million from the Debt Reduction Reserve Fund to provide pay-as-you-go resources, rather than bond financing, to support West Valley Nuclear Service Center, the Youth Opportunity Centers Program, the Petroleum Storage Tank Program, and projects for the State Education Department and the Department of Health. Other pay-as-you-go projects financed by the General Fund transfer are primarily for recurring types of minor rehabilitation projects at State facilities of the Office of General Services, the Department of Environmental Conservation and the mental hygiene agencies. The State's commitment to General Fund transfers for direct capital spending, which are included as part of pay-as-you-go financing, will average $275 million annually over the Plan. Finally, an additional $250 million will be deposited to the Debt Reduction Reserve Fund in 1999-2000 to further assist in reducing State-supported debt.

Dedicated revenues financing pay-as-you-go projects for environmental and recreation purposes average approximately $150 million during the Plan. In 1999-2000, the Environmental Protection Fund (EPF) will continue to receive $112 million from the State's real estate transfer tax, as well as other miscellaneous revenues. The EPF is the largest environmental fund with average annual spending of $116 million, while the State Parks Infrastructure Fund (SPIF), supported exclusively by park fees and other miscellaneous revenues, is expected to finance an average of more than $26 million annually of improvements to the State's park system.

The largest dollar component of pay-as-you-go financing is for the Dedicated Highway and Bridge Trust Fund, which receives a portion of the petroleum business tax, the motor fuel tax, and motor vehicle fees, and all of the highway use tax. Receipts deposited into the Trust Fund are used to finance projects on a pay-as-you-go basis and to pay debt service on bonds secured by the Fund. Fiscal Year 1999-2000 reflects the implementation of the final year of the Governor's five-year transportation plan. Consistent with efforts to reduce and control debt and increase pay-as-you-go spending, the Plan reflects highway and bridge construction contract awards which total $1.5 billion in 1999-2000 and in each of the remaining years of the Plan. Additional receipts that will flow to the Fund beginning in 2000-01 will ensure further support for pay-as-you-go spending and a prudent level of Dedicated Highway and Bridge Trust Fund bond issuances, which are projected to remain within debt service coverage requirements.

GENERAL OBLIGATION BOND FINANCING

General obligation bond financing of capital projects is accomplished through the issuance of full faith and credit State bonds which have been authorized by the voters. The Plan assumes the continued implementation of nine previously authorized Bond Acts, (five for transportation and four for environmental and recreation programs) and does not recommend new authorizations. Most of the general obligation spending over the five years is financed by the 1996 Clean Water/Clean Air Bond Act; 1988 ACTION bonds, for highways and bridges; and the 1986 Environmental Quality bonds, primarily for hazardous waste remediation. The remaining six bond acts will be virtually depleted by the end of the Plan.

Spending supported by general obligation bonds remains at approximately eight percent of total spending for 1998-99 and seven percent in 1999-2000, as spending continues primarily from two voter-approved debt authorizations, the 1996 Clean Water/Clean Air Bond Act and the 1986 Environmental Quality bonds. Thereafter, spending supported by general obligation bonds declines annually to 5 percent of capital spending in 2003-04. This decrease is projected despite the $1.75 billion authorization for the 1996 Clean Water/Clean Air Bond Act, since other remaining authorizations will be mostly spent by 2003-04. Overall, this category accounts for six percent of the Plan's capital spending.

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. The dedication of additional pay-as-you-go resources will significantly reduce the share of the Plan financed with authority bonds, resulting in dramatic reductions in State outstanding debt. Authority bond-financing over the Five-Year Plan declines from 39 percent in 1999-2000 to 23 percent in 2003-04. On average, authority bond financing will support 28 percent of spending, down from the 1998-99 enacted Plan's share of 50 percent.

The table of authority bond-financed spending includes those capital programs for which spending is included in the State's Financial Plan. While this includes the majority of such financings, certain programs that are financed directly from bond proceeds (such as the Dormitory Authority-financed CUNY program and the Thruway Authority-financed CHIPS Program) are not counted as spending (although they do count as State-supported debt), since neither the disbursements nor the receipt of bond proceeds are reflected by the Comptroller as activity from State funds or accounts.

The largest component (52 percent) of spending financed by authority bonds is within the Dedicated Highway and Bridge Trust Fund. Consistent with efforts to control the growth in State debt by increasing pay-as-you-go resources, spending supported by Dedicated Highway and Bridge Trust Fund bonds is projected to decrease during the Plan from $964 million in 1999-2000 to $430 million by 2003-04. Additional receipts projected to flow to the Trust Fund beginning in 2000-01 will increase pay-as-you-go spending, reduce bonding and continue to ensure that, over the Plan, total projected Trust Fund revenues are more than two times the amount required to pay the maximum aggregate debt service on all outstanding Highway and Bridge Trust Fund bonds.

Authority bond-financed spending for non-transportation programs declines significantly from $765 million in 1999-2000 to $463 million in 2003-04. This reduction reflects using pay-as-you-go-spending for several previously bond financed programs, the conclusion of a major modernization project at the Roswell Park Cancer Institute, completion of the mental hygiene psychiatric center modernization program, and the anticipated conclusion of Federal support for water pollution control facilities and the required State match for this program.

Bonded spending for higher education increases steadily through 2003-04, although less than previously planned. Corrections spending returns to traditional levels by 2002-03 after higher spending through 2001-02 is completed for a new maximum security correctional facility to address additional capacity needs. Bond financing for housing projects reimbursed with authority bond proceeds is eliminated beginning in 2000-01, as this program is projected to be financed with pay-as-you-go resources.

FEDERAL GRANT FINANCING

This category includes spending financed by grants from the Federal Government, primarily for highways and bridges, drinking water and water pollution control facilities, corrections and housing. During the Plan, Federal grants account for 34 percent of all spending.

Capital Projects Financed By
Pay-As-You-Go Resources
New York State Capital Program and Financing Plan
1998-99 through 2003-04
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Transportation						
Department of Transportation	$613,942	$500,979	$718,521	$633,736	$621,753	$593,210
Thruway Authority	2,480	3,476	2,400	2,400	2,400	2,300
Environment and Recreation						
Department of Environmental Conservation	144,885	150,744	187,261	278,593	269,916	246,173
Office of Parks, Recreation and Historic Preservation	34,928	39,841	32,600	28,559	28,700	28,600
Olympic Regional Development Authority	2,317	2,317	2,317	2,317	2,317	2,317
Energy Research and Development Authority	0	12,500	14,200	15,900	17,600	19,300
Public Protection						
Department of Correctional Services	0	500	1,000	1,500	0	0
Division of State Police	3,800	4,146	4,230	2,450	2,700	3,700
Division of Military and Naval Affairs	5,000	5,500	6,500	6,500	6,500	6,500
Education						
State Education Department	830	830	3,630	3,630	3,630	3,630
City University of New York	9,100	9,100	9,100	9,100	9,100	9,100
State University of New York:						
Senior Colleges	68,000	84,500	95,000	95,800	97,600	98,500
Community Colleges	3,500	3,500	3,500	3,500	3,500	3,500
Mental Hygiene						
Office of Mental Health	32,958	30,894	94,513	94,964	149,685	170,801
Office of Mental Retardation and Developmental Disabilities	35,318	30,975	38,098	38,012	44,817	47,345
Office of Alcohol and Substance Abuse	11,188	11,712	18,016	10,510	14,219	13,486
Housing and Economic Development						
Division of Housing and Community Renewal	6,355	1,360	59,800	61,300	65,300	66,750
Other						
Office of General Services	53,150	46,850	35,150	35,000	34,200	36,000
Office of Children and Family Services	4,837	6,250	44,400	41,317	17,350	9,150
Office of Temporary and Disability Assistance	1,613	6,240	27,864	24,350	23,000	23,000
Department of Health	0	5,222	3,272	3,146	2,558	2,010
Department of State	633	460	460	460	458	460
Department of Agriculture and Markets	2,400	3,850	3,500	3,000	3,000	3,000
TOTAL PAY-AS-YOU-GO FINANCING	$1,037,234	$961,746	$1,405,332	$1,396,044	$1,420,303	$1,388,832

Capital Projects Financed By
General Obligation Bonds
New York State Capital Program and Financing Plan
1998-99 through 2003-04
(thousands)

Transportation	**1998-1999**	**1999-2000**	**2000-2001**	**2001-2002**	**2002-2003**	**2003-2004**
Department of Transportation						
Action -1988	$72,300	$43,178	$23,043	$7,000	$4,986	$0
Infrastructure Renewal - 1983	7,031	3,620	836	300	146	0
Energy Conservation - 1979	800	800	200	200	200	200
Transportation Capital Facilities - 1967	2,887	1,954	1,025	625	125	0
Environment and Recreation						
Department of Environmental Conservation						
Clean Water/Clean Air 1996	77,751	97,374	122,283	122,183	122,083	141,974
EQBA 1986	77,000	92,000	92,000	82,000	43,200	335
EQBA 1972	27,761	11,312	9,031	492	2,130	1,106
Pure Waters 1965	2,365	2,900	3,100	3,725	4,800	800
Office of Parks, Recreation and Historic Preservation						
Clean Water/Clean Air 1996	1,225	1,384	1,453	1,526	1,600	1,682
EQBA 1986	7,500	10,000	10,000	7,660	0	0
EQBA 1972	275	0	0	0	0	0
Environmental Facilities Corporation						
Clean Water/Clean Air 1996	292	299	299	299	299	299
Other						
Department of Agriculture and Markets						
Clean Water/Clean Air 1996	467	478	500	527	553	580
Energy Research and Development Authority						
Clean Water/Clean Air 1996	117	117	117	117	117	117
Department of State						
Clean Water/Clean Air 1996	348	348	348	348	348	348
Department of Health						
Clean Water/Clean Air 1996	69,800	50,000	50,000	50,000	50,000	30,000
Total General Obligation Bond Financing	$347,919	$315,764	$314,235	$277,002	$230,587	$177,441

Capital Projects Financed By
Federal Grants
New York State Capital Program and Financing Plan
1998-99 through 2003-04
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Transportation						
Department of Transportation	$1,005,802	$1,090,250	$1,320,250	$1,330,250	$1,330,250	$1,330,250
Environment and Recreation						
Department of Environmental Conservation	143,721	141,356	140,535	32,067	874	350
Office of Parks, Recreation and Historic Preservation	1,925	700	150	0	0	0
Public Protection						
Division of Military and Naval Affairs	3,500	5,000	4,998	4,995	5,000	4,438
Department of Correctional Services	33,800	94,000	40,000	0	0	0
Housing and Economic Development						
Division of Housing and Community Renewal	10,000	10,000	10,000	10,000	10,000	10,000
Other						
Department of Health	44,240	65,168	65,500	22,500	0	0
Office of Children and Family Services	540	0	0	0	0	0
Total Federal Grants Financing	$1,243,528	$1,406,474	$1,581,433	$1,399,812	$1,346,124	$1,345,038

Capital Projects Financed By
Authority Bonds
New York State Capital Program and Financing Plan
1998-99 through 2003-04
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Transportation						
Department of Transportation	$734,295	$964,384	$587,992	$508,112	$457,461	$430,288
Environment and Recreation						
Department of Environmental Conservation	28,000	28,000	0	0	0	0
Energy Research and Development Authority	12,200	0	0	0	0	0
Public Protection						
Department of Correctional Services	339,200	253,000	319,000	223,000	173,000	173,000
Education						
State University of New York	165,000	175,000	175,000	185,000	215,000	290,000
Mental Hygiene						
Office of Mental Health	171,577	163,849	79,960	66,955	7,794	131
Office of Mental Retardation and Developmental Disabilities	17,609	19,179	15,469	14,513	5,099	132
Office of Substance Abuse Services	13,393	14,655	17,855	23,129	12,388	114
Housing and Economic Development						
Division of Housing and Community Renewal	68,553	58,440	0	0	0	0
Other						
Office of Children and Family Services	13,250	15,300	0	0	0	0
Office of Temporary and Disability Assistance	23,000	23,000	0	0	0	0
Department of Health	27,978	14,124	0	0	0	0
Office of General Services	24,909	0	0	0	0	0
Total Authority Bond Financing	$1,638,964	$1,728,931	$1,195,276	$1,020,709	$870,741	$893,665

FINANCIAL PLANS

The following table provides an explanation of the fiscal year receipt, disbursement, transfer and general obligation bond amounts contained in the Plan and how they correspond to the applicable Governmental Funds financial plans. All amounts are reflected on a cash basis in the fiscal year during which the spending or receipt activity occurs. Since capital disbursements have been discussed in previous sections, the following information is provided as a description of the receipt categories which support capital spending. Receipts are comprised of taxes, miscellaneous receipts (authority and general obligation bond reimbursements, miscellaneous receipts and other repayments), Federal grants and transfers from other Governmental Fund Types.

Taxes dedicated to capital programs are estimated to account for approximately 27 percent of the total receipts supporting capital spending during the Plan. The major portion of taxes received, highway and motor fuel taxes, are deposited into the Dedicated Highway Bridge and Trust Fund while a portion of the real estate transfer tax is deposited into the Environmental Protection Fund. Beginning in 2000-01, additional moneys will flow to the Dedicated Highway and Bridge Trust Fund to further support additional pay-as-you-go spending for transportation.

Miscellaneous receipt amounts reflect receipts, such as State park and environmental fees, which are deposited into capital projects funds for specific programs, but not directly linked to spending levels. Authority bond proceeds, which reimburse the State for capital disbursements, are linked directly to spending. However, these receipts may not be received in the same fiscal year in which the spending activity transpires. For example, some design work or site acquisition may occur prior to construction and the sale of bonds. For this Plan, miscellaneous receipts are projected to comprise 36 percent of capital projects funds receipts. A further description of this receipts category is provided in the "Explanation of Receipt Estimates" section.

Federal grants reimburse the State for the Federal share of construction projects. Reimbursements are received primarily for spending on transportation, environment and recreation, housing and public protection projects. Federal grants are anticipated to provide 31 percent of capital projects receipts in this Plan.

The balance of capital project financing, six percent, is supported by transfers from other funds. The primary transfer in support of capital spending is made from the State's General Fund. The transfer from the General Fund represents approximately one percent of the total State General Fund spending**,** consequently the financing of capital spending has a minimal impact on the State's General Fund Financial Plan.

Capital Projects Funds Financial Plan
Prepared on the Cash Basis of Accounting
1998-1999 Through 2003-2004
(thousands of dollars)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Opening funds balances	$72,275	$147,276	$255,789	$90,455	($8,133)	($51,554)
Receipts:						
Taxes	$1,107,000	$1,093,400	$1,227,800	$1,275,600	$1,312,100	$1,344,300
Miscellaneous receipts	1,804,722	$1,870,264	1,816,933	1,556,813	1,443,927	1,465,886
Federal grants	1,248,726	$1,411,224	1,586,183	1,404,562	1,350,874	1,349,788
Sub total receipts	$4,160,448	$4,374,888	$4,630,916	$4,236,975	$4,106,901	$4,159,974
Disbursements:						
Grants to local governments	$694,748	$707,329	$737,907	$546,194	$449,487	$380,776
State operations	0	0	0	0	0	0
Debt service	0	0	0	0	0	0
Capital projects	3,572,697	3,705,586	3,758,369	3,547,373	3,418,268	3,424,200
Subtotal disbursements	$4,267,445	$4,412,915	$4,496,276	$4,093,567	$3,867,755	$3,804,976
Other financing sources (uses):						
Transfers from other funds	273,511	465,187	250,361	296,561	320,878	345,623
Transfers to other funds	(422,453)	(553,447)	(836,535)	(814,357)	(808,620)	(874,407)
Bond and note proceeds	330,940	234,800	286,200	275,800	205,175	193,800
Net other financing sources (uses)	$181,998	$146,540	($299,974)	($241,996)	($282,567)	($334,984)
Changes in funds balances	$75,001	$108,513	($165,334)	($98,588)	($43,421)	$20,014
Closing funds balances	$147,276	$255,789	$90,455	($8,133)	($51,554)	($31,540)

DEBT FINANCING

Financing the construction of, and improvements to, long-term capital assets through borrowing is an integral part of the State's Capital Program and Financing Plan. This section describes the impact of bond-financed capital spending on the amount of State-supported debt and on debt service expenditures through the Plan. Supporting this analysis are separate tables for bond issuances, retirements, bonds outstanding, and debt service.

The analysis reflects all State general obligation and State-supported debt that is currently outstanding and expected to be issued by the State and its public authorities for State financed capital programs. It includes bonds which support capital initiatives for SUNY, CUNY, the Department of Mental Hygiene, Department of Corrections, Department of Environmental Conservation, State buildings and State and local transportation programs. Also included is existing State-supported debt for non-State programs, such as the Javits Convention Center and the MTA service contracts, and the non-capital debt service of the Local Government Assistance Corporation. The analysis also reflects the refinancing of a pre-existing pension liability undertaken by the Dormitory Authority (DA), which previously was recorded as a long-term liability in the State's financial statements. By the last year of the Plan, bonds issued for that refinancing will be completely retired.

The debt issuance table reflects general obligation bond anticipation notes (BANS sold as commercial paper) sold to finance current capital spending, but does not reflect the sale of long-term bonds to take out commercial paper. Similarly, the outstanding bonds and debt service tables separately identify BANS and the retirements table reflect only the principal retirements of long-term bonds sold.

DEBT OUTSTANDING, DEBT ISSUANCES AND DEBT SERVICE COSTS DECLINE

The Financing Plan reflects the impact of substantially increasing the portion of the Plan financed with pay-as-you-go resources on State debt, debt issuances and debt service costs. Prudently setting aside funds to responsibly increase pay-as-you-go spending improves debt affordability and ensures that:

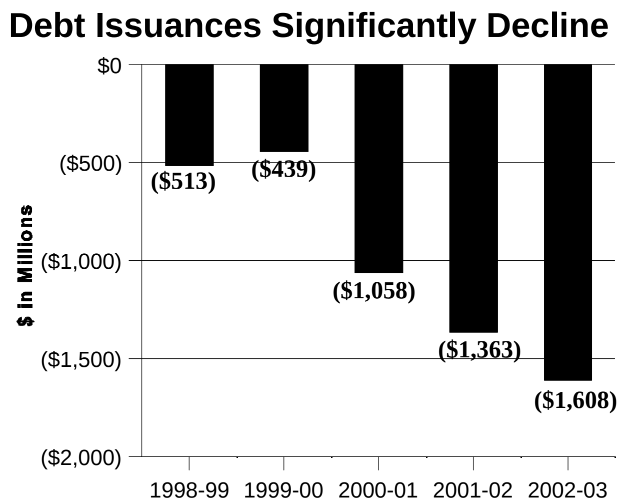
- For the first time in decades, debt outstanding and debt service costs decline;
- Over the Plan, debt issuances decline by an annual average of 14 percent;
- Debt service costs as a percent of All Funds resources decline from 5.38 percent in 1999-2000 to 5.05 percent in 2003-04;
- Debt service costs as a percent of State Funds decline from 7.95 percent in 1999-2000 to 7.55 percent in 2003-04;
- Debt service costs as a percent of General Fund resources decline from 6.23 percent in 1999-2000 to 5.31 percent in 2003-04; and
- Debt outstanding as a percent of personal income declines from 6.19 percent in 1999-2000 to 5.19 percent in 2003-04.

DEBT ISSUANCES

Debt reduction initiatives that use pay-as-you-go spending to eliminate bond financing reduce issuances by almost 50 percent from the final year of the 1998-99 enacted Plan. A reduction in both the number and dollar volume of new issuances will reduce market crowding and the competition between State-supported programs, improving the conditions under which State-supported debt is marketed. Compared to the 1998-99 enacted Plan, debt issuances will be reduced by nearly $5 billion; and include the following reductions.

— Available bond proceeds will fund 1999-2000 disbursements for a variety of housing programs; reducing 1999-2000 debt issuances by $88 million.

— Beginning in 1999-2000, the State will no longer rely upon debt to finance capital programs for the State Education Department, the Department of Health, West Valley, the State Fuel Tanks Program, and Youth Opportunity Centers.



— Beginning in 2000-01, the State will no longer rely upon debt to finance capital programs for housing, including the Housing Trust Fund, Public Housing Modernization, Affordable Housing Corporation and Homeless Housing Assistance Program; Youth facilities operated by the Office of Children and Family Services; and the State's match for the Clean Water State Revolving Fund Program.

— Increases in pay-as-you-go spending for the State's Dedicated Highway and Bridge Trust Fund and Mental Hygiene programs will also dramatically reduce bond issuances.

— Refinements in spending projections will reduce general obligation, SUNY and CUNY bond issuances.

Issuances also reflect a $75 million reduction in the Community Enhancement Facilities Assistance Program. Certificates of Participation (COPs) issued in 1998-99 include financings to support the acquisition of hardware, software, and software improvements to address the "Year 2000" issue in priority State computer systems. COPs issuances of approximately $365 million in 1999-2000 include $228 million for a new welfare computer system that will, among other things, enhance fraud detection and child support collections. COPs issuances over the remaining years of the Plan are projected to return to typical levels and support equipment, computers and vehicles for various State agencies.

The financing Plan will continue to increase the use of short-term debt instruments as a percentage of total debt outstanding. This is expected to broaden the market base for State-supported debt and, since short-term instruments have historically been less expensive than long-term obligations, generate debt service savings. Current and planned short-term debt instruments include variable rate State general obligation bonds, Housing Finance Agency (HFA) bonds, Local Government Assistance Corporation (LGAC) bonds, and swaps (interest rate exchanges) of outstanding fixed rate debt to variable rate debt for LGAC, Dormitory Authority SUNY Educational Facilities, and Urban Development Corporation Correctional Facilities.

By the end of 1999-2000, it is anticipated that more than $2 billion, or about 6 percent, of total State-supported debt will be short-term. During the Plan, the State expects to gradually increase this percentage to approximately 8.8 percent. This recommendation is supported by a Standard and Poor's report providing that up to 15 percent of an issuer's debt, net of short-term assets, could be short-term without causing undue credit risks.

Short-Term Debt Instruments
Percentage of Total Debt Outstanding

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Short-Term Debt Outstanding (Thousands)	$1,926,000	$2,237,000	$2,701,000	$2,952,000	$3,110,000	$3,259,000
Percentage of Total Debt Outstanding	5.3%	6.0%	7.2%	7.8%	8.3%	8.8%

DEBT RETIREMENTS

The following table presents the annual retirements of principal for State-supported debt for each fiscal year within the Plan. It accounts for retirements as of the payment date due to bondholders, rather than the actual date the State makes the cash payment. For instance, if principal payments are due on April first, the bonds are considered outstanding on March 31st, even if the State makes payments to the trustee prior to that date. Retirements from both currently outstanding State-supported debt and debt expected to be issued during the course of the Plan are included in the retirements table.

The rate at which State-supported debt is retired or paid off has a significant impact on the State's ability to utilize bonds for its capital programs. The Plan's significant reductions in State debt issuances, and efforts to expand the amount of debt issued with shorter-term maturities, including bonds issued for the Community Enhancement Facilities Assistance Program, as well as the continued use of ten year maturities for taxable programs and for a portion of Dedicated Highway and Bridge Trust Fund bonds, will have a positive impact on the relationship of retirements to new issuances.

Over the Plan, retirements of State-supported debt are projected to increase by an annual average of 2 percent to $1,945 million in 2003-04 and are expected to average $1,965 million annually. By the last three years of the Plan, annual retirements will exceed new debt issuances.

DEBT OUTSTANDING

Over the Plan, State-supported debt outstanding will decline for the first time in decades. Debt outstanding will decline from $37.5 billion in 1999-2000 to $37.2 billion in 2003-04. Compared to last year's Plan, debt will be reduced by $4.7 billion. Through a combination of increased pay-as-you-go financing and sound debt management practices, the State will gradually and responsibly reduce its reliance on debt and improve debt affordability.

Declines in debt will reflect the use of pay-as-you-go spending to replace bond financing for eight separate bonding programs, and to reduce bond financing in other areas. Compared to the final year of the enacted Plan, additional pay-as-you-go resources will support prudent levels of capital spending while significantly reducing outstanding debt in 2003-04 for transportation ($3 billion), health and mental health ($381 million), environment ($136 million), and housing ($360 million). General obligation and LGAC debt levels are also reduced ($490 million).

In the last year of the Plan, transportation and education-related debt will each represent about one-quarter of debt outstanding. Health/mental health, and public protection will each represent about 11 percent, and general obligation and LGAC debt (23 percent) represent the significant portion of the balance.

In addition to ensuring that debt declines for the first time in decades, the Plan also improves debt affordability. The State's ability to support its debt can be measured by several key indicators, including debt outstanding as a percent of personal income and debt outstanding per New York resident. Debt outstanding as a percent of personal income improves significantly from 6.19 percent in 1999-2000 to 5.19 percent in 2003-04. Compared to the last year of the enacted Plan, debt outstanding per New Yorker will also decline by $271 or from $2,300 to $2,029.

DEBT SERVICE

The debt service table shows the amount of resources devoted to financing the debt service on outstanding State-supported debt. The table includes projected total annual debt service by program and issuer, and includes debt service on general obligation bonds, as well as lease purchase and contractual obligations issued by State agencies, public authorities, and municipalities through financing agreements with the State.

The Plan's debt reduction initiatives also ensure that total projected debt service costs decline. Compared to the enacted Plan, debt service costs are reduced in every year. Debt service costs will grow at one-half the annual rate of increase projected in the enacted Plan, and will decrease by $175 million in the out years of the Plan. Debt measures that use debt service costs as a measure of affordability will also improve. Debt service costs as a percent of All Funds will decline from 5.38 percent in 1999-2000 to 5.05 percent in 2003-04. Similarly, debt service costs as a percent of State Funds will decline from 7.95 percent to 7.55 percent in 2003-04. Debt service costs as a percent of General Fund resources decline from 6.23 percent in 1999-2000 to 5.31 percent in 2003-04.

The State’s prudent debt management actions also have a significant positive impact on its borrowing costs. Those efforts include the use of shorter maturities for certain bonding programs and increasing the percentage of short-term instruments in the State's debt portfolio. Shorter-term maturities are employed to improve the coordination between the useful life of assets and the terms by which they are financed. Increasing the use of short-term instruments is being accomplished through the expanded use of variable rate debt obligations and, market conditions permitting, the issuance of a limited amount of interest rate swaps. In addition, the State has avoided using capitalized interest on bonds sold for projects which are not revenue-generating facilities.

The continued economic expansion of the State and nation results in an interest rate environment that continues to remain very favorable for municipal bond issuers. The Plan forecasts that long-term fixed rates will range from 4.70 to 6.25 percent throughout the Capital Plan period. Short-term rates are expected to average about 4 percent.

BOND AUTHORIZATIONS

Legal authorizations for the State to enter into contractual agreements with public authorities are provided in the enabling statutes of each authority. Those statutes generally contain limits, or caps, on the amount of bonds that can be issued for a program. As the bond cap is reached, or additional bondable appropriations are recommended, legislation may be proposed to raise the statutory caps to the level needed to accommodate bondable capital needs. Bond caps can provide authorizations to finance a single year's appropriations, such as recommended for corrections and youth facilities, or can be for multi-year periods. Additionally, the authorizations specify whether the cap is on the total bonds sold, including costs of issuance (gross), or only for project costs (net). The table provides the recommended cap increases and decreases for 1999-2000 and indicates whether the cap is gross or net.

Bond Authorizations
Recommended Cap Changes in 1999-2000
(thousands $)

Issuer	**Program**	**Current Cap**	**Recommended Cap**	**Type of Cap**
Urban Development Corp	Corrections	$4,065,693	$4,479,693	Gross
Urban Development Corp	Youth Facilities	226,815	242,815	Gross
Urban Development Corp.	Youth Centers	25,000	0	Net
Urban Development Corp., Dormitory Authority, Thruway Authority, Housing Finance Agency	Community Enhancement Facilities Assistance Program	425,000	350,000	Net

State-Supported Debt
Projected Bond Issuances
1998-99 Through 2003-04
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
GENERAL OBLIGATION	$330,940	$234,800	$286,200	$275,800	$205,200	$193,800
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Thruway Authority:						
Consolidated Local Highway Improvement	327,905	334,960	251,220	248,888	228,218	223,130
Dedicated Highway & Bridge	718,223	1,021,529	624,733	540,332	479,312	482,187
Education						
Dormitory Authority:						
SUNY Educational Facilities	301,345	265,000	265,000	265,000	265,000	265,000
SUNY Dormitory Facilities	66,780	29,680	29,680	29,680	29,680	37,100
SUNY Upstate Community Colleges	47,700	37,100	37,100	37,100	37,100	37,100
CUNY Educational Facilities	221,830	169,600	169,600	169,600	169,600	169,600
State Education Department	14,825	0	0	0	0	0
Health						
Dormitory Authority/DOH	20,800	0	0	0	0	0
Mental Health						
Dormitory Authority/MCFFA:	227,254	221,278	150,434	155,729	67,559	28,642
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	403,160	288,320	338,140	236,380	183,380	183,380
Youth Facilities	0	16,960	0	0	0	0
Environment						
Environmental Facilities Corp:						
Water Pollution Control	29,680	29,680	0	0	0	0
Energy Res & Dev Authority	14,045	0	0	0	0	0
State Building/Equipment						
Dormitory Authority:						
State Buildings	95,606	0	0	0	0	0
Certificates of Participation	179,135	366,375	87,125	80,975	91,225	102,500
Housing						
Housing Finance Agency	99,200	0	0	0	0	0
Economic Development						
Urban Development Corp/ESDC:						
Sports Facilities	15,850	0	0	0	0	0
Community Enhancement Facilities	247,231	137,500	0	0	0	0
Total Other Financing Arrangements	3,030,569	2,917,982	1,953,032	1,763,684	1,551,074	1,528,639
TOTAL STATE-SUPPORTED DEBT	$3,361,509	$3,152,782	$2,239,232	$2,039,484	$1,756,274	$1,722,439

State-Supported Debt
Projected Retirements
1998-99 Through 2003-04
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
GENERAL OBLIGATION	$487,567	$476,032	$443,336	$405,320	$383,790	$340,412
LOCAL GOVERNMENT ASSISTANCE CORPORATION	100,010	111,725	116,520	123,120	130,175	133,725
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	54,105	57,365	56,890	60,035	69,855	73,870
Dormitory Authority						
Albany County Airport	0	1,360	1,415	1,475	1,550	1,630
Thruway Authority:						
Emergency Highway	49,405	52,110	55,070	58,250	19,595	0
Consolidated Local Highway Improvement	53,650	69,895	76,767	88,956	88,670	119,581
Dedicated Highway & Bridge	121,790	156,990	201,957	252,007	293,264	331,545
Education						
Dormitory Authority:						
SUNY Educational Facilities	100,092	118,253	126,791	131,490	139,484	146,203
SUNY Dormitory Facilities	22,940	21,520	21,335	20,231	18,629	17,670
SUNY Upstate Community Colleges	14,130	15,135	14,569	9,064	10,284	11,286
CUNY Educational Facilities	82,313	98,428	101,616	102,521	117,941	121,290
State Education Department	610	1,520	1,600	1,670	1,755	1,830
Library for the Blind	460	545	565	590	620	640
SUNY Athletic Facilities	430	965	0	0	0	0
Health						
Dormitory Authority/DOH	9,410	9,030	14,340	16,075	10,480	11,040
Mental Health						
Dormitory Authority/MCFFA:	107,083	127,469	140,781	150,342	163,701	171,372
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	62,401	64,735	74,268	78,564	93,760	100,052
Youth Facilities	4,870	5,560	6,010	6,841	7,243	7,887
Environment						
Environmental Facilities Corp:						
Riverbank Park	0	0	0	1,230	1,600	1,680
Water Pollution Control	19,050	22,578	26,215	28,244	22,660	24,504
Pilgrim Sewage Treatment	400	400	400	400	400	400
State Park Infrastructure	670	705	740	775	820	865
Fuel Tanks	2,190	2,250	2,265	2,305	2,350	2,400
Energy Res & Dev Authority	7,235	8,890	10,244	10,844	11,414	11,999
Urban Development Corp/ESDC:						
Pine Barrens	495	515	540	560	585	615
State Building/Equipment						
Urban Development Corp/ESDC:						
Empire State Plaza	7,365	9,454	10,347	12,214	11,762	0
State Buildings	404	436	471	507	546	589
State Capital Projects	0	0	3,095	6,700	7,035	7,480
Albany County-ESP	17,335	11,880	11,690	3,870	0	0
Dormitory Authority						
State Buildings	0	665	1,440	1,507	1,580	1,657
Certificates of Participation	96,560	185,917	188,452	191,419	107,633	108,433
Housing						
Housing Finance Agency	29,500	33,400	35,865	38,708	41,926	43,987
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	22,375	24,000	24,180	24,180	24,185	24,180
Urban Development Corp/ESDC:						
University Technology Centers	7,989	10,275	11,132	11,529	10,264	10,599
Onondaga Convention Center	760	1,190	1,250	1,305	1,375	1,445
Sports Facilities	2,750	3,245	3,650	3,885	4,135	4,395
Community Enhancement Facilities	0	0	60,814	65,180	67,895	31,173
Other State Purposes						
Dormitory Authority						
Pension Refinancing	116,150	123,475	131,580	140,445	150,095	78,915
Total Other Financing Arrangements	1,014,917	1,240,155	1,418,344	1,523,918	1,505,091	1,471,212
TOTAL STATE SUPPORTED DEBT	$1,602,494	$1,827,912	$1,978,200	$2,052,358	$2,019,056	$1,945,349

State-Supported Debt
Projected Bonds Outstanding
1998-99 Through 2003-04
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
BANs - COMMERCIAL PAPER	$293,600	$293,600	$293,600	$293,600	$293,600	$293,600
GENERAL OBLIGATION	4,613,708	4,372,476	4,215,340	4,085,820	3,907,230	3,760,618
LOCAL GOVERNMENT ASSISTANCE CORPORATION	5,114,245	5,002,520	4,886,000	4,762,880	4,632,705	4,498,980
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	2,007,014	1,949,649	1,892,759	1,832,724	1,762,869	1,688,999
Dormitory Authority						
Albany County Airport	41,395	40,035	38,620	37,145	35,595	33,965
Thruway Authority:						
Emergency Highway	185,025	132,915	77,845	19,595	0	0
Consolidated Local Highway Improvement	1,747,310	2,012,375	2,186,828	2,346,760	2,486,308	2,589,857
Dedicated Highway & Bridge	2,815,433	3,679,972	4,102,748	4,391,073	4,577,121	4,727,763
Education						
Dormitory Authority:						
SUNY Educational Facilities	3,856,968	4,003,715	4,141,924	4,275,434	4,400,950	4,519,747
SUNY Dormitory Facilities	272,840	281,000	289,345	298,794	309,845	329,275
SUNY Upstate Community Colleges	384,570	406,535	429,066	457,102	483,918	509,732
CUNY Educational Facilities	3,044,672	3,115,844	3,183,828	3,250,907	3,302,566	3,350,876
State Education Department	76,215	74,695	73,095	71,425	69,670	67,840
Library for the Blind	18,990	18,445	17,880	17,290	16,670	16,030
SUNY Athletic Facilities	26,165	25,200	25,200	25,200	25,200	25,200
Health						
Dormitory Authority/DOH	478,290	469,260	454,920	438,845	428,365	417,325
Mental Health						
Dormitory Authority/MCFFA:	3,759,301	3,853,110	3,862,763	3,868,150	3,772,008	3,629,278
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	3,020,759	3,244,344	3,508,216	3,666,032	3,755,652	3,838,980
Youth Facilities	158,940	170,340	164,330	157,489	150,246	142,359
Environment						
Environmental Facilities Corp:						
Riverbank Park	62,350	62,350	62,350	61,120	59,520	57,840
Water Pollution Control	227,630	234,732	208,517	180,273	157,613	133,109
Pilgrim Sewage Treatment	10,200	9,800	9,400	9,000	8,600	8,200
State Park Infrastructure	14,275	13,570	12,830	12,055	11,235	10,370
Fuel Tanks	19,060	16,810	14,545	12,240	9,890	7,490
Energy Res & Dev Authority	96,600	87,710	77,466	66,622	55,208	43,209
Urban Development Corp/ESDC:						
Pine Barrens	15,570	15,055	14,515	13,955	13,370	12,755
State Building/Equipment						
Urban Development Corp/ESDC:						
Empire State Plaza	109,689	100,235	89,888	77,674	65,912	65,912
State Buildings	15,965	15,529	15,058	14,551	14,005	13,416
State Capital Projects	245,090	245,090	241,995	235,295	228,260	220,780
Albany County-ESP	27,440	15,560	3,870	0	0	0
Dormitory Authority						
State Buildings	95,606	94,941	93,501	91,994	90,414	88,757
Certificates of Participation	511,575	692,033	590,706	480,262	463,854	457,921
Housing						
Housing Finance Agency	1,126,700	1,093,300	1,057,435	1,018,727	976,801	932,814
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	388,765	364,765	340,585	316,405	292,220	268,040
Urban Development Corp/ESDC:						
University Technology Centers	210,610	200,335	189,203	177,674	167,410	156,811
Onondaga Convention Center	46,625	45,435	44,185	42,880	41,505	40,060
Sports Facilities	137,710	134,465	130,815	126,930	122,795	118,400
Community Enhancement Facilities	247,231	384,731	323,917	258,737	190,842	159,669
Other State Purposes						
Dormitory Authority						
Pension Refinancing	624,510	501,035	369,455	229,010	78,915	0
Total Other Financing Arrangements	26,127,088	27,804,915	28,339,603	28,579,369	28,625,352	28,682,779
TOTAL STATE-SUPPORTED DEBT	$36,148,641	$37,473,511	$37,734,543	$37,721,669	$37,458,887	$37,235,977

State-Supported Debt
Projected Debt Service
1998-99 through 2003-04
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
BANs - COMMERCIAL PAPER	$11,193	$10,763	$10,906	$10,804	$11,480	$11,480
GENERAL OBLIGATION	741,050	718,345	670,337	622,782	594,174	543,495
LOCAL GOVERNMENT ASSISTANCE CORPORATION	341,334	336,477	338,687	339,742	335,717	351,760
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	151,379	154,638	150,762	151,113	157,147	157,218
Dormitory Authority						
Albany County Airport	3,405	3,509	3,508	3,509	3,512	3,510
Thruway Authority:						
Emergency Highway	57,967	59,245	59,259	59,259	17,315	0
Consolidated Local Highway Improvement	137,600	175,970	199,392	220,854	241,093	260,427
Dedicated Highway & Bridge	260,173	353,236	437,904	494,268	543,288	589,741
Education						
Dormitory Authority:						
SUNY Educational Facilities	299,890	328,359	348,282	365,428	384,310	404,205
SUNY Dormitory Facilities	34,862	37,607	40,931	40,186	39,751	40,314
SUNY Upstate Community Colleges	30,839	36,072	30,788	33,778	36,598	39,305
CUNY Educational Facilities	278,738	291,698	288,964	307,810	320,110	333,898
State Education Department	6,114	6,332	6,327	6,331	6,320	6,324
Library for the Blind	1,564	1,647	1,646	1,649	1,647	1,643
SUNY Athletic Facilities	1,755	1,663	1,164	1,164	1,164	1,629
Health						
Dormitory Authority/DOH	21,375	36,978	39,768	37,164	34,612	34,608
Mental Health						
Dormitory Authority/MCFFA:	292,299	330,141	342,662	353,587	364,535	366,063
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	193,727	235,438	258,510	278,772	303,670	316,314
Youth Facilities	14,600	14,619	16,213	16,047	16,250	16,065
Environment						
Environmental Facilities Corp:						
Riverbank Park	3,301	3,303	4,533	4,846	4,851	4,845
Water Pollution Control	33,162	38,439	42,121	41,879	34,190	34,385
Pilgrim Sewage Treatment	744	749	727	704	682	659
State Park Infrastructure	1,482	1,490	1,489	1,485	1,489	1,489
Fuel Tanks	2,265	2,613	2,567	2,516	2,466	2,418
Energy Res & Dev Authority	13,013	14,924	14,844	14,851	14,841	14,846
Urban Development Corp/ESDC:						
Pine Barrens	1,284	1,291	1,287	1,287	1,290	1,291
State Building/Equipment						
Urban Development Corp/ESDC:						
Empire State Plaza	15,270	21,347	25,482	32,872	34,432	37,247
State Buildings	9,624	18,328	22,028	22,028	22,028	22,028
State Capital Projects	13,434	16,594	20,044	20,044	20,049	20,047
Albany County-ESP	20,187	14,112	9,984	2,077	0	0
Dormitory Authority						
State Buildings	1,248	7,409	6,907	6,910	6,910	6,909
Certificates of Participation	91,200	202,290	209,851	208,432	112,795	109,645
Housing						
Housing Finance Agency	94,676	98,207	98,785	99,517	100,923	99,690
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	41,926	42,283	42,289	42,289	42,294	42,289
Urban Development Corp/ESDC:						
University Technology Centers	19,228	24,139	24,673	24,666	22,952	22,947
Onondaga Convention Center	3,530	3,982	3,984	3,977	3,980	3,978
Sports Facilities	9,888	10,973	10,975	10,972	10,975	10,993
Community Enhancement Facilities	0	77,566	79,362	79,373	39,838	39,841
Other State Purposes						
Dormitory Authority						
Pension Refinancing	163,432	163,442	163,449	163,464	163,475	0
Total Other Financing Arrangements	$2,325,179	$2,820,632	$3,001,461	$3,145,109	$3,101,780	$3,036,809
TOTAL STATE-SUPPORTED DEBT	$3,418,756	$3,886,217	$4,021,391	$4,118,436	$4,043,151	$3,943,543

Note: Totals reflect assumed refunding savings of $10 million in 1999-2000 and thereafter.

Debt Service Funds Financial Plan
Prepared on the Cash Basis of Accounting
1998-99 through 2003-04
(thousands)

	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Opening Fund Balances	$163,924	$166,664	$168,718	$157,188	$174,520	$182,511
Receipts						
Taxes	$2,217,700	$2,205,800	$2,190,800	$2,277,700	$2,383,000	$2,501,100
Miscellaneous Receipts	622,310	629,206	646,908	657,479	669,597	688,695
Federal Grants	0	0	0	0	0	0
Subtotal Receipts	$2,840,010	$2,835,006	$2,837,708	$2,935,179	$3,052,597	$3,189,795
Disbursements						
State Operations	$5,375	$6,500	$7,000	$7,000	$7,000	$7,000
Debt Service	3,289,172	3,673,164	3,800,634	3,899,198	3,918,877	3,822,418
Subtotal Disbursements	$3,294,547	$3,679,664	$3,807,634	$3,906,198	$3,925,877	$3,829,418
Other Financing Sources (Uses)						
Transfers From Other Funds	$4,337,906	$4,680,077	$4,757,084	$4,757,870	$4,797,100	$4,673,612
Transfers To Other Funds	(3,880,628)	(3,833,365)	(3,798,688)	(3,769,519)	(3,915,829)	(4,023,161)
Net Other Financing Sources (Uses)	$457,277	$846,712	$958,396	$988,351	$881,271	$650,451
Changes in Fund Balances	$2,740	$2,054	($11,530)	$17,332	$7,991	$10,828
Closing Fund Balances	$166,664	$168,718	$157,188	$174,520	$182,511	$193,339

CAPITAL PROGRAM PLAN

This section provides, for each capital program, a narrative description of the agencies' purpose, goals and objectives for the next five years. These agency narratives also highlight accomplishments, specific new initiatives and long-term financial requirements.

The accompanying tables provide five-years of appropriation, commitment and disbursement projections for each program. Commitment levels in these tables reflect the value of contracts expected to be entered into by each agency in a given year. Each agency narrative compares the Plan's recommended commitment levels with last year's levels. The reappropriation projections reflect the unexpended balance of the original appropriation, and any unused amounts continue to be shown until the project is completed.

This section also includes summary schedules of disbursements, which aggregate the information presented in the individual agency tables. However, these summary tables eliminate transactions which simply move monies from one fund to another and, therefore, reflect only projections of disbursements for capital projects. This adjustment provides comparability between the Plan's summary of disbursements and the State's Financial Plan.

This section of the Plan is organized programmatically. Each program area begins with a functional overview, followed by each agency's narrative and financial summary tables. The programmatic areas are transportation; environment and recreation; education; public protection; mental hygiene; housing and economic development; and other.

All State agencies and authorities with State-supported capital programs have capital maintenance systems. Agencies are required to develop five year maintenance plans, which include an assessment of assets with a replacement value of at least $5 million, and that incorporates the asset’s age, condition, condition goals, maintenance activities, and remaining useful life. In addition, every five years agencies are required to perform an independent evaluation of their maintenance plans to ensure that the recommended maintenance activities are consistent with current capital needs; the first of these evaluations is due in the year 2000.

The capital maintenance plan summaries are included in the agency narratives, since the maintenance plans are a critical part of the agency’s five year capital plan. Agencies with new or existing capital maintenance plans have begun to identify the financial requirements for preventive maintenance. The appropriations reflected in each agency’s five-year capital plan reflect a needs-assessment which will continue to be refined as an agency implements an asset maintenance system.

TRANSPORTATION

New York's transportation infrastructure plays a critical role in the State's economic vitality by helping to attract and retain private businesses through facilitating the efficient movement of goods and people. The statewide transportation network includes 235,000 lane miles of roads, 4,600 railroad miles, 600 public and private airports, 12 major ports and over 70 mass transit operators. State agencies, public authorities, local governments and private entities all play a role in supporting this network.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) is primarily responsible for maintaining and rehabilitating the State's system of highways and bridges, which includes more than 40,000 State highway lane miles and 7,500 bridges. Private contractors perform all major construction and repair work while the Department provides seasonal maintenance and repair. The Department also oversees and funds programs that help defray local capital expenses associated with road and bridge projects, including the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program.

The 1999-2000 Executive Budget implements the final year of the Governor's five-year transportation program. Highway and bridge construction contract awards will total $1.5 billion in 1999-2000, and remain flat in each subsequent year of the Capital Plan. This reduced contract level returns to a base program, first reached in 1997-98 after years of dramatic increases, that is sufficient to fund essential highway and bridge projects across the State without generating excessive debt. The base program may be increased in future years through the use of additional pay-as-you-go resources. Engineering resources will decrease to $540 million in 1999-2000, reflecting the lower construction levels. State support for bonded local capital programs will mirror the decrease in the State construction level.

Under the first four years of the plan, over 32,000 lane miles of highway were treated and approximately 24,000 bridge treatments were completed through capital and preventive maintenance work. In 1999-2000, the Department will award over 500 contracts for capital and preventive maintenance work which, when combined with maintenance work performed by Department forces, will improve over 7,000 lanes of highways and over 5,000 bridges.

Preventive maintenance will continue to be an essential component of the Department's activities. As preventive activities extend the life of a road or bridge, they are more cost-effective in the long run than major reconstruction. For highways, the goal of keeping water and other materials away from the base of the highway is accomplished through such activities as crack sealing, pothole repair, joint repair and drainage repair. Painting, washing, joint repair and maintaining drainage are key elements to extending the life of State bridges.

A total of $1.69 billion will be available for the planned preventive maintenance activities over the next five years. The Department estimates that it will perform preventive maintenance on 35,600 lane miles and 31,800 bridges over the five-year period. Estimates of lane miles and bridge activities include multiple activities that will be performed at the same location.

The Department's maintenance activities are supported by 308 sites around the State which encompasses over 700 building types including 60 maintenance headquarters, 183 maintenance subhead quarters, 42 salt storage areas, 20 bridge crew facilities, 2 special crew facilities and a sign shop. The average age of the infrastructure is over 30 years. The total size of the infrastructure is approximately 4.0 million gross square feet. The overall average condition of the Department's maintenance facilities is fair and the remaining useful life is over ten years.

The Department's maintenance facilities plan consists of an annual review of its overall needs and a prioritization of its projects. The program goal is to upgrade and repair its infrastructure based on evaluation of the condition, proposed use and corresponding health, safety and environmental concerns.

Financing for the highway and bridge capital program is provided by Federal funds, the Dedicated Highway and Bridge Trust Fund and remaining General Obligation bond proceeds. The Dedicated Highway and Bridge Trust Fund, enacted in 1993, is supported by highway use taxes and a portion of motor fuel taxes, motor vehicle registration fees and the petroleum business tax. Through the end of the current Department of Transportation plan in 1999-2000, total Trust Fund revenues available are expected to be more than two times the amount required to pay the maximum aggregate debt service on all outstanding Highway and Bridge Trust Fund Bonds. After 1999-2000, a new multi-year plan will address transportation needs and financing.

Other modes of transportation play a significant role in the State's economic health, as well. Access to aviation, for instance, can be critical to a community's ability to attract business. State funds support state-owned Republic Airport in Suffolk County, and State and Federal funds provide capital funding to other airports throughout New York. The State is finalizing a 99-year lease of Stewart Airport near Newburgh to the private sector. This privatization of an aviation facility is one of the first in the country.

The Capital Plan reflects significant new initiatives for rail passenger and freight service in the State. In 1998, the State and Amtrak entered into an historic partnership, using the State's Federal aid and Amtrak funds, to improve high-speed rail passenger service in the Empire Corridor over the next years. In addition, the State will initiate a new rail freight program with State and Federal funds to improve rail freight service, including assistance to railroads and rail shippers.

Mass transit systems play an essential role in the State's economic and social networks by providing people access to work, schools, health care and other crucial destinations. Mass transit systems also contribute to improving the environment by effectively relieving traffic congestion and, as a result, helping to improve the State's air quality. Financing for transit capital needs is primarily provided through the Dedicated Mass Transportation Trust Fund which receives a portion of Petroleum Business Tax revenues. The Metropolitan Transportation Authority's $12.8 billion 1995-1999 Capital Plan is supported by annual Trust Fund appropriations, including $252.7 million in 1999-2000, and a one-time $96 million appropriation from the Metropolitan Mass Transportation Operating Fund in 1999-2000. Capital funding of $26.6 million is provided in 1999-2000 to support the needs of systems statewide, other than the Metropolitan Transportation Authority. Additionally, $55 million in Federal Highway funds are transferred to transit.

THRUWAY AUTHORITY

In addition to operating a 641-mile toll-highway system, the Thruway Authority has jurisdiction over the New York State Canal System. Through its subsidiary, the New York State Canal Corporation, the Thruway maintains, operates, develops and makes capital improvements to the 524-mile navigable waterway which includes 57 locks, numerous dams, reservoirs and water control structures. Revenues from canal tolls and other user fees are deposited into the Canal System Development Fund and, in accordance with the State Constitution, are used exclusively for the canals. Commitments from the Fund are used to reimburse the Thruway for projects advanced by the Authority. Maintenance on the canals is conducted on an ongoing basis to ensure that canal facilities operate properly and that public safety is maintained.

TRANSPORTATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Aviation	$54,074	$42,500	$7,500	$7,500	$7,500	$7,500	$72,500
Highway Facilities	7,418,897	3,145,569	3,046,292	2,968,835	2,919,203	2,879,833	14,959,732
Maintenance Facilities	60,633	26,250	...	...	...	...	26,250
Mass Transportation and Rail Freight	221,549	45,628	26,628	26,628	26,628	26,628	152,140
Ports and Waterways	1,657	...	...	...	...	...	...
Total	$7,756,810	$3,259,947	$3,080,420	$3,002,963	$2,953,331	$2,913,961	$15,210,622
Fund Summary:							
Capital Projects Fund - Advances	$26,233	...	...	...	...	...	...
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	130,355	...	...	...	...	...	...
Capital Projects Fund - Infrastructure Renewal (Bondable)	57,759	...	...	...	...	...	...
Capital Projects Fund - Aviation (Bondable)	8,522	...	...	...	...	...	...
Capital Projects Fund - Energy Conservation (Bondable)	2,593	...	...	...	...	...	...
Federal Capital Projects Fund	3,786,182	$1,350,000	$1,375,000	$1,400,000	$1,400,000	$1,400,000	$6,925,000
Regional Aviation Fund	...	35,000	...	...	...	...	35,000
Engineering Services Fund	906,348	539,388	526,261	507,804	491,172	471,802	2,536,427
Dedicated Highway and Bridge Trust Fund	2,608,534	1,293,400	1,143,000	1,059,000	1,026,000	1,006,000	5,527,400
Dedicated Mass Transportation Fund	137,447	32,628	26,628	26,628	26,628	26,628	139,140
NY Metro Transportation Council Account	15,672	8,031	8,031	8,031	8,031	8,031	40,155
Passenger Facility Charge Fund	2,650	1,500	$1,500	1,500	1,500	1,500	7,500
Suburban Transportation Fund	74,265	...	...	...	...	...	...
Community Projects Fund	250	...	...	...	...	...	...
Total	$7,756,810	$3,259,947	$3,080,420	$3,002,963	$2,953,331	$2,913,961	$15,210,622

TRANSPORTATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Aviation	$11,000	$11,000	$11,000	$11,000	$11,000
Highway Facilities	2,419,500	2,306,900	2,247,900	2,214,800	2,195,000
Maintenance Facilities	26,250	26,250	26,250	26,250	26,250
Mass Transportation and Rail Freight	45,628	26,628	26,628	26,628	26,628
Ports and Waterways	...	...	...	...	
Total	$2,502,378	$2,370,778	$2,311,778	$2,278,678	$2,258,878
Fund Summary:					
Capital Projects Fund - Advances	...	...	...	...	...
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	...	...	...	...	...
Capital Projects Fund - Infrastructure Renewal (Bondable)	...	...	...	...	...
Capital Projects Fund - Aviation (Bondable)	...	...	...	...	...
Capital Projects Fund - Energy Conservation (Bondable)	...	...	...	...	...
Federal Capital Projects Fund	$1,350,000	$1,375,000	$1,400,000	$1,400,000	$1,400,000
Regional Aviation Fund	5,000	5,000	5,000	5,000	5,000
Engineering Services Fund	...	...	...	...	...
Dedicated Highway and Bridge Trust Fund	1,114,750	964,150	880,150	847,050	827,250
Dedicated Mass Transportation Fund	32,628	26,628	26,628	26,628	26,628
NY Metro Transportation Council Account	...	...	...	...	...
Passenger Facility Charge Fund	...	...	...	...	...
Suburban Transportation Fund	...	...	...	...	...
Community Projects Fund	...	...	...	...	...
Total	$2,502,378	$2,370,778	$2,311,778	$2,278,678	$2,258,878

TRANSPORTATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Aviation	$19,939	$22,458	$20,484	$13,925	$13,271	$12,500	$82,638
Highway Facilities	2,946,709	3,098,014	3,147,524	2,993,751	2,910,731	2,836,836	14,986,856
Maintenance Facilities	40,564	29,369	25,867	4,000	...	...	59,236
Mass Transportation and Rail Freight	50,806	46,379	47,232	31,755	23,248	18,739	167,353
Ports and Waterways	49	...	...	...	...	...	...
Total	$3,058,067	$3,196,220	$3,241,107	$3,043,431	$2,947,250	$2,868,075	$15,296,083
Fund Summary:							
Capital Projects Fund - Advances	$5,500	$2,676	$408	...	...	...	$3,084
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	72,300	43,178	23,043	$7,000	$4,986	...	78,207
Capital Projects Fund - Infrastructure Renewal (Bondable)	7,031	3,620	836	300	146	...	4,902
Capital Projects Fund - Aviation (Bondable)	2,887	1,954	1,025	625	125	...	3,729
Capital Projects Fund - Energy Conservation (Bondable)	800	800	200	200	200	$200	1,600
Federal Capital Projects Fund	1,011,000	1,095,000	1,325,000	1,335,000	1,335,000	1,335,000	6,425,000
Regional Aviation Fund	...	4,000	4,000	5,000	5,000	5,000	23,000
Engineering Services Fund	588,753	572,152	539,506	517,455	507,393	478,623	2,615,129
Dedicated Highway and Bridge Trust Fund	1,334,422	1,432,848	1,301,267	1,141,361	1,065,680	1,024,691	5,965,847
Dedicated Mass Transportation Fund	25,055	32,420	38,250	28,918	21,148	16,989	137,725
NY Metro Transportation Council Account	4,830	5,072	5,072	5,072	5,072	5,072	25,360
Passenger Facility Charge Fund	2,900	1,500	1,500	1,500	1,500	1,500	7,500
Suburban Transportation Fund	2,339	1,000	1,000	1,000	1,000	1,000	5,000
Community Projects Fund	250	...	...	...	...	...	...
Total	$3,058,067	$3,196,220	$3,241,107	$3,043,431	$2,947,250	$2,868,075	$15,296,083

THRUWAY AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Canal Development Program	$2,000	$2,000	$2,400	$2,400	$2,400	$2,300	$11,500
Total	$2,000	$2,000	$2,400	$2,400	$2,400	$2,300	$11,500
Fund Summary:							
New York State Canal System							
Development Fund	$2,000	$2,000	$2,400	$2,400	$2,400	$2,300	$11,500
Total	$2,000	$2,000	$2,400	$2,400	$2,400	$2,300	$11,500

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Canal Development Program	$2,000	$2,400	$2,400	$2,400	$2,300
Total	$2,000	$2,400	$2,400	$2,400	$2,300
Fund Summary:					
New York State Canal System					
Development Fund	$2,000	$2,400	$2,400	$2,400	$2,300
Total	$2,000	$2,400	$2,400	$2,400	$2,300

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Canal Development Program	$2,480	$3,476	$2,400	$2,400	$2,400	$2,300	$12,976
Total	$2,480	$3,476	$2,400	$2,400	$2,400	$2,300	$12,976
Fund Summary:							
New York State Canal System							
Development Fund	$2,480	$3,476	$2,400	$2,400	$2,400	$2,300	$12,976
Total	$2,480	$3,476	$2,400	$2,400	$2,400	$2,300	$12,976

NIAGARA FRONTIER TRANSPORTATION AUTHORITY
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Mass Transportation and Rail Freight	$2	...	...	...	...	...	...
Total	$2	...	...	...	...	...	...
Fund Summary:							
Capital Projects Fund	$1	...	...	...	...	...	...
Capital Projects Fund - Mass Transportation (Bondable)	1	...	...	...	...	...	...
Total	$2	...	...	...	...	...	...

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Mass Transportation and Rail Freight	...	...	...	...	...
Total	...	...	...	...	...
Fund Summary:					
Capital Projects Fund	...	...	...	...	...
Capital Projects Fund - Mass Transportation (Bondable)	...	...	...	...	...
Total	...	...	...	...	...

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Mass Transportation and Rail Freight	...	...	...	...	...	...	...
Total	...	...	...	...	...	...	...
Fund Summary:							
Capital Projects Fund	...	...	...	...	...	...	...
Capital Projects Fund - Mass Transportation (Bondable)	...	...	...	...	...	...	...
Total	...	...	...	...	...	...	...

ENVIRONMENT AND RECREATION

The Department of Environmental Conservation (DEC) and the Office of Parks, Recreation and Historic Preservation (OPRHP) are the principal agencies responsible for preserving and protecting the State's extensive environmental, historic and cultural resources and providing recreational opportunities for its citizens. Each agency is responsible for the development and maintenance of a wide array of capital facilities integral to this mission.

A major focus of DEC and OPRHP over the next five years is the implementation of the Clean Water/Clean Air (CWCA) Bond Act, proposed by the Governor, and endorsed by the voters in November 1996. The Bond Act authorized a total of $1.75 billion for projects vital to the State's environmental and economic health.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The Department of Environmental Conservation (DEC) is charged with protecting the State's natural resources. Department responsibilities include cleaning up solid and hazardous waste disposal sites, enforcing air and water quality standards, maintaining hundreds of flood and coastal erosion projects and stewardship of approximately four million acres of State land. The Department also provides safe opportunities for outdoor recreation including hunting, fishing, camping, hiking and other activities. DEC manages hundreds of facilities including dams, boat launch sites, campgrounds, fish hatcheries, wildlife management areas and a ski area.

DEC's capital program enhances and maintains the infrastructure necessary to provide a safe environment. DEC's capital plan directs resources to projects to ensure compliance with health and safety requirements and State and Federal environmental mandates. In 1999-2000, General Fund appropriations of $22.2 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. This also includes $2 million for projects to enhance natural resources based tourism activities, including interpretive and other facilities.

The 1999-2000 Executive Budget recommends new appropriations totaling $233 million from the Clean Water/Clean Air (CWCA) Bond Act for projects to be administered by DEC. Another $50 million is appropriated in the Department of Health for the Safe Drinking Water Program. The CWCA Bond Act funds such important activities as: water quality improvement projects, landfill closure and recycling projects, brownfields projects, safe drinking water projects and air quality improvement projects. Combined with $789 million in prior year appropriations, a total of $1.07 billion will have been made available from the Bond Act by 1999-2000.

The Governor's recommends additional appropriations of $678 million from CWCA bonds through 2003-04. In total, CWCA appropriations of $1.75 billion will be available by 2003-04 to support critical environmental projects.

Another key element of DEC's capital program is the Environmental Protection Fund (EPF), a dedicated fund supported by receipts of approximately $125 million annually. Total EPF appropriations of $125 million in 1999-2000 and an additional $500 million through 2003-04 will continue funding for a host of other critical environmental and recreational activities, including: local landfill closure and recycling; waterfront revitalization projects; non-point source water pollution control; farmland preservation; open space land acquisition; Hudson River Estuary Management and municipal parks projects; the Hudson River Park project; and Onondaga Lake water quality improvement projects.

The 1999-2000 Executive Budget also recommends appropriations of $34.5 million from remaining 1998-99 EPF revenues which were not appropriated in the 1998-99 enacted Budget. These funds will support Hudson River Estuary, waterfront revitalization, historic preservation and stewardship projects.

The Department's Capital Plan also reflects annual pay-as-you-go appropriations and spending of $100 million each year beginning in 2001-02 for a program to clean up hazardous waste and substance sites after the existing 1986 Environmental Quality Bond Act hazardous waste funds of $1.1 billion are committed. This reflects a preliminary estimate because final decisions on program content and funding levels will be made following consideration of the recommendations from the Governor's Workgroup on Superfund Reform.

In 1999-2000, the level of contract commitments projected in the Department's capital plan is approximately $822 million. This is an increase of over $257 million from the level of 1999-2000 commitments projected in the 1998-99 capital plan. The rise is consistent with increased appropriations for several capital programs. Future year commitments are also consistent with planned appropriation levels over the next five years.

As part of the Governor's efforts to reduce bonding, pay-as-you-go spending replaces bond financing in 2000-01 for the State's match for the Clean Water State Revolving Program.

The Department's capital maintenance plan focuses on preservation and preventive maintenance at its various lands, facilities and other structures. The Department manages a vast array of assets that vary in age, condition and useful life, including: approximately 4 million acres of land; 260 boat launch sites; 425 fishing access sites; 92 flood control structures; 51 campgrounds; 12 fish hatcheries; 4 environmental education camps; 3 environmental education centers; 1 tree nursery; and the Belleayre Mountain ski center. The Department is developing a computerized maintenance management system which will facilitate planning and preventive maintenance for these extensive resources.

OFFICE OF PARKS, RECREATION AND HISTORIC PRESERVATION

The Office of Parks, Recreation and Historic Preservation operates 152 State parks and 35 historic sites that provide a place for visitors to relax and learn about New York's natural, historic and recreational treasures. More than 65 million people visit the State parks each year.

New York State's park system is one of the oldest and best developed in the nation, featuring 27 golf courses, 76 developed beaches, 51 swimming pools, and more than 5,000 buildings. The majority of facilities at State parks were built more than 50 years ago. Accordingly, a primary component of the capital program is devoted to maintenance and rehabilitation of existing facilities.

For 1999-2000, nearly $30 million is recommended for capital projects from the State Parks Infrastructure Fund (SPIF), a dedicated fund consisting of revenues generated from day use and camping fees at the parks, as well as other miscellaneous revenues. In 1999-2000, $2.5 million in SPIF revenues will be used to upgrade facilities at Jones

Beach. Support is also provided for the Office's capital program from Fiduciary and Federal funds and the 1986 Environmental Quality Bond Act.

In addition, funding will be available from the Environmental Protection Fund (EPF) and the Clean Water/Clean Air Bond Act to improve park facilities and protect the fragile natural resources at State parks. These funds are included in the Department of Environmental Conservation's capital budget.

The Office's five-year capital plan reflects the needs of the various parks and historic sites. A total of $150 million, mainly from the SPIF, is planned to be spent on projects that are primarily targeted at correcting health and safety risks and preserving park facilities and include actions to:

— restore historic sites;
— rehabilitate park utility and sanitary systems;
— improve selected roads and bridges;
— upgrade public comfort stations and campground wash houses;
— maintain and improve park buildings, cabins and pool facilities; and
— develop newly acquired park lands.

The Office's capital maintenance plan also indicates that 1999-2000 investments will be concentrated in the 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 1999-2000 maintenance efforts primarily on site restoration, roof repair, and exterior construction projects.

In 1999-2000, preparation will continue at Bethpage State Park for the 2002 U. S. Open Golf Championship. This event, held for the first time at a public golf course, will provide substantial economic and other benefits for the State's park system and the entire Long Island community.

The level of contract commitments projected in the Office's capital plan is approximately $42.5 million in 1999-2000, which is consistent with the level projected in the 1998-99 plan. Future year commitments reflect projected activity from both new appropriations and prior year appropriations.

The Office's five-year capital plan also reflects the transfer of the Hudson River Park Fund, which is comprised of revenues generated by properties within the Hudson River Park, from the Empire State Development Corporation to the Office. In 1999-2000, the plan anticipates $14.6 million in spending from the fund for construction of the park. This spending will be supplemented with funding from the EPF.

OLYMPIC REGIONAL DEVELOPMENT AUTHORITY

The Olympic Regional Development Authority (ORDA) is responsible for managing and maintaining the Olympic facilities including Whiteface Mountain Ski Center in the Lake Placid area and the Gore Mountain Ski Center in North Creek, Warren County. The Executive Budget recommends $2.32 million for health and safety projects, which will maintain the condition of ORDA's 60 facilities at 5 winter sports venues. In addition, capital spending for ORDA's facilities will be supplemented with funding from the EPF. Efforts are underway to attract private investment in the ski facilities at Whiteface and Gore. There are no changes from the level of 1999-2000 commitments projected in the 1998-99 capital plan.

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reappropriations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Air Resources	$146,829	$40,000	$153,000	$153,000	$153,000	$48,500	$547,500
Solid Waste Management	207,563	74,495	...	100,000	100,000	100,000	374,495
Water Resources	734,371	317,825	7,300	7,300	7,300	7,300	347,025
Fish and Wildlife	6,069	500	1,000	1,000	1,000	1,000	4,500
Lands and Forests	17,863	4,950	1,000	1,000	1,000	1,000	8,950
Administration	1,605	500	...	...	...	...	500
Operations	26,754	9,550	6,000	6,000	6,000	6,000	33,550
Recreation	2,677	2,650	700	700	700	700	5,450
Solid and Hazardous Waste Management	468,022	37,625	...	...	...	...	37,625
Design and Construction Supervision	16	...	...	...	...	...	...
Marine Resources	3,436	...	...	...	...	...	...
Environment and Recreation	228,649	125,000	125,000	125,000	125,000	125,000	625,000
Clean Water/Clean Air 96	79,715	10,000	...	...	...	...	10,000
Clean Water Clean Air Implementation	6,027	6,027	6,027	6,027	6,027	6,027	30,135
Environment Protection and Enhancements	...	34,475	...	...	...	...	34,475
Total	$1,929,596	$663,597	$300,027	$400,027	$400,027	$295,527	$2,059,205
Fund Summary:							
Capital Projects Fund	$147,271	$49,279	$15,700	$115,700	$115,700	$115,700	$412,079
Capital Projects Fund - Advances	58,288	63,170	300	300	300	300	64,370
Forest Preserve Expansion Fund	161	...	...	...	...	...	...
Capital Projects Fund - EQBA (Bondable)	93,451	...	...	...	...	...	...
Capital Projects Fund - PWBA (Bondable)	35,175	...	...	...	...	...	...
Capital Projects Fund - EQBA 86 (Bondable)	468,396	37,625	...	...	...	...	37,625
Federal Capital Projects Fund	320,807	112,021	...	...	...	...	112,021
Clean Water Clean Air Implementation Fund	6,027	6,027	6,027	6,027	6,027	6,027	30,135
Environmental Protection Fund	228,649	159,475	125,000	125,000	125,000	125,000	659,475
Enterprise Fund	175	...	...	...	...	...	...
Clean Air Fund	9,842	3,000	3,000	3,000	3,000	3,000	15,000
Financial Security Fund	1,983	...	...	...	...	...	...
Natural Resource Damages Fund	11,201	...	...	...	...	...	...
Hudson River Habitat Restor. Fund	351	...	...	...	...	...	...
Capital Projects Fund - 1996 CWCA (Bondable)	547,819	233,000	150,000	150,000	150,000	45,500	728,500
Total	$1,929,596	$663,597	$300,027	$400,027	$400,027	$295,527	$2,059,205

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Air Resources	$6,000	$5,700	$5,200	$4,000	$4,000
Solid Waste Management	15,000	4,000	2,000	1,500	1,500
Water Resources	151,756	161,035	52,967	24,124	23,600
Fish and Wildlife	1,000	1,000	1,000	1,000	1,000
Lands and Forests	2,200	2,075	1,000	1,000	1,000
Administration	500	500	200	100	100
Operations	10,000	10,200	9,000	8,000	8,000
Recreation	6,000	3,000	2,800	2,500	2,500
Solid and Hazardous Waste Management	231,695	57,100	114,850	117,150	117,150
Design and Construction Supervision	...	...	...	...	...
Marine Resources	200	200	250	200	200
Environment and Recreation	125,000	125,000	125,000	125,000	125,000
Clean Water/Clean Air 96	233,000	150,000	150,000	150,000	131,000
Clean Water Clean Air Implementation	6,027	6,027	6,027	6,027	6,027
Environment Protection and Enhancements	34,475	...	...	...	...
Total	$822,853	$525,837	$470,294	$440,601	$421,077
Fund Summary:					
Capital Projects Fund	$53,520	$46,000	$150,000	$155,000	$155,000
Capital Projects Fund - Advances	10,000	4,000	1,000	500	500
Forest Preserve Expansion Fund	75	75	...	...	...
Capital Projects Fund - EQBA (Bondable)	15,200	3,000	2,000	...	...
Capital Projects Fund - PWBA (Bondable)	...	...	...	...	...
Capital Projects Fund - EQBA 86 (Bondable)	198,000	45,000	...	...	...
Federal Capital Projects Fund	141,356	140,535	32,067	874	350
Clean Water Clean Air Implementation Fund	6,027	6,027	6,027	6,027	6,027
Environmental Protection Fund	159,475	125,000	125,000	125,000	125,000
Enterprise Fund	...	...	...	...	...
Clean Air Fund	3,000	3,000	3,000	3,000	3,000
Financial Security Fund	200	200	200	200	200
Natural Resource Damages Fund	3,000	3,000	1,000	...	...
Hudson River Habitat Restor. Fund	...	...	...	...	...
Capital Projects Fund - 1996 CWCA (Bondable)	233,000	150,000	150,000	150,000	131,000
Total	$822,853	$525,837	$470,294	$440,601	$421,077

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Air Resources	$81,689	$38,101	$54,855	$64,502	$76,112	$100,452	$334,022
Solid Waste Management	26,248	28,938	31,148	128,775	134,007	116,009	438,877
Water Resources	205,092	249,304	248,104	100,012	55,177	44,982	697,579
Fish and Wildlife	2,036	1,491	659	963	976	800	4,889
Lands and Forests	11,857	1,005	841	895	2,070	2,086	6,897
Administration	837	650	350	100	...	...	1,100
Operations	9,498	8,707	9,560	10,621	8,243	7,750	44,881
Recreation	2,365	2,308	1,665	650	925	1,126	6,674
Solid and Hazardous Waste Management	94,989	109,998	110,000	100,000	61,200	18,335	399,533
Design and Construction Supervision	16	...	...	...	...	...	...
Marine Resources	255	493	325	280	549	...	1,647
Environment and Recreation	90,525	93,567	106,170	119,739	114,511	112,749	546,736
Clean Water/Clean Air 96	1,400	2,500	4,500	10,000	8,000	7,500	32,500
Clean Water Clean Air Implementation	6,027	6,027	6,027	6,027	6,027	6,027	30,135
Environment Protection and Enhancements	...	10,250	9,750	6,350	5,150	2,975	34,475
Total	$532,834	$553,339	$583,954	$548,914	$472,947	$420,791	$2,579,945
Fund Summary:							
Capital Projects Fund	$60,026	$54,600	$50,951	$129,730	$122,269	$122,999	$480,549
Capital Projects Fund - Advances	19,258	16,997	17,360	19,762	26,652	7,450	88,221
Forest Preserve Expansion Fund	25	30	30	30	20	...	110
Capital Projects Fund - EQBA (Bondable)	27,761	11,312	9,031	492	2,130	1,106	24,071
Capital Projects Fund - PWBA (Bondable)	2,365	2,900	3,100	3,725	4,800	800	15,325
Capital Projects Fund - EQBA 86 (Bondable)	95,000	110,000	110,000	100,000	61,200	18,335	399,535
Federal Capital Projects Fund	143,721	141,356	140,535	32,067	874	350	315,182
Clean Water Clean Air Implementation Fund	6,027	6,027	6,027	6,027	6,027	6,027	30,135
Environmental Protection Fund	90,525	103,817	115,920	126,089	119,661	115,724	581,211
Enterprise Fund	175	...	...	...	...	...	...
Clean Air Fund	4,700	3,000	3,000	3,010	3,000	3,000	15,010
Financial Security Fund	500	500	500	482	...	...	1,482
Natural Resource Damages Fund	2,500	2,500	2,500	2,500	1,314	...	8,814
Hudson River Habitat Restor. Fund	51	300	...	...	...	...	300
Capital Projects Fund - 1996 CWCA (Bondable)	80,200	100,000	125,000	125,000	125,000	145,000	620,000
Total	$532,834	$553,339	$583,954	$548,914	$472,947	$420,791	$2,579,945

PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
New Facilities	$3,500	$925	...	...	...	...	$925
Maintenance and Improvement of Existing Facilities	49,186	29,730	$24,700	$24,400	$25,500	$25,000	129,330
Parks EQBA	33,032	...	...	...	...	...	...
Federal Land and Water Conservation Fund	...	...	...	...	...	...	...
Outdoor Recreation	1,026	...	...	...	...	...	...
Natural Heritage Trust	1,433	...	...	...	...	...	...
Clean Water Clean Air Implementation	...	1,384	1,453	1,526	1,600	1,682	7,645
Federal Capital Projects Fund	2,970	...	...	...	...	...	...
Regional Development	16,000	7,000	7,300	3,500	3,600	3,600	25,000
Total	$107,147	$39,039	$33,453	$29,426	$30,700	$30,282	$162,900
Fund Summary:							
Capital Projects Fund	$1,433	...	...	...	...	...	...
Capital Projects Fund - EQBA (Bondable)	407	...	...	...	...	...	...
Capital Projects Fund - EQBA 86 (Bondable)	32,625	...	...	...	...	...	...
Federal Capital Projects Fund	2,970	...	...	...	...	...	...
Hudson River Park Fund	16,000	$7,000	$7,300	$3,500	$3,600	$3,600	$25,000
Fiduciary Funds - Miscellaneous Combined Expendable Trust Fund	2,400	...	...	...	...	...	...
Clean Water Clean Air Implementation Fund	...	1,384	1,453	1,526	1,600	1,682	7,645
Outdoor Recreation Development Bond Fund	230	...	...	...	...	...	...
Parks and Recreation Land Acquisition Bond Fund	796	...	...	...	...	...	...
Misc. Capital Projects	1,379	700	1,200	500	500	...	2,900
State Parks Infrastructure Fund	48,907	29,955	23,500	23,900	25,000	25,000	127,355
Community Projects Fund	...	...	...	...	...	...	...
Total	$107,147	$39,039	$33,453	$29,426	$30,700	$30,282	$162,900

**PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)**

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
New Facilities	$850	$1,150	$1,175	...	...
Maintenance and Improvement of Existing Facilities	22,541	21,750	21,625	$22,700	$22,500
Parks EQBA	10,000	10,000	7,660	...	...
Federal Land and Water Conservation Fund	...	...	...	...	...
Outdoor Recreation	...	...	...	...	...
Natural Heritage Trust	...	...	...	...	...
Clean Water Clean Air Implementation	1,384	1,453	1,526	1,600	1,682
Federal Capital Projects Fund	700	150	...	...	...
Regional Development	7,000	7,300	3,500	3,600	3,600
Total	$42,475	$41,803	$35,486	$27,900	$27,782
Fund Summary:					
Capital Projects Fund	...	...	...	...	...
Capital Projects Fund - EQBA (Bondable)	...	...	...	...	...
Capital Projects Fund - EQBA 86 (Bondable)	$10,000	$10,000	$7,660	...	...
Federal Capital Projects Fund	700	150	...	...	...
Hudson River Park Fund	7,000	7,300	3,500	$3,600	$3,600
Fiduciary Funds - Miscellaneous Combined Expendable Trust Fund	650	100	...	...	...
Clean Water Clean Air Implementation Fund	1,384	1,453	1,526	1,600	1,682
Outdoor Recreation Development Bond Fund	...	...	...	...	...
Parks and Recreation Land Acquisition Bond Fund	...	...	...	...	...
Misc. Capital Projects	641	700	700	600	400
State Parks Infrastructure Fund	22,100	22,100	22,100	22,100	22,100
Community Projects Fund	...	...	...	...	...
Total	$42,475	$41,803	$35,486	$27,900	$27,782

PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
New Facilities	$1,384	$850	$1,150	$1,175	...	...	$3,175
Maintenance and Improvement of Existing Facilities	24,041	25,041	24,250	23,884	$25,100	$25,000	123,275
Parks EQBA	7,775	10,000	10,000	7,660	...	...	27,660
Federal Land and Water Conservation Fund	625	...	...	...	...	...	...
Outdoor Recreation	...	...	...	...	...	...	...
Natural Heritage Trust	2,053	...	...	...	...	...	...
Clean Water Clean Air Implementation	1,225	1,384	1,453	1,526	1,600	1,682	7,645
Federal Capital Projects Fund	1,300	700	150	...	...	...	850
Regional Development	8,400	14,600	7,300	3,500	3,600	3,600	32,600
Total	$46,803	$52,575	$44,303	$37,745	$30,300	$30,282	$195,205
Fund Summary:							
Capital Projects Fund	$2,487	...	...	...	...	...	...
Capital Projects Fund - EQBA (Bondable)	275	...	...	...	...	...	...
Capital Projects Fund - EQBA 86 (Bondable)	7,500	$10,000	$10,000	$7,660	...	...	$27,660
Federal Capital Projects Fund	1,925	700	150	...	...	...	850
Hudson River Park Fund	8,400	14,600	7,300	3,500	$3,600	$3,600	32,600
Fiduciary Funds - Miscellaneous Combined Expendable Trust Fund	950	650	100	...	...	...	750
Clean Water Clean Air Implementation Fund	1,225	1,384	1,453	1,526	1,600	1,682	7,645
Outdoor Recreation Development Bond Fund	...	...	...	...	...	...	...
Parks and Recreation Land Acquisition Bond Fund	...	...	...	...	...	...	...
Misc. Capital Projects	1,741	641	700	459	500	400	2,700
State Parks Infrastructure Fund	22,100	24,600	24,600	24,600	24,600	24,600	123,000
Community Projects Fund	200	...	...	...	...	...	...
Total	$46,803	$52,575	$44,303	$37,745	$30,300	$30,282	$195,205

OLYMPIC REGIONAL DEVELOPMENT AUTHORITY
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Administration	...	$2,317	$2,317	$2,317	$2,317	$2,317	$11,585
Total	...	$2,317	$2,317	$2,317	$2,317	$2,317	$11,585
Fund Summary:							
Capital Projects Fund	...	$2,317	$2,317	$2,317	$2,317	$2,317	$11,585
Total	...	$2,317	$2,317	$2,317	$2,317	$2,317	$11,585

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Administration	$2,317	$2,317	$2,317	$2,317	$2,317
Total	$2,317	$2,317	$2,317	$2,317	$2,317
Fund Summary:					
Capital Projects Fund	$2,317	$2,317	$2,317	$2,317	$2,317
	$2,317	$2,317	$2,317	$2,317	$2,317

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Administration	$2,317	$2,317	$2,317	$2,317	$2,317	$2,317	$11,585
Total	$2,317	$2,317	$2,317	$2,317	$2,317	$2,317	$11,585
Fund Summary:							
Capital Projects Fund	$2,317	$2,317	$2,317	$2,317	$2,317	$2,317	$11,585
Total	$2,317	$2,317	$2,317	$2,317	$2,317	$2,317	$11,585

PUBLIC PROTECTION

The capital planning process is essential to the Department of Correctional Services (DOCS) as a means of providing additional capacity and maintaining a safe and secure environment in existing facilities. The Division of State Police (DSP) and the Division of Military and Naval Affairs (DMNA) capital programs ensure that existing facilities continue to be maintained.

DEPARTMENT OF CORRECTIONAL SERVICES

DOCS is responsible for incarcerating approximately 72,000 convicted criminals and preparing them for successful return to the community. The capital program assists in this mission by ensuring that all housing, medical, program, and support space in 70 facilities remains functional, safe and secure.

The focus of the 1999-2000 capital projects recommendation is the completion of a capital expansion plan to meet growing population demands resulting from truth-in-sentencing legislation, including Jenna's Law, and maintenance of the Department's vast infrastructure.

The 1997-98 enacted Budget funded capacity expansion to provide the additional space required to allow violent offenders to serve longer sentences commensurate with their crimes. Eight 100-cell units, constructed on the grounds of existing correctional facilities, were completed in Summer 1998. A new 750 cell maximum security prison, under construction in Franklin County, is on schedule to be occupied by inmates in the Summer of 1999. The capital plan includes funds to construct a second 750-cell maximum security prison, authorized in the 1998-99 enacted Budget, to be ready for use by 2000, as well as a third such prison to be opened in 2001.

The Department's substantial rehabilitation and preservation requirements are due to several factors, including the age of many of the State's prisons and the changing needs of the inmate population, particularly in the area of health care. "New" capacity was created during the 1980's often by converting older institutions from other uses to prisons. The focus of that effort was on security, not upgrading the structural integrity and infrastructure of these very old facilities. In addition, virtually all of these facilities operate above capacity due to extensive double-bunking, further straining the physical plant.

The Department of Correctional Services Preventative Maintenance Program Plan addresses this situation by providing funds for additional system repairs and replacements necessary to keep capacity in service. Analysis shows that the heating, ventilation, hot water, electric and roofing systems are the major problem areas requiring appropriations.

The Department continues to require improvements to its medical facilities. The prevalence of disease related to AIDS, tuberculosis and other infectious conditions in the prison population prompted a significant capital program to provide cost efficient access to health care. A new appropriation of $10 million is included in the recommendations to continue the renovation and replacement of medical facilities, including the infirmary at Eastern Correctional Facility.

The Capital Asset Maintenance Plan is designed to preserve the useful life of the facilities and infrastructure. In evaluating assets, DOCS has established a rating system to identify the condition of its physical plant as a tool for prioritizing essential rehabilitation projects. The following table identifies the capital asset group, age and condition of DOCS assets:

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Minimum Security	4 to 75 yrs.	14	2	0	16
Medium Security	8 to 100 yrs.	35	4	0	39
Maximum Security	8 to 150 yrs.	12	3	0	15
Support	40 to 60 yrs.	2	0	0	2
	Total	63	9	0	72

The program, consistent with the above objectives, recommends new capital project appropriations of approximately $1.2 billion over the next five years, and $984 million in reappropriations. These appropriations are grouped programmatically, thereby allowing the agency to manage the flow of projects, respond to emergencies and adjust priorities to accommodate for changes in facility conditions.

The DOCS Capital program is funded primarily from appropriations made from the Correctional Facilities Capital Improvement Fund which is reimbursed by proceeds from bonds issued by the Empire State Development Corporation. The five-year disbursement projection of more than $1.2 billion includes $414 million to complete construction of additional capacity, including $180 million for a third 750-cell maximum security prison included in the 1999-2000 Executive Budget; $103 million for the Health Care Infrastructure program; and $691 million for capital rehabilitation.

The 1999-2000 Plan reflects nearly $1.1 billion in commitments, commensurate with anticipated available appropriations. The Executive's Recommended Plan reflects the pressing need for capacity expansion, infrastructure maintenance and rehabilitation projects; and improvements to the Department's health care facilities.

DIVISION OF STATE POLICE

The priorities of the Division of State Police (DSP) Capital Plan are to maintain the safety and integrity of State Police facilities across the State. The majority of funding for 1999-2000 will be used to rehabilitate State owned facilities.

The Capital Asset Maintenance Plan for the Division of State Police is designed to preserve the useful life of the facilities and infrastructure. Over the past several years capital initiatives have been focused on the repair and replacement of roofs, windows, parking lots and access roadways; heating and ventilation systems; and improvements to facilities to meet health and safety issues. The plan for the next five years maintains the same focus.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Troop Headquarters	10 to 40 years	9	0	0	9
Zone Headquarters	40 years	0	2	0	2
Station	40 years	0	1	0	1
	Total	9	3	0	12

The 1999-2000 Executive Budget also includes funding for completing the construction of a new Zone Headquarters in the Town of Islip, Suffolk County, New York. The lease on the current facility expires at the end of 1999 and the location is inadequate. The completed new facility will be centrally located and readily accessible to the major highways in that area. In addition, the new facility will be handicapped accessible and have women's locker facilities.

The planned commitments in 1999-2000 are estimated at $2.6 million, growing to $3.5 million in the subsequent year. The 1999-2000 Capital Plan assumes entering into commitments for new projects that will continue to rehabilitate State Police facilities.

DIVISION OF MILITARY AND NAVAL AFFAIRS

The Division of Military and Naval Affairs operates over 120 facilities statewide which include: over 60 Army National Guard Armories, 28 operations and maintenance facilities, six Air Guard bases, four training facilities, three aviation support facilities, and Camp Smith.

An analysis conducted by the National Guard Bureau has concluded that New York's infrastructure is the oldest in the nation and its overall condition is fair. Total size of the infrastructure is over five million square feet and its average age is over 71 years. The comprehensive remaining useful life is at least five years.

Over the last four years, the Division has been refining its mission to not only maintaining its military readiness posture, but to include joint partnerships with local communities. The Division's capital projects planning is undertaken in the context of this restructured mission which encompasses both Federal and State priorities.

The Division annually prepares a Five Year Comprehensive Capital Maintenance Plan which emphasizes continued investment in maintenance and repair programs, implements technological upgrades and addresses energy efficiency concerns. Infrastructure repair and upgrade is measured and prioritized by a structure's condition and proposed use; and corresponding health, safety and environmental concerns.

STATE POLICE, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Maintenance and Improvement of Existing Facilities	$4,648	$2,000	$3,000	$2,000	$4,700	$2,000	$13,700
New Facilities	3,321	...	...	...	...	...	...
Total	$7,969	$2,000	$3,000	$2,000	$4,700	$2,000	$13,700
Fund Summary:							
Capital Projects Fund	$7,969	$2,000	$3,000	$2,000	$4,700	$2,000	$13,700
Total	$7,969	$2,000	$3,000	$2,000	$4,700	$2,000	$13,700

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Maintenance and Improvement of Existing Facilities	$2,600	$1,500	$1,500	$1,500	$1,500
New Facilities	...	2,000	...	...	...
Total	$2,600	$3,500	$1,500	$1,500	$1,500
Fund Summary:					
Capital Projects Fund	$2,600	$3,500	$1,500	$1,500	$1,500
Total	$2,600	$3,500	$1,500	$1,500	$1,500

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Maintenance and Improvement of Existing Facilities	$2,121	$2,848	$2,580	$2,450	$2,700	$3,700	$14,278
New Facilities	1,679	1,298	1,650	...	...	...	2,948
Total	$3,800	$4,146	$4,230	$2,450	$2,700	$3,700	$17,226
Fund Summary:							
Capital Projects Fund	$3,800	$4,146	$4,230	$2,450	$2,700	$3,700	$17,226
Total	$3,800	$4,146	$4,230	$2,450	$2,700	$3,700	$17,226

MILITARY AND NAVAL AFFAIRS, DIVISION
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Administration - Federal Capital Projects Fund	$7,762	...	...	...	...	...	...
Army National Guard	4,321	...	...	...	...	...	...
Maintenance and Improvement of Existing Facilities	9,807	$5,900	$7,900	$6,700	$7,625	$5,375	$33,500
Design and Construction Supervision	2,345	3,025	2,025	3,225	2,300	4,550	15,125
Total	$24,235	$8,925	$9,925	$9,925	$9,925	$9,925	$48,625
Fund Summary:							
Capital Projects Fund	$9,821	$5,500	$6,500	$6,500	$6,500	$6,500	$31,500
Federal Capital Projects Fund	14,414	3,425	3,425	3,425	3,425	3,425	17,125
Total	$24,235	$8,925	$9,925	$9,925	$9,925	$9,925	$48,625

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Administration - Federal Capital Projects Fund	...	...	...	...	...
Army National Guard	...	...	...	...	...
Maintenance and Improvement of Existing Facilities	$5,850	$8,050	$6,450	$7,825	$5,525
Design and Construction Supervision	3,175	1,975	3,575	2,200	4,500
Total	$9,025	$10,025	$10,025	$10,025	$10,025
Fund Summary:					
Capital Projects Fund	$5,600	$6,600	$6,600	$6,600	$6,600
Federal Capital Projects Fund	3,425	3,425	3,425	3,425	3,425
Total	$9,025	$10,025	$10,025	$10,025	$10,025

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Administration - Federal Capital Projects Fund	$2,136	$2,500	$536	$1,795	$1,038	...	$5,869
Army National Guard	2,874	2,480	619	100	...	...	3,199
Maintenance and Improvement of Existing Facilities	2,302	4,115	7,536	6,800	7,673	$7,823	33,947
Design and Construction Supervision	1,188	1,405	2,807	2,800	2,789	3,115	12,916
Total	$8,500	$10,500	$11,498	$11,495	$11,500	$10,938	$55,931
Fund Summary:							
Capital Projects Fund	$5,000	$5,500	$6,500	$6,500	$6,500	$6,500	$31,500
Federal Capital Projects Fund	3,500	5,000	4,998	4,995	5,000	4,438	24,431
Total	$8,500	$10,500	$11,498	$11,495	$11,500	$10,938	$55,931

EDUCATION

Capital planning is vital to the teaching, research and public service missions of both the State University (SUNY) and the City University (CUNY) systems. Capital Plans ensure that facilities are appropriately designed and developed to meet current and future needs and provide a safe and healthy environment for students, faculty and staff. The State Education Department's (SED) capital programs encompass the rehabilitation of schools for the deaf, the blind and Native Americans, as well as SED's administrative offices, and the State Museum and State Archives.

STATE UNIVERSITY OF NEW YORK

The State University of New York is the largest public university system in the nation, with 64 campuses (including 30 community colleges) serving nearly 370,000 students. The goal of SUNY's capital program is to provide and preserve the physical infrastructure needed for the education of students.

The 34 State-operated campuses include more than 2,000 classroom, dormitory, library, laboratory, athletic, and student activity buildings. More than 84 percent of those facilities exceed 20 years of age and are increasingly in need of rehabilitation and repair. Accordingly, SUNY's capital program primarily emphasizes the maintenance and rehabilitation of its existing State-operated facilities. Capital priorities at SUNY's 30 community colleges include major rehabilitation as well as selected new buildings at various campuses to accommodate changing academic needs.

SUNY's capital planning process starts with the development of facility master plans for each campus. For State-operated colleges, these plans are than developed into a system-wide, five-year University Master Capital Plan approved by the SUNY Board of Trustees. For community colleges, master plans are submitted to the local Boards of Trustees for approval and used in developing budget requests for submission to the SUNY Board of Trustees. Both new construction and rehabilitation projects are identified through campus developed master planning efforts and building condition surveys performed by the State University Construction Fund. Priorities are then determined and submitted to the Trustees prior to inclusion in budget requests.

As part of the 1998-99 enacted Budget, the University received authorization for a $2 billion capital investment program; $1.575 billion in State-supported bonding and the remainder funded by hospital and dormitory revenues and local community college sponsors. This long term capital investment program enables the University to better plan for and address campus priorities. This continuing investment will support a revitalization of SUNY facilities, ensure the ability of campuses to successfully meet the needs of students, faculty and researchers, and enable the University to retain its competitive edge into the next millennium.

Major components of the capital program for 1999-2000 through 2003-04 include:

— campus core projects which meet critical health, safety and preservation needs and respond to new and changing academic requirements;
— technology and campus development projects which respond to new ways of teaching and learning;
— campus matching projects to leverage private donations;
— systemwide infrastructure projects which address needs such as underground utility projects;

— campus improvements and quality of life projects which improve the overall appearance of SUNY campuses and their responsiveness to student needs; and
— community college capital projects ranging in scope from replacement of heating and cooling systems to construction of new academic facilities.

SUNY's Capital Investment Program will continue to emphasize projects that address health and safety, rehabilitation and preservation needs. These include projects to address code violations, meet accreditation standards, provide access for the disabled, preserve the integrity of the capital plant and address deferred maintenance. Given the age of SUNY's physical plant, more than half of the capital funding for senior colleges will be spent on campus core projects and systemwide infrastructure needs. Unlike other State agencies, SUNY has the in-house capability to perform building surveys. Accordingly, the "remaining useful life" of SUNY buildings is based on the condition of the asset or building components, rather than age. Less than a dozen SUNY buildings have reached the end of their useful life.

Since nearly half of the University's facilities are in good condition, as illustrated by the table below, the 1999-2000 capital plan will continue to address the goal of maintaining and improving buildings classified as in "good" condition and to moving those in "fair" or "poor" condition to the "good" category. The capital plan anticipates that the majority of expenditures projected for capital activities over the next five years will address critical and deferred maintenance needs with the remainder directed to the adaptation of the physical plant to meet changing academic and technological needs.

		Condition			
Capital Asset Group		**Good**	**Fair**	**Poor**	**Total**
Academic/Support		761	965	13	1,739
Residential		274	98	1	373
Hospital		1	3	0	4
	Total	1,036	1,066	14	2,116

For 1999-2000, the projected contract commitments will reach $250 million which reflects the level of activity anticipated for the second year of this multi-year capital initiative. Total disbursements for both the State-operated and community colleges are estimated at $263 million in 1999-2000 growing to $392 million in 2003-2004. Both commitment and disbursement levels are expected to increase over the next five years to meet the current and future needs of an aging physical plant.

CITY UNIVERSITY OF NEW YORK

The City University of New York’s physical plant is comprised of 11 senior colleges, 6 community colleges, a graduate center, law school and the Central Administration facility. CUNY serves nearly 199,000 degree credit students in approximately 20 million gross square feet of space.

CUNY’s capital planning process begins with the development of a facility master plan for each campus which details existing and anticipated facilities necessary to accommodate projected campus enrollment within certain time periods. The facility master plans provide the framework for development of the annual capital budget request and the University’s Five-Year Capital Plan.

CUNY's rehabilitation projects are identified through building condition surveys, conducted jointly by the Dormitory Authority and CUNY. New construction projects generally reflect the CUNY Board of Trustees' policy to replace leased and temporary facilities with new, university-owned structures.

Major projects at CUNY senior and community colleges are supported by bonds issued by the Dormitory Authority. The State pays the debt service on senior college projects other than Medgar Evers College. For community colleges and Medgar Evers College, debt service costs are shared with the City of New York. CUNY's minor rehabilitation projects for health, safety and preservation purposes are primarily supported by State General Fund appropriations.

The Governor's multi-year Capital Investment Program will provide more than $1 billion for facility and infrastructure improvements at City University senior and community colleges, consistent with the University's needs and priorities. Funded projects encompass critical health and safety, preservation and handicapped access projects, as well as major renovations and new facilities at a number of CUNY campuses.

In 1998-99, appropriations totaling $1.037 billion were provided in support of the Governor's multi-year Capital Investment Program. Concomitantly, CUNY's bond cap was increased by $660 million, for a total bonding authorization of $3.415 billion, to cover CUNY's planned bond sales for the course of the Capital Investment Program. Budget language also limited the obligations that could be incurred in 1998-99 and stated that obligations in future years were to be pursuant to a plan developed by the Governor.

For 1999-2000, the level of contract commitments projected in the capital plan is $293.3 million, which is $2.6 million below the 1999-2000 commitment level projected in the 1998-99 Five-Year Capital Plan due to minor adjustments in project schedules.

STATE EDUCATION DEPARTMENT

The State Education Department's (SED) capital program provides for the maintenance of administrative facilities in Albany (e.g., the Education Building and Cultural Education Center), the School for the Blind in Batavia, the School for the Deaf in Rome, and three Native American schools on the Onondaga, St. Regis Mohawk and Tuscarora reservations.

As part of the Governor's efforts to reduce bonding, pay-as-you-go spending beginning in 1999-2000 will be used to replace bond financing for State Education Department capital projects. SED's pay-as-you-go capital plan for 1999-2000 includes Capital Project Fund appropriations of $909,000 with disbursements projected to total $830,000. These appropriations will fund minor maintenance projects at various sites and the installation of humidity controls at the Batavia School for the Blind. No new Capital Advance Funds are recommended.

For fiscal year 1999-2000, the level of contract commitments projected in the capital plan is $909,000 or $2.72 million below projections made in the 1998-99 capital plan primarily due to a change in project scheduling. Projects previously funded are being designed and awarded as anticipated.

The Capital Plan will enable the State Education Department to maintain and preserve its assets; ensure health and safety of staff, students and the general public; and reduce its dependence on leased space by maximizing the effective use of State-owned buildings.

STATE UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)
(Includes Community Colleges)

APPROPRIATIONS

	Reappropriations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Maintenance and Improvements	$2,539,149	...	...	...	...	$390,000	$390,000
Program Changes and Expansion							
New Facilities	19,666	...	...	...	...	...	...
Total	$2,558,815	...	...	...	...	$390,000	$390,000
Fund Summary:							
Capital Projects Fund	$198,620	...	...	...	...	$25,000	$25,000
Capital Projects Fund - Advances	1,979,275	...	...	...	...	295,000	295,000
State University Capital Projects Fund	100,000	...	...	...	...	20,000	20,000
State University Residence Hall Rehabilitation Fund	280,920	...	...	...	...	50,000	50,000
Total	$2,558,815	...	...	...	...	$390,000	$390,000

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Maintenance and Improvements	$240,000	$255,000	$260,000	$300,000	$346,000
Program Changes and Expansion					
New Facilities	10,000	10,000	10,000	10,000	9,000
Total	$250,000	$265,000	$270,000	$310,000	$355,000
Fund Summary:					
Capital Projects Fund	$32,000	$35,000	$38,000	$41,000	$43,000
Capital Projects Fund - Advances	185,000	190,000	222,000	254,000	297,000
State University Capital Projects Fund	...	...	...	...	...
State University Residence Hall Rehabilitation Fund	33,000	40,000	10,000	15,000	15,000
Total	$250,000	$265,000	$270,000	$310,000	$355,000

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Maintenance and Improvements	$236,500	$263,000	$273,500	$284,300	$316,100	$392,000	$1,528,900
Program Changes and Expansion							
New Facilities	...	...	...	...	...	...	...
Total	$236,500	$263,000	$273,500	$284,300	$316,100	$392,000	$1,528,900
Fund Summary:							
Capital Projects Fund	$32,500	$35,000	$35,500	$36,300	$38,100	$32,000	$176,900
Capital Projects Fund - Advances	165,000	175,000	175,000	185,000	215,000	290,000	1,040,000
State University Capital Projects Fund	6,000	10,000	20,000	20,000	20,000	20,000	90,000
State University Residence Hall Rehabilitation Fund	33,000	43,000	43,000	43,000	43,000	50,000	222,000
Total	$236,500	$263,000	$273,500	$284,300	$316,100	$392,000	$1,528,900

CITY UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Maintenance and Improvements	$722,468	...	...	...	...	$135,000	$135,000
Program Changes and Expansion	15,679	...	...	...	...	...	...
Preservation of Facilities	825	...	...	...	...	...	...
New Facilities	352,556	...	...	...	...	70,000	70,000
Total	$1,091,528	...	...	...	...	$205,000	$205,000
Fund Summary:							
Capital Projects Fund	$99,112	...	...	...	...	5,000	$5,000
Capital Projects Fund - Advances	988,346	...	...	...	...	200,000	200,000
City University of New York							
Capital Projects Fund	4,070	...	...	...	...	...	...
Total	$1,091,528	...	...	...	...	$205,000	$205,000

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Maintenance and Improvements	$236,200	$134,000	$132,700	$104,500	$78,000
Program Changes and Expansion	1,500	...	...	...	...
Preservation of Facilities	...	...	...	...	...
New Facilities	55,600	43,100	40,000	64,000	90,000
Total	$293,300	$177,100	$172,700	$168,500	$168,000
Fund Summary:					
Capital Projects Fund	$28,700	$17,100	$12,700	$8,500	$8,000
Capital Projects Fund - Advances	264,600	160,000	160,000	160,000	160,000
City University of New York					
Capital Projects Fund	...	...	...	...	...
Total	$293,300	$177,100	$172,700	$168,500	$168,000

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Maintenance and Improvements	$8,077	$8,025	$8,500	$9,100	$6,485	$7,600	$39,710
Program Changes and Expansion	873	975	550	...	2,615	1,500	5,640
Preservation of Facilities	150	100	50	...	...	...	150
New Facilities	...	...	...	...	...	...	...
Total	$9,100	$9,100	$9,100	$9,100	$9,100	$9,100	$45,500
Fund Summary:							
Capital Projects Fund	$9,100	$9,100	$9,100	$9,100	$9,100	$9,100	$45,500
Capital Projects Fund - Advances	...	...	...	...	...	...	...
City University of New York							
Capital Projects Fund	...	...	...	...	...	...	...
Total	$9,100	$9,100	$9,100	$9,100	$9,100	$9,100	$45,500

EDUCATION DEPARTMENT, STATE
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Education Building	$6,380	...	$3,630	$3,630	$3,630	$3,630	$14,520
School for the Blind	3,029	$159	...	...	...	...	159
School for the Deaf	2,195	...	...	...	...	...	...
Schools For Native American Reservations	500	...	...	...	...	...	...
Cultural Education Center	20,550	...	...	...	...	...	...
Administration	1,635	750	...	...	...	...	750
Washington Avenue Armory	10,715	...	...	...	...	...	...
Design and Construction Supervision	547	...	...	...	...	...	...
Total	$45,551	$909	$3,630	$3,630	$3,630	$3,630	$15,429
Fund Summary:							
Capital Projects Fund	$3,558	$909	$3,630	$3,630	$3,630	$3,630	$15,429
Capital Projects Fund - Advances	41,993	...	...	...	...	...	...
Total	$45,551	$909	$3,630	$3,630	$3,630	$3,630	$15,429

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Education Building	...	$3,630	$3,630	$3,630	$3,630
School for the Blind	$159	...	...	...	...
School for the Deaf	...	...	...	...	...
Schools For Native American Reservations	...	...	...	...	...
Cultural Education Center	...	...	...	...	...
Administration	750	...	...	...	...
Washington Avenue Armory	...	...	...	...	...
Design and Construction Supervision	...	...	...	...	...
Total	$909	$3,630	$3,630	$3,630	$3,630
Fund Summary:					
Capital Projects Fund	$909	$3,630	$3,630	$3,630	$3,630
Capital Projects Fund - Advances	...	...	...	...	...
Total	$909	$3,630	$3,630	$3,630	$3,630

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Education Building	$319	$258	$2,851	$3,044	$3,630	$3,630	$13,413
School for the Blind	200	40	343	...	...	...	383
School for the Deaf	100	40	...	...	...	...	40
Schools For Native American Reservations	...	...	...	...	...	...	...
Cultural Education Center	...	...	...	...	...	...	...
Administration	211	342	436	586	...	...	1,364
Washington Avenue Armory	...	...	...	...	...	...	...
Design and Construction Supervision	...	150	...	...	...	...	150
Total	$830	$830	$3,630	$3,630	$3,630	$3,630	$15,350
Fund Summary:							
Capital Projects Fund	$830	$830	$3,630	$3,630	$3,630	$3,630	$15,350
Capital Projects Fund - Advances	...	...	...	...	...	...	...
Total	$830	$830	$3,630	$3,630	$3,630	$3,630	$15,350

MENTAL HYGIENE

The Department of Mental Hygiene capital program is administered through the three autonomous agencies within the Department — the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), and the Office of Alcoholism and Substance Abuse Services (OASAS).

Capital projects for all Mental Hygiene agencies are supported by the General Fund and bonds issued by the Dormitory Authority. These financing mechanisms support the maintenance and rehabilitation of facilities operated by both the State and not-for-profit agencies, as well as the development of new community services for populations which the State serves.

OFFICE OF MENTAL HEALTH

The Office of Mental Health (OMH) provides high quality services to approximately 6,600 people 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 general hospital projects, including psychiatric inpatient and specialized emergency rooms; and a number of non-residential community programs.

Consistent with OMH's Long-Term capital plan to reach an average daily census of between 3,700 and 4,700, the 1999-2000 capital plan includes appropriations and disbursements for OMH State-operated institutions that will continue to fund projects necessary to meet health and life safety codes; Joint Commission on Accreditation of Health Care Organizations (JCAHO) standards; current Federal Medicaid certification requirements; and other projects which remediate environmental deficiencies, improve energy efficiency, preserve long-term facilities and consolidate campus facilities.

As part of the Governor's efforts to reduce bonding, pay-as-you-go spending will be used to reduce OMH's future year bond financing for State mental health facilities. New 1999-2000 appropriations of $112 million and disbursements of $155 million for OMH State-operated institutions support essential rehabilitation projects which preserve patient and staff health and safety; provide long-term campus security improvements; and support the agency's efforts to close vacant buildings to achieve operating and energy efficiencies. Approximately $95 million in annual appropriations support new projects needed for the preservation of facilities, minor rehabilitation of facilities, health and safety and facility accreditation. Major projects at the Manhattan Psychiatric Center and the New York Psychiatric Institute will also be completed in 1999-2000. The capital commitments reflect projected activity from new and prior year appropriations and fully support OMH's Capital Plan priorities.

As required by law, OMH is implementing a maintenance management program. The Computerized Maintenance Management System (CMMS) will schedule, track and document all maintenance activities. This system will assist OMH in developing campus planning project schedules that prioritize maintenance resources to ensure that buildings designated long-term are provided scheduled maintenance to preserve and enhance their current condition. Implementation will begin this year with Rockland PC operating as a test site. When tested successfully and approved, all OMH psychiatric centers are anticipated to be using CMMS by the end of 2000-01 for work orders and preventive maintenance applications.

Over the past decade, OMH has invested over one billion dollars in its capital facilities. The benefits of these efforts are evident with over 70 percent of OMH buildings in good or better condition. The focus of capital maintenance planning is to ensure that the investments in the OMH infrastructure are preserved, both to realize its maximum useful life and to prevent costly repairs in the future.

		Condition				
Capital Asset Group	**Age Range**	**Excellent**	**Very Good**	**Good**	**Poor**	**Total**
Residential/Hospital Buildings	1-100+	47	84	26	58	15
Psychiatric Rehabilitation Buildings	1-100+	5	62	45	41	153
Administrative Support Buildings	1-100+	30	121	383	196	730
	Total	82	267	454	295	1,098

As planned, funds previously appropriated will continue to be available to develop and maintain the community infrastructure. In that capacity, a total of $45 million in disbursements, incorporating $8 million financed from the General Fund is recommended in 1999-2000. These funds will be available to support community-based capital projects including the continued development of pipeline residential beds authorized in prior years; various locally-identified projects under the Community Mental Health Reinvestment Act; compliance with the Americans with Disabilities Act standards for handicapped accessibility; and the rehabilitation of current community capital asset.

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The 1999-2000 Five-Year Capital Plan for the Office of Mental Retardation and Developmental Disabilities (OMRDD) maintains current health and safety standards for State and community programs. OMRDD's service system includes over 34,000 community-based beds operated by the State and the non-profit sector, along with about 2,000 developmental center (DC) and special unit beds and thousands of community-based day program slots. The plan includes new program development in 1999-2000 and future years, primarily to meet the needs of individuals who require specialized residential services because of their socially offending behaviors which cannot be treated in generic developmental disabilities programs, including individuals referred from the criminal justice system.

The focus of OMRDD's capital program is to:

— maintain health and safety standards for existing facilities and ensure conformance with all Federal and State certification standards;

— continue the court-ordered closure of the Letchworth Village Multiply Disabled Unit;

— preserve long-term institutional and community facilities under both State and non-profit auspices; and

— develop secure residential space for persons with severe behavioral treatment needs.

Recommended new appropriations for 1999-2000 of $61 million and reappropriations of $92 million support projected capital disbursements of $51 million. Recommended new and future appropriations are principally for essential maintenance of existing State and not-for-profit operated facilities. Capital commitment levels of $50-54 million annually reflect projected activity from new and prior year appropriations and fully support OMRDD's Capital Plan priorities.

OMRDD's capital budget also continues a secure treatment facility expansion initiative commenced in 1997-98 for individuals who require specialized residential placement and cannot be served in generic developmental disabilities programs. When fully implemented, this initiative will serve 159 individuals, of which over 100 will enter from the criminal justice system (either at the point of sentencing or as a condition of parole) thereby freeing up critical prison space for other criminal justice populations. In addition, OMRDD's Capital budget includes reappropriations to renovate existing secure facilities to house and treat mentally retarded and developmentally disabled individuals determined to be sexually violent predators under proposed legislation to be introduced with the Executive Budget.

New State and non-profit renovation and maintenance projects will be financed by the General Fund and bond proceeds with approximately $283 million in new appropriations anticipated over the five-year life of the Plan. Relative to new program expansion, OMRDD's non-profit sector has demonstrated considerable success in accessing private sector financing for this purpose, reducing its historic reliance on State capital support. Therefore, major new initiatives, such as the Governor's NY-CARES program to virtually eliminate residential waiting lists, as well as ongoing capital expansion needs related to legally mandated populations such as the aging out, will likewise be supported through private financing. The Plan still contemplates limited use of bond funds for non-profit community development to support small, historically ethnic providers to develop services in under-served, inner-city areas.

The 1999-2000 Capital Plan recognizes the continued demand for specialized settings to address the needs of a core population of developmentally disabled who require care in special units, including secure facilities. For example, within the past three years, referrals from the criminal justice system and the need for special services for other behaviorally-involved populations have increased significantly. Accordingly, all of OMRDD's eight Statewide campuses require capital investment in order to maintain program certification, and the Capital Plan includes sufficient funding for developmental center preservation and health and safety projects.

Over the years, New York has developed a large non-profit community infrastructure of some 19,500 beds and thousands of day slots housed in some 3,500 facilities statewide, much of it aging and in need of significant maintenance. While considerable maintenance resources have been invested in this infrastructure, there is still significant need in this mature capital network. The Capital Plan addresses this need by supporting a four-year maintenance schedule for non-profit sites that will ensure that significant maintenance projects such as bathroom and kitchen repair and replacement, aging mechanical systems, fire safety code updates, and roof replacements are funded.

The following table identifies the capital asset group, age and condition of the Office of Mental Retardation and Developmental Disabilities assets:

Capital Asset Group	Age Range	Condition Good	Fair	Poor	Total
Institutional	1-75	444	0	174**	618
Community	1-55	1,030	0	0	1,030
	Total	1,474	0	174**	1,648

** All 174 buildings are vacant and classified as programmatically obsolete, meaning they are not scheduled for short- or long-term use.

OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES

The Office of Alcoholism and Substance Abuse Services (OASAS) supports a community-based service system delivering a continuum of services to treat and prevent chemical dependence. While the majority of the system is operated by voluntary not-for-profit providers, the State itself operates 13 Addiction Treatment Centers (ATCs). The Capital Plan recommends new appropriations of $150 million over the next five years to support projects throughout the system. These projects focus primarily on the health and safety of clients, and the preservation of both State-and voluntary owned facilities.

Disbursements of $20-26 million annually support a comprehensive network of residential and ambulatory treatment centers, including community residences, drug-free residential and ambulatory programs, alcohol outpatient clinics, and methadone clinics. This amount includes the development of another 213 beds, which will complete the 700 bed expansion enacted as part of the 1997-98 Budget. In addition, a portion of this projected spending reflects the planned purchase of permanent space for certain programs, thereby eliminating the need for more costly leased space.

Disbursements of approximately $4 million annually support critical maintenance projects in the State ATCs. While twelve of the thirteen State-operated facilities are considered fixed assets of other agencies, OASAS is responsible for their maintenance. Eleven of the thirteen facilities are located on the grounds of Office of Mental Health Psychiatric Centers. Another is located at the Department of Corrections Willard Drug Treatment Campus, providing care as part of its alternatives to incarceration program. Kingsboro ATC, the only capital asset of the Office of Alcoholism and Substance Abuse Services, is three years old and is in good condition.

The 1999-2000 Executive Budget recommends the transfer of the Research Institute on Addictions(RIA) to the State University of New York at Buffalo. The building which houses RIA is currently under long-term lease to OASAS by the Federal government. If the recommended transfer is approved, SUNY Buffalo will assume this lease and become responsible for necessary maintenance of the facility. Therefore, the OASAS Capital Plan amounts do not reflect any projects planned to be undertaken on behalf of RIA.

Contract commitments of $30-35 million annually reflect projected activity from both new and prior year appropriations and fully support the Capital Plan priorities outlined above.

MENTAL HYGIENE, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Community Facilities	$19,347	...	...	...	...	...	...
Total	$19,347	...	...	...	...	...	...
Fund Summary:							
Mental Hygiene Capital							
Improvement Fund - 389	$19,347	...	...	...	...	...	...
Total	$19,347	...	...	...	...	...	...

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Community Facilities	...	...	...	...	...
Total	...	...	...	...	...
Fund Summary:					
Mental Hygiene Capital					
Improvement Fund - 389	...	...	...	...	...
Total	...	...	...	...	...

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Community Facilities	...	...	...	...	...	...	...
Total	...	...	...	...	...	...	...
Fund Summary:							
Mental Hygiene Capital							
Improvement Fund - 389	...	...	...	...	...	...	...
Total	...	...	...	...	...	...	...

MENTAL HEALTH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Administration	$4,000	$3,300	$3,000	$3,000	$3,000	$3,000	$15,300
Voluntary Facilities	162,389	375	11,375	11,375	11,375	11,375	45,875
Non-Bondable Projects	...	6,000	6,000	6,000	6,000	6,000	30,000
Maintenance and Improvements of State Facilities	323,357	94,319	95,500	95,500	95,500	95,500	476,319
Design and Construction Supervision	19,351	10,438	9,500	9,500	9,500	9,500	48,438
Total	$509,097	$114,432	$125,375	$125,375	$125,375	$125,375	$615,932
Fund Summary:							
Capital Projects Fund	$53,218	$28,057	$44,000	$68,000	$89,000	$104,000	$333,057
Mental Hygiene Capital Improvement Fund - 389	455,879	86,375	81,375	57,375	36,375	21,375	$282,875
Total	$509,097	$114,432	$125,375	$125,375	$125,375	$125,375	$615,932

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Administration	$3,300	$3,000	$3,000	$3,000	$3,000
Voluntary Facilities	14,685	10,923	7,869	7,706	7,706
Non-Bondable Projects	6,000	6,000	6,000	6,000	6,000
Maintenance and Improvements of State Facilities	125,765	122,977	118,631	111,144	111,144
Design and Construction Supervision	11,250	10,100	9,500	9,150	9,150
Total	$161,000	$153,000	$145,000	$137,000	$137,000
Fund Summary:					
Capital Projects Fund	$26,000	$36,000	$60,000	$80,000	$94,000
Mental Hygiene Capital Improvement Fund - 389	135,000	117,000	85,000	57,000	43,000
Total	$161,000	$153,000	$145,000	$137,000	$137,000

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Administration	$3,000	$2,900	$2,900	$3,000	$3,000	$3,000	$14,800
Voluntary Facilities	44,985	43,339	32,391	25,437	18,647	18,620	138,434
Non-Bondable Projects	11,600	5,600	5,600	5,600	5,600	5,600	28,000
Maintenance and Improvements of State Facilities	144,750	137,240	128,028	122,438	118,457	112,457	618,620
Design and Construction Supervision	11,800	11,264	11,154	11,044	9,500	10,500	53,462
Total	$216,135	$200,343	$180,073	$167,519	$155,204	$150,177	$853,316
Fund Summary:							
Capital Projects Fund	$32,958	$30,894	$39,913	$64,084	$86,685	$110,561	$332,137
Mental Hygiene Capital Improvement Fund - 389	183,177	169,449	140,160	103,435	68,519	39,616	521,179
Total	$216,135	$200,343	$180,073	$167,519	$155,204	$150,177	$853,316

MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Voluntary Facilities	$2,602	$10,600	$11,061	$11,540	$12,128	$12,741	$58,070
Community Services Program	38,215	12,300	12,700	12,900	11,300	11,100	60,300
Institutional Services Program	50,965	33,881	25,450	25,350	29,650	26,950	141,281
Non-Bondable Projects	...	2,000	2,000	2,000	2,000	2,000	10,000
Design and Construction Supervision	...	2,600	2,600	2,600	2,600	2,600	13,000
Total	$91,782	$61,381	$53,811	$54,390	$57,678	$55,391	$282,651
Fund Summary:							
Capital Projects Fund	$42,377	$36,695	$35,183	$33,832	$35,837	$35,965	$177,512
Mental Hygiene Capital Improvement Fund - 389	49,405	24,686	18,628	20,558	21,841	19,426	105,139
Total	$91,782	$61,381	$53,811	$54,390	$57,678	$55,391	$282,651

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Voluntary Facilities	$9,200	$9,950	$10,705	$11,464	$12,228
Community Services Program	20,404	18,497	13,829	12,676	12,739
Institutional Services Program	17,950	22,851	26,041	25,946	26,411
Non-Bondable Projects	...	...	...	...	...
Design and Construction Supervision	2,600	2,600	2,600	2,600	2,600
Total	$50,154	$53,898	$53,175	$52,686	$53,978
Fund Summary:					
Capital Projects Fund	$29,975	$30,640	$33,875	$35,616	$37,188
Mental Hygiene Capital Improvement Fund - 389	20,179	23,258	19,300	17,070	16,790
Total	$50,154	$53,898	$53,175	$52,686	$53,978

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Voluntary Facilities	$13,345	$9,200	$9,619	$10,055	$10,598	$11,166	$50,638
Community Services Program	17,726	20,404	18,497	13,829	13,343	14,154	80,227
Institutional Services Program	19,256	17,950	22,851	26,041	27,312	29,346	123,500
Non-Bondable Projects	2,300	1,000	1,000	1,000	1,000	1,000	5,000
Design and Construction Supervision	2,600	2,600	2,600	2,600	2,600	2,600	13,000
Total	$55,227	$51,154	$54,567	$53,525	$54,853	$58,266	$272,365
Fund Summary:							
Capital Projects Fund	$35,318	$30,975	$31,273	$34,152	$36,942	$39,815	$173,157
Mental Hygiene Capital Improvement Fund - 389	19,909	20,179	23,294	19,373	17,911	18,451	99,208
Total	$55,227	$51,154	$54,567	$53,525	$54,853	$58,266	$272,365

ALCOHOLISM AND SUBSTANCE ABUSE SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Administration	...	$773	$798	$824	$850	$878	$4,123
Non-Bondable Projects	...	100	100	100	100	100	500
Community Alcoholism and Substance Abuse Facilities	$134,073	18,288	23,288	23,288	23,288	23,288	111,440
Institutional Services Program	13,606	4,600	3,000	3,000	3,000	3,000	16,600
Design and Construction Supervision	3,780	5,000	3,000	3,000	3,000	3,000	17,000
Total	$151,459	$28,761	$30,186	$30,212	$30,238	$30,266	$149,663
Fund Summary:							
Capital Projects Fund	$34,121	$6,888	$5,904	$5,921	$5,938	$5,956	$30,607
Mental Hygiene Capital Improvement Fund - 389	117,338	21,873	24,282	24,291	24,300	24,310	119,056
Total	$151,459	$28,761	$30,186	$30,212	$30,238	$30,266	$149,663

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Administration	$773	$798	$824	$850	878
Non-Bondable Projects	100	100	100	100	100
Community Alcoholism and Substance Abuse Facilities	24,706	22,465	22,907	23,288	$23,288
Institutional Services Program	3,856	3,619	3,400	3,000	3,000
Design and Construction Supervision	5,640	3,300	3,000	3,000	3,000
Total	$35,075	$30,282	$30,231	$30,238	$30,266
Fund Summary:					
Capital Projects Fund	$6,289	$6,050	$5,990	$5,938	$5,956
Mental Hygiene Capital Improvement Fund - 389	28,786	24,232	24,241	24,300	24,310
Total	$35,075	$30,282	$30,231	$30,238	$30,266

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Administration	$749	$773	$798	$824	$850	$878	$4,123
Non-Bondable Projects	500	2,578	100	100	100	100	2,978
Community Alcoholism and Substance Abuse Facilities	18,820	20,745	26,304	26,217	23,694	23,288	120,248
Institutional Services Program	3,998	3,180	4,569	3,098	3,000	3,000	16,847
Design and Construction Supervision	1,014	1,669	4,200	3,500	3,000	3,000	15,369
Total	$25,081	$28,945	$35,971	$33,739	$30,644	$30,266	$159,565
Fund Summary:							
Capital Projects Fund	$11,188	$11,712	$11,191	$6,650	$6,344	$5,956	$41,853
Mental Hygiene Capital Improvement Fund - 389	13,893	17,233	24,780	27,089	24,300	24,310	117,712
Total	$25,081	$28,945	$35,971	$33,739	$30,644	$30,266	$159,565

DIVISION OF HOUSING AND COMMUNITY RENEWAL

The State's housing capital programs provide grants, low interest loans and technical assistance to facilitate the construction and preservation of the State's low and moderate-income housing stock. State capital funds are combined with Federal funds, low-cost mortgages and available private sector investments to finance activities that, absent the State's involvement, would not be financially feasible. In addition to developing and maintaining low-cost housing, the housing capital programs foster economic growth across the State by creating additional construction jobs and encouraging new private sector investment in distressed areas.

As part of the Governor's efforts to reduce bonding and increase pay-as-you-go spending, State disbursements in support of housing capital programs will no longer be bond-financed. Disbursements for housing projects in 1999-2000 will be financed with existing bond proceeds and beginning in 2000-01 disbursements will be financed with pay-as-you-go resources.

The State's housing capital appropriations are made to the Division of Housing and Community Renewal (DHCR), the State agency charged with coordinating the State's housing policy and programs. Prior to 1999-2000 individual housing programs have been administered by three public benefit corporations: the Housing Trust Fund Corporation (HTFC), the Affordable Housing Corporation and the Housing Finance Agency (HFA). Currently, DHCR personnel perform the administrative functions associated with HTFC programs and oversee the State's involvement in Federal capital programs. The 1999-2000 Budget recommends that administration of two of the State's existing capital programs, the Affordable Housing Program and the Housing Project Repair Program, which are currently administered by HFA, be transferred to DHCR. This consolidation of administrative functions will reduce State administrative expenditures and will result in a more efficient and coordinated allocation of the State's limited housing resources. Additionally, the consolidation of programs will result in a simplified grant application process, making it easier and less expensive for low and moderate-income housing developers to apply for State grant funds.

The Capital Plan recommends $67.7 million in 1999-2000 to fund five housing capital programs:

— $25 million to the Low-Income Housing Trust Fund program to provide grants of up to $75,000 per unit to construct or renovate low-income apartment projects. The capital plan maintains 1999-2000 funding levels for this program through 2003-04.

— $25 million to the Affordable Home Ownership Development Program, which provides grants of up to $25,000 to low and moderate-income households to assist in the acquisition or renovation of their homes. The capital plan maintains 1999-2000 funding levels for this program through 2003-04.

— $12.8 million to the Public Housing Modernization Program to subsidize repairs at 74 State-supervised public housing projects across the State. A total of $400,000 from this appropriation will be reserved to fund capital activities aimed at reducing illegal drug activity at these projects. The capital plan maintains 1999-2000 funding levels for this program through 2003-04.

— $4.5 million for the Housing Project Repair Program to provide funds necessary to repair construction-related defects at State-financed Mitchell-Lama housing projects.

— $400,000 for the Housing Opportunities Program for the Elderly, which provides grants to low-income elderly homeowners for emergency home repairs. The capital plan maintains 1999-2000 funding levels for this program through 2003-04.

In addition to these State-funded programs, HTFC also awards and disburses Federal moneys pursuant to the U.S. Department of Housing and Urban Development's HOME program. This program provides grants to not-for-profit groups and local governments to partially fund the construction or rehabilitation of low and moderate-income housing.

Additionally, the Executive Budget includes a reappropriation of $17.9 million to continue programs funded from the State's Housing Assistance Fund (HAF). The HAF was established in 1988 with a one-time appropriation to fund eight housing construction and development programs serving low and moderate-income households with specific housing needs. The moneys reappropriated in 1999-2000 will meet the State's remaining commitments supported by the Fund.

The 1999-2000 Capital Plan contemplates the commitment of State housing funds during the year in which the funds are appropriated. Requests for funding from the State's various housing programs are reviewed and evaluated on an annual basis by program staff. These applications are submitted by private and not-for-profit sponsors of proposed low and moderate-income housing projects. The applications are scored and ranked on a competitive basis and the review process culminates in award notifications that commit the State's housing capital appropriations to the most worthwhile of these projects.

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop- riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Affordable Housing Corporation	$51,125	$25,000	$25,000	$25,000	$25,000	$25,000	$125,000
Housing Assistance Fund	17,933	...	...	...	...	...	...
Low Income Housing Trust Fund	112,925	25,000	25,000	25,000	25,000	25,000	125,000
Maintenance and Improvements of Existing Facilities	11,548	4,500	...	...	...	...	4,500
Housing Opportunity Program For Elderly	400	400	400	400	400	400	2,000
Housing Program Capital Improvement	22,415	...	...	...	...	...	...
State Housing Bond Fund	7,344	...	...	...	...	...	...
New Facilities	49,663	...	...	...	10,000	10,000	20,000
Public Housing Modernization Program	70,675	12,800	12,800	12,800	12,800	12,800	64,000
Total	$344,028	$67,700	$63,200	$63,200	$73,200	$73,200	$340,500
Fund Summary:							
Capital Projects Fund	$26,075	...	...	...	...	...	...
Federal Capital Projects Fund	46,003	...	...	...	$10,000	$10,000	$20,000
State Housing Bond Fund	7,344	...	...	...	...	...	...
Housing Assistance Fund	17,933	...	...	...	...	...	...
Housing Program Fund	246,673	$67,700	$63,200	$63,200	63,200	63,200	320,500
Total	$344,028	$67,700	$63,200	$63,200	$73,200	$73,200	$340,500

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Affordable Housing Corporation	$25,000	$25,000	$25,000	$25,000	$25,000
Housing Assistance Fund	...	...	...	...	...
Low Income Housing Trust Fund	25,000	25,000	25,000	25,000	25,000
Maintenance and Improvements of Existing Facilities	3,000	...	...	...	...
Housing Opportunity Program For Elderly	400	400	400	400	400
Housing Program Capital Improvement	...	...	...	...	...
State Housing Bond Fund	...	...	...	...	...
New Facilities	10,000	10,000	10,000	20,000	20,000
Public Housing Modernization Program	12,800	12,800	12,800	12,800	12,800
Total	$76,200	$73,200	$73,200	$83,200	$83,200
Fund Summary:					
Capital Projects Fund	...	...	...	...	...
Federal Capital Projects Fund	$10,000	$10,000	$10,000	$10,000	$10,000
State Housing Bond Fund	...	...	...	...	...
Housing Assistance Fund	...	...	...	...	...
Housing Program Fund	66,200	63,200	63,200	73,200	73,200
Total	$76,200	$73,200	$73,200	$83,200	$83,200

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Affordable Housing Corporation	$25,000	$22,300	$23,500	$25,000	$25,000	$25,000	$120,800
Housing Assistance Fund	7,448	3,400	...	...	...	...	3,400
Low Income Housing Trust Fund	22,000	19,800	23,000	24,000	28,000	29,450	124,250
Maintenance and Improvements of Existing Facilities	5,000	2,000	1,000	...	...	...	3,000
Housing Opportunity Program For Elderly	400	400	400	400	400	400	2,000
Housing Program Capital Improvement	2,695	1,360	1,360	575	575	575	4,445
State Housing Bond Fund	...	...	...	...	...	...	...
New Facilities	13,660	10,000	10,000	10,000	10,000	10,000	50,000
Public Housing Modernization Program	11,400	11,900	11,900	11,900	11,900	11,900	59,500
Total	$87,603	$71,160	$71,160	$71,875	$75,875	$77,325	$367,395
Fund Summary:							
Capital Projects Fund	$6,355	$1,360	$1,360	$575	$575	$575	$4,445
Federal Capital Projects Fund	10,000	10,000	10,000	10,000	10,000	10,000	50,000
State Housing Bond Fund	...	...	...	...	...	...	...
Housing Assistance Fund	7,448	3,400	...	...	...	...	3,400
Housing Program Fund	63,800	56,400	59,800	61,300	65,300	66,750	309,550
Total	$87,603	$71,160	$71,160	$71,875	$75,875	$77,325	$367,395

EMPIRE STATE DEVELOPMENT CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Regional Development	$350,000	...	...	...	...	...	...
Total	$350,000	...	...	...	...	...	...
Fund Summary:							
Capital Projects Fund	$350,000	...	...	...	...	...	...
Total	$350,000	...	...	...	...	...	...

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Regional Development	...	...	...	...	...
Total	...	...	...	...	...
Fund Summary:					
Capital Projects Fund	...	...	...	...	...
Total	...	...	...	...	...

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Regional Development	...	...	...	...	...	...	...
Total	...	...	...	...	...	...	...
Fund Summary:							
Capital Projects Fund	...	...	...	...	...	...	...
	...	...	...	...	...	...	...

OTHER

OFFICE OF GENERAL SERVICES

The Office of General Services (OGS) is responsible for the operation, maintenance, and renovation of 50 major and 70 ancillary State-owned and operated buildings located throughout the State. The 1999-2000 Executive Budget emphasizes investments in the Office's asset management program, which includes a preventive maintenance component aimed at reducing the number of emergencies and avoiding costly out year projects. Maintenance activities are undertaken by in-house staff, and temporary service and outside contractors to protect existing capital assets, while preventing further deterioration of the infrastructure. The asset management program for 1999-2000 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.

In 1998-99, the Office completed the Petroleum Storage Tank replacement project one year ahead of schedule. Consistent with the Governor's debt reduction initiatives, this was accomplished by using pay-as-you-go resources to eliminate previously projected issuances of $13 million in 1998-99 and $4 million in 1999-2000.

The Office is also making significant capital investments in office facilities in the Albany area. The need for this investment results from years of under-investment, and the related need for State offices to accommodate modern technological and other requirements. This effort includes new office buildings for the Department of Environmental Conservation and the Office of the State Comptroller, a new parking garage in downtown Albany, and the modernization of the Alfred E. Smith Office Building and selected buildings at the Harriman State Office Campus. Funding is also continued for critical repairs at the State Capitol. These and other investments in the Office's capital plan will result in commitment levels that are consistent with those of prior years, after adjusting for the new building modernization effort.

The OGS preventive maintenance program plan concentrates on maintenance projects that are preventative or have been deferred to bring essential capital assets to a level at which they can achieve their life expectancy at a minimal cost to the State. To accomplish this, the Office has developed a facility condition assessment report, based on its fixed asset accounting system, that assesses the architectural, structural, mechanical, electrical and site components of each facility. This report identifies resource requirements and assures maintenance adequacy, while allowing managers to define, develop, and prioritize cost estimates for capital repair 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. With proper maintenance, the useful life of buildings can extend beyond 100 years. According to industry standards, the average building is constructed to last a minimum of 40 years, while parking lots can last more than 25 years with routine maintenance. However, since many of the assets managed by the Office, such as the State Capitol and the Executive Mansion, are historically significant, their useful life can be considered indefinite. Over the long-term, maintenance efforts will continue to enhance facilities by improving the building appearance and upgrading the overall condition as a capital asset. The program is estimated to require $6 million in capital funding in 1999-2000 and maintaining that approximate level through 2003-04.

In evaluating its assets, the Office has established the following rating categories: very good, has minor deterioration visible; good, shows normal wear and tear; poor, displays definite deterioration and may have unusable portions; and scrap, is not usable. According to the most recent assessment of assets, 11 percent of the Office's buildings are rated in good condition, with 63 percent being rated in very good condition. The average age of office and support buildings is 33 years, and of stand-alone parking lots is 15 years.

The following table identifies the capital asset group, age and condition of the Office's assets.

		Condition				
Capital Asset Group	**Age Range**	**Very Good**	**Good**	**Poor**	**Unrated**	**Total**
Plaza Operations	New to 68 Years	0	20	0	0	20
Upstate Region	New to 88 Years	8	44	29	0	81
Downstate Region	8 to 69 Years	4	6	0	3	13
Parking Services	1 to 38 Years	1	6	0	0	7
	Total	13	76	29	3	121

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 the Office's on-going maintenance efforts, will ensure that the Office will achieve its long-term goals, while addressing the pressing needs of the State's deteriorating infrastructure.

OFFICE OF CHILDREN AND FAMILY SERVICES

The Office of Children and Family Services (OCFS) operates 48 residential youth facilities and non-residential programs which serve over 2,000 youth, ages 7 to 21. These facilities operate at a variety of security levels which range from secure centers, primarily housing juvenile offenders who were tried as adults, to community-based residences. The OCFS capital plan reflects the State's continued commitment to ensure that housing, program and support space remains functional, safe and secure.

The OCFS capital planning process will continue to identify improvements to its facilities to meet health and safety standards. Trends in the agency's capital program have been driven by the need to house a steadily increasing number of Juvenile Offenders who are more violent and difficult to manage. This year's Capital Plan includes funding to design and construct a replacement facility for the Harlem Valley Secure Youth Facility, to increase secure and limited secure capacity statewide, and support health and safety, environmental, facility preservation and security projects.

Additionally, Section 529 of Social Services law requires OCFS to maintain the community house within the Tonawanda Indian Reservation. This year's plan continues funding to support improvements to the community house which was built in 1936.

The Office of Children and Family Services' Capital Asset Maintenance Plan is designed to preserve the useful life of its facilities and infrastructure. Many of the Office's youth facilities are over 30 years old and in fair condition. As indicated in the chart below, OCFS has grouped its assets by facility size, further categorized by age, remaining useful life and condition. The five-year plan for capital maintenance includes $15.7 million in spending to support maintenance and improvement activities.

As part of the Governor's efforts to reduce bonding, pay-as-you-go spending will be used in the 1999-2000 Executive Budget to replace bond financing for the youth centers capital program. In addition, beginning in 2000-01, all capital disbursements for previously bonded youth facilities will be financed with pay-as-you-go resources.

The five-year recommended disbursements of $134 million include $31.5 million for projects related to rehabilitation and improvements of facilities, $14.2 million for security enhancements, $75 million for new facility capacity, and $8.9 million for the Youth Centers Program. For 1999-2000, the level of contract commitments projected in the capital plan is $75.9 million, up $64.9 million from 1998-99.

			Condition			
Capital Asset Group	**Age Range**	**Remaining Useful Life**	**Good**	**Fair**	**Poor**	**Obsolete**
Brookwood SC	30/new	>10	•			
Goshen SC	35	5 -10		•		
MacCormick SC	13	5 -10		•		
Allen RC	50	5 -10		•		
Bronx RC	50+	5 -10		•		
Gossett RC	4	>10	•			
Highland RC	33	<5			•	
Industry School	33+	5 -10		•		
Lansing RC	50/new	5 -10	•	•		
McQueen RC	50+	<5			•	
Oatka RC	0	5-10	•	•		
Parker Training	30+	>10	•	•		
Pyramid RC	50+	<5		•		
Tryon RC	27	5-10		•		
Buffalo	50+	<5				•
New 25 bed Facilities	1-3	>10	•			
Old 25 Bed Facilities	25-30	5-10		•		
All Group Homes	30+	<5		•	•	
Youth Leadership Academy	4	>10	•			
Adirondack Wilderness Challenge	4	>10	•			

DEPARTMENT OF HEALTH

The focus of the Department of Health's (DOH) capital program is the protection of the health and safety of patients, residents, employees and visitors of its facilities. An integral part of this plan is to preserve, rehabilitate and improve its capital assets which include five health care facilities: Roswell Park Cancer Institute in Buffalo, Helen Hayes

Hospital in West Haverstraw and three Veterans' Homes at Oxford, St. Albans and Batavia. The Department's assets also include the Wadsworth Center for Laboratories and Research which is comprised of three laboratories located in Albany County.

In January 1999, responsibility for the operations of the Roswell Park Cancer Institute was transferred to a public benefit corporation, the Roswell Park Cancer Institute Corporation, pursuant to an operating agreement between the Corporation and the Department. The Corporation will be responsible for the maintenance of the Institute's capital assets.

For 1999-2000, DOH's Capital Program Plan includes both ongoing and new projects to address major capital needs with estimated total disbursements of $135.5 million. Planned projects will avert potentially costly projects in the future and corresponding interruptions in clinical care services and crucial laboratory functions and will continue DOH's participation in the Safe Drinking Water program.

As part of the Governor's efforts to reduce bonding, pay-as-you-go spending beginning in 1999-2000 will be used to replace bond financing for the Wadsworth Center and health care facilities. For 1999-2000, the Plan includes $6.2 million for the Wadsworth Center for laboratories and research and DOH's three nursing homes and Helen Hayes Hospital.

The 1999-2000 Plan also includes spending for the continuation of the major modernization project at the Roswell Park Cancer Institute. The completion of this $241 million project is planned for October 2000 and will result in a revitalized physical plant at Roswell.

DOH continues its participation in the implementation of the Safe Drinking Water Program, funded by Federal grants and State matching funds. A total of $125 million has been appropriated to DOH for safe drinking water projects since the approval of the Clean Water/Clean Air Bond (CWCA) Act in 1996. A new $50 million Bond Act appropriation is recommended for 1999-2000 as well as a $34 million Federal appropriation.

Commitments are estimated at $416 million over the five-year plan, including $230 million from the Clean Water/Clean Air Bond Act and $144.8 million from Federal funds for safe drinking water projects. The balance reflects planned projects for DOH's facilities.

In 1999-2000 DOH will begin to implement a capital maintenance program. This program is a systematic approach to making repairs, replacing equipment and carrying out other activities necessary to ensure the useful life of 92 buildings. This initiative, as required by State law, is part of an ongoing effort to enhance capital planning and maintain the facilities owned and operated by DOH.

The following table identifies the capital assets by facility location, age and condition:

Capital Asset Group	Age Range	Condition Good	Fair	Poor	Total
Roswell Park Cancer Institute	1-98	14	9	3	26
Helen Hayes Hospital	18-100	4	14	1	19
Wadsworth Center for Laboratories & Research	4-50	5	19	0	24
Veteran's Nursing Homes					
Oxford	3-92	3	3	1	7
St. Albans	2-5	2	0	0	2
Batavia	4	1	0	0	1
	Total	29	45	5	79

The capital plan includes spending of $8.2 million over the next five years for capital maintenance. The condition goals for Department of Health buildings are to ensure a safe environment; preserve the infrastructure and related equipment, promote energy conservation; and preserve the useful life of each of the buildings, which range between 5 and 45 years.

The DOH capital program is financed by CWCA Bond Act funds, Federal funds, Special Revenue Funds, and the State's General Fund. Debt service on outstanding DA bonds will continue to be supported by patient care revenues.

ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

The Energy Research and Development Authority (ERDA) owns and manages the Western New York Nuclear Service Center at West Valley in Cattaraugus County, the site of a former nuclear fuel reprocessing facility and an inactive low-level radioactive waste disposal area.

The Authority's Capital Plan reflects its continuing role in a joint Federal-State Demonstration Project to treat and dispose of liquid nuclear waste at the Center and decommission the reprocessing facility. The Plan also includes ERDA's on-going maintenance costs at the disposal area to ensure its compliance with environmental laws.

ERDA's capital maintenance plan indicates that the Western New York Service Center is approximately 31 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.

As part of the Governor's efforts to reduce bonding, pay-as-you-go spending beginning in 1999-2000 will be used to replace bond financing for the ERDA West Valley bonding program. The 1999-2000 commitment level of $12.5 million also includes the anticipated cost for ERDA's role in the Clean Water/Clean Air Bond Act, estimated to be $117,000 in each of the next five years.

DEPARTMENT OF STATE

The Department of State oversees the Academy of Fire Science in Montour Falls, Schuyler County. Capital Project Funds appropriations are funded by a transfer from the General Fund and are targeted primarily at preserving the structural integrity of the Academy and addressing health and safety concerns.

The Capital Asset Maintenance Plan for the Fire Academy is designed to preserve the useful life of the 130 year-old Academy and ensure the health and safety of individuals using the Academy's facilities. In general, the facilities and infrastructure of the Academy are rated as "fair" with a useful life of between 10 and 40 years. The focus of the maintenance program is the replacement of roofs, modernization of elevators, upgrade and replacement of various hot water and heating/ventilation systems and the rehabilitation of paved areas.

The 1998-99 Capital Plan assumed new commitments of $300,000, principally for the replacement of the Academy's main roof and for modifications necessary to comply with the Americans with Disabilities Act. The 1999-2000 Executive Budget includes Capital Project Fund spending to construct a storage/bathroom facility and support various other health and safety related projects. Capital Project Fund planned commitments for 1999-2000 total $760,000 for improvements to the Academy's heating and air conditioning system and the expansion of the Academy's parking lot.

Finally, the Department receives funding for six positions from the Clean Water, Clean Air Implementation Fund. These dedicated positions fulfill DOS's role in implementation of projects funded by the Clean Water/Clean Air Bond Act.

DEPARTMENT OF AGRICULTURE AND MARKETS

The Department of Agriculture and Markets, in conjunction with the Industrial Exhibit Authority, is responsible for operating the New York State Fair and maintaining its buildings and grounds. The Fairgrounds include 14 major buildings and 113 other structures, the majority of which have a useful life of greater than 10 years and are in good overall condition.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Various Fair Buildings		109	14	4	127

For 1999-2000, a new General Fund appropriation of $600,000 is recommended to repair and rehabilitate the Fair's facilities to ensure a safe and enjoyable experience for all Fair patrons and participants. An additional $4 million will be made available for similar projects through 2003-04.

The 1999-2000 Executive Budget also recommends increased spending from Special Revenue Funds for the Fair (financed by revenues from public/private partnership agreements) to complete needed improvements at various Fair buildings.

The Department's capital maintenance plan for the next five years prioritizes those projects that will preserve, rehabilitate and improve the Fair buildings, land and infrastructure for year-round use; and continue to protect the State's investment in the facility. In addition, Fair structures are upgraded continually to meet more stringent building code requirements, including safety and accessibility for the disabled.

For 1999-2000, the level of commitments projected in the capital plan is $4.5 million, $1.9 million more than the level of commitments projected in the 1998-99 capital plan. The increased level represents additional private sector investment in the properties. Projects that were previously funded are being designed and awarded as anticipated. Future year commitments are consistent with planned appropriation levels over the next five years.

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

The Office of Temporary and Disability Assistance is responsible for the administration of the Homeless Housing Assistance Program (HHAP) which provides funding to not-for-profit corporations and municipalities to expand and improve the supply of permanent, transitional, and emergency housing for homeless persons. HHAP programs also can provide supportive services to help tenants to move toward economic self-sufficiency.

As part of the Governor's efforts to reduce bonding, pay-as-you-go spending beginning in 2000-01 will be used to replace bond financing for capital programs administered by the Office of Temporary and Disability Assistance (OTDA). Pay-as-you-go spending will support OTDA's capital plan, which will maintain the HHAP appropriation at $30 million, including $5 million for the development of housing for persons with HIV or AIDS. The value of approved projects is expected to equal new appropriations in each of the five years of the plan. The 1999-2000 recommendation also includes third-year funding for a $14 million initiative to develop 250 new domestic violence shelter beds in New York City.

GENERAL SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Maintenance and Improvement of Real Property Facilities	$50,929	$73,800	$29,800	$30,000	$30,000	$33,000	$196,600
Design and Construction Supervision	17,398	21,500	6,500	7,000	8,000	13,000	56,000
Petroleum Storage Tank	27,401	500	...	...	...	...	500
Total	$95,728	$95,800	$36,300	$37,000	$38,000	$46,000	$253,100
Fund Summary:							
Capital Projects Fund	$89,529	$95,800	$36,300	$37,000	$38,000	$46,000	$253,100
Capital Projects Fund - Advances	5,902	...	...	...	...	...	...
Federal Capital Projects Fund	297	...	...	...	...	...	...
Total	$95,728	$95,800	$36,300	$37,000	$38,000	$46,000	$253,100

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Maintenance and Improvement of Real Property Facilities	$23,173	$16,055	$16,998	$16,705	$20,788
Design and Construction Supervision	110	103	87	85	40
Petroleum Storage Tank	100	75	75	...	...
Total	$23,383	$16,233	$17,160	$16,790	$20,828
Fund Summary:					
Capital Projects Fund	$23,383	$16,233	$17,160	$16,790	$20,828
Capital Projects Fund - Advances	...	...	...	...	...
Federal Capital Projects Fund	...	...	...	...	...
Total	$23,383	$16,233	$17,160	$16,790	$20,828

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Maintenance and Improvement of Real Property Facilities	$43,034	$35,650	$24,700	$26,150	$25,700	$31,982	$144,182
Design and Construction Supervision	11,681	11,000	10,300	8,700	8,500	4,018	42,518
Petroleum Storage Tank	23,344	200	150	150	...	...	500
Total	$78,059	$46,850	$35,150	$35,000	$34,200	$36,000	$187,200
Fund Summary:							
Capital Projects Fund	$75,859	$46,650	$35,150	$35,000	$34,200	$36,000	$187,000
Capital Projects Fund - Advances	2,200	200	...	...	...	...	200
Federal Capital Projects Fund	...	...	...	...	...	...	...
Total	$78,059	$46,850	$35,150	$35,000	$34,200	$36,000	$187,200

CHILDREN AND FAMILY SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Special Day Care Services Program	$1,550	...	...	...	...	...	...
Maintenance and Improvement of Facilities	22,674	$5,750	$5,500	$5,500	$5,500	$5,000	$27,250
Executive Direction and Administrative Services	1,500	...	...	...	...	...	...
New Construction	...	75,000	...	...	...	...	75,000
Program Improvement or Program Change	8,200	3,000	2,500	2,500	2,500	3,000	13,500
Youth Center	11,880	...	...	...	...	...	...
Rehabilitative Services	2,370	...	...	...	...	...	...
Design and Construction Supervision	1,000	...	...	...	...	...	...
Total	$49,174	$83,750	$8,000	$8,000	$8,000	$8,000	$115,750
Fund Summary:							
Capital Projects Fund	$9,477	$1,750	$1,000	$1,000	$1,000	$1,000	$5,750
Federal Capital Projects Fund	...	...	...	...	...	...	...
Youth Facilities Improvement Fund	35,644	82,000	7,000	7,000	7,000	7,000	110,000
Youth Centers Facility Fund	4,053	...	...	...	...	...	...
Total	$49,174	$83,750	$8,000	$8,000	$8,000	$8,000	$115,750

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Special Day Care Services Program	$500	$450	...	...	...
Maintenance and Improvement of Facilities	6,700	5,400	$5,100	$5,000	$5,000
Executive Direction and Administrative Services	60,000	15,000	...	...	...
New Construction	...	...	...	...	...
Program Improvement or Program Change	3,700	2,500	2,500	2,500	2,500
Youth Center	4,500	...	...	...	...
Rehabilitative Services	...	...	...	...	...
Design and Construction Supervision	500	500	500	500	500
Total	$75,900	$23,850	$8,100	$8,000	$8,000
Fund Summary:					
Capital Projects Fund	$6,650	$1,450	$1,000	$1,000	$1,000
Federal Capital Projects Fund	69,250	22,400	7,100	7,000	7,000
Youth Facilities Improvement Fund	...	...	...	...	...
Youth Centers Facility Fund	...	...	...	...	...
Total	$75,900	$23,850	$8,100	$8,000	$8,000

CHILDREN AND FAMILY SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Special Day Care Services Program	$262	$200	$200	$250	$250	$200	$1,100
Maintenance and Improvement of Facilities	8,330	5,150	6,500	6,750	6,600	6,450	31,450
Executive Direction and Administrative Services	1,297	250	...	...	...	...	250
New Construction	...	7,000	30,000	30,000	8,000	...	75,000
Program Improvement or Program Change	1,455	2,750	3,000	3,500	2,500	2,500	14,250
Youth Center	4,053	4,900	3,500	517	...	...	8,917
Rehabilitative Services	526	800	700	300	...	...	1,800
Design and Construction Supervision	2,704	500	500	...	...	...	1,000
Total	$18,627	$21,550	$44,400	$41,317	$17,350	$9,150	$133,767
Fund Summary:							
Capital Projects Fund	$784	$6,250	$4,950	$2,017	$1,400	$1,200	$15,817
Federal Capital Projects Fund	540	...	...	...	...	...	...
Youth Facilities Improvement Fund	13,250	15,300	39,450	39,300	15,950	7,950	117,950
Youth Centers Facility Fund	4,053	...	...	...	...	...	...
Total	$18,627	$21,550	$44,400	$41,317	$17,350	$9,150	$133,767

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Rehabilitation and Improvements	$5,177	$11,400	$6,200	$6,200	$6,325	$6,350	$36,475
Laboratories and Research	3,697	3,700	2,000	2,000	2,000	2,000	11,700
Maintenance and Improvements of Existing Institutions	13,815	...	...	...	...	...	...
New Institution Construction	55,224	...	...	...	...	...	...
Water Resources	144,590	33,777	...	...	...	...	33,777
Safe Drinking Water - Clean Water/Clean Air 96	...	50,000	50,000	50,000	50,000	30,000	230,000
Design and Construction Supervision	2,664	...	...	...	...	...	...
Total	$225,167	$98,877	$58,200	$58,200	$58,325	$38,350	$311,952
Fund Summary:							
Capital Projects Fund	$25,353	$3,700	$2,000	$2,000	$2,000	$2,000	$11,700
Capital Projects Fund - Advances	26,500	...	...	..	..	..	...
St. Albans Rehabilitiation & Improvement	...	200	250	250	250	250	1,200
Federal Capital Projects Fund	144,590	33,777	...	...	...	...	33,777
Oxford Rehabilitation & Improvement	...	1,000	1,000	1,000	1,000	1,000	5,000
Helen Hays Rehabilitation & Improvement	...	9,700	4,400	4,400	4,500	4,500	27,500
Department of Health Facilities Capital Improvement Fund	28,724	...	...	...	...	...	...
Batavia Rehabiltiation & Improvement	...	500	550	550	575	600	2,775
Capital Projects Fund - 1996 CWCA (Bondable)	...	50,000	50,000	50,000	50,000	30,000	230,000
Total	$225,167	$98,877	$58,200	$58,200	$58,325	$38,350	$311,952

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Rehabilitation and Improvements	$2,000	$2,400	$2,000	$4,500	$4,000
Laboratories and Research	1,210	1,440	2,550	2,350	2,370
Maintenance and Improvements of Existing Institutions	3,640	3,960	2,170	3,520	3,700
New Institution Construction	...	...	...	...	...
Water Resources	56,800	65,500	22,500	...	...
Safe Drinking Water - Clean Water/Clean Air 96	50,000	50,000	50,000	50,000	30,000
Design and Construction Supervision	...	...	...	...	...
Total	$113,650	$123,300	$79,220	$60,370	$40,070
Fund Summary:					
Capital Projects Fund	$6,850	$7,800	$6,720	$10,370	$10,070
Capital Projects Fund - Advances	...	...	...	...	...
St. Albans Rehabilitiation & Improvement	...	...	...	...	...
Federal Capital Projects Fund	56,800	65,500	22,500	...	...
Oxford Rehabilitation & Improvement	...	...	...	...	...
Helen Hays Rehabilitation & Improvement	...	...	...	...	...
Department of Health Facilities Capital Improvement Fund	...	...	...	...	...
Batavia Rehabiltiation & Improvement	...	...	...	...	...
Capital Projects Fund - 1996 CWCA (Bondable)	50,000	50,000	50,000	50,000	30,000
Total	$113,650	$123,300	$79,220	$60,370	$40,070

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Rehabilitation and Improvements	$317	$2,461	$3,375	$4,431	$5,910	$7,510	$23,687
Laboratories and Research	683	980	2,175	2,445	2,515	2,010	10,125
Maintenance and Improvements of Existing Institutions	2,902	2,486	540	230	43	...	3,299
New Institution Construction	22,923	14,124	...	...	...	...	14,124
Water Resources	44,240	65,168	65,500	22,500	...	...	153,168
Safe Drinking Water - Clean Water/Clean Air 96	69,800	50,000	50,000	50,000	50,000	30,000	230,000
Design and Construction Supervision	1,153	320	57	...	...	...	377
Total	$142,018	$135,539	$121,647	$79,606	$58,468	$39,520	$434,780
Fund Summary:							
Capital Projects Fund	$5,055	$5,222	$3,272	$3,146	$2,558	$2,010	$16,208
Capital Projects Fund - Advances	...	...	...	...	...	...	...
St. Albans Rehabilitiation & Improvement	...	200	250	250	250	250	1,200
Federal Capital Projects Fund	44,240	65,168	65,500	22,500	...	...	153,168
Oxford Rehabilitation & Improvement	...	200	720	920	920	1,000	3,760
Helen Hays Rehabilitation & Improvement	...	600	1,530	2,315	4,215	6,035	14,695
Department of Health Facilities Capital Improvement Fund	22,923	14,124	...	...	...	...	14,124
Batavia Rehabiltiation & Improvement	...	25	375	475	525	225	1,625
Capital Projects Fund - 1996 CWCA (Bondable)	69,800	50,000	50,000	50,000	50,000	30,000	230,000
Total	$142,018	$135,539	$121,647	$79,606	$58,468	$39,520	$434,780

ENERGY RESEARCH AND DEVELOPMENT AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Western New York Nuclear Service Center Program	...	$12,500	$14,200	$15,900	$17,600	$19,300	$79,500
Clean Water Clean Air Implementation	...	117	117	117	117	117	585
Total	...	$12,617	$14,317	$16,017	$17,717	$19,417	$80,085
Fund Summary:							
Capital Projects Fund	...	$12,500	$14,200	$15,900	$17,600	$19,300	$79,500
Clean Water Clean Air Implementation Fund	...	117	117	117	117	117	585
Total	...	$12,617	$14,317	$16,017	$17,717	$19,417	$80,085

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Western New York Nuclear Service Center Program	$12,500	$14,200	$15,900	$17,600	$19,300
Clean Water Clean Air Implementation	117	117	117	117	117
Total	$12,617	$14,317	$16,017	$17,717	$19,417
Fund Summary:					
Capital Projects Fund	$12,500	$14,200	$15,900	$17,600	$19,300
Clean Water Clean Air Implementation Fund	117	117	117	117	117
Total	$12,617	$14,317	$16,017	$17,717	$19,417

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Western New York Nuclear Service Center Program	$12,200	$12,500	$14,200	$15,900	$17,600	$19,300	$79,500
Clean Water Clean Air Implementation	117	117	117	117	117	117	585
Total	$12,317	$12,617	$14,317	$16,017	$17,717	$19,417	$80,085
Fund Summary:							
Capital Projects Fund	$12,200	$12,500	$14,200	$15,900	$17,600	$19,300	$79,500
Clean Water Clean Air Implementation Fund	117	117	117	117	117	117	585
Total	$12,317	$12,617	$14,317	$16,017	$17,717	$19,417	$80,085

STATE, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Office of Fire Prevention and Control	$750	$729	$340	...	$720	...	$1,789
Clean Water Clean Air Implementation	...	348	348	$348	348	$348	1,740
Design and Construction Supervision	258	240	...	...	200	...	440
Total	$1,008	$1,317	$688	$348	$1,268	$348	$3,969
Fund Summary:							
Capital Projects Fund	$1,008	$969	$340	...	$920	...	$2,229
Clean Water Clean Air							...
Implementation Fund	...	348	348	$348	348	$348	1,740
Total	$1,008	$1,317	$688	$348	$1,268	$348	$3,969

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Office of Fire Prevention and Control	$300	$498	$500	$340	...
Clean Water Clean Air Implementation	348	348	348	348	$348
Design and Construction Supervision	...	116	120	120	...
Total	$648	$962	$968	$808	$348
Fund Summary:					
Capital Projects Fund	$300	$614	$620	$460	...
Clean Water Clean Air Implementation Fund	348	348	348	348	$348
Total	$648	$962	$968	$808	$348

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Office of Fire Prevention and Control	$568	$336	$407	$238	$324	$400	$1,705
Clean Water Clean Air Implementation	348	348	348	348	348	348	1,740
Design and Construction Supervision	65	124	53	222	134	60	593
Total	$981	$808	$808	$808	$806	$808	$4,038
Fund Summary:							
Capital Projects Fund	$633	$460	$460	$460	$458	$460	$2,298
Clean Water Clean Air Implementation Fund	348	348	348	348	348	348	1,740
Total	$981	$808	$808	$808	$806	$808	$4,038

AGRICULTURE AND MARKETS, DEPARMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
State Fair	$6,724	$2,600	$1,600	$1,600	$2,200	$2,600	$10,600
Clean Water Clean Air Implementation	...	478	500	527	553	580	2,638
Design and Construction Supervision	929	...	...	...	...	...	...
Total	$7,653	$3,078	$2,100	$2,127	$2,753	$3,180	$13,238
Fund Summary:							
Capital Projects Fund	$6,803	$600	$600	$600	$1,200	$1,600	$4,600
Clean Water Clean Air Implementation Fund	...	478	500	527	553	580	2,638
Misc. Capital Projects	850	2,000	1,000	1,000	1,000	1,000	6,000
Total	$7,653	$3,078	$2,100	$2,127	$2,753	$3,180	$13,238

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
State Fair	$4,000	$3,000	$3,000	$3,000	$3,000
Clean Water Clean Air Implementation	478	500	527	553	580
Design and Construction Supervision	...	...	...	...	...
Total	$4,478	$3,500	$3,527	$3,553	$3,580
Fund Summary:					
Capital Projects Fund	$2,000	$2,000	$2,000	$2,000	$2,000
Clean Water Clean Air Implementation Fund	478	500	527	553	580
Misc. Capital Projects	2,000	1,000	1,000	1,000	1,000
Total	$4,478	$3,500	$3,527	$3,553	$3,580

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
State Fair	$2,259	$3,750	$3,386	$2,868	$2,508	$2,985	$15,497
Clean Water Clean Air Implementation	467	478	500	527	553	580	2,638
Design and Construction Supervision	141	100	114	132	492	15	853
Total	$2,867	$4,328	$4,000	$3,527	$3,553	$3,580	$18,988
Fund Summary:							
Capital Projects Fund	$2,400	$2,000	$2,000	$2,000	$2,000	$2,000	$10,000
Clean Water Clean Air Implementation Fund	467	478	500	527	553	580	2,638
Misc. Capital Projects	...	1,850	1,500	1,000	1,000	1,000	6,350
Total	$2,867	$4,328	$4,000	$3,527	$3,553	$3,580	$18,988

TEMPORARY AND DISABILITY ASSISTANCE, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS , COMMITMENTS AND DISBURSEMENTS
1999-2000 THROUGH 2003-2004
(THOUSANDS OF DOLLARS)

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Information Management Technology Program	$361	...	...	...	...	...	...
Supported Housing Program	124,495	$30,000	$30,000	$30,000	$30,000	$30,000	$150,000
Total	$124,856	$30,000	$30,000	$30,000	$30,000	$30,000	$150,000
Fund Summary:							
Capital Projects Fund	$14,111	...	...	...	...	...	...
Housing Program Fund	110,745	$30,000	$30,000	$30,000	$30,000	$30,000	$150,000
Total	$124,856	$30,000	$30,000	$30,000	$30,000	$30,000	$150,000

COMMITMENTS

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Program Summary:					
Information Management Technology Program	...	...	...	...	...
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:					
Capital Projects Fund	...	...	...	...	...
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 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Program Summary:							
Information Management Technology Program	$213	$40	$64	...	...	...	$104
Supported Housing Program	24,400	29,200	27,800	$24,350	$23,000	$23,000	127,350
Total	$24,613	$29,240	$27,864	$24,350	$23,000	$23,000	$127,454
Fund Summary:							
Capital Projects Fund	$1,613	$6,240	$4,864	$1,350	...	...	$12,454
Housing Program Fund	23,000	23,000	23,000	23,000	$23,000	$23,000	115,000
Total	$24,613	$29,240	$27,864	$24,350	$23,000	$23,000	$127,454

**SUMMARY OF
PROJECTED APPROPRIATIONS, ALL FUNDS, ALL PROGRAMS,
BY FUND TYPE, AND MAJOR FUND, 1998-99 THROUGH 2002-03
(THOUSANDS OF DOLLARS)**

APPROPRIATIONS

	Reapprop-riations	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Capital Projects Funds Type							
Capital Projects Fund	$1,123,910	$249,964	$170,674	$294,400	$324,342	$400,968	$1,440,348
Capital Projects Fund- EQBA (Bondable)	93,858	...	...	...	...	...	...
Capital Projects Fund- EQBA 86 (Bondable)	501,021	37,625	...	...	...	...	37,625
Capital Projects Fund- PWBA (Bondable)	35,175	...	...	...	...	...	...
Capital Projects Fund- Infrastructure Renewal (Bondable)	57,759	...	...	...	...	...	...
Capital Projects Fund- Aviation (Bondable)	8,522	...	...	...	...	...	...
Capital Projects Fund- Mass Transportation (Bondable)	1	...	...	...	...	...	...
Capital Projects Fund- Energy Conservation (Bondable)	2,593	...	...	...	...	...	...
Capital Projects Fund- A.C. and T.I. Fund (Bondable)	130,355	...	...	...	...	...	...
Capital Projects Fund- Advance	3,162,537	63,170	300	300	300	495,300	559,370
Federal Capital Projects Fund	4,383,496	1,579,223	1,378,425	1,403,425	1,413,425	1,413,425	7,187,923
Housing Assistance Fund	17,933	...	...	...	...	...	...
Mental Hygiene Capital Improvement Fund	641,969	132,934	124,285	102,224	82,516	65,111	507,070
Correctional Facilities Capital Improvement Fund	915,638	360,000	195,000	205,000	205,000	190,000	1,155,000
Housing Program Fund	357,418	97,700	93,200	93,200	93,200	93,200	470,500
Division For Youth Facilities Improvement Fund	35,644	82,000	7,000	7,000	7,000	7,000	110,000
Environmental Protection Fund	228,649	159,475	125,000	125,000	125,000	125,000	659,475
Capital Projects Fund- CWCA (Bondable)	547,819	283,000	200,000	200,000	200,000	75,500	958,500
Department of Health Facilities Improvement Fund	28,724	...	...	...	...	...	...
Dedicated Highway and Bridge Trust Fund	2,608,534	1,293,400	1,143,000	1,059,000	1,026,000	1,006,000	5,527,400
NYS Canal System Development Fund	2,000	2,000	2,400	2,400	2,400	2,300	11,500
State Parks Infrastructure Fund	48,907	29,955	23,500	23,900	25,000	25,000	127,355
Suburban Transportation Fund	74,265	...	...	...	...	...	...
SUNY Residence Hall Rehabilitation Fund	280,920	...	...	...	...	50,000	50,000
Hudson River Park Fund	16,000	7,000	7,300	3,500	3,600	3,600	25,000
Community Enhancement Facilities Assistance Fund	350,000	...	...	...	...	...	...
Other Funds	693,160	587,241	538,705	519,648	503,116	503,355	2,652,065
Eliminations*	(933,061)	(562,391)	(549,355)	(530,998)	(514,466)	(495,205)	(2,652,415)
Type Subtotal	$15,413,746	$4,402,296	$3,459,434	$3,507,999	$3,496,433	$3,960,554	$18,826,716
Capital Projects Funds Bond Proceeds	$2,489,310	...	...	...	...	...	...
Special Revenue Funds Type	163,386	$55,059	$43,859	$43,859	$43,984	$44,009	$230,770
Fiduciary Funds Type	2,400	...	...	...	...	...	...
Total (All Fund Types)	$18,068,842	$4,457,355	$3,503,293	$3,551,858	$3,540,417	$4,004,563	$19,057,486

*Reflects eliminations for "netting out" of transfers between funds which are not capital program disbursements.

SUMMARY OF PROJECTED APPROPRIATIONS, ALL FUNDS, ALL PROGRAMS, BY FUND TYPE, AND MAJOR FUND, 1998-99 THROUGH 2002-03 (THOUSANDS OF DOLLARS)

DISBURSEMENTS

	Estimated 1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	Total 1999-2004
Capital Projects Funds Type							
Capital Projects Fund	$304,476	$266,256	$261,861	$356,861	$373,378	$398,123	$1,656,479
Capital Projects Fund - EQBA (Bondable)	28,036	11,312	9,031	492	2,130	1,106	24,071
Capital Projects Fund - EQBA 86 (Bondable)	102,500	120,000	120,000	107,660	61,200	18,335	427,195
Capital Projects Fund - PWBA (Bondable)	2,365	2,900	3,100	3,725	4,800	800	15,325
Capital Projects Fund - Infrastructure Renewal (Bondable)	7,031	3,620	836	300	146	...	4,902
Capital Projects Fund - Aviation (Bondable)	2,887	1,954	1,025	625	125	...	3,729
Capital Projects Fund - Mass Transportation (Bondable)	...	...	...	...	...	...	. . .
Capital Projects Fund - Energy Conservation (Bondable)	800	800	200	200	200	200	1,600
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	72,300	43,178	23,043	7,000	4,986	...	78,207
Capital Projects Fund - Advance	191,958	194,873	192,768	204,762	241,652	297,450	1,131,505
Federal Capital Projects Fund	1,248,726	1,411,224	1,586,183	1,404,562	1,350,874	1,349,788	7,102,631
Housing Assistance Fund	7,448	3,400	...	...	...	...	3,400
Mental Hygiene Capital Improvement Fund	216,979	206,861	188,234	149,897	110,730	82,377	738,099
Correctional Facilities Capital Improvement Fund	339,200	253,000	319,000	223,000	173,000	173,000	1,141,000
Housing Program Fund	86,800	79,400	82,800	84,300	88,300	89,750	424,550
Division For Youth Facilities Improvement Fund	13,250	15,300	39,450	39,300	15,950	7,950	117,950
Environmental Protection Fund	90,525	103,817	115,920	126,089	119,661	115,724	581,211
Capital Projects Fund - CWCA (Bondable)	150,000	150,000	175,000	175,000	175,000	175,000	850,000
Department of Health Facilities Improvement Fund	22,923	14,124	...	...	...	...	14,124
Dedicated Highway and Bridge Trust Fund	1,334,422	1,432,848	1,301,267	1,141,361	1,065,680	1,024,691	5,965,847
NYS Canal System Development Fund	2,480	3,476	2,400	2,400	2,400	2,300	12,976
State Parks Infrastructure Fund	22,100	24,600	24,600	24,600	24,600	24,600	123,000
Suburban Transportation Fund	2,339	1,000	1,000	1,000	1,000	1,000	5,000
SUNY Residence Hall Rehabilitation Fund	33,000	43,000	43,000	43,000	43,000	50,000	222,000
Hudson River Park Fund	8,400	14,600	7,300	3,500	3,600	3,600	32,600
Community Enhancement Facilities Assistance Fund	...	...	...	...	...	...	...
Other Funds	611,146	602,126	578,980	557,270	545,671	515,576	2,799,623
Eliminations*	(634,446)	(590,754)	(580,722)	(563,337)	(540,328)	(526,394)	(2,801,535)
Type Subtotal	$4,267,645	$4,412,915	$4,496,276	$4,093,567	$3,867,755	$3,804,976	$20,675,489
Capital Projects Funds Bond Proceeds	...	...	...	...	...	...	...
Special Revenue Funds Type	$35,210	$41,517	$49,197	$40,960	$35,130	$32,571	$199,375
Fiduciary Funds Type	950	650	100	...	...	...	750
Total (All Fund Types)	$4,303,805	$4,455,082	$4,545,573	$4,134,527	$3,902,885	$3,837,547	$20,875,614

*Reflects eliminations for "netting out" of transfers between funds which are not capital program disbursements.