# THE ASSEMBLY
# STATE OF NEW YORK
# ALBANY

HERMAN D. FARRELL, JR.
Assemblyman 71st District

Room 923
Legislative Office Building
Albany, New York 12248
(518) 455-5491
(518) 455 5776 FAX

CHAIRMAN
Ways and Means Committee

COMMITTEES
Rules

Black, Puerto Rican, Hispanic and Asian
Legislative Caucus

February 22, 2010

Dear Colleagues:

I am providing you with the NYS Assembly Ways and Means Committee *Revenue Report* for State Fiscal Year (SFY) 2009-10 and 2010-11. This report is part of our commitment to presenting clear and accurate information to the public. It provides an overview of the national and State economies, as well as an analysis of the Committee staff revenue forecast for SFY 2009-10 and 2010-11.

The Committee staff projects that total All Funds receipts will reach $130.9 billion in SFY 2009-10, which represents an increase of $11.70 billion, or 9.8 percent, over SFY 2008-09. The Committee staff estimate is $76 million lower than the Executive's estimate for SFY 2009-10.

The Committee staff projects that All Funds receipts will total $134.5 billion in SFY 2010-11, an increase of $3.55 billion, or 2.7 percent, over SFY 2009-10. The Committee staff forecast is $1.2 billion lower than the Executive's forecast for SFY 2010-11. This difference is largely attributable to differences in economic projections and how this translates into receipts.

The Committee staff projections are reviewed by an independent panel of professional economists drawn from major financial corporations, prestigious universities, and private forecasters from across the State. Assembly Speaker Sheldon Silver and I would like to express our appreciation to all of the members of our Board of Economic Advisors. Their dedication and expert judgment have been invaluable in helping the Ways and Means Committee staff refine and improve this forecast. They have served to make the work of the staff the best in the State. Of course, they are not responsible for either the numbers or any of the views expressed in this document.

I wish to acknowledge the fine work done by the talented Ways and Means Committee staff. Their forecasts are integral to the budget process. The Speaker and I look forward to working with each of you to achieve our goal of crafting a fair budget for all New York families during this challenging time.

Sincerely

Herman D. Farrell, Jr.
Chairman

# NEW YORK STATE REVENUE REPORT

## FISCAL YEAR 2009-10 AND 2010-11

February 2010

SHELDON SILVER
Speaker
**New York State Assembly**

HERMAN D. FARRELL, JR.
Chairman
**Assembly Ways and Means Committee**

**Prepared by the**
**Assembly Ways and Means Committee Staff**

**Dean Fuleihan**
**Secretary to the Committee**

**Steven A. Pleydle**
**Director of Tax and Fiscal Studies**

**Philip A. Fields**
**Deputy Director for Fiscal Studies**

**Scott V. Palladino**
**Deputy Director for Fiscal Studies**

**Anthony Rodolakis, Ph.D.**
**Director of Tax Study Commission**

# TABLE OF CONTENTS

# Overview

# Fiscal Outlook

### Current Fiscal Year

- The Executive estimates that the state has a current services General Fund budget gap for this year of $1.4 billion, which is carried forward into State Fiscal Year (SFY) 2010-11 to produce a gap of $8.2 billion next year.

- All Fund receipts are projected to total $130.9 billion in SFY 2009-10, an increase of $11.7 billion due to federal stimulus funding.

- The Ways and Means Committee staff has concluded that the Executive budget is overstating revenue collections for the current year by $76 million.

- The Executive proposes to rollover any current year deficit into the next fiscal year by delaying personal income tax refunds and state payments into next year in order to end the year in balance and preserve $1.2 billion in the Tax Stabilization Reserve Fund and Rainy Day Reserve Fund.

- Tax collections are projected to total $58.675 billion, a decrease of $1.66 billion from SFY 2008-09.

- SFY 2009-10 revenues are supported by $5.7 billion in additional revenue from tax actions taken in 2009.

- Accounting for the impact of tax actions taken in 2009, baseline revenue collections in SFY 2009-10 would be 12.4 percent below the prior year – reaching a level not seen since 2005-06.

- The largest decline in tax receipts have been in personal income tax revenues, which are expected to decline by $2.5 billion or 6.8 percent. The decline is 16.7 percent when adjusted for tax law changes.

### State Fiscal Year 2010-11

- The Committee staff tax receipts forecasts are premised on a slowly rebounding economy.

- However, as is typical with state tax revenue following a recession, underlying receipts growth will continue to be weak in SFY 2010-11.

**Table 1**

| All Governmental Funds Receipts<br>SFY 2009-10 & SFY 2010-11<br>(Dollar Amounts in Millions) | Actual 2008-09 | WAM Estimate 2009-10 | Increase/ (Decrease) | WAM Forecast 2010-11 | Increase/ (Decrease) |
|---|---|---|---|---|---|
| **All Funds Receipts** | **$119,235** | **$130,933** | **$11,698** | **$134,479** | **$3,546** |
| **Taxes** | **60,338** | **58,675** | **($1,663)** | **62,562** | **$3,887** |
| Personal Income Taxes | 36,840 | 34,321 | **($2,520)** | 36,389 | **$2,068** |
| User Taxes | 14,004 | 13,836 | **($168)** | 15,424 | **$1,588** |
| Business Taxes | 7,604 | 7,884 | **$280** | 7,578 | **($306)** |
| Other Taxes | 1,890 | 1,398 | **($492)** | 1,583 | **$185** |
| Payroll Tax | -- | 1,237 | $0 | 1,588 | $352 |
| **Miscellaneous Receipts** | **20,064** | **22,410** | **$2,346** | **21,738** | **($672)** |
| Lottery | 2,732 | 3,146 | **$414** | 3,057 | **($89)** |
| Tuition | 1,064 | 1,064 | **$0** | 1,112 | **$48** |
| Healthcare Assessment | 3,633 | 3,991 | **$358** | 3,879 | **($112)** |
| Bond Proceeds | 2,759 | 3,195 | **$436** | 3,305 | **$110** |
| Other | 9,876 | 11,014 | **$1,138** | 10,385 | **($629)** |
| **Federal Funds** | **38,833** | **49,848** | **$11,015** | **50,179** | **$331** |
| Health/Medicaid | 22,247 | 29,009 | **$6,762** | 29,285 | **$276** |
| Transportation | 1,669 | 1,761 | **$92** | 2,108 | **$347** |
| Welfare | 2,597 | 2,782 | **$185** | 2,699 | **($83)** |
| Education | 3,579 | 5,836 | **$2,257** | 6,098 | **$262** |
| Other | 8,741 | 10,460 | **$1,719** | 9,989 | **($471)** |

**Table 2**

| All Governmental Funds Receipts<br>SFY 2009-10 & SFY 2010-11<br>(Dollar Amounts in Millions) | WAM Estimate 2009-10 | Executive Estimate 2009-10 | Difference | WAM Forecast 2010-11 | Executive Estimate 2010-11 | Difference |
|---|---|---|---|---|---|---|
| **All Funds Receipts** | **$130,933** | **$131,009** | **($76)** | **$134,479** | **$135,655** | **($1,177)** |
| Taxes | 58,675 | 58,778 | ($103) | 62,562 | 63,769 | ($1,208) |
| Miscellaneous Receipts | 22,410 | 22,383 | $27 | 21,738 | 21,707 | $31 |
| Federal Funds | 49,848 | 49,848 | $0 | 50,179 | 50,179 | $0 |

- The Committee staff is forecasting All Fund revenues to increase by $3.5 billion to a total of $134.5 billion in the upcoming fiscal year. Much of the growth is attributable to the full year implementation of revenue actions taken in 2009 and the impact of the Executive's proposed tax and revenue proposals.

- The tax revenue forecast assumes a 6.0 percent rebound in personal income taxes due to the full year impact of the high income tax surcharge enacted in 2009.

- User Taxes are also expected to rebound strongly. Sales Taxes are expected to recover, to a 4.1 percent growth rate following a decline of 4.5 percent in SFY 2009-10.

- The committee staff forecasts tax revenues will be $1.177 billion below the Executive forecast for SFY 2010-11, and $1.252 billion below the Executive over the two-year period.

**Reserves**

- At the end of this fiscal year and next the Executive Proposal calls for the Tax Stabilization Reserve Fund to have a balance of $1 billion and a $175 million balance in the Rainy Day Reserve Fund.

- The Governor's Budget anticipates that Congress will approve a six month extension for Federal Medicaid Assistance Percentages (FMAP) proposed in the federal budget valued at $1.1 billion for 2010-11. The Executive is anticipating approximately $485 million in additional General Fund resources to be placed in the refund reserve account.

- A substantial percentage of total tax receipts is dedicated to special revenue, capital projects, and the debt service funds (close to 37 percent for SFY 2009-10). A large proportion of those funds rely on highly volatile tax sources, such as the business taxes and the volatile bonus and capital gains components of the personal income tax, further subjecting the underlying dedicated funds to uncertain financing and increasing the risks of shortfalls.

**Cash Flow**

- Notwithstanding the preservation of the Tax Stabilization Reserve Fund, the Executive Budget projects continuing cash flow pressure in the General Fund that may require short-term transfers of funds to meet payments.

**Revenue Enhancers**

- The Committee Staff tax revenue forecast for SFY 2010-11 includes $1.3 billion in revenue enhancements proposed by the Governor. These include; cigarette tax increase ($218m), a new syrup tax ($450m), and revenue from a new franchise fee to allow the sale of wine in grocery, drug, and convenience stores ($250m).

- In addition, the Executive proposes to alter the MTA payroll tax by raising the rate in New York City from 0.34 percent to 0.54 percent while simultaneously lowering the rate outside New York City from 0.34 percent to 0.17 percent. The Executive estimates to receive $1.6 billion in SFY 2010-11, an additional $200 million from the change in rates. The Executive estimates the MTA payroll tax will generate $1.6 billion in SFY 2011-12, $1.7 billion in SFY 2012-13, and $1.8 billion in SFY 2013-14.

**Baseline Growth**

- The state Budget in the current and upcoming fiscal years is bolstered by actions taken in the SFY 2009-10 Enacted Budget. The Committee staff estimates that actions taken in 2009 totaled $5.8 billion in SFY 2009-10. Absent such actions, revenue would have fallen by $7.5 billion, or 12.4 percent in the current year – a level below that of SFY 2005-06.

- These same actions contribute approximately $7.7 billion to the SFY 2010-11 forecast. If these actions and the Executive's revenue enhancement proposals were excluded from the current forecast, baseline revenue growth would be just 1.6 percent – still below collections in SFY 2005-06.

**Out Year Budget Shortfalls**

- The Governor's financial plan out-year projections show that baseline revenue growth is substantially below growth in current services spending.

- The Executive's proposed budget shows out-year budget gaps of $54.2 billion before actions are taken to reduce the budget gaps. The out-year gaps are $14.8 billion in SFY 2011-12, $18.5 billion in SFY 2012-13 and $20.9 billion in SFY 2013-14. The Executive implemented budget actions to reduce the out-year gap to $5.4 billion in SFY 2011-12, $10.7 billion in SFY 2012-13 and $12.4 billion in SFY 2013-14.

**GAAP Fiscal**

- Over the past two years the state, on a GAAP accounting basis, has gone from a $4 billion accumulated surplus to a $2 billion deficit.

## Nonrecurring State Funding

- Certain elements to the Executive current and proposed Financial Plan are predicated on almost $1.2 billion of non-recurring revenue and other savings actions, such as $250 million from Battery Park, $300 million from VLT's, $250 million from amnesty, and $384 million from the 10 percent increase in business tax prepayments. In addition $1.4 billion in savings occur from rolling the gap from SFY 2009-10 into SFY 2010-11.

## Federal Funds

- The All Funds Budget contains a substantial amount of funding from the ARRA stimulus package. The ARRA stimulus will provide a direct benefit to the Financial Plan of $4.6 billion in SFY 2010-11 of which $3.4 billion from FMAP for Medicaid and $1.3 billion from Fiscal Stabilization Fund for education. The Executive has also included an additional $1.1 billion in FMAP based on the proposed Federal budget.

## Eroding Debt capacity, Increasing Debt Service

- Debt service will increase by 17.1 percent from SFY 2009-10 to SFY 2010-11 due to the impact of the prior year refinancing and unfavorable outcomes of the State's involvement in certain swaps and variable rate transactions.

- The Executive has submitted a $26.5 million debt service savings plan that includes the savings from the capital reduction program, issuing competitively, taking advantage of the Federal Build America Bond program and refundings.

- The Executive has proposed to implement an $1.8 billion five-year Capital Reduction Program that will decrease capital spending to create more capacity established under the Debt Reform Act of 2000 for new debt outstanding and new debt service.

## Risks and Concerns

- Wall Street has recovered strongly since the lows of early 2009 with profitability increasing across financial firms. However, this recovery is still considered fragile as part of the reasons for the profit recovery was the unprecedented monetary accommodation provided by the Federal Reserve. In addition, expectations for bonuses critically depend on the overall regulatory environment. Despite significant profits in 2009, bonus allocations in cash have been restrained and any further tightening is bound to adversely affect tax receipts for New York.

# Two Year Tax Forecast

### The Revenue Picture Quickly Deteriorates

As the economy has struggled to recover from the impact of the "Great Recession," New York's fiscal situation has continued to deteriorate. Upon release of the Enacted Budget report in April 2009, the Executive estimated tax revenues would be $60.6 billion in SFY 2009-10 – less than one percentage point over the previous year's collections – and a 7.6 percent decline when factoring in revenue enhancements enacted as part of the budget.

However, this amount was $2.8 billion below the Executive Budget forecast released in late December 2008 – on a constant law basis. This trend of revising forecasts downward has continued throughout the fiscal year with the release of each subsequent Financial Plan Update as the depth of the recession became more apparent.

Through the first quarter of the fiscal year, revenues had fallen $500 million below cash flow projections. As a result, the Executive lowered its expectations for annual revenue by $1.6 billion in the First Quarter Update. The majority of the shortfall was in the personal income tax, which had declined by $3.9 billion through July compared to the prior year.

The state's revenue picture continued to deteriorate throughout the summer of 2009 as revenues from the temporary personal income tax increase were somewhat below expectations. By September, revenues were $2.4 billion below the Executive Budget's cash flow estimates. At the Mid-Year Update, the Executive lowered their expectation for revenue to $2.8 billion below the Enacted Budget estimate.

The deterioration of revenue corresponds with a delay in expectations for the timing of the economic recovery. Consequently, forecasts of the economic variables have also been lowered. For example, at the time of the release of the Executive Budget, the Executive was forecasting a 0.9 percent decline in GDP growth for 2009. By the time of the 21-Day Amendments to the Executive Budget release in February 2010, the Executive projected that the GDP declined by 2.4 percent in 2009.

The Executive's employment forecast for New York has also deteriorated since the original release of the SFY 2009-10 Executive Budget in December of 2008. The Executive initially forecasted an increase in the unemployment rate to 7.4 percent in 2009. By the release of the SFY 2010-11 Executive Budget one year later, the estimate of the average unemployment rate in New York had increased to 8.4 percent. Employment fell by 3.3 percent from the third quarter of 2008 through the same quarter in 2009. This represents approximately 283,000 jobs.

State finances have begun to show signs of a turnaround. For example, sales tax collections have begun to recover, albeit over the low collection levels of SFY 2009-10. Both the Executive and the Committee staff expect revenue to grow significantly over the last quarter of the fiscal year. However, these expectations carry substantial risk, as they depend largely on the timely receipt of withholding collections from year-end bonuses.

**A Dramatic Weakening in Revenue Since 2007**

Just prior to the onset of the economic crisis, the U.S. and New York unemployment rates were 4.6 percent in 2007 – near record lows. In the first quarter of 2007, bonuses in New York State reached a record $181.1 billion, while for all of 2007 total wages grew by 8.8 percent and capital gains grew 39.9 percent. As a result, personal income tax (PIT) receipts grew by 5.7 percent in SFY 2007-08, while all funds tax revenues grew by 3.6 percent - the economy and revenues were strong.

But by the third quarter of 2008, U.S. and New York unemployment rates had inched up to 7.0 and 6.3 percent, respectively. After the financial crisis and economic crash in the fourth quarter of 2008, the U.S. unemployment rate grew to 10.2 percent by the end of 2009, with New York's rate at 8.8 percent. In 2008, capital gains declined by 54.6 percent – while bonuses declined by 4.6 percent. As a result, wages in the first quarter of 2009 fell by an unprecedented 15.7 percent. As the economy began its descent, New York's revenues were not far behind.

All Funds tax revenues began their decline in SFY 2008-09 when tax revenues decreased by 0.9 percent compared to the prior year. However, the decline did not begin until the second half of the fiscal year - revenues were up 8.8 percent in the first half of SFY 2008-09 compared to a 10.1 percent decline in the second half of the year. The healthy growth in the first half of SFY 2008-09 was largely due to a 31.9 percent increase in receipts in April - caused by a sizable PIT settlement based on high income levels in calendar year 2007. After growing 8.8 percent in 2007, wages grew by 2.0 percent in 2008.

Throughout SFY 2008-09, quarterly revenue growth rates were 13.0 percent, 3.9 percent, negative 0.2 percent and negative 7.2 percent – with a decline of 20.8 percent in PIT receipts in the final quarter of the fiscal year. New York's budget is particularly vulnerable to swings in PIT collections as they represent approximately 54 percent of state tax revenues, compared to the national average of only 35 percent. The impact of the 2007 settlement in April of 2008 was so disproportionate, that if April is ignored, SFY 2008-09 tax revenues would have declined by 5.0 percent instead of 0.9 percent.

**State Fiscal Year 2009-10 Tax Revenue Estimates**

New York State tax revenues have been impacted by the massive global economic upheaval of the past two years to a much greater extent than previously expected. Tax revenues have declined in eleven of the last thirteen months (see Figure 1). This has resulted in a fiscal-year-to-date decline of 8.4 percent, although the decline would have been 10.1 percent if the impact of the newly enacted Metropolitan Commuter Transportation Mobility Tax is excluded. On a quarterly basis, excluding the impact of the new MTA tax, All Funds tax revenues declined by 22.0 percent, 8.2 percent, and 1.2 percent in the first, second, and third quarters of the fiscal year, respectively.

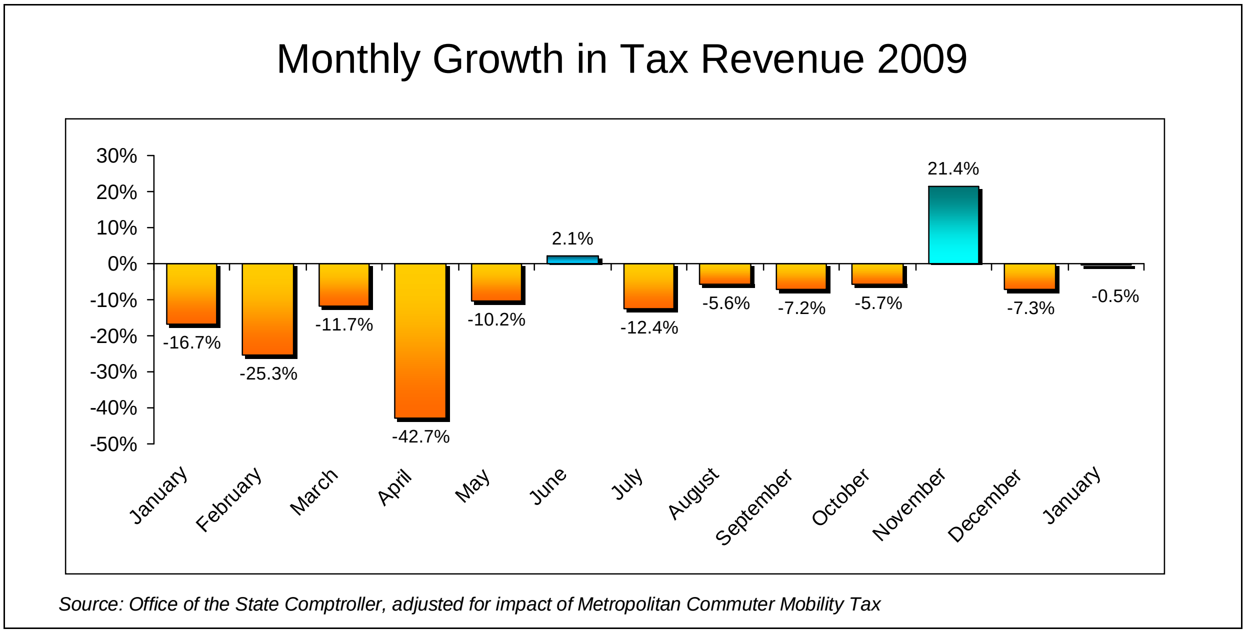



**Figure 1**

**Table 3**

| SFY 2009-10 Forecast Summary (Dollar Amounts in Millions) | | | | | |
|---|---|---|---|---|---|
| | 2008-09 Actual | 2009-10 Estimate | Change | Percent Growth | Diff. Exec. |
| Personal Income Tax | $36,840 | $34,321 | ($2,519) | -6.8% | ($59) |
| User Taxes | 14,004 | 13,836 | (168) | -1.2% | (158) |
| Business Taxes | 7,604 | 7,884 | 279 | 3.7% | 61 |
| Other | 1,890 | 1,398 | (491) | -26.0% | (10) |
| Payroll Tax | - | 1,237 | 1,237 | N/A | 64 |
| **Total Tax Collections** | **60,338** | **58,675** | **(1,663)** | **-2.8%** | **(103)** |
| General Fund Misc Rpts | 3,105 | 3,508 | 403 | 13.0% | - |
| Lottery | 2,544 | 2,958 | 414 | 16.3% | 27 |
| **Total w/Misc Rpts & Lottery** | **$65,987** | **$65,141** | **($846)** | **-1.3%** | **($76)** |

The Ways and Means Committee staff now projects the All Funds tax revenue estimate for SFY 2009-10 to be $58.675 billion, representing a decline of 2.8 percent or $1.663 billion over the prior year. Including General Fund miscellaneous receipts and lottery, the total is $65.141 billion, a decline of $846 million or 1.3 percent. The majority of the decline in tax receipts is in the PIT, which is estimated to decline by $2.519 billion or 7.0 percent in SFY 2009-10. Also contributing to the year-over-year decline, user taxes are estimated to decline by 1.2 percent or $168 million. Other taxes are down $491 million or 26.0 percent.

The Ways and Means Committee staff's All Funds tax revenue estimate is $103 million below the Executive's estimate included with the SFY 2010-11 Budget 21-Day Amendments and $76 million below when the estimates for lottery and General Fund miscellaneous receipts are included. When taking account of revenue actions to benefit the Metropolitan Transportation Authority that were enacted after last year's Budget, the Committee staff estimate is $3.530 billion below enacted budget estimates. In terms of overall State tax revenues, the largest difference between the Committee staff estimate and the Division of Budget estimate is user taxes and fees—the Committee staff estimate is $158 million below the Executive (see Table 3).

Included in the SFY 2009-10 Enacted Budget was a projection of $4.946 billion in additional revenues, the largest of which was a temporary personal income tax surcharge on wealthy individuals. However, based on initial analysis it appears that revenues attributable to this surcharge may be less than initially forecast – a reflection of the decrease in incomes for high-income earners in combination with the timing of payments. The Ways and Means Committee staff now predicts that the impact from the surcharge will be approximately $500 million below original estimates, contributing to the revision in revenue estimates since the Enacted Budget Report.

Other large revenue enhancements enacted in the SFY 2009-10 budget include increasing business tax prepayments from 30 percent to 40 percent ($351 million), limiting the itemized deductions for the wealthiest taxpayers ($140 million), taxing for-profit Health Maintenance Organizations (HMOs) under the insurance tax ($169 million), and approximately $376 million in other actions. After enactment of the SFY 2009-10 budget, chapter 25 of the laws of 2009 provided a series of additional revenues for the Metropolitan Transportation Authority. This chapter created the Metropolitan Commuter Transportation Mobility Tax ($1.237 billion), increased motor vehicle fees ($121 million) and the auto-rental tax ($26 million) and levied a 50 cents per ride taxicab surcharge ($14 million) within the Metropolitan transportation region.

Table 4 contains estimates of the tax actions enacted in 2009 and proposed in 2010.

**Table 4**

| **Tax Actions in 2009 and Proposed in 2010 (Dollar Amounts in Millions)** | | |
|---|---|---|
| **Revenue Enhancements** | **2009-10** | **2010-11** |
| High Income Surcharge | 3,433 | 4,886 |
| Other | 193 | 295 |
| *Total Personal Income Tax* | *3,626* | *5,181* |
| User Taxes and Fees | 194 | 288 |
| MTA Taxes | 1,382 | 1,706 |
| *Total User Taxes and MTA* | *1,576* | *1,994* |
| Increae Pre-payment to 40% | 351 | - |
| Other | 259 | 482 |
| *Total Business Tax* | *610* | *482* |
| **Total Tax Actions in 2009** | **5,812** | **7,657** |
| **Executive Proposed Actions** | | |
| Wine in Groceries | | 254 |
| Soft Drink Tax | | 465 |
| Cigarette Tax Increase | | 218 |
| Other | | 33 |
| MTA Payroll Tax | | 200 |
| **Total Proposed:** | | **1,170** |
| **Total Enacted and Proposed:** | | **8,827** |
| *Source: Division of the Budget, Ways and Means Staff Estimates* | | |

## Baseline Revenue Growth

The current 2009-10 budget is supported by $5.7 billion in additional revenue from tax actions taken in 2009. These provisions are expected to increase revenue by $7.7 billion in SFY 2010-11. Furthermore, the Executive is proposing additional revenue actions of $1.2 billion in the 2010-11 Executive Budget. For discussion of the Executive's 2010-11 proposals see section "Executive Tax Revenue Proposals".

Given the magnitude of this recession, one would expect revenue to decline by a far greater degree than a cursory examination of the current forecasts would illustrate. Once the impact of the tax increases are accounted for, baseline revenues declined by

12.4 percent (vs. estimated decline of 2.8 percent) in SFY 2009-10. Growth would have been limited to 1.6 percent in SFY 2010-11 if not for actions taken in both 2009 and proposed actions in SFY 2010-11. To provide some context to these numbers, revenue in SFY 2010-11 would be below the level of collections in SFY 2005-06 if not for the legislative action taken to bolster the state's revenue streams.

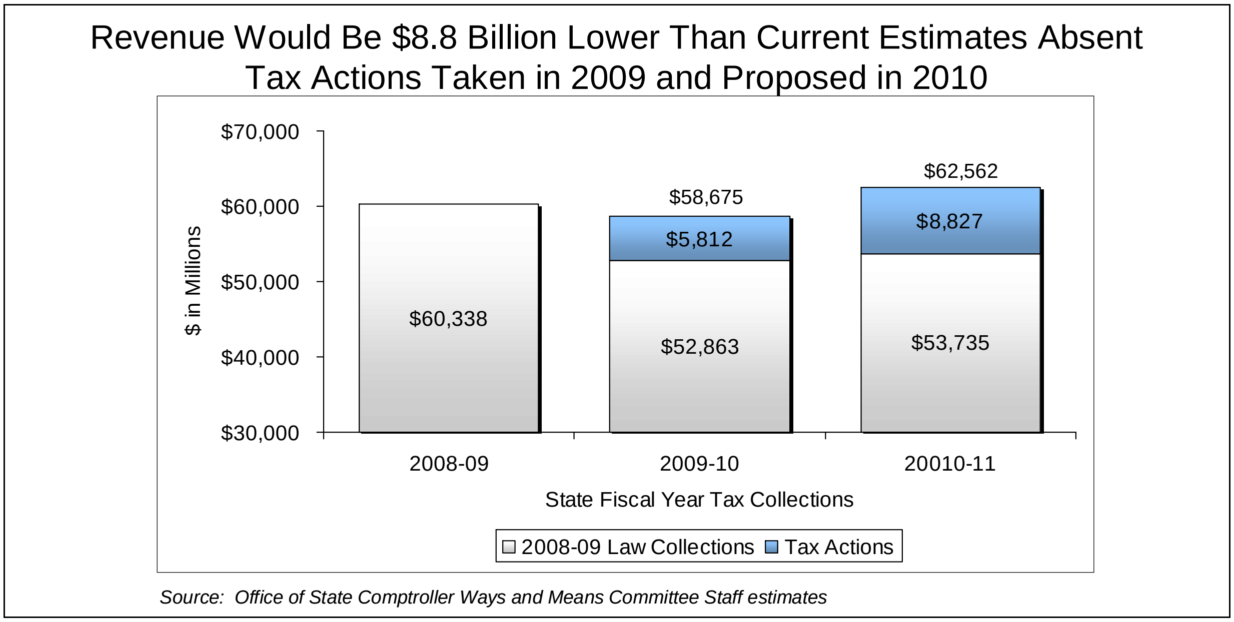



**Figure 2**

## Tax Analysis Summary State Fiscal Year 2009-10

The Ways and Means Committee staff's tax revenue estimates for SFY 2009-10 are based on year-to-date collections and historical collections patterns. When appropriate, these estimates are then adjusted for tax law changes and economic forecasts. Through January, All Funds tax revenues are down 10.1 percent or $5.338 billion, when excluding the metropolitan commuter transportation mobility tax. If this new revenue source is included, revenues would have decreased 8.4 percent. This decrease is largely attributable to a $4.257 billion or 12.8 percent decline in PIT—the majority of which was in IT-370 filings (extensions) and final payments. Also contributing to the year-to-date decline is a $255 million or 2.1 percent decline in user taxes and fees. Business taxes, which had been showing positive year-to-date growth between June and November, finished January with a year-to-date decline of 3.6 percent or $199 million. Other taxes declined by a dramatic 35.1 percent, or $628 million. Including the metropolitan commuter transportation mobility tax would have led to a year-to-date increase of 17.6 percent in other taxes.

*Personal Income Taxes*

Personal income tax (PIT) receipts, which are highly sensitive to changes in the economy, are down 12.8 percent through January and are approximately 9.5 percent below Enacted Budget expectations. The Ways and Means Committee staff now estimate that PIT receipts will total $34.321 billion in SFY 2009-10, representing a decline of 6.8 percent or $2.519 billion over last year. The vast majority of this decline is expected to come via lower estimated payments, currently forecast to decline by $3.679 billion or 29.0 percent. Final payments are expected to decline by 33.6 percent or $902 million. In contrast, withholding is estimated to grow by 4.4 percent or $1.229 billion and delinquencies are expected to grow to $1.227 billion, an increase of 29.2 percent or $277 million from SFY 2008-09.

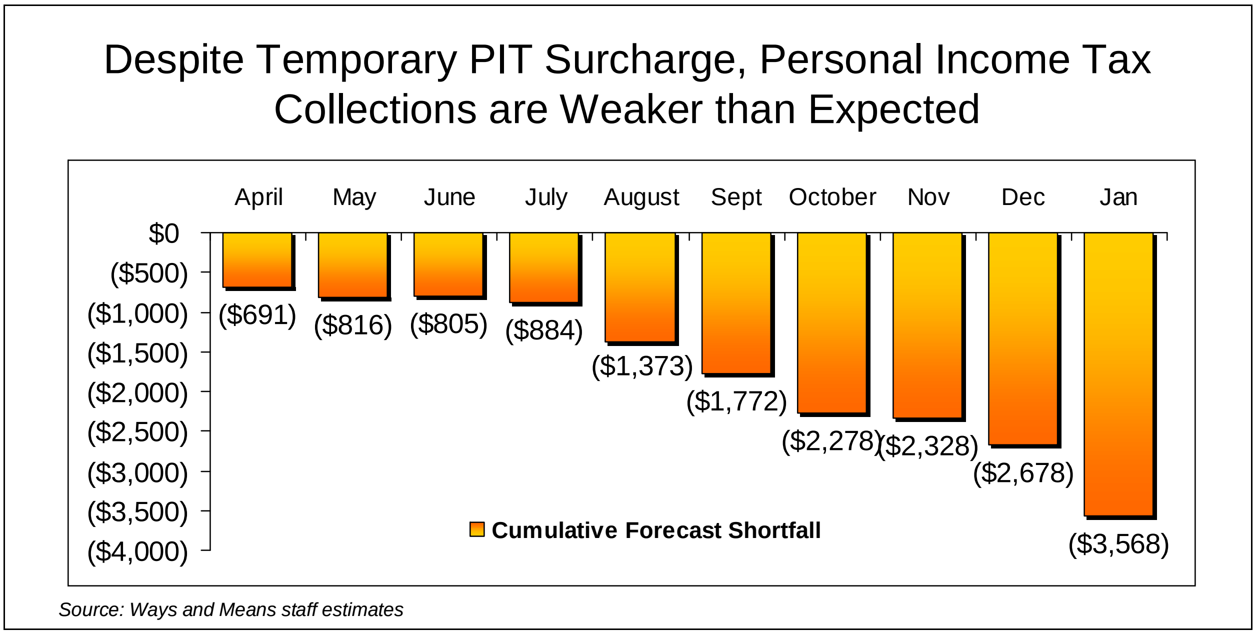



**Figure 3**

For the first time since January of 2009, year-to-date withholding was actually up 0.8 percent in December. The rest of the year is expected to experience even larger growth. Withholding is forecast to grow 21.5 percent as bonus payments subject to the PIT surcharge are awarded in the remaining months of the fiscal year. New York State has received $8.920 billion in estimated payments year-to-date, requiring growth of 0.4 percent in the remainder of the year to meet SFY 2009-10 estimates. Overall, personal income taxes have totaled $29.121 billion year-to-date, down 12.8 percent. This will require a growth rate of 50.3 percent in the last two months of the fiscal year to reach SFY 2009-10 estimates.

The dramatic decrease in total PIT revenues reveals a significant decline in New York State income. Absent the PIT surcharge, which is forecasted to yield approximately $3.433 billion, PIT revenues would have declined by approximately $5.952 billion or

16.2 percent. New York State wages, which reflect decreased employment, are expected to decline 7.4 percent in 2009.

*User Taxes*

User taxes are estimated to total $13.836 billion in SFY 2009-10, a decline of 1.2 percent or $168 million over SFY 2008-09. Sales tax revenues are estimated to decline by $494 million or 4.5 percent—reflecting lower consumption, which is estimated to decline 0.6 percent in 2009. The decline in user taxes is also reflective of declining outstanding consumer credit, indicating that people are saving more and spending less. The U.S. personal savings rate in 2009 was 4.6 percent – the highest since 1998.[1] The decline in user taxes would have been more severe without tax law changes, which are expected to generate an additional $192 million in motor vehicle fees—$120 million dedicated to the MTA fund.

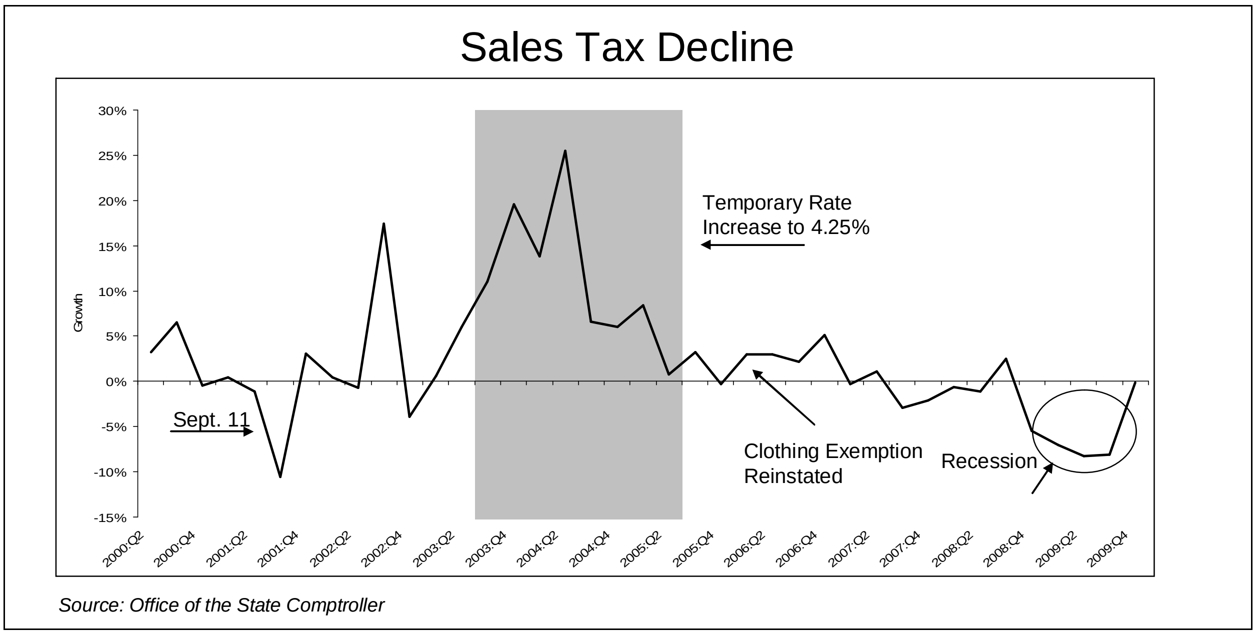


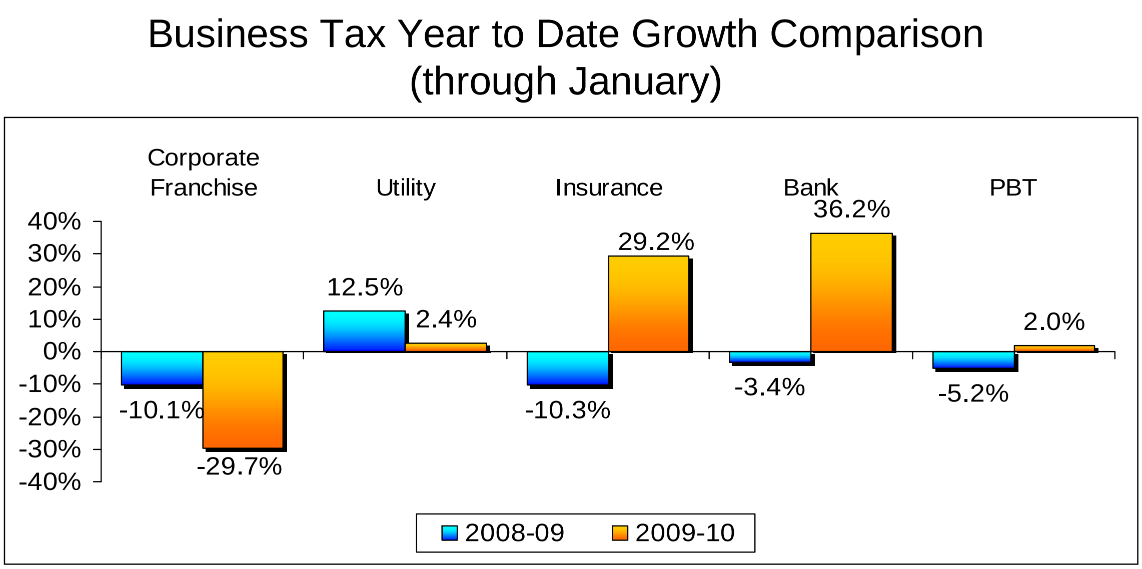

**Figure 4**

Through January, sales tax revenues are down 5.3 percent, and have declined for five consecutive quarters – from the fourth quarter of 2008 through the fourth quarter of 2009 (see Figure 4). Collections over the remainder of the fiscal year are expected to increase 0.3 percent, as the economy recovers. Slight gains in the last two months of SFY 2009-10 also reflect a lower base, since there was a significant decline in revenues in the same period in SFY 2008-09. Motor vehicle fees and auto rental taxes, due to tax law changes, are expected to increase 62.6 percent and 69.9 percent, respectively, in the remaining two months of the year.

[1] Bureau of Economic Analysis, U.S. Department of Commerce.

*Business Taxes*

Business taxes are estimated to increase 3.7 percent or $279 million above SFY 2008-09, however $200 million of this increase relates to a delay in paying refunds and $19 million is due to amnesty payments from the Penalty and Interest Discount (PAID) program. This estimate for business taxes is $61 million above the Executive estimate; however, estimates within the different tax areas vary considerably. Relatively flat growth is forecast in the petroleum business tax. The bank tax is expected to yield $216 million or 17.5 percent more than last year. Likewise, utility taxes and insurance taxes are estimated to grow by 8.6 and 32.5 percent, respectively. The growth in the insurance tax is primarily attributable to a change in the tax treatment of for-profit HMOs enacted in the SFY 2009-10 budget. Corporate franchise tax receipts are estimated to decrease by $412 million or 12.8 percent from the prior fiscal year. Through January, business taxes are 3.6 percent below where they were last year. During the last two months of the fiscal year, business tax receipts are forecast to increase by 22.9 percent. This increase reflects tax law changes which require businesses to pay a greater share of their tax liability in March of each year.




*Source: Office of the State Comptroller*

**Figure 5**

*Other Taxes*

Collections of other taxes are estimated to decrease by 26.0 percent or $491 million from SFY 2008-09. Estate and gift taxes are $732 million year-to-date, down 34.7 percent over the same period last year. With expected 295.1 percent growth in the next two months, estate and gift tax revenues are expected to be down 22.1 percent or $257 million for the full fiscal year. Through January, real estate transfer tax (RETT) receipts are down 36.5 percent compared to the same period last year—reflecting the sudden and drastic downturn in the real estate market, particularly the non-residential market. Since RETT receipts are dependent on real estate prices and the frequency of transactions, even if the average sales price in New York does not experience the declines seen elsewhere in the country, the decline in the frequency of transactions has resulted in significantly lower revenues. RETT receipts are estimated to experience a slight turnaround in the remainder of the year with a increase of 5.4 percent. The overall decline in RETT compared to SFY 2008-09 is expected to be 33.0 percent or $231 million.

*Lottery*

Traditional “lottery” (lotto, numbers, win 4, pick 10, etc.) has remained flat over the past few years and year-to-date revenues have continued this pace; thus, the Assembly Ways and Means Committee staff anticipates no growth in traditional lottery games in SFY 2009-10. However, video lottery games have experienced considerable growth; this may be due in part to legislation that was enacted in SFY 2008-09 that provided a greater portion of the net machine income (NMI) to be used to improve and promote video lottery facilities. Overall, lottery receipts are forecast to grow by 16.3 percent or $414 million to $2.958 billion. This high growth rate stems from the $300 million payment for the video lottery gaming rights at Aqueduct raceway.

**State Fiscal Year 2010-11**

State tax revenues are forecast to total $62.562 billion in SFY 2010-11, an increase of 6.6 percent or $3.866 billion over SFY 2009-10 Committee staff estimates. This growth reflects the combined impacts of revenue enhancements in the SFY 2009-10 budget and a slowly rebounding economy. The Assembly Ways and Means Committee staff estimates are $1.207 billion below the Executive Budget forecast included with the 21-day amendments (see Table 5). When including the general fund miscellaneous receipts and lottery, Committee staff estimates are $1.176 billion below the Executive.

**Table 5**

| SFY 2010-11 Forecast Summary (Dollar Amounts in Millions) | | | | | |
|---|---|---|---|---|---|
| | 2009-10 Estimate | 2010-11 Forecast | Change | Percent Growth | Diff. Exec. |
| Personal Income Tax | $34,321 | $36,389 | $2,068 | 6.0% | ($1,054) |
| User Taxes | 13,836 | 15,424 | 1,588 | 11.5% | (139) |
| Business Taxes | 7,884 | 7,578 | (306) | -3.9% | (182) |
| Other | 1,398 | 1,583 | 185 | 13.2% | 158 |
| Payroll Tax | 1,237 | 1,588 | 351 | 28.4% | 11 |
| **Total w/Payroll Tax** | **58,675** | **62,562** | **3,886** | **6.6%** | **(1,207)** |
| General Fund Misc Rpts | 3,508 | 2,915 | (593) | -16.9% | 0 |
| Lottery | 2,958 | 2,869 | (89) | -3.0% | 31 |
| **Total w/Misc Rpts & Lottery** | **$65,141** | **$68,345** | **$3,204** | **4.9%** | **($1,176)** |

*Personal Income Tax*

The Ways and Means Committee staff forecasts PIT growth of 6.0 percent in SFY 2010-11. This forecast is $1.054 billion below the Executive forecast. The Committee staff reflects growth in all major components of New York State Adjusted Gross Income (NYSAGI), including a 45.0 percent growth in annual capital gains. Also included in this growth is the continuation of the PIT surcharge, which is estimated to be worth $4.886 billion in SFY 2010-11. Withholding is expected to increase by 4.7 percent or $1.351 billion, benefiting from the economic recovery. Estimated payments and final payments are expected to grow 18.7 percent or $1.689 billion and 12.6 percent or $224 million, respectively. These aggressive growth rates are attributed to increased settlement payments, resulting from surcharge liability in the 2009 tax year. Estimated payments, in particular, benefit from expected increased capital gains realizations as taxpayers react to federal tax law changes that take effect after 2010.

*Sales and User Taxes*

The Ways and Means Committee staff projects overall user taxes and fees to be $15.424 billion in SFY 2010-11, an increase of 11.5 percent or $1.588 billion over the previous year. Approximately $465 million of this increase is related to the Executive's proposal to levy a surcharge on soft drinks. The Committee staff user taxes and fees forecast is $139 million below the Executive forecast, with sales tax revenues $142 million below the Executive forecast. The growth in user taxes and fees includes sales tax revenue growth of $431 million or 4.1 percent. Auto rental tax revenues, due largely to full-year implementation of statewide and MTA auto rental tax increases, are expected to rise

21.4 percent to $95 million in SFY 2010-11. Also due to law changes, motor vehicle fees are expected to increase by $169 million or 17.2 percent to $1.149 billion in SFY 2010-11. Alcoholic beverage tax revenues, motor fuel taxes and highway use taxes are forecast to remain relatively flat in SFY 2010-11. The overall forecasted growth in user-based taxes is consistent with strong projections for disposable income and retail sales in SFY 2010-11. Alcoholic beverage control license fees are forecast to increase 503.1 percent or $247 million, reflecting the Executive proposal to allow the sale of wine in grocery stores. Cigarette tax revenues are forecast to increase $194 million or 14.4 percent, reflecting the Executive proposal to increase cigarette taxes by one dollar per pack.

*Business Taxes*

Business taxes are expected to decrease 3.9 percent or $306 million to $7.578 billion in SFY 2010-11. This forecast is $182 million below the Executive. Approximately $220 million of this decline relates to a delay in paying refunds from SFY 2009-10 until SFY 2010-11 and a decrease in amnesty payments. The largest portion of New York State's business tax receipts comes from the corporate franchise tax, which is expected to grow 2.7 percent over SFY 2009-10 to $2.885 billion. Corporate profits, which drive corporate franchise tax receipts, are expected to grow by 10.5 percent in 2010. Bank taxes are expected to decline by 19.1 percent to $1.172 billion.

*Other Taxes*

Other taxes are forecast to increase 13.2 percent, totaling $1.583 billion. This forecast is $158 million above the Executive forecast. The increase is attributable to growth of 14.6 percent in the estate tax, reflecting forecasted growth in the stock market. Likewise, real estate transfer tax revenues are also forecast to show improvement with 10.6 percent growth as the real estate market begins to rebound.

*Lottery*

Lottery revenues are forecast to decrease by $89 million or 3.0 percent in SFY 2010-11. This decline stems from the loss of the $300 million payment for the video lottery gaming rights at Aqueduct raceway that is expected in SFY 2009-10 when the bidding process is finalized, offset by increased revenues from the introduction of the Powerball game.

**Risks to the Forecast**

Given the magnitude and unprecedented nature of the economic downturn, current Ways and Means Committee staff estimates are considerably lower than previous estimates. Even with the fiscal year almost complete, revenue estimates for the remainder of the fiscal year still carry considerable downside risk. Forecasting future economic activity, particularly into SFY 2010-11, is especially challenging during a period of economic upheaval. Federal actions may also affect the behavior of taxpayers in a way that depresses New York State revenues, for instance by limiting Wall Street bonuses. Also, growth in the bank tax could be mitigated by banking regulatory reforms imposed at the federal level. Furthermore, it will not be clear until after the close of the fiscal year if year-to-date weaknesses in PIT collections reflect lower wages or if taxpayers have not accurately altered their payments for the PIT surcharge. Part of the difficulty in forecasting revenues in this fiscal year relates to the underlying nature of the recession. Unlike previous recessions, which generally begin in the industrial sector, this recession began in the housing sector and the underlying financial mechanisms used to finance the recent housing boom.[2]

According to the Federal Reserve Bank of New York, "...the national economy is headed for recovery... [but] a downsizing of the area's critical finance sector could pose a major risk to the economic outlook going forward – particularly for New York City."[3] As discussed above, because New York's revenue system is so reliant on the financial sector, any risks to the financial sector are also a risk to New York State revenues.

[2] "The Fog of Forecasting" Kettl, Donald F., Governing. October, 2009.

[3] "Is the Worst Over? Economic Indexes and the Course of the Recession in New York and New Jersey", Federal Reserve Bank of New York, September, 2009.

# Executive Tax Revenue Proposals

The SFY 2010-11 Executive Budget proposes legislation that would increase tax and Lottery revenues by $1.3 billion, while decreasing STAR expenditures by $213 million in the coming fiscal year. In SFY 2011-12, these proposals would increase revenues by $1.8 billion, and decrease STAR expenditures by $250 million. The majority of the fiscal impact from the Executive's tax reduction proposals would not impact revenues until SFY 2012-13, when they would reduce revenues by $197 million.

**Personal Income Tax**

- Require certain S corporation gains from acquisition, liquidation, and installment sales of assets to be treated as New York source income by nonresident shareholders to the extent that the business was conducted in New York ($30M in SFY 2010-11, $12M annually);

- Make termination payments, covenants not to compete and other compensation for past services taxable to nonresidents unless specifically exempt under Federal law (no impact in SFY 2010-11, $5M annually);

- Recognize legally performed same sex marriages for purposes of determining marital filing status (no fiscal impact);

- Reduce the ability of certain resident trusts to avoid tax through the use of nonresident trustees (no impact in SFY 2010-11, $25M annually); and

- Create a school property tax circuit breaker credit, which would take effect when the state ends its fiscal year with a surplus as determined by the Commissioner of Tax and Finance and the Director of the Division of Budget.

**Sales and Use Taxes**

- Impose a new excise tax of $7.68 per gallon for beverage syrups and $1.28 per gallon for bottled soft drinks, powders, or base products ($465M in SFY 2010-11, $1B annually);

- Authorize the use of statistical sampling techniques for certain sales tax audits ($8M in SFY 2010-11, $12M annually);

- Narrow the affiliate nexus provisions by excluding as a basis for sales tax vendor status an affiliate's control over the seller ($5M reduction in SFY 2010-11 and annually);

- Allow the sale of wine in grocery, convenience, and drug stores upon payment of a franchise fee ($254M in SFY 2010-11, $5M annually);

- Impose a three percent tax on the market value of natural gas severed from a gas pool in the Marcellus or Utica Shale formation using a horizontal well (no impact in SFY 2010-11, $3M annually);

- Make technical amendments to the taxicab ride surcharge (technical, no fiscal impact);

- Increase the cigarette tax by $1 per pack, from $2.75 a pack to $3.75. The proportion of the cigarette tax dedicated to Health Care Reform Act (HCRA) will be increased to 75 percent to ensure that all of the additional revenue is used to fund health care ($218M SFY 2010-11, $211M annually); and

- Authorize and impose an admissions tax on professional combative sports matches or exhibitions (i.e. mixed martial arts) at a rate of 8.5 percent with no cap, and a three percent tax on receipts from broadcast rights not to exceed $50,000 ($2M in SFY 2010-11, $2M annually).

**Business Taxes**

- Make technical corrections to Part S-1 of Chapter 57 of 2009 (2009-10 Enacted Budget) to clarify that the State Legislature intended to make Empire Zone decertification provisions applicable to tax year 2008 (technical – no fiscal impact);

- Authorize the Commissioner of the Division of Housing and Community Renewal to allocate an additional $4 million in State Low-Income Housing Tax Credits to developers of qualifying affordable housing projects in New York ($4M reduction in SFY 2010-11 and thereafter);

- Equalize maximum bio-fuel and Qualified Emerging Technology Company (QETC) facilities, operations and training credit caps for corporations and unincorporated businesses (no impact in SFY 2010-11, $2M annually);

- Provide an additional film tax credit allocation for calendar years 2010 through 2014 at $420 million per year or $2.1 billion over this period (no impact until $168M reduction in SFY 2012-13, reaching $420M in SFY 2014-15);

- Create a new set of economic development incentives to replace the expiring Empire Zone program, intended to provide sustained job creation, investment, and research and development expenditures in New York State (no impact until $50M reduction in SFY 2012-13, reaching $250M in SFY 2016-17);

- Requires the Department of Taxation and Finance to provide recommendations to reform State and Local taxes on telecommunications by December 1, 2010 (no fiscal impact); and

- Extend Gramm-Leach-Bliley and related bank tax provisions for one year (preserves existing revenues in SFY 2010-11).

**Other Actions**

- Mirror federal requirements by requiring certain financial institutions to also file information returns with the state annually regarding amounts of credit/debit card settlements and third party network transactions (no impact in SFY 2010-11, $83M annually beginning in SFY 2013-14);

- Expand the base of the mortgage recording tax to include the financing of cooperatives (no impact to the State);

- Authorizes cities to increase the local utility gross receipts tax from one percent to three percent (no impact to the State);

- Maintain the New York Estate Tax Unified Credit amount currently allowed, independent of Federal estate tax law in effect on the date of death (technical – no fiscal impact);

- Extend the estate tax marital deduction to partners in same-sex marriages (no fiscal impact);

- Extend certain pari-mutuel tax rates and authorization for account wagering for a period of one year ($5M in SFY 2010-11);

- Make permanent the authorization to operate Quick Draw and eliminate restrictions related to the hours of operation, food sales, and the size of establishments. The Quick Draw game authorization expires on May 31, 2010 ($33M in SFY 2010-11, $54M annually);

- Reform the Offer in Compromise Program of the Department of Taxation and Finance ($1M in SFY 2010-11, $1M annually);

- Make permanent the authorization to operate Video Lottery Terminals and eliminate the restriction on the number of hours per day the Video Lottery Terminals may be operated ($45M in SFY 2010-11, $45M annually); and

- Increase the Metropolitan Commuter Mobility tax rates within New York City from 0.34 percent to 0.54 percent, and decrease the rate from 0.34 percent to 0.17 percent outside of New York City (no impact to the State, approximately $200M per year to the Metropolitan Transportation Authority).

**STAR Program**

The Executive proposes several changes to the STAR program, which are contained in the Education, Labor and Family Assistance Budget Article VII Bill. These changes are expected to generate $213 million in General Fund savings in SFY 2010-11, increasing to $250 million annually thereafter.

- Eliminate STAR eligibility for homes valued at $1.5 million of more ($30M annually);

- Adjust the allowable annual STAR base exemption ("floor") adjustment from 89 percent to 82 percent ($40M annually); and

- Limit the benefit for taxpayers with incomes above $250,000 from the New York City STAR PIT tax table reductions. The NYC tax rate for taxpayers with incomes above $250,000 would be increased from 3.2 percent to 3.4 percent ($143M in SFY 2010-11, $180M annually).

# Tax Provisions Contained In The American Recovery And Reinvestment Act (ARRA)

On February 17, 2009, President Obama signed the American Recovery and Reinvestment Act, an economic stimulus package designed to help speed the recovery from the current recession. This act contained a mix of spending and tax relief measures. Below is a brief summary of the tax measures and its estimated impact on state revenues.

**Making Work Pay Tax Credit**

Taxpayers are eligible for a tax credit equal to 6.2 percent of earned income for taxable years 2009 and 2010, limited to $400 for singles and $800 for taxpayers filing a joint return. The credit is phased out for taxpayers with incomes above $75,000 up to $95,000 ($150,000 for married filing jointly). No credit is allowed above $95,000 ($150,000 for married filing jointly).

**Earned Income Tax Credit (EITC)**

Increases the EITC credit percentage to 45 percent from 40 percent of the first $12,750 of earned income for taxpayers with **three or more** children. For taxpayers with two or more children, the income at which the credit is phased out is increased by $5,000, to $45,295. Taxpayers may elect to decrease their withholding and it is applicable for both 2009 and 2010. Considering that the New York EITC is a percentage of the federal credit, this is expected to have an effect on state receipts.

**$250 Economic Recovery Payment**

A one-time payment of $250 to individuals on fixed incomes (social security, railroad retirees, retired federal employees who are ineligible for Social Security and disabled veterans. This payment will reduce any Make-Work-Pay credit.)

**Alternative Minimum Tax (AMT) Patch**

The exemption from the AMT would be increased, limiting the number of taxpayers that would otherwise be subject to the AMT in 2009.

**First-time Homebuyer Tax Credit**

The First-Time Homebuyer Tax Credit would be increased for from $7,500 credit to $8,000 for purchases made through November 30, 2009. This credit was recently extended until April 30, 2010 and was expanded to include families who trade up from their existing home to a new home.

### New Car Deduction

Taxpayers who purchased a new car after February 17, 2009 and before December 31, 2009 will be allowed to add their state and local sales taxes paid either as a part of their itemized deductions or as an addition to their standard deduction amount. (The deduction cannot exceed the portion of the tax attributable to the first $49,500 of the purchase price.)

### HOPE Education Credit

Enhances the existing HOPE education credit to a maximum of $2,500 from $1,800, extends eligibility from two to four years of college and adds course materials as a qualifying expense. The income at which the credit is phased out is increased, and now begins at $160,000 for married taxpayers filing joint returns. Finally, 40 percent of the credit will now be refundable.

### Child Tax Credit

Lowers the income at which the credit becomes refundable from $8,500 to $3,000. The State has already decoupled from a portion of the child credit in that there is a minimum $100 credit for families whose income would otherwise have disqualified them from the federal credit. Since the New York Child Tax credit is linked to the federal credit, there will be an impact on state revenues.

### Unemployment Compensation

Excludes up to $2,400 of unemployment compensation from taxable income for 2009.

### Transit Benefits

Increases the current $120 per month income exclusion for transportation fringe benefits, such as transit passes etc, to $230 per month for 2009 and 2010 (2010 will include an inflation adjustment).

## Business Incentives

### Bonus Depreciation:

Extends the 50 percent first-year bonus depreciation enacted as part of the 2008 Stimulus Plan through December 31, 2009.

**Code Sec. 179 Expensing:**

Extends small business expensing, which is limited to $250,000, for an additional year through 2009.

**Net Operating Loss Carryback:**

Provides for a five-year carryback of 2008 Net Operating Losses (NOLs), for small businesses with average gross receipts of $15 million or less. Current law limits carry-backs to two-years.

**Work Opportunity Tax Credit:**

Creates two new targeted groups, unemployed veterans and disconnected youth, which would be eligible for this credit and applies to 40 percent of the first $12,000 in wages for the first year of employment.

**Debt Cancellation**

Allows certain businesses to elect to recognize cancellation of indebtedness income over five years.

**Energy Incentives**

The stimulus package also improves several energy tax credits:

- Increases the residential energy tax credit from 10 to 30 percent and raises the cap to $1,500 for 2009 and 2010;
- Eliminates caps on the Residential Energy Efficient Property Credits;
- Increases the Alternative Fuel Pump Tax Credit to 50 percent from 30 percent (capped at $50,000) for alternative fuel vehicle refueling property;
- Extends the Renewable Electricity Production Credit for wind and other renewable sources; and
- Establishes a $2,500 credit for qualified plug-in electric vehicles.

# Detailed Revenue Tables

# Detailed Revenue Tables

**Table 6**

| Total Tax Collections SFY 2009-10 (Dollar Amounts in Millions) | | | | | |
|---|---|---|---|---|---|
| | 2008-09 Actual | 2009-10 Estimate | Change | Percent Growth | Diff. Exec. |
| **Personal Income Tax** | **$36,840** | **$34,321** | **($2,519)** | **-6.8%** | **($58)** |
| **Gross Receipts** | **44,011** | **40,937** | **(3,075)** | **-7.0%** | **(31)** |
| Withholding | 27,686 | 28,915 | 1,229 | 4.4% | 167 |
| Estimated Payments | 12,690 | 9,011 | (3,679) | -29.0% | (106) |
| Vouchers | 7,889 | 6,932 | (957) | -12.1% | (66) |
| IT 370s | 4,801 | 2,079 | (2,722) | -56.7% | (40) |
| Final Payments | 2,686 | 1,784 | (902) | -33.6% | (52) |
| Delinquencies | 949 | 1,227 | 277 | 29.2% | (40) |
| **Total Refunds** | **7,171** | **6,616** | **(555)** | **-7.7%** | **29** |
| **Collections** | **36,840** | **34,321** | **(2,519)** | **-6.8%** | **(59)** |
| **User Taxes and Fees** | **14,004** | **13,836** | **(168)** | **-1.2%** | **(158)** |
| Sales and Use Tax | 10,985 | 10,491 | (494) | -4.5% | (177) |
| Motor Fuel Tax | 504 | 505 | 1 | 0.3% | 4 |
| Cigarette Tax | 1,340 | 1,350 | 10 | 0.7% | 15 |
| Motor Vehicle Fees | 723 | 980 | 257 | 35.5% | (2) |
| Highway Use | 141 | 140 | (1) | -0.4% | 0 |
| Alcoholic Beverage Tax | 206 | 228 | 22 | 10.7% | 5 |
| Alcoholic Beverage Fees | 44 | 49 | 5 | 12.1% | (3) |
| Auto Rental Tax | 61 | 78 | 17 | 28.5% | (1) |
| Taxi Surcharge | - | 14 | 14 | | - |
| **Business Taxes** | **7,604** | **7,884** | **279** | **3.7%** | **61** |
| Corporate Franchise | 3,220 | 2,808 | (412) | -12.8% | (153) |
| Utility Tax | 863 | 938 | 75 | 8.6% | (30) |
| Insurance Tax | 1,181 | 1,565 | 384 | 32.5% | 153 |
| Bank Tax | 1,233 | 1,449 | 216 | 17.5% | 86 |
| Petroleum Business Tax | 1,107 | 1,124 | 17 | 1.5% | 5 |
| **Other** | **1,890** | **1,398** | **(491)** | **-26.0%** | **(10)** |
| Estate and Gift | 1,165 | 908 | (257) | -22.1% | (24) |
| Real Estate Transfer | 701 | 470 | (231) | -33.0% | 15 |
| Pari Mutuel | 22 | 19 | (3) | -14.8% | (1) |
| Other | 1 | 1 | 0 | 29.4% | - |
| **Payroll Tax** | **-** | **1,237** | **1,237** | | **64** |
| **Total All Funds Taxes** | **60,338** | **58,675** | **(1,663)** | **-2.8%** | **(103)** |
| General Fund Misc Receipts | 3,105 | 3,508 | 403 | 13.0% | - |
| Lottery | 2,544 | 2,958 | 414 | 16.3% | 27 |
| **Total w/Misc Receipts and Lottery** | **$65,987** | **$65,141** | **($846)** | **-1.3%** | **($76)** |

Table 7

| Total Tax Collections SFY 2010-11 (Dollar Amounts in Millions) | | | | | |
|---|---|---|---|---|---|
| | 2009-10 Estimate | 2010-11 Forecast | Change | Percent Growth | Diff. Exec. |
| **Personal Income Tax** | **$34,321** | **$36,389** | **$2,068** | **6.0%** | **($1,054)** |
| **Gross Receipts** | **40,937** | **44,208** | **3,272** | **8.0%** | **(1,310)** |
| Withholding | 28,915 | 30,266 | 1,351 | 4.7% | (449) |
| Estimated Payments | 9,011 | 10,700 | 1,689 | 18.7% | (594) |
| Vouchers | 6,932 | 7,795 | 863 | 12.4% | (499) |
| IT 370s | 2,079 | 2,905 | 826 | 39.7% | (95) |
| Final Payments | 1,784 | 2,008 | 224 | 12.6% | (185) |
| Delinquencies | 1,227 | 1,234 | 8 | 0.6% | (82) |
| **Total Refunds** | **6,616** | **7,819** | **1,203** | **18.2%** | **(256)** |
| **Collections** | **34,321** | **36,389** | **2,068** | **6.0%** | **(1,054)** |
| **User Taxes and Fees** | **13,836** | **15,424** | **1,588** | **11.5%** | **(139)** |
| Sales and Use Tax | 10,491 | 10,922 | 431 | 4.1% | (142) |
| Motor Fuel Tax | 505 | 514 | 9 | 1.8% | 11 |
| Cigarette Tax | 1,350 | 1,545 | 194 | 14.4% | 19 |
| Motor Vehicle Fees | 980 | 1,149 | 169 | 17.2% | (27) |
| Highway Use | 140 | 132 | (8) | -5.8% | (2) |
| Alcoholic Beverage Tax | 228 | 237 | 9 | 3.8% | 8 |
| Alcoholic Beverage Fees | 49 | 296 | 247 | 503.1% | (7) |
| Auto Rental Tax | 78 | 95 | 17 | 21.4% | (0) |
| Taxi Surcharge | 14 | 85 | | | - |
| Soda/Syrup Excise Tax | | 450 | | | - |
| **Business Taxes** | **7,884** | **7,578** | **(306)** | **-3.9%** | **(182)** |
| Corporate Franchise | 2,808 | 2,885 | 77 | 2.7% | (392) |
| Utility Tax | 938 | 925 | (13) | -1.4% | 3 |
| Insurance Tax | 1,565 | 1,511 | (54) | -3.5% | 111 |
| Bank Tax | 1,449 | 1,172 | (277) | -19.1% | 96 |
| Petroleum Business Tax | 1,124 | 1,085 | (39) | -3.4% | - |
| **Other** | **1,398** | **1,583** | **185** | **13.2%** | **158** |
| Estate and Gift | 908 | 1,041 | 133 | 14.6% | 131 |
| Real Estate Transfer | 470 | 520 | 50 | 10.6% | 28 |
| Pari Mutuel | 19 | 19 | 0 | 0.0% | (1) |
| Other | 1 | 3 | 2 | 200.0% | - |
| **Payroll Tax** | **1,237** | **1,588** | **351** | **28.4%** | **11** |
| **Total All Funds Taxes** | **58,675** | **62,562** | **3,886** | **6.6%** | **(1,208)** |
| General Fund Misc Receipts | 3,508 | 2,915 | (593) | -16.9% | - |
| Lottery | 2,958 | 2,869 | (89) | -3.0% | 31 |
| **Total w/Misc Receipts and Lottery** | **$65,141** | **$68,345** | **$3,204** | **4.9%** | **($1,177)** |

Table 8

| Total Tax Collections By Fund Type<br>SFY 2009-10<br>(Dollar Amounts in Millions) | General Fund | Special Revenue | Debt Service | Capital Projects | All Funds |
|---|---|---|---|---|---|
| **Personal Income Tax** | **$22,320** | **$3,420** | **$8,580** | **$0** | **$34,321** |
| **User Taxes and Fees** | **8,104** | **2,024** | **2,483** | **1,211** | **13,836** |
| Sales and Use Tax | 7,370 | 665 | 2,457 | - | 10,491 |
| Motor Fuel Tax | - | 106 | - | 399 | 505 |
| Cigarette Tax | 445 | 905 | - | - | 1,350 |
| Motor Vehicle Fees | 13 | 348 | - | 619 | 980 |
| Highway Use | - | - | - | 140 | 140 |
| Alcoholic Beverage Tax | 228 | - | - | - | 228 |
| Alcoholic Beverage Fees | 49 | - | - | - | 49 |
| Auto Rental Tax | - | - | 26 | 52 | 78 |
| Taxi Surcharge | - | 14 | - | - | 14 |
| **Business Taxes** | **5,748** | **1,495** | **-** | **641** | **7,884** |
| Corporate Franchise | 2,370 | 438 | - | - | 2,808 |
| Utility Tax | 716 | 204 | - | 17 | 938 |
| Insurance Tax | 1,418 | 147 | - | - | 1,565 |
| Bank Tax | 1,244 | 205 | - | - | 1,449 |
| Petroleum Business Tax | - | 500 | - | 624 | 1,124 |
| **Other** | **928** | **-** | **232** | **238** | **1,398** |
| Estate and Gift | 908 | - | - | - | 908 |
| Real Estate Transfer | - | - | 232 | 238 | 470 |
| Pari Mutuel | 19 | - | - | - | 19 |
| Other | 1 | - | - | - | 1 |
| **MTA Payroll Tax** | **-** | **1,237** | **-** | **-** | **1,237** |
| **Total All Funds Taxes** | **$37,101** | **$8,176** | **$11,295** | **$2,089** | **$58,675** |

**Table 9**

| Total Tax Collections By Fund Type<br>SFY 2010-11<br>(Dollar Amounts in Millions) | General Fund | Special Revenue | Debt Service | Capital Projects | All Funds |
|---|---|---|---|---|---|
| **Personal Income Tax** | **$24,084** | **$3,208** | **$9,097** | **$0** | **$36,389** |
| **User Taxes and Fees** | **8,434** | **2,586** | **2,593** | **1,275** | **15,424** |
| Sales and Use Tax | 7,673 | 691 | 2,558 | - | 10,922 |
| Motor Fuel Tax | - | 108 | - | 406 | 514 |
| Cigarette Tax | 438 | 1,107 | - | - | 1,545 |
| Motor Vehicle Fees | 41 | 430 | - | 677 | 1,149 |
| Highway Use | - | - | - | 132 | 132 |
| Alcoholic Beverage Tax | 237 | - | - | - | 237 |
| Alcoholic Beverage Fees | 46 | 250 | - | - | 296 |
| Auto Rental Tax | - | - | 35 | 60 | 95 |
| Taxi Surcharge | - | - | 85 | - | 85 |
| Syrup/Soft Drink Excise Ta | - | - | 450 | - | 450 |
| **Business Taxes** | **5,516** | **1,443** | **-** | **619** | **7,578** |
| Corporate Franchise | 2,435 | 450 | - | - | 2,885 |
| Utility Tax | 706 | 202 | - | 17 | 925 |
| Insurance Tax | 1,369 | 142 | - | - | 1,511 |
| Bank Tax | 1,006 | 166 | - | - | 1,172 |
| Petroleum Business Tax | - | 483 | - | 602 | 1,085 |
| **Other** | **1,063** | **-** | **388** | **132** | **1,583** |
| Estate and Gift | 1,041 | - | - | - | 1,041 |
| Real Estate Transfer | - | - | 388 | 132 | 520 |
| Pari Mutuel | 19 | - | - | - | 19 |
| Other | 3 | - | - | - | 3 |
| **MTA Payroll Tax** | **-** | **1,588** | **-** | **-** | **1,588** |
| **Total Taxes** | **$39,097** | **$8,825** | **$12,078** | **$2,026** | **$62,562** |

# Fiscal and Revenue Analysis

# Economic Assumptions for Revenue Forecast

The following sections outline the Committee Staff's economic forecast for the U.S. and New York and provide the background for the Staff's revenue forecast.

Since the beginning of the recent recession, officially dated as of December 2007, the U.S. economy has been faced with unique challenges that have generated intense debates among professional economists and analysts. While the economy returned to positive GDP growth during the third and fourth quarters of 2009, employment losses have continued to mount, albeit at lower levels, with the unemployment rate at 9.7 percent as of January 2010.

Consumers and producers remain cautious, as the process of debt deleveraging continues and investors, both domestically and internationally, continue to seek the safety of commodities in the face of mounting fiscal deficits at the Federal level and, therefore, a weak U.S. dollar.

The following table provides an overview of the Committee Staff's forecasts for key economic variables.

**Table 10**

| Key Economic Forecast Variables (Percent Change) | | | | |
|---|---|---|---|---|
| | Actual 2008 | Estimate 2009 | Forecast 2010 | Forecast 2011 |
| **US Variables** | | | | |
| Real GDP | 0.4 | (2.4) | 2.9 | 2.8 |
| Personal Income | 2.9 | (1.4) | 3.7 | 4.0 |
| Corporate Profits | (17.6) | (3.0) | 10.5 | 9.6 |
| Employment | (0.6) | (4.3) | (0.6) | 1.3 |
| S&P 500 Stock Price | (17.3) | (22.5) | 21.1 | 7.9 |
| Treasury Bill Rate (3 month)* | 1.4 | 0.2 | 0.3 | 1.8 |
| Treasury Note Rate (10-year)* | 3.7 | 3.3 | 3.6 | 4.4 |
| **NYS Variables** | | | | |
| Employment | 0.5 | (2.8) | (0.4) | 0.9 |
| Wages | 2.0 | (7.4) | 5.2 | 0.5 |

* Annual Average Rate

*Source: NYS Assembly Ways and Means Committee staff*

## Total U.S. Economic Activity and Indicators

*Real GDP*

According to the National Bureau of Economic Research (NBER), the official body that is responsible for dating economic recessions and expansions, the U.S. economy entered into a recession in December of 2007. The Committee staff's current forecast incorporates an end to the recession as of the second quarter of 2009.

The Ways and Means Committee's current forecast calls for GDP growth to recover in 2010 with growth of 2.9 percent, following negative 2.4 percent growth in 2009.

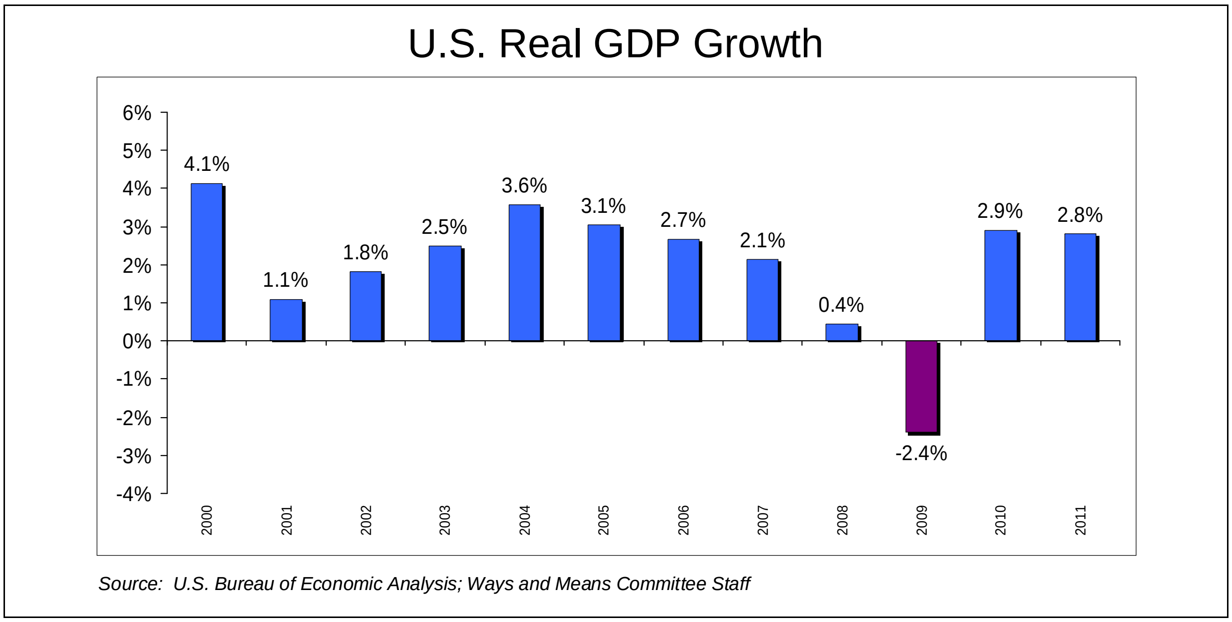



**Figure 6**

Although weaknesses remain in many industries and regions, hopeful signs of recovery have been experienced. GDP increased by 2.2 percent during the third quarter of 2009, primarily on the strength of personal consumption expenditures, exports, and federal government spending. The fourth quarter of 2009 is estimated to have increased by an even stronger 6.1 percent. In addition, the housing market is showing some signs of recovery with the inventory of unsold homes declining. However, economists are cautious as these signs of recovery are premised on government provided stimuli, such as the $8,000 tax credit for new home buyers and the "cash for clunkers" car program.

*Coincident and Leading Economic Indicators for U.S. and N.Y.S.*

The Chicago Fed National Activity Index (CFNAI), a coincident indicator of the business cycle, was slightly positive in January for the second time in the past three months, while the Conference Board's coincident index rose again in January following an increase in December. The leading index also increased in January and has increased for nine months in a row, pointing to a recovery over the course of 2010.

A similarly constructed index by the New York State Department of Labor points to a significant economic decline across New York since late 2008. While the index posted an increase in July 2009, it has decreased every month since then through December 2009, the latest data point available.

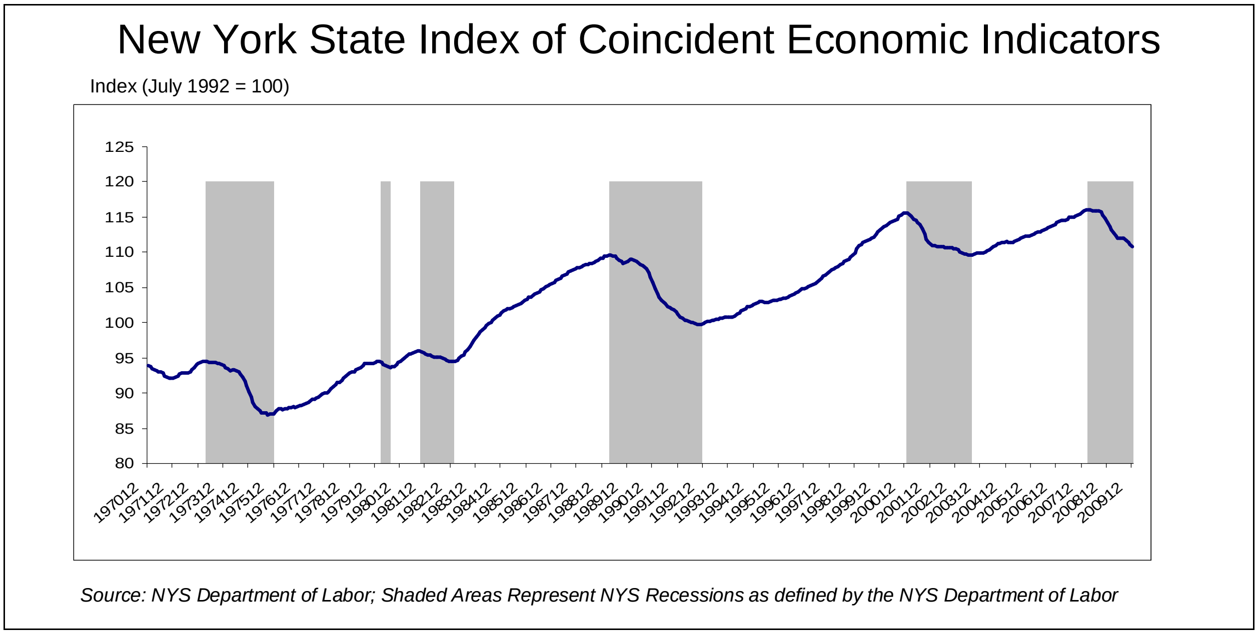



**Figure 7**

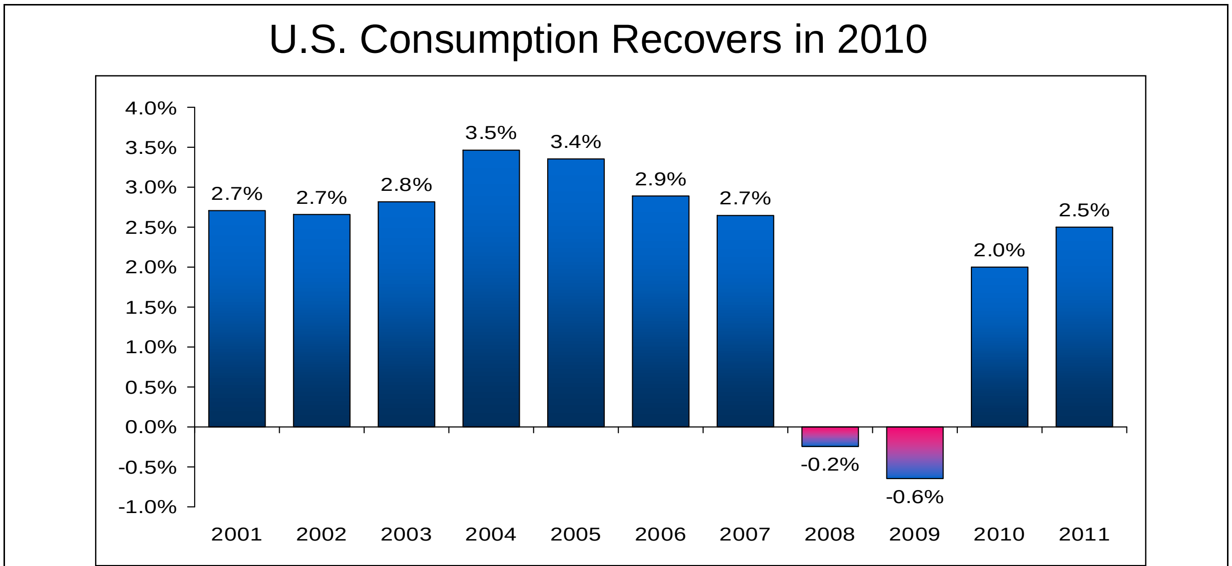
## Consumption and Wealth

Personal consumption expenditures provide the basis for the sales tax, which has experienced dramatic declines over the last few quarters as described in more detail in this report. Consumption expenditures are forecast to experience positive growth going forward following declines in 2008 and 2009. The decline in 2008 was the first since 1980. (See Figure 8.)

Broad measures of financial wealth posted impressive gains since the lows experienced in early 2009. While fears over sovereign debt in Europe have substantially increased market volatility during the early part of 2010, the outlook is positive, premised on the forecasting risks outlined at the end of this section.

The S&P 500 index has gained over 300 points since March 2009 lows, while risk premiums on lower quality corporate bonds have steadily declined. However, analysts who closely monitor lending conditions point to continuing difficulties that small businesses face in acquiring short-term credit from lending institutions.

Overall, the S&P 500 declined by 22.5 percent in 2009, and is forecast to grow by 21.1 percent in 2010, while interest rates will remain at historically low rates.




*Source: U.S. Bureau of Economic Analysis, NYS Assembly Ways and Means Committee staff*

**Figure 8**

## Labor Markets and Wage Growth

Between the peak of December 2007 and January 2010, the U.S. economy lost 8.4 million jobs, while additional job losses are forecast through early 2010. National employment declined by 4.3 percent in 2009, and will be followed by an additional 0.6 percent loss in 2010. New York State employment is forecast to decline by 0.4 percent in 2010, following a decline of 2.8 percent in 2009.

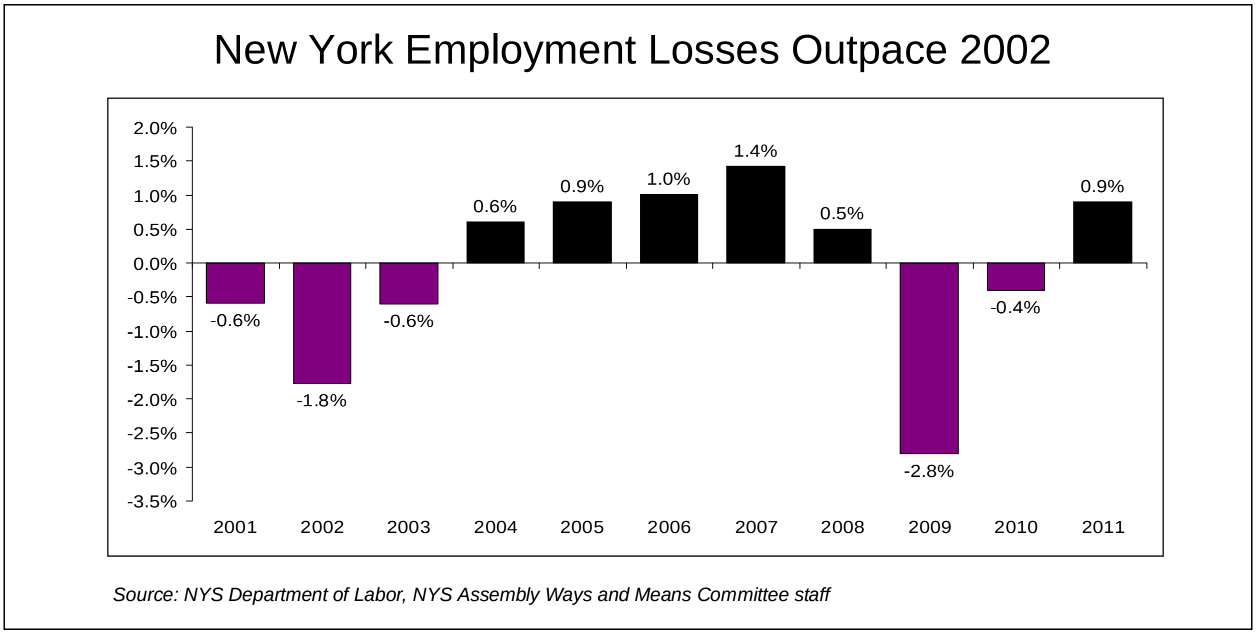



**Figure 9**

New York State tax receipts critically depend on wages and salaries as well as on consumption, via the sales tax. State wages have experienced significant declines since late 2008. State wages are estimated to have declined by 7.4 percent in 2009, while bonus income is forecast to have declined by 31.6 percent. In 2010 wage growth is expected to recover with positive 5.2 percent growth, while bonuses are forecast to increase by 32.1 percent, primarily due to a shifting of bonus payments to the fourth quarter of 2010 in anticipation of the expiration of the current lower Federal tax rates.

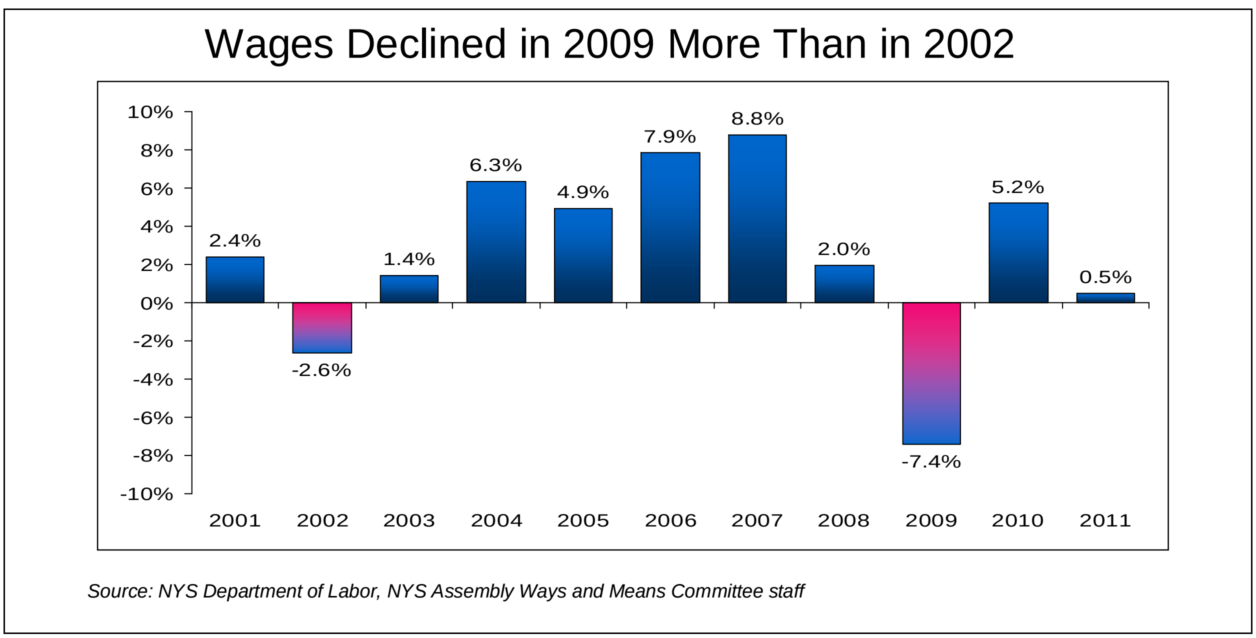



**Figure 10**

**Capital and Financial Markets**

During the first quarter of 2009 total bonuses paid in New York declined by 47.8 percent, while the securities industry saw its bonuses decline by 54.2 percent. These unprecedented declines reflected the dramatic turmoil that engulfed the financial services industries during 2008. However, since early 2009 there have been some signs of recovery and stabilization in the banking and credit markets:

- Large banks appear healthier and better capitalized despite an increasing number of smaller banks under the scrutiny of the FDIC; and

- Credit markets have recovered as is evidenced by the narrowing of the gap between the federal funds rate and the LIBOR (LIBOR, or the London InterBank Offered Rate, is the interest rate that banks charge each other for loans).

Due to favorable interest rate spreads banks have seen accelerating profits. According to the Standard & Poor's "the widening of interest rate spreads has helped most banks improve their net interest margin."[4] In essence, banks have benefited from lower yields on short-term U.S. Treasuries and increasingly higher yields for longer term securities, thus the difference between banks' lending and borrowing has widened increasing bank profits. This widening has been explicitly helped by Federal Reserve actions such as the record-low federal funds rates.

In addition, other sources of revenue – such as fee income, mortgage-banking income, and trading and underwriting revenue - for banks and other financial institutions have also been strong during 2009. Results have been especially strong for fixed-income trading where Goldman Sachs and JP Morgan dominate. According to Standard & Poor's "with investor confidence having improved since then [second quarter 2009], we believe those spreads [bid/ask spreads] have narrowed, and market makers will not be rewarded quite as well for taking on the risk of holding those bonds. Still, in our view, these firms' access to cheap government funding fueled profits. With all the firms that received TARP funds having issued government-backed debt and continuing to have access to discount window funds, that cheap funding hasn't gone away. We expect robust trading results to continue into 2010."[5]

Based on this renewed activity and profitability, the Ways and Means Committee Staff is currently forecasting total bonuses to recover during the critical first quarter of 2010 with growth of 8.8 percent, while security industry bonuses are forecast to grow even faster at a rate of 11.8 percent. As mentioned throughout this *Revenue Report*, bonuses provide a critical component of overall income tax receipts and, therefore, as the financial markets' profitability continues to improve the prospects for overall receipts also improve.

---

[4] "Financial Services: Diversified", Industry Surveys, Standard & Poor's, October 15, 2009.
[5] "Investment Services", Industry Services, Standard & Poor's, November 26, 2009.

The chart below reviews the recent history and the Committee's current forecast for state bonuses through SFY 2010-11. Variable wages are forecast to increase by 2.0 percent in SFY 2009-10, followed by a 15.1 percent increase in SFY 2010-11.

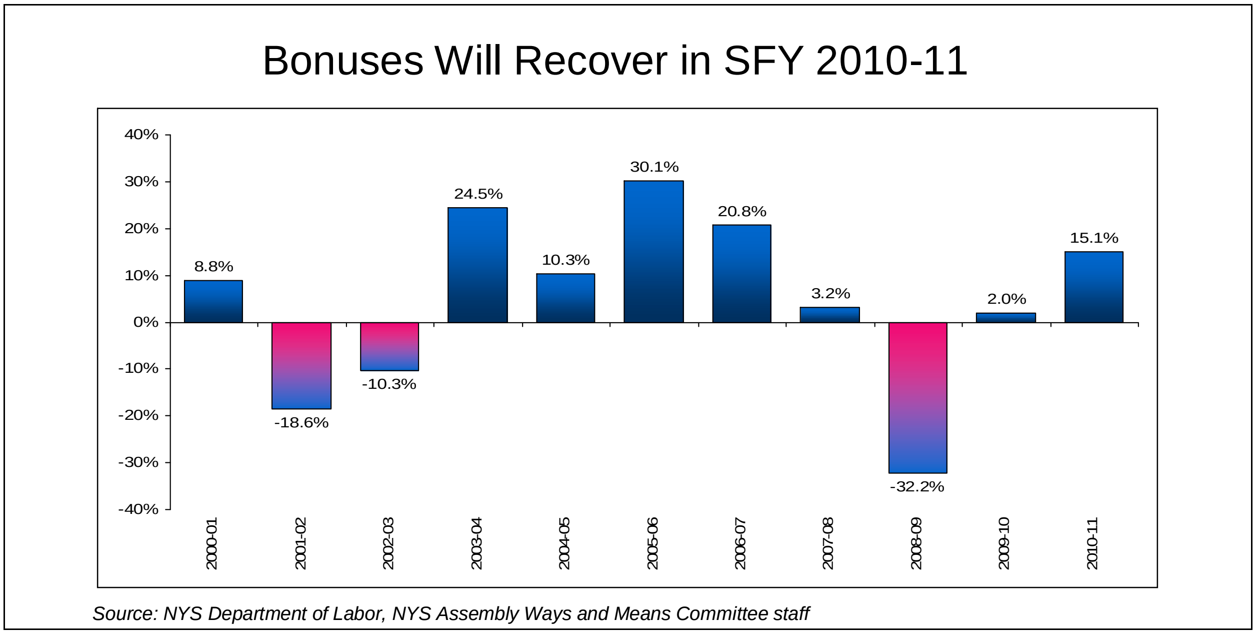



**Figure 11**

Capital gains activity is another critical component in determining the State's personal income tax liability. Growth in capital gains is important because, as discussed more fully in the personal income tax section of this report, payments from high-income individuals that realize a significant amount of capital gains account for much of the estimated payments component of personal income tax collections.

Capital gains represent the increase in the value of an asset over time. Such gains usually occur from increases in the value of stocks, bonds or real estate. When taxpayers sell their assets and "realize" the gain, it becomes a taxable event. Investor behavior is influenced by many things such as tax law changes and market expectations. Consequently, it is difficult to predict when investors will realize their gain.

The Committee staff projects net capital gains declined by 27.2 percent in 2009, followed by an increase of 45.0 percent in 2010, partially due to an anticipation of the expiration of the federal tax cuts of 2001.

## Business Activity and Corporate Profits

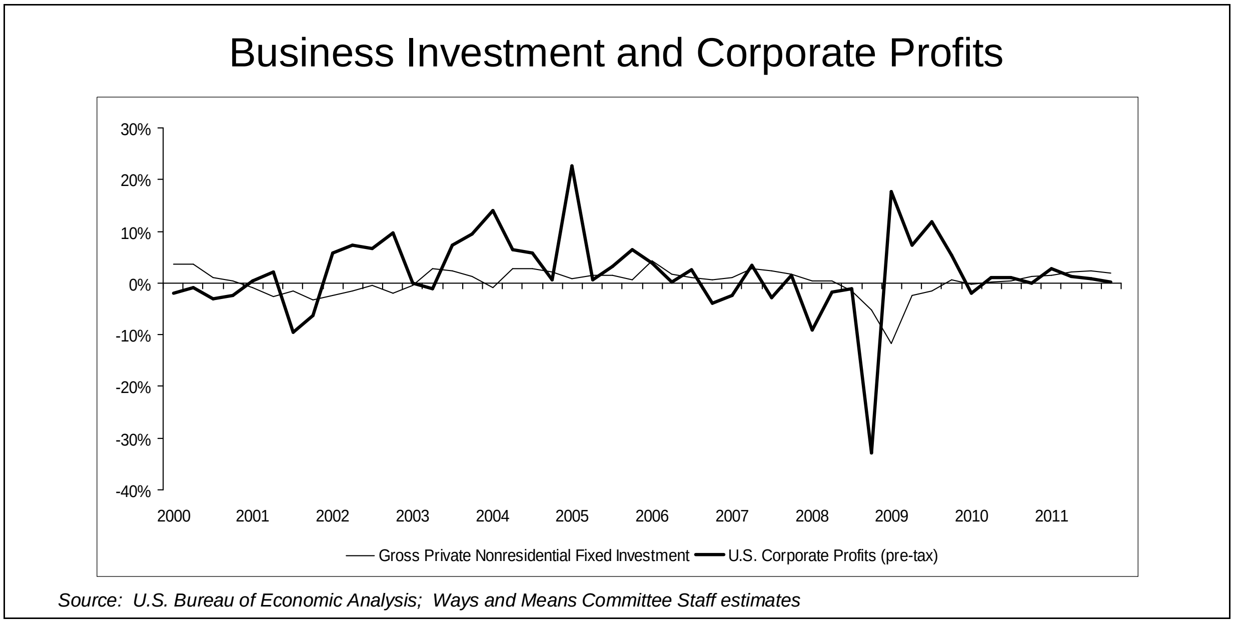



**Figure 12**

Following sharp declines in investment and profitability, the Committee Staff predicts a return to sustainable, albeit modest, growth through 2011. U.S. corporate pre-tax profits are forecast to increase by 10.5 percent in 2010, following three consecutive annual declines, and 9.6 percent in 2011.

## Monetary Policy

The Federal Reserve continues to pursue an accommodative monetary policy of low interest rates, while at the same time it strives to contain the rate of growth of money creation in an effort to avoid further inflationary pressures (e.g. interest on bank reserves with the Federal Reserve).

However, the unprecedented policy actions by monetary authorities are expected to be slowly removed – certain programs have already been terminated – while interest rates are set to increase as soon as the Federal Reserve estimates that the economy has resumed a sustainable economic path. The current forecast anticipates an increase in the federal funds rate target towards the end of 2010.

*Exit Strategy for the Federal Reserve*

As the financial outlook started deteriorating in late 2007, the Federal Reserve embarked on a period of more excessive monetary accommodation in the form of quantitative easing – the expansion of the central bank's balance sheet – and qualitative easing – in the form of an effective deterioration in the central bank's average quality of assets.

During the early phases of the financial crisis, from late 2007 through September 2008, the Federal Reserve pursued a policy of progressively lowering the federal funds rate target and its discount rate, while at the same time selling assets in its portfolio. This was accomplished by the creation of new money via the crediting of member banks with reserve balances at the Fed. This period saw the creation of a variety of programs: the Term Auction Facility (TAF), the Loans to Foreign Central Banks (SWAPS), and the Primary Dealer Credit Facility (discontinued in March 2008).

Since September 2008 the Federal Reserve substantially expanded its operations by significantly adding to the reserve balances and expanding its balance sheet via the outright purchase of Treasury securities, agency debt, and mortgage-backed securities (effectively swapping higher quality assets for lower quality mortgage securities.)

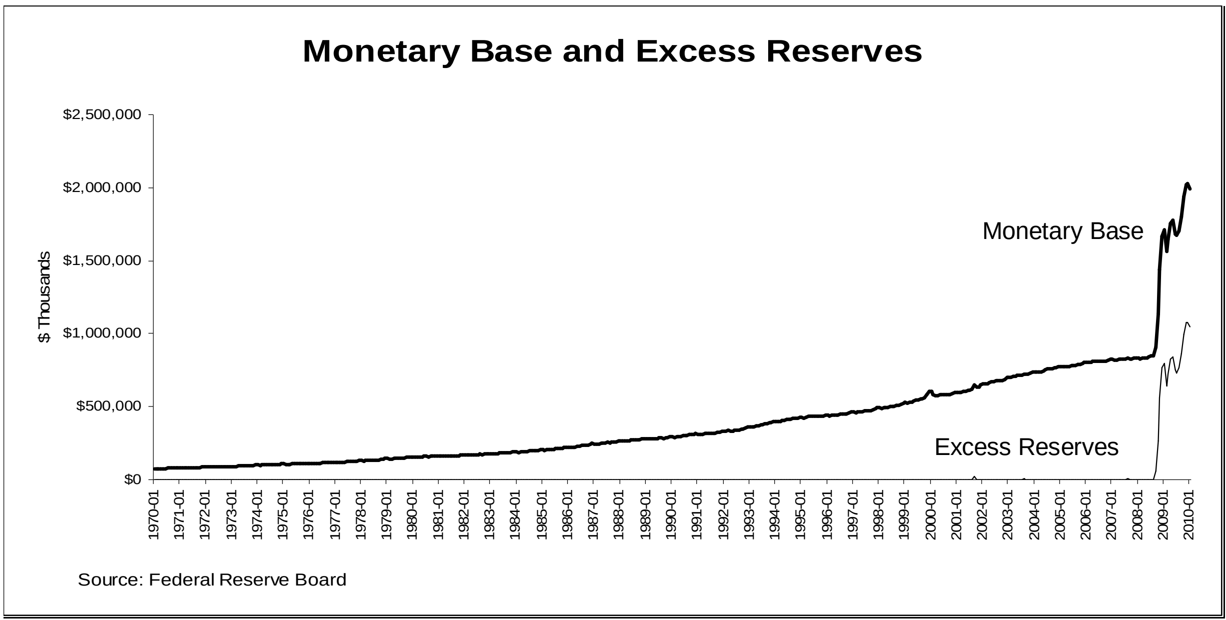



**Figure 13**

A significant development was the decision to pay interest to member banks for excess reserves, i.e. reserves in excess of the required minimum, held with the central bank. As of January 2010, the Federal Reserve held approximately $1.1 trillion in excess reserves in comparison to around $2 billion as of February 2008. At the same time the monetary base – the base upon which banks and other financial institutions multiply, based on the reserve requirements, money creation and dollars find themselves in the hands of businesses and consumers – had reached close to $2 trillion compared to a little over $800 billion as of January 2008.

In early February 2010, the Federal Reserve Chairman Ben Bernanke enunciated in general terms a necessary plan for the gradual withdrawal of the current liquidity in the financial markets via instruments such as the discount rate (the rate at which banks borrow directly from the Federal Reserve), reverse repurchase agreements to withdraw excess reserves via the selling of asset-backed securities, and increasing the interest rate paid to member banks for excess reserves. While no specific time tables were put forward, the exit strategy will depend on how the Federal Reserve assesses the health of the overall economy. For example, the effective unwinding of the Fed's historic policy initiatives of the last three years will be critical in defining the course of the U.S. recovery and the strength of the dollar. The swapping of lower quality assets back on the balance sheet of financial institutions could re-introduce concerns over the health of financial markets.

**Current Debates on Financial Regulatory Reform**

In a world of constant increases in knowledge, specialization, and most importantly with the dispersion of such knowledge across institutions, individuals, and countries, policy makers and regulators are faced with the increasingly cumbersome duty of setting the rules of a market place that constantly evolves.

The preceding analysis implies that a fool-proof regulatory regime is probably not possible to design in the sense that it could adequately anticipate the variety of responses and innovations that could naturally emerge in the market place or in reaction to the regulations themselves. Regulators will always be faced with the trade-offs of harder-to-break vs. easier-to-fix structures while at the same time facing the trade-offs of efficiency and profitability vs. soundness and robustness in the financial system.

A highly complex and interconnected financial system with excessive debt leverage will always face the probability of catastrophic failure. Some analysts have proposed that a lesson from the current crisis for regulators should be the need for structuring rules that do not favor debt over equity financing.

The state's reliance on Wall Street bonuses for revenues will continue despite the recent dramatic declines. Even though the business models have changed, compensation for top-quality talent will remain vital. Recent developments at the Federal regulatory level related to potential limitations and/or oversight of compensation packages could imply a lessened receipts potential from Wall Street.

**The Federal Budget and Economic Outlook**

According to the Congressional Budget Office (CBO) the federal budget is forecast to register a deficit of $1.3 trillion for fiscal year 2010, or 9.2 percent of gross domestic product (GDP), slightly below the 9.9 percent deficit share for 2009, the largest since World War II.[6] Under current law, projected deficits average about $600 billion per year

[6] "The Budget and Economic Outlook: Fiscal Years 2010 to 2020", Congressional Budget Office, January 2010.

over the 2011-2020 period. As a share of GDP the deficit is projected to fall to 6.5 percent in 2011 and 4.1 percent in 2012, thereafter deficits ranging between 2.6 percent and 3.2 percent of GDP through 2020.

Accumulating deficits will have an effect on total public debt. At the end of 2009, debt held by the public was $7.5 billion, or 53 percent of GDP. By the end of 2020, under current law and assuming no legislative changes, debt is expected to reach 67 percent of GDP, or $15 trillion. (Public debt excludes any U.S. intra-governmental obligations such as the Social Security Trust fund.)

The CBO projects acceleration in the growth of the overall economy in 2010 and 2011, spurred by stronger business investment and residential construction. For 2012 through 2014, GDP growth is forecast to average 4.4 percent per year, while growth will slow to 2.4 percent on average for the period 2015 to 2020. This growth is expected to reduce unemployment to around five percent by 2016.

The Federal Budget outlook and the accumulating deficits and debt will have significant implications for New York's fiscal outlook and overall financial planning going forward.

# Economic Drivers of Revenue Growth

The Ways and Means Committee takes a closer look at the State's main engines of revenue growth, i.e. the industries that provide the basis for the State's employment, wages, and, therefore, the State's tax receipts. Since "…projected employment declines and wage declines in the securities industry are, by far, the largest contributor to future economic uncertainty in the New York State and New York City economies"[7], it is important to examine the industrial mix in the State to understand the employment and wage bases that will support the State's fiscal balance going forward.

## New York's Employment Structure

The following chart provides an overview of the State's current employment shares by industry:

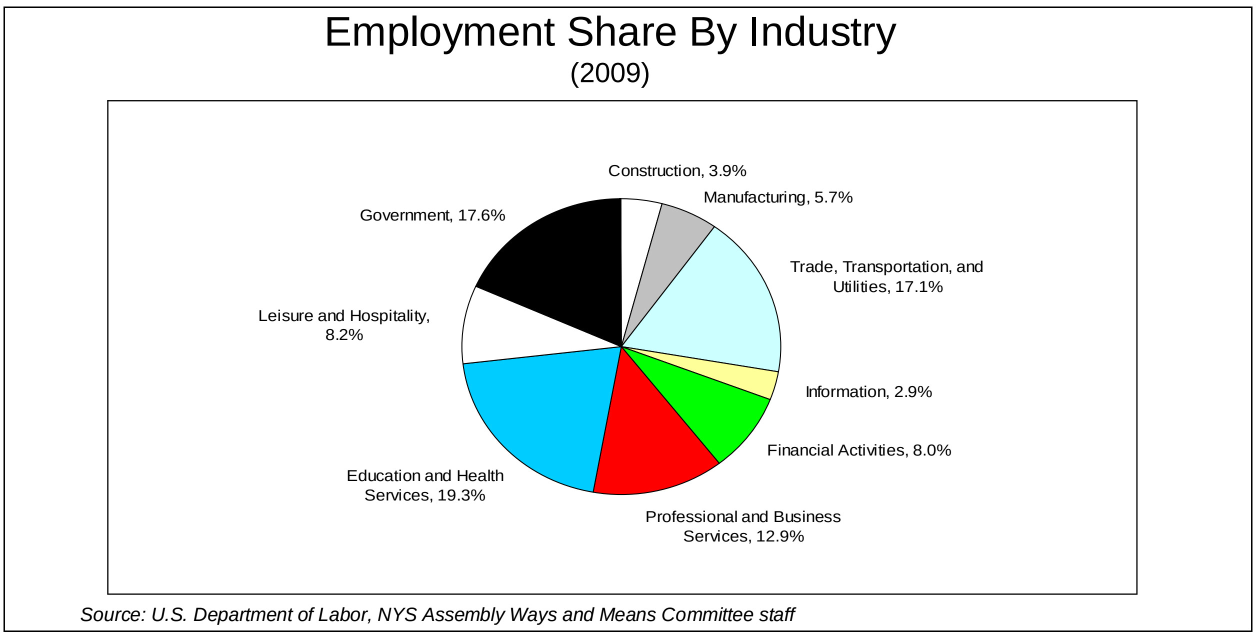



**Figure 14**

The Education and Health Services sector ranks first with a 19.3 percent share, followed by the Government sector with a 17.6 percent share, and the Trade, Transportation, and Utilities sector with a 17.1 percent share.

---

[7] "Turmoil on Wall Street: The Impact of the Financial Sector Meltdown on New York's Labor Market", NYS Department of Labor, June 2009.

## Drivers of Employment Growth over Time

The chart below shows the employment shares for major industries from 1997 through 2009.[8] We observe the following trends:

- The share of Manufacturing has declined from 9.9 percent in 1997 to 5.7 percent in 2009 (the share was 12 percent in 1990);
- The Financial Activities industry share declined from 8.9 percent in 1997 to 8.0 percent in 2009;
- Professional and Business Services have increased their employment share from 11.9 percent in 1997 to 12.9 percent in 2009;
- Education and Health Services have increased their share from 16.1 percent in 1997 to 19.3 percent in 2009, the largest gain among all industries.

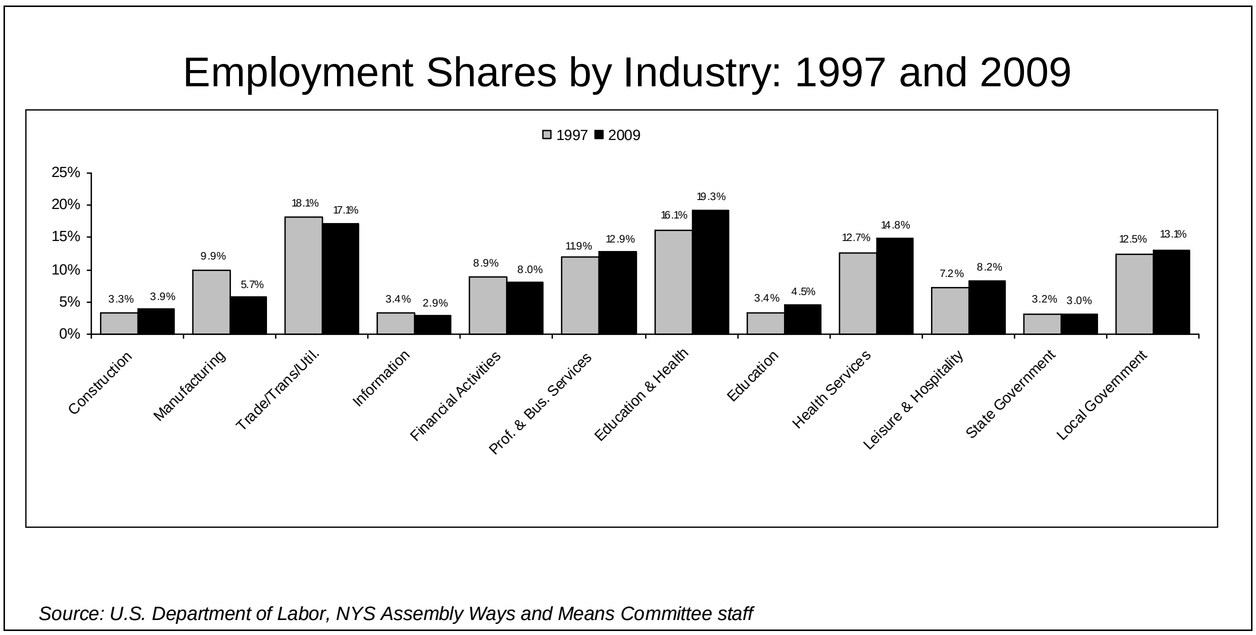


**Figure 15**

The rapid decline in manufacturing employment has been well documented and is consistent with the national trend premised on the increased productivity in manufacturing activities. Similarly, the State has lost ground in terms of employment in the financial sectors as activities and employment have migrated in other states and/or internationally, as well as having been permanently lost due to productivity developments.

The chart below shows that from 1990 through 2009 the State lost a significant share – 13.5 percentage points - of its Securities industry jobs with a smaller loss in the overall Financial Activities sector.[9]

---

[8] Note that for the sub-sectors Education and Health Services as well as for State and Local Government employment the relevant and comparable data start in 1997.

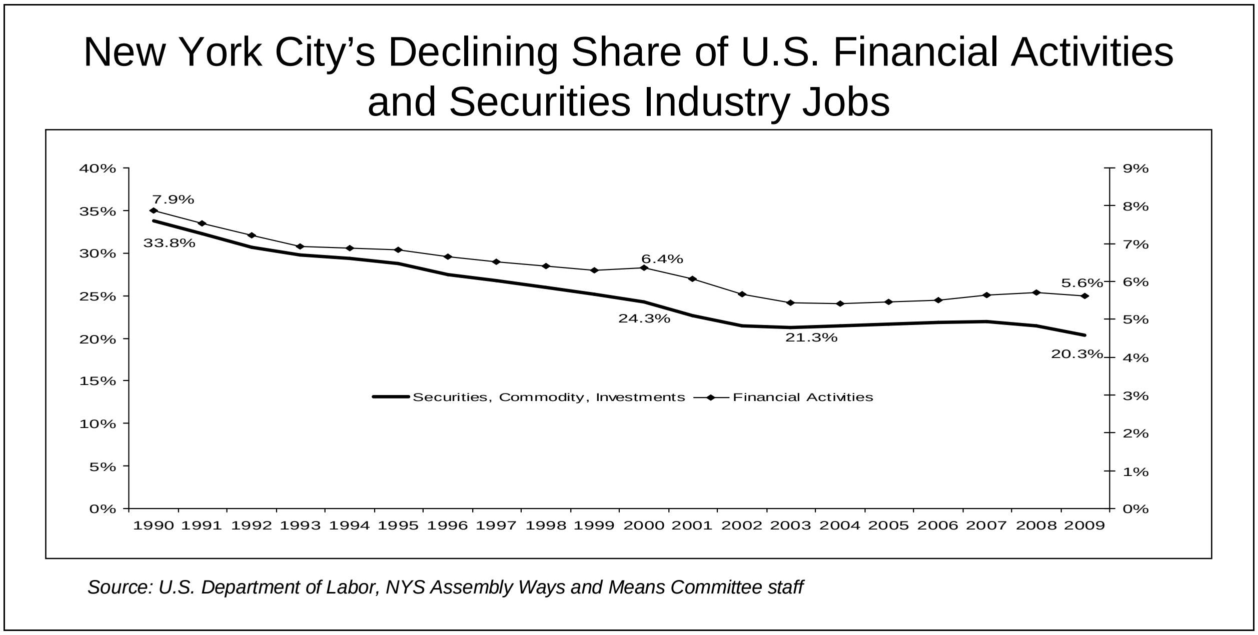



**Figure 16**

The Education and Health Care Services sector was the biggest employment winner during the period 1990 to 2009 gaining a net share of 6.2 percentage points, or approximately 587,000 jobs, compared to the 489,000 jobs lost in the manufacturing sector during the same period.

## A Closer Look At New York's Production Base and the Fastest Growing Industries

Additional evidence related to the State's employment trends is provided by looking at the industrial mix of the State. The concept of State GDP is the counterpart to the U.S.-wide gross domestic product measure and provides a comprehensive estimation of a state's production, or value-added. "The estimate of GDP for each state is derived as the sum of the gross domestic product originating in all industries in the state."[10] The following chart compares the share of New York's Gross Domestic Product (GDP) (in 2000 dollars) in 2008 and 1997.[11] (Note: the category Other includes: mining, management of companies, utilities, educational services, administrative services, transportation, arts and entertainment.)

[9] Our analysis compared National and NYC data for the Securities, Commodity Contracts, and Other Financial Investments and Related Activities industry.

[10] "Gross Domestic Product by State Estimation Methodology", U.S. Department of Commerce, 2006.

[11] We compare with 1997 as it was the first year that the new industrial classification methodology was adopted by the Bureau of Economic Analysis.

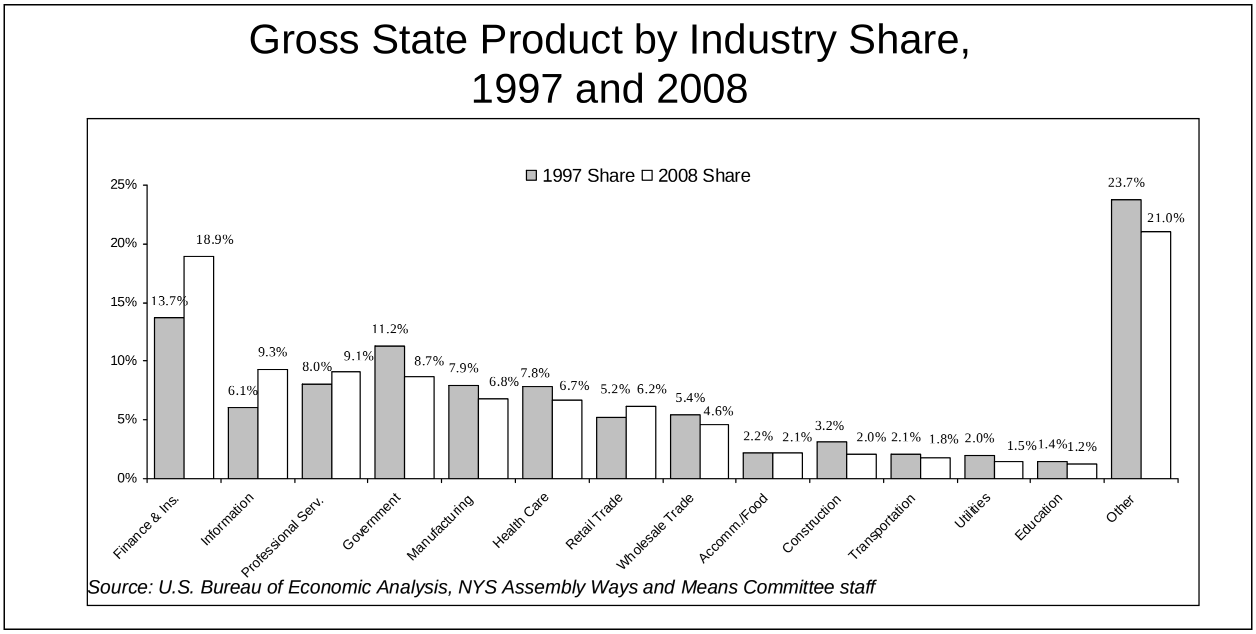



**Figure 17**

The Manufacturing sector reduced its share of total New York output from 7.9 percent in 1997 to 6.8 percent in 2008, or a compounded annual growth rate (CAGR) of just 1.9 percent. The Finance and Insurance sector maintained its predominant share of 18.9 percent primarily due to its high wage component. The fastest growing industries, as measured by CAGR from 1997 to 2008, are Information, Finance and Insurance, Professional Services, and Retail Trade.

**Recent Recession – Employment and Wages Trends**

Looking at the respective employment shares of those industries as well as the recent trends in employment growth and the industries which command the highest average wages. Since the beginning of the current recession the State has experienced significant job losses across sectors. The following chart shows the percent decline in New York State employment by industry from December 2007 through December 2009. Manufacturing has led the number of job losses with a cumulative decline of 11.5 percent, while only the Education and Health Services sector has posted a gain of 4.7 percent.

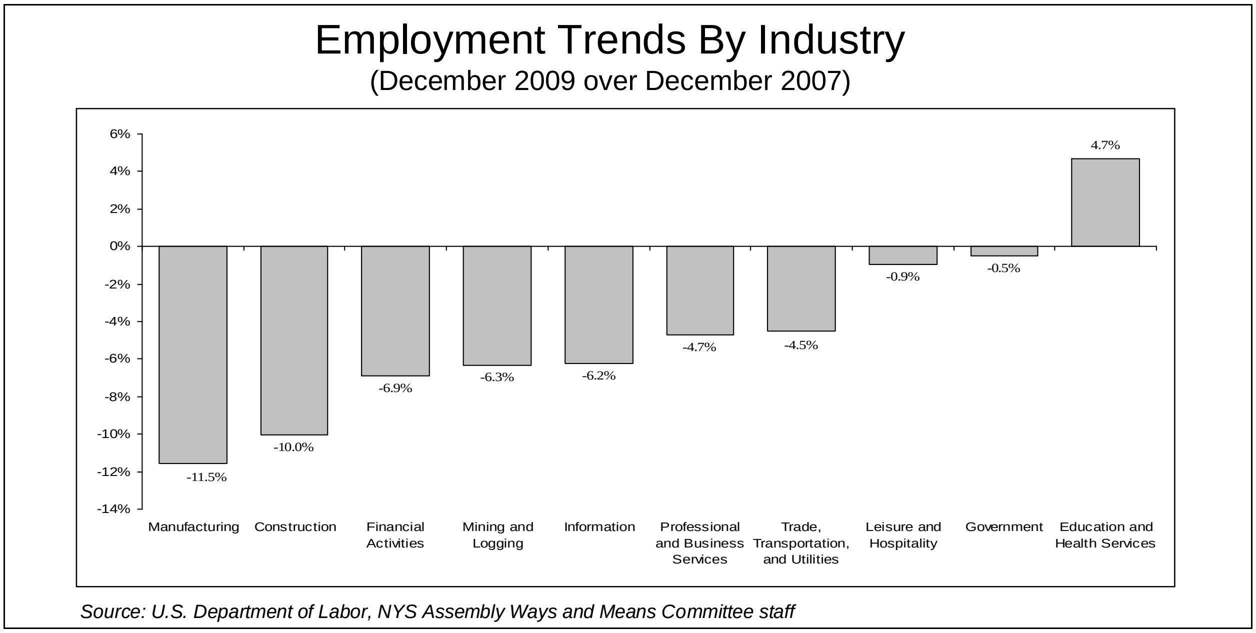



**Figure 18**

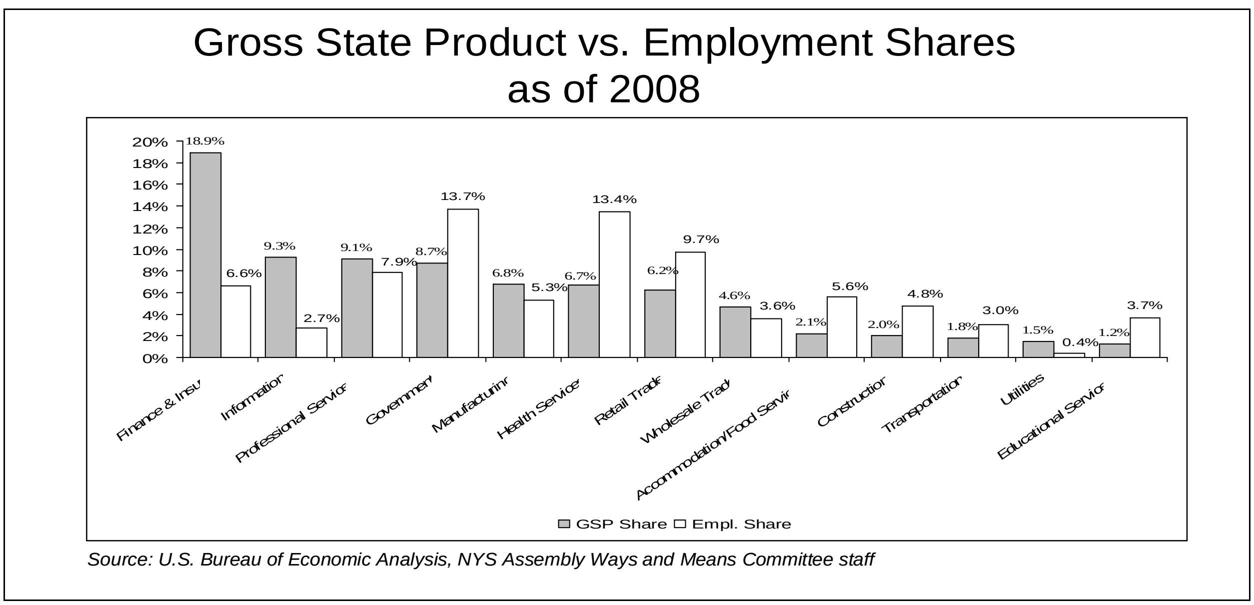



**Figure 19**

A careful review of the shares of employment versus State product for several key industries reveals an interesting dichotomy. As the chart above shows the two industries with the largest share in the State's Gross Product, totaling 28.2 percent, account for only 9.3 percent of the State's total employment.

In terms of total wages, Financial Activities have the highest share of total wages at 21.4 percent, followed by the Government sector, and Health Care and Social Assistance Services.

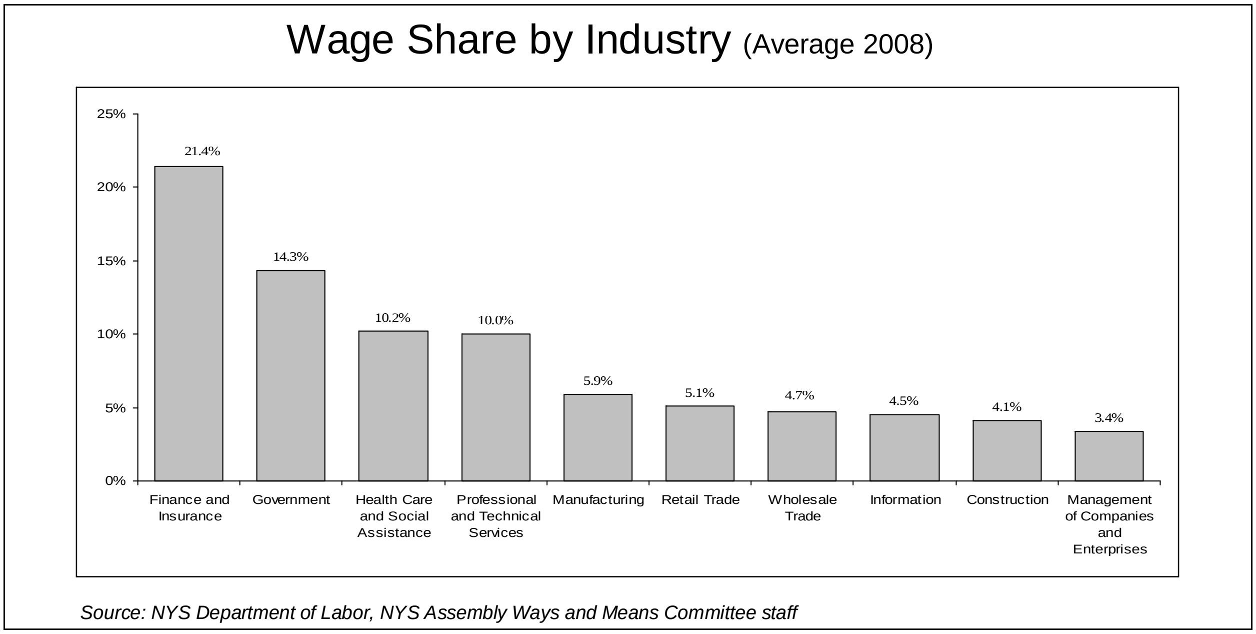



**Figure 20**

## Wage Implications for Tax Receipts

Considering these employment trends over the last 20 years, to further understand the implications for tax receipts we need to inquire as to the wages paid to the various industries. The following table lists the top 25 industries with the highest average wage as of 2007.

**Table 11**

**NYS Top 25 Industries with Highest Average Wages as of 2007**

| Industry | Description | Wage |
|---|---|---|
| Finance and Insurance | Securities & Commodity Contracts Intermediation and Brokerage | $398,500 |
| Finance and Insurance | Other Investment Pools and Funds | $348,900 |
| Finance and Insurance | Other Financial Investment Activities | $346,100 |
| Finance and Insurance | Securities and Commodity Exchanges | $235,100 |
| Arts, Entertainment | Independent Artists, Writers, and Performers | $156,200 |
| Finance and Insurance | Nondepository Credit Intermediation | $150,100 |
| Management of Companies | Management of Companies and Enterprises | $141,100 |
| Manufacturing | Computer and Peripheral Equipment Manufacturing | $139,200 |
| Information | Sound Recording Industries | $130,000 |
| Real Estate | Lessors of Nonfinancial Intangible Assets | $129,400 |
| Information | Cable and Other Subscription Programming | $114,700 |
| Information | Software Publishers | $111,600 |
| Arts, Entertainment | Agents & Managers for Artists, Athletes, Entertainers, etc. | $110,100 |
| Finance and Insurance | Activities Related to Credit Intermediation | $106,700 |
| Professional Services | Management, Scientific, and Technical Consulting Services | $105,400 |
| Utilities | Natural Gas Distribution | $102,900 |
| Admin Support, Waste Mgt | Office Administrative Services | $102,400 |
| Wholesale Trade | Petroleum and Petroleum Products Merchant Wholesalers | $98,900 |
| Finance and Insurance | Depository Credit Intermediation | $98,800 |
| Professional Services | Advertising, Public Relations, and Related Services | $98,200 |
| Professional Services | Computer Systems Design and Related Services | $98,200 |
| Professional Services | Legal Services | $97,200 |
| Arts, Entertainment | Spectator Sports | $94,400 |
| Information | Radio and Television Broadcasting | $94,300 |
| Information | Data Processing, Hosting, and Related Services | $93,800 |

Source: NYS Department of Labor; (Minimum industry employment of 1,000)

As expected, the Financial Activities sector dominates with seven of the top 25 highest paid occupations followed by the Information sector with five. In terms of location, 60.4 percent of total wages are accounted for in New York City, followed by Long Island with a share of 11.3 percent, the Hudson Valley area with an 8.8 percent share, or an 80.4 percent wages share for the Downstate region of the State.

The following table provides the average wage for major industries for the periods 1990, 2000, and 2008.

**Table 12**

| NYS Average Wages by Industry, 1990 to 2008 | 1990 | 2000 | 2008 | % 2008 Over 1990 | Inflation Adjusted Growth |
|---|---|---|---|---|---|
| Finance and Insurance | $77,974 | $131,437 | $207,242 | 165.8% | 101.0% |
| Management | $54,284 | $107,628 | $133,101 | 145.2% | 80.4% |
| Information | $39,535 | $65,434 | $88,260 | 123.2% | 58.5% |
| Professional Services | $41,598 | $67,077 | $88,048 | 111.7% | 46.9% |
| Non Securities FIRE | $34,591 | $60,887 | $85,430 | 147.0% | 82.2% |
| Wholesale Trade | $36,571 | $54,171 | $69,291 | 89.5% | 24.7% |
| Construction | $32,206 | $44,161 | $58,895 | 82.9% | 18.1% |
| Manufacturing | $30,348 | $42,915 | $57,245 | 88.6% | 23.8% |
| Government | $30,158 | $40,973 | $51,247 | 69.9% | 5.1% |
| Transportation and Utilities | $30,963 | $39,860 | $50,197 | 62.1% | -2.7% |
| Education and Health | $24,092 | $32,365 | $43,374 | 80.0% | 15.3% |
| Administrative and Other Services | $19,245 | $27,148 | $37,539 | 95.1% | 30.3% |
| Retail Trade | $16,545 | $23,404 | $29,460 | 78.1% | 13.3% |
| Leisure and Hospitality | $13,526 | $20,636 | $26,389 | 95.1% | 30.3% |
| **Total Non Farm** | **$28,896** | **$45,453** | **$60,353** | **108.9%** | **44.1%** |

The highest paid sectors – Finance and Insurance, Management, Non Securities Financial Sector, and Information – are also the ones that experienced the highest cumulative growth during the period 1990 to the present. Considering the employment trends outlined before, the sectors that have gained more in employment, such as the Education and Health Services sector, have experienced weaker growth in comparison, especially on inflation adjusted basis. The implications for NYS tax receipts should be clear. Everything else the same, as more jobs in the State are lower-paying, the potential tax base shrinks with the reliance on a few high-paying jobs becoming more critical.

## Translating Wage Growth to Withholding Receipts

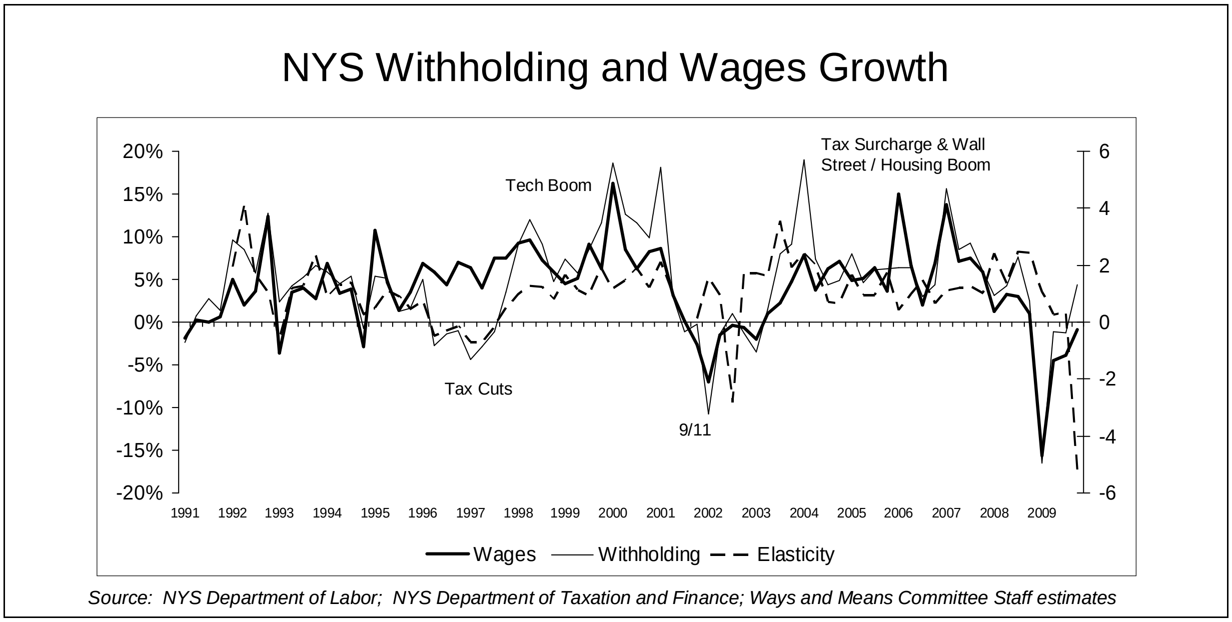



**Figure 21**

There is a close and causal relationship between NYS wages and withholding receipts. The above chart provides an overview of the growth trends since 1991. One notices a divergence in the trends during the mid-1990s following the tax cuts enacted as well as the disproportionate increase in withholding receipts during 2003 to 2005 following the temporary imposition of a surcharge on income over $150,000. The enactment of a new surcharge structure during the 2009 Legislative session, has led to positive receipts growth during the fourth quarter of 2009 despite a negative growth in total wages.

What is the responsiveness of withholding to changes in the underlying wage growth? Overall, the long-term responsiveness is elastic – or a given change in wages causes a proportionately greater change in withholding, an expected feature considering the progressive structure of the personal income tax rates – with a long-run elasticity estimate of around 1.2.[12] Therefore, over the long-run a 10 percent increase in wages causes a 12 percent increase in withholding. However, focusing on a more short-term horizon, one notices the variability of the elasticity estimates. (In the above chart the elasticity is calculated as the ratio of the percent change in withholding over the percent change in wages for each quarter.) This elasticity will depend on the particular dynamics in wage growth. For example, when bonuses represent a significantly higher than average proportion of total wages, as for example during the first quarter of the year during the recent history, the responsiveness of withholding is higher than the long-term average. The

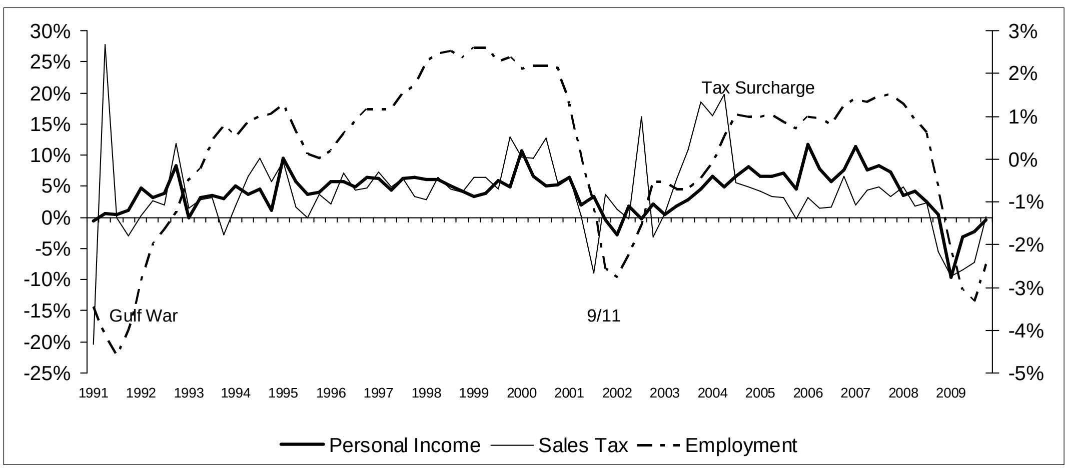
[12] This elasticity estimate is based on the stochastic equation used to estimate withholding based on wages.

Committee Staff has estimated a long-term elasticity of withholding to bonuses of around 1.7.

### Translating Personal Income and Employment Gains to Sales Tax Receipts

Sales tax receipts critically depend on the underlying growth in personal income as well as legislative changes on the applicable tax rate and/or changes in the taxable base. The chart below provides an overview of the growth in Sales tax receipts and personal income for the 1991 to the fourth quarter of 2009.

NYS Sales Tax Receipts, Personal Income and Employment Growth




*Source: NYS Department of Labor; NYS Department of Taxation and Finance; Ways and Means Committee Staff estimates*

**Figure 22**

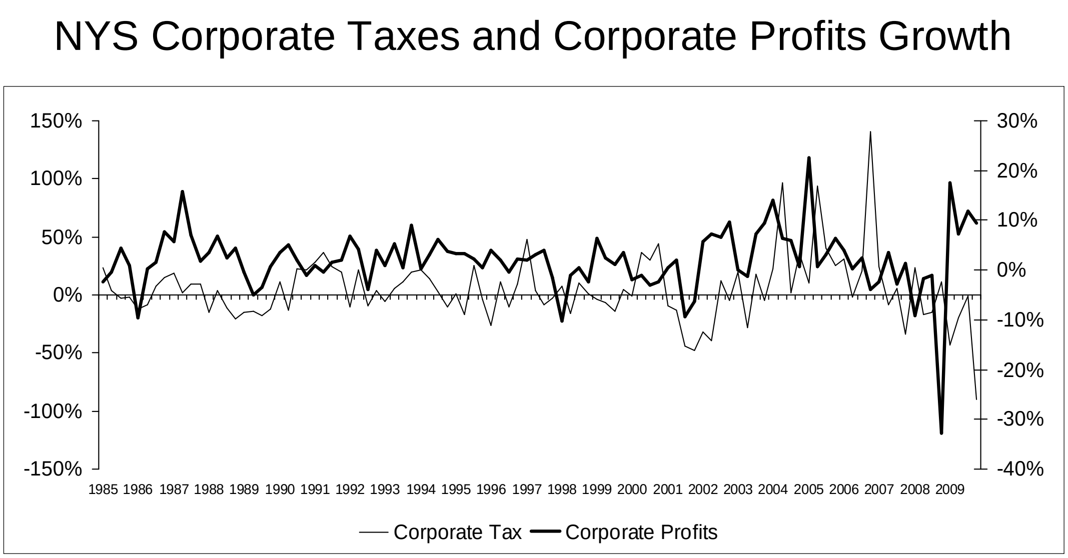
The growth in receipts closely tracks that of personal income. Exceptions can be noted during the period of the temporary tax rate increase in 2003 to 2004, when the State tax rate was raised to 4.25 percent, as well as during the Gulf War and following the events of 9/11. The long-term responsiveness or elasticity of Sales tax receipts to changes in personal income is estimated at around 0.8, reflecting an inelastic response. Therefore, a 10 percent increase in personal income will result in an eight percent increase in Sales tax receipts.

In addition, the above chart also shows the relationship between Sales tax receipts and employment. Employment growth, shown on the right-hand vertical axis, closely tracks that of personal income, albeit with less variability. While the visual correlation between employment and tax receipts growth is self-evident, it is less apparent when one attempts to derive a statistically causal relationship.

The overall responsiveness to personal income growth depends on the underlying taxable consumption base. Significant exclusions of certain categories of consumer goods will lead to a more inelastic tax structure as despite a possible acceleration in personal income growth, taxable sales are a smaller fraction of the overall consumption available in the economy.

One needs to carefully account for the historical tax law changes – such as the temporary tax surcharge of 2003 to 2004 – as well as for the various exclusions from the underlying consumption base. Preliminary Committee Staff estimates show that for the period 2005 through the third quarter of 2008 – the last quarter where employment in the State increased over the same period a year ago – Sales tax receipts were highly responsive to changes in employment.

### Translating Corporate Profits to Corporate Tax Receipts




*Source: U.S. Bureau of Economic Analysis; NYS Department of Taxation and Finance; Ways and Means Committee Staff estimates*

**Figure 23**

In this subsection we review the relationship between Corporate tax receipts and corporate profits (before tax). The above chart provides an overview of the historical growth rates. While, as expected, corporate profits growth is quite volatile, the volatility of Corporate tax receipts is even greater (actually more than four times greater as measured by the standard deviation of the growth rates.)

Corporate tax receipts growth is heavily influenced not just by the recent trends in profitability but also by the underlying collection efforts, such as audit activity, as well as the variety of tax credits that can be used to reduce the tax burden for future years. (This points to an additional difficulty in forecasting the Corporate tax considering the inability to predetermine the value of the available tax credits that will be used by taxpayers in any given year.)

Our analysis shows that there is a weak and statistically insignificant correlation between the growth rates of taxes and profits. (As mentioned this is due to the unpredictable nature of tax credits realization and audit activity.) However, there is a statistically significant and inelastic long-term relationship between movements in the level of Corporate taxes (adjusted for audits) and an appropriate lag structure of the level of corporate profits - to account for the lags in filing, reporting, and collections of liability.

**Long-Term PIT and Personal Income Trends**

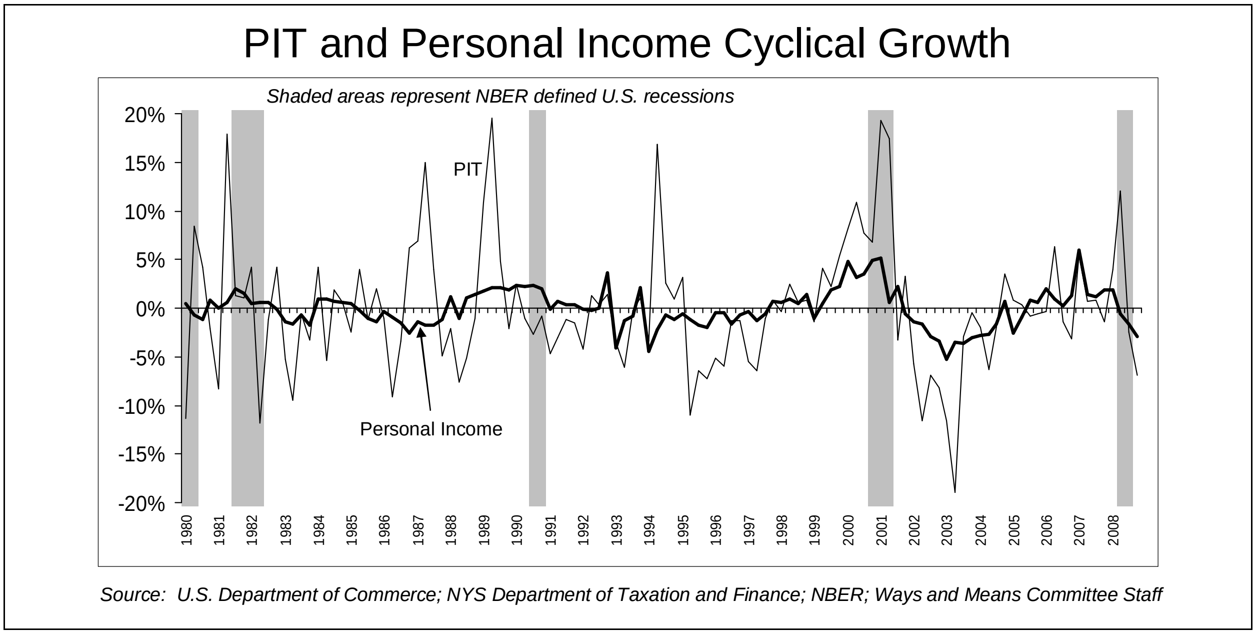



**Figure 24**

The above chart provides an overview of the historical cyclical components for personal income (inclusive of capital gains) and PIT receipts (adjusted for law changes).

One can easily observe that the volatility of the PIT's cyclical component is larger than that of personal income. (In fact the average standard deviation for PIT's cyclical component is over three times as large as that of personal income.) However, both components seem to be highly correlated, with PIT closely tracking personal income's turning points. Interestingly, since 2000 the PIT's cyclical component has not deviated too much from its long-term trend with an acceleration during FY 2007-08 (the surcharge did not move the cyclical component above trend significantly until 2007-08).

In addition, we researched the degree to which the State "maximizes" its utilization of the underlying personal income tax base. The chart below presents the long-term trend for personal income and for PIT receipts, both with and without tax-law adjustments. (All three series are indexed at 1980=100 to allow for an easier comparison over time.) The chart confirms the elastic and progressive nature of the PIT structure. The long-term trend for PIT receipts (with or without tax law changes) is significantly higher than the long-term trend for personal income (inclusive of capital gains). In addition, one observes that the significant tax reductions enacted in the early 1990s have left a gap between the "with" and "without" tax-law adjustments PIT trend.

### State's Employment and Tax Receipts Recovery Following Recessions

To further understand the State's receipts responsiveness to economic contractions we took a closer look at the pace of recovery of State employment following the last three U.S.-wide business cycles. The chart below shows the employment trend 12 quarters prior and 12 quarters after the onset of an NBER-defined U.S. recession.

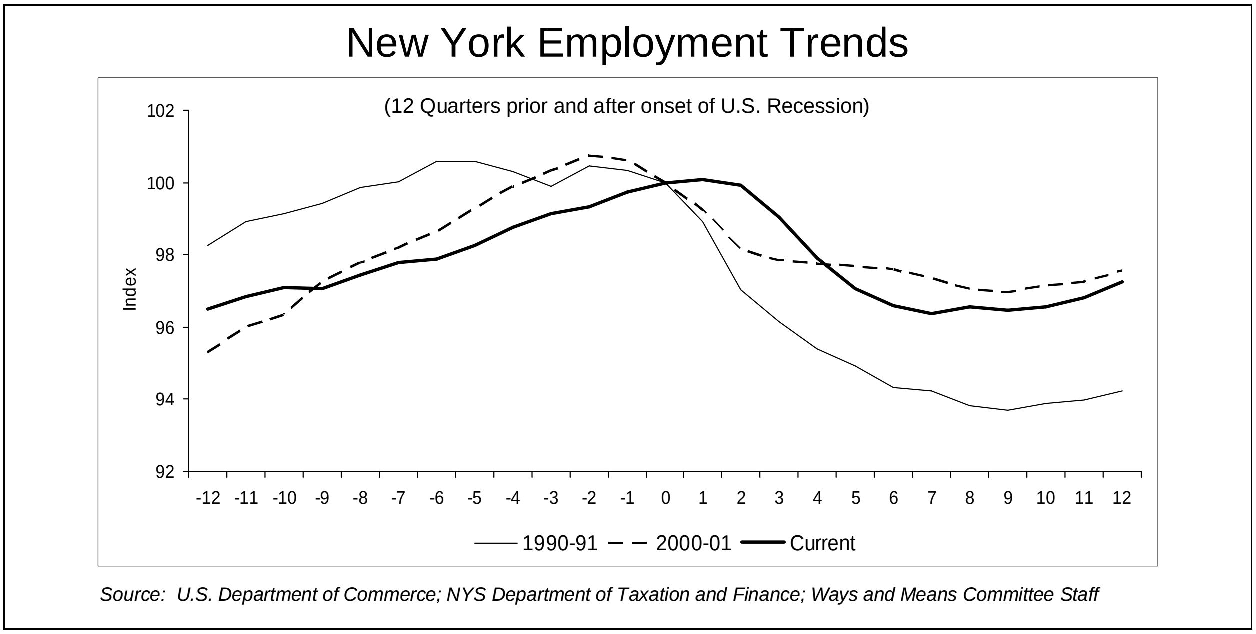
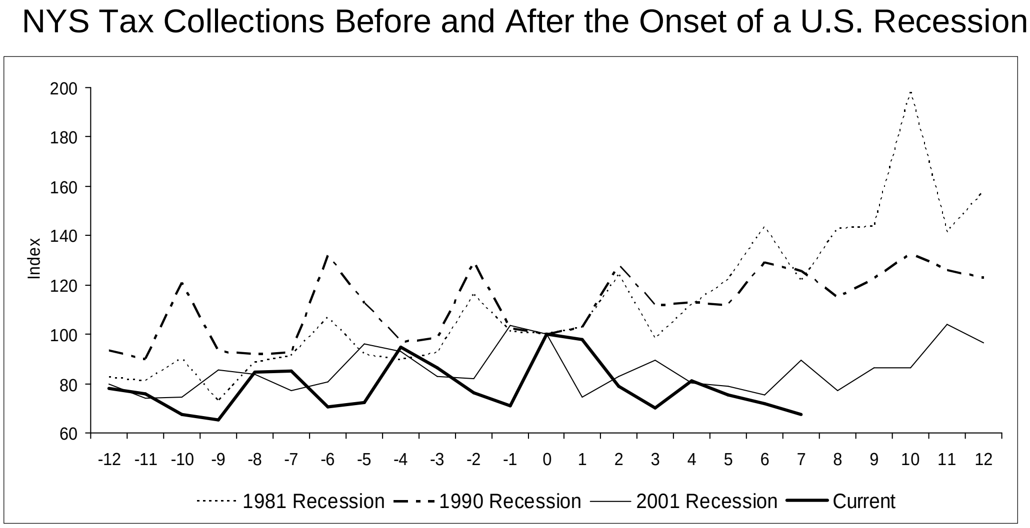



**Figure 25**

State employment fell for seven consecutive quarters following the end of the 1990-91 and 2000-01 recessions. The current Ways and Means Committee staff estimates call for an end to employment losses for the State as of the second quarter of 2010. Therefore, and assuming that the current national recession ended during the second quarter of 2009 – as some economists estimate – the State will have experienced job losses for four quarters following the end of the U.S. recession.

It is important to note that employment losses for the State started during the third quarter of 2008, two quarters after the beginning of the national recession. As the above chart indicates during the prior two national recessions State employment losses started prior to the onset of the national recession.

How do New York State tax receipts respond following the onset of a national recession? The following chart shows the behavior of total tax receipts 12 quarters prior and 12 quarters after the onset of a U.S. recession. During the current recession, eight quarters after the beginning of the U.S. recession, total tax receipts exhibit the worst performance compared to prior recessions.




*Source: National Bureau of Economic Research; NYS Department of Taxation and Finance; Ways and Means Committee Staff*

**Figure 26**

Only the 2001 recession resembles the current sharp declines in tax receipts. It is instructive to note that during the 2001 recession receipts did not return to their relative position of the two-year post-recession performance of prior recessions until 24 quarters (or more than four years) after the onset of the U.S. recession.

## Conclusions

What are the implications for tax receipts growth? Receipts growth will depend on the underlying strength and recovery of State wages. During the current recession quarter-over-quarter a year ago wages growth started declining during the first quarter of 2009 and is forecast to turn positive during the first quarter of 2010, two quarters after the end of the national recession. By comparison, during the 2000-01 recession wage growth remained negative for five consecutive quarters following the end of the national recession. However, the current recession is projected to have experienced an average quarterly wage decline of 6.9 percent, compared to a 2.4 percent decline during the previous recession. The historical record on tax receipts growth following the end of a recession is not conclusive. Following the 1981 and 1991 recessions, receipts growth for all major tax categories recovered almost immediately after the end of the recession. However, following the 2001 recovery receipts declined across categories for several quarters. For example, net PIT receipts declined for six consecutive quarters following the end of the recession. Clearly the events of 9/11 affected Wall Street and contributed to the revenue declines that followed, despite the end of the national recession. Therefore, the future outlook of receipts will depend not only on the national recovery but on the State-specific factors such as the return of Wall Street to its previous profitability trend (see more towards the end of the next section).

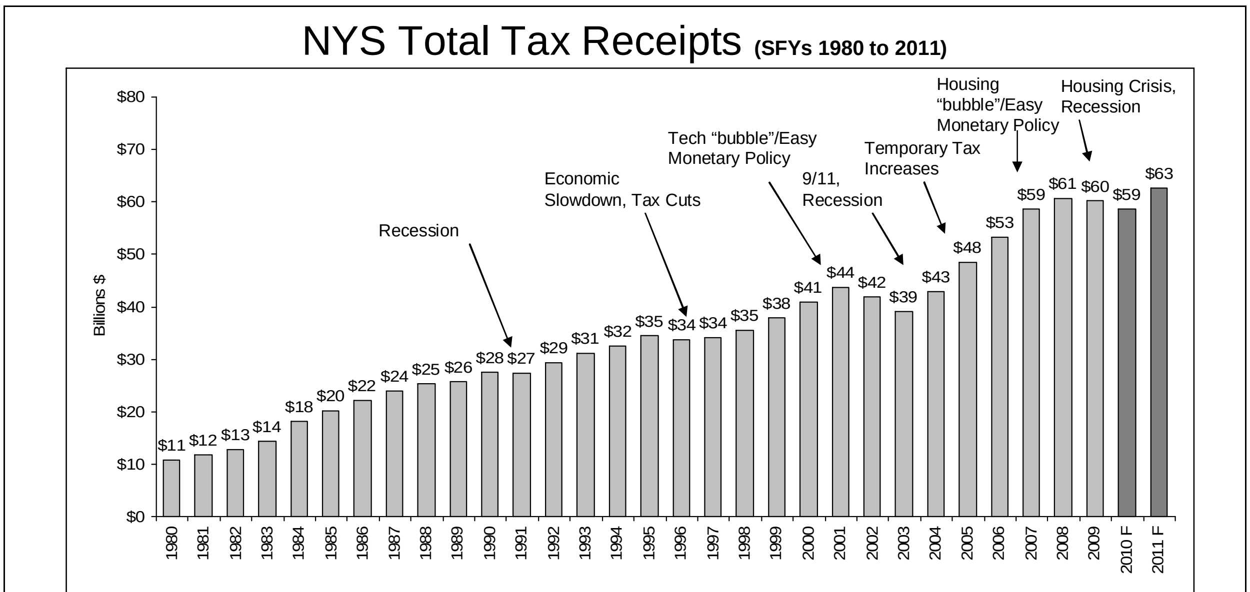
The preceding discussion reveals a changing mix of industries over the last 20 years. The implications for wages, personal income in general, and thus tax receipts should be apparent. As the U.S. and State economies are going through a period of structural adjustment, and economic participants continue a strategy of deleveraging, the future state of receipts remains fragile.

# Fiscal Stability and Sustainability

### The State's Fiscal Fortunes are Closely Tied to National and State Economies

Our overall analysis is premised on the idea that state's tax receipts are closely connected with trends in Federal and state monetary and legislative policies, as well as business cycles. As the following chart shows, major changes in the state's growth of tax receipts have always been caused by explicit Federal or state policy actions.

The chart below provides a historical overview of total State tax receipts since SFY 1980.



*Source: NYS Department of Taxation and Finance, NYS Assembly Ways and Means Committee staff*

**Figure 27**

The State's return to the pre-recession's extraordinary robust growth trend is not imminent and growth comparable to the recent past will be much tougher to achieve and maintain based on a tenuous economic recovery. A number of factors – e.g. the still precarious state of the housing market, small businesses still face credit constraints or are unwilling to resume employment growth, energy prices, etc. – combine to create a fragile framework for the recovery. The national economic recovery will have to take a firm hold before any substantial employment gains are realized. The State unemployment rate increased in December to 8.8 percent from 8.4 percent the previous month.

New York State's fiscal condition is largely dependent on its ability to raise revenue from personal income and consumption. (The State does not have a personal property tax; however local governments derive a large proportion of their receipts from property taxes.)

Therefore, the State's revenue base is inextricably linked to the overall economy. The path of New York receipts follows the trend of the national economy. Of greater concern for New York is the greater variability in tax receipts it faces following asset price "bubble" corrections and other shocks to the main economic driver for the state, Wall Street.

Since the early 1990s policy makers and economic analysts have increasingly focused on the "structural deficits" that most states have been facing. The deficits were identified as projected gaps between spending and revenue growth that were not the product of the occasional economic downturn but of a more fundamental nature, premised on the underlying spending commitments and revenue-raising capacity of states. The term "fiscal sustainability" has become prevalent with the basic definition referring to the "government's ability to balance revenues and expenditures over a long-term period."[13]

While the state and national cycles are highly correlated, New York has exhibited more protracted recessions since the early 1980s. For example, as the chart below shows during the 1981-82 recession New York reached a trough two months after the U.S. recession had officially ended. The 1990-91 U.S. recession started earlier in New York and lasted five times longer not ending until November 1992 compared to the U.S. recession that ended in March 1991. Similarly, the short-lived 2001 U.S. recession lasted four times longer in New York with the state being in recession through July 2003. The changing mix of industries and the excessive reliance on Wall Street partly explains New York's recession profile.

**Table 13**

| U.S. Recessions | | | NYS Recessions | | |
|---|---|---|---|---|---|
| Peak | Trough | Duration (months) | Peak | Trough | Duration (months) |
| Nov-73 | Mar-75 | 16 | Mar-73 | Nov-75 | 32 |
| Jan-80 | Jul-80 | 6 | Feb-80 | Jul-80 | 5 |
| Jul-81 | Nov-82 | 16 | Sep-81 | Jan-83 | 16 |
| Jul-90 | Mar-91 | 8 | Mar-89 | Nov-92 | 44 |
| Mar 01 | Nov 01 | 8 | Dec-00 | Jul-03 | 31 |
| Dec 07 | | | Feb-08 | | |

*Source: National Bureau of Economic Research, NYS Department of Labor.*

## Utilizing the Personal Income Tax in Stabilizing the Financial Plan

How has the state utilized its primary source of tax receipts, the Personal Income Tax, during periods of fiscal stress? Since the mid-1980s the state has experienced two significant recessions, in addition to the current one. For the periods June 1989 through November 1992 and December 2000 through August 2003, the state economy was in

[13] "State and Local Finance: Increasing Focus on Fiscal Sustainability", Robert B. Ward, and Lucy Dadayan, The Journal of Federalism, Vol. 39, Number 3.

recession.[14] During these recessions and as the state's financial plan experienced substantial shortfalls, the Legislature and the Executive enacted the following income tax legislation:

- Legislation enacted during the fiscal crisis of the early 1990s delayed the final two years of the 1987 tax changes that would have reduced the top rate from 7.875 percent to 7.59 percent and eventually to 6.85 percent. In addition, the state adopted a "recapture" mechanism that effectively eliminates the tax benefits of tax rates below the top marginal rate, creating a flat-tax structure at the top rate for incomes over $150,000;

- The events of September 11, 2001 severely affected the state economy, and in particular Wall Street, generating significant declines in receipts and destabilizing the State's Financial Plan. In response policy makers enacted legislation that created two temporary additional tax brackets:

    - A tax rate of 7.5 percent for taxable income over $150,000 and below $500,000; and,
    - A tax rate of 7.7 percent for taxable income over $500,000.

  The top rate returned to 6.85 percent in 2006.

Currently, the top marginal income tax rates for the state have been temporarily – three years - increased to 7.85 percent and 8.97 percent for incomes over $300,000 and $500,000, respectively.

**Variability in New York Receipts**

As can be seen from the chart below, year-to-year changes have been volatile. The last substantial decline, as already discussed, occurred in SFY 2002-03, where after several years of outstanding revenue growth an economic downturn and the events of 9/11 caused receipts to plummet.

[14] Recessionary periods are defined based on data for: employment, manufacturing work-hours, the unemployment rate, and sales tax receipts.

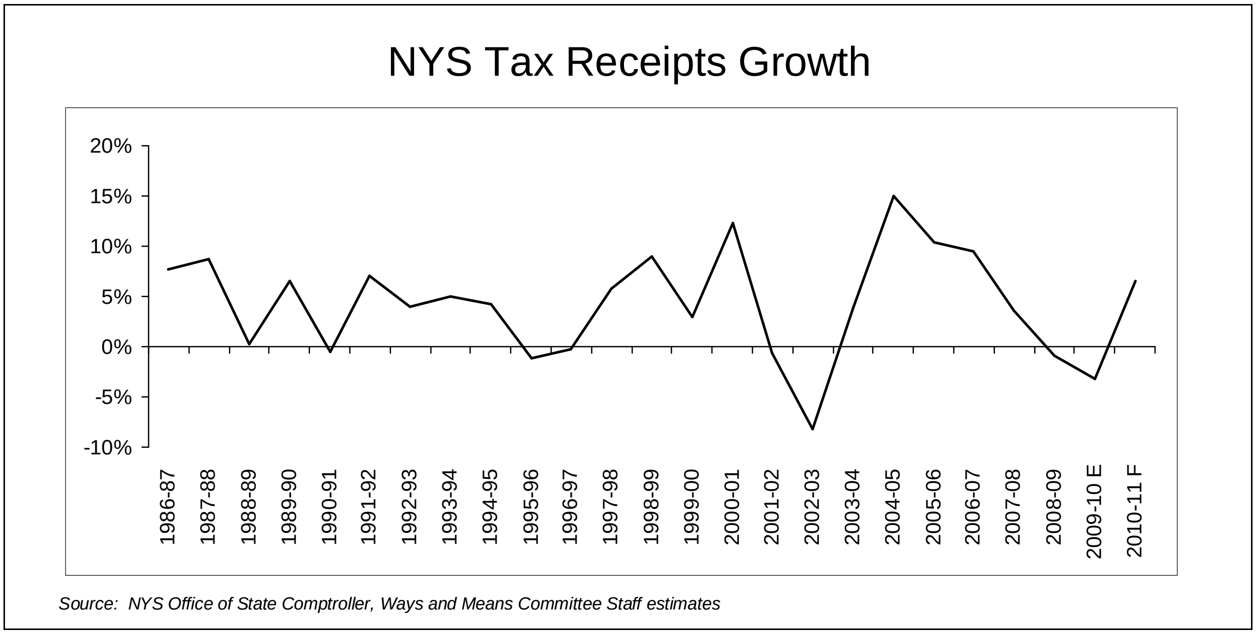



**Figure 28**

New York's tax structure relies on tax sources that are highly responsive to the overall economy. Personal income, sales, and corporate taxes are based on employment, wages, consumer purchases, and corporate profits. In New York higher income individuals have substantial non-wage income sources, and therefore a more volatile income tax structure than most states. Almost sixty percent of the State's taxes are collected from a personal income tax which is extremely sensitive to the business cycle.

The following table shows the trend of All Fund receipts for fiscal years ending between 1987 and 2011. (Revenues for SFY 2009-10 and SFY 2010-11 are Committee Staff estimates.)

**Table 14**

**Revenue Variability**
**Tax Receipts Growth**

| | 1987-94 | 1995-03 | 2004-11 |
|---|---|---|---|
| Average Growth | 4.8% | 2.7% | 5.5% |
| Stand. Deviation | 3.4 | 6.1 | 6.6 |
| High | 8.7% | 12.3% | 15.0% |
| Low | -0.5% | -8.2% | -5.4% |

State All Funds receipts increased by an average of 5.5 percent during the period SFY 2004 to SFY 2011, more than twice the average growth for the period SFY 1995 to SFY 2003. Also, in comparison to the period prior to SFY 1995, revenues have become more volatile, as evidenced by the increase in standard deviation. It is instructive to also consider the levels of gains or losses in revenue. Following the 2001 recession, the State experienced a $3.6 billion loss in tax receipts during SFY 2002-03, while over the next five fiscal years it gained on average $4.0 billion per fiscal year.

Frequently receipts growth has been supported via the use of revenues that are not expected to recur. At times, the use of non-recurring revenues came from previous year's operating surpluses. In other times they occurred through the sale of state assets, borrowed funds, or receipts of federal funds. These one-time revenue sources have helped to smooth the expected cycle in receipts and stabilize the revenue base. In SFY 2002-03, to forestall tax increases, $4 billion in Tobacco Securitization bonds were issued and over $5 billion in reserves were drawn down. Still, to promote fiscal stability, the legislature raised over $4 billion in taxes on a temporary basis. (All taxes temporarily raised in 2003 expired in 2006.) The recent downturn in receipts was offset by additional Federal funds and $5 billion in additional taxes, $4 billion of which come from a temporary personal income tax surcharge that will expire in 2012.

Historically, large upward revenue swings create state budget reserves which can be used to mitigate large downward swings. However, it is difficult to accurately assess how much reserve funds are necessary to insulate the revenue base from substantial declines. In New York, record levels of reserves were depleted in two years after the events of 9/11.

**Conclusions**

The state's financial position is still vulnerable to an uncertain recovery path. As explained, a variety of factors, industries, and circumstances beyond the state's control, combine to produce a sensitive background for tax receipts growth.

In addition, policy makers need to be cognizant of the state's underlying tax sensitivity to changes in the economy. As presented in our previous analysis, the state has not only been exposed to longer-lasting recessions, compared to the nation, but its tax structure is highly dependent on the personal income tax, which due to its reliance on Wall Street profits, bonuses, and overall capital gains, it produces a highly variable tax base. Periods of extraordinary growth and gains have been followed with sharp declines in receipts that lead to difficult choices in terms of financial planning and budgeting.

# Tax Analysis

# Personal Income Tax

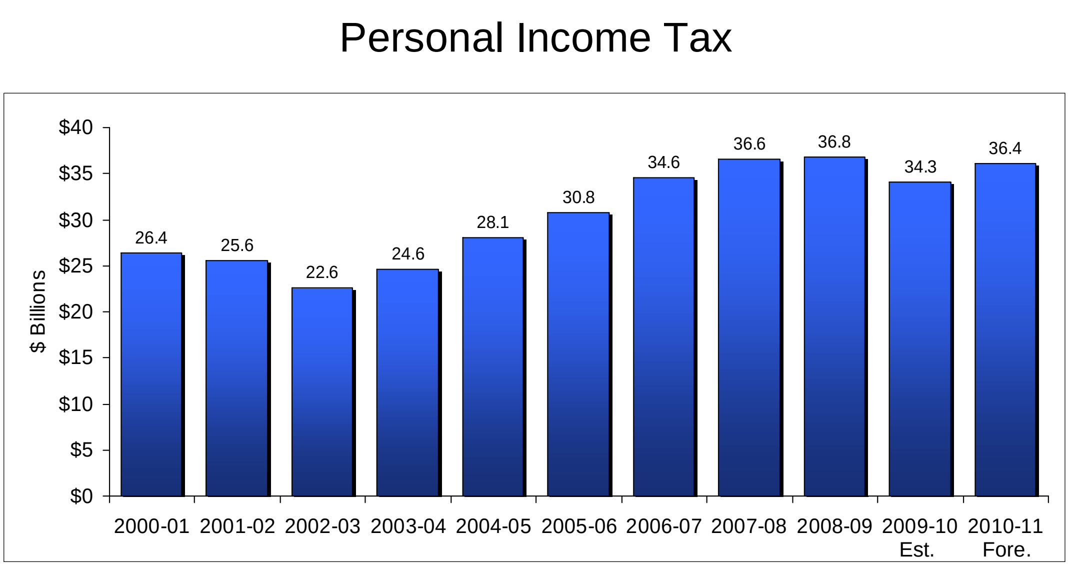
**Table 15**

| Personal Income Tax Collections<br>Forecasts by State Fiscal Year<br>(Dollar Amounts in Millions) | | | | | | |
|---|---|---|---|---|---|---|
| | 2009-10 | | | 2010-11 | | |
| | WAM Estimate | Percent Growth | Diff Exec | WAM Forecast | Percent Growth | Diff. Exec. |
| **Personal Income Tax** | **$34,321** | **-6.8%** | **($59)** | **$36,389** | **6.0%** | **($1,054)** |
| **Gross Receipts** | **40,937** | **-7.0%** | **(31)** | **44,208** | **8.0%** | **(1,310)** |
| Withholding | 28,915 | 4.4% | 167 | 30,266 | 4.7% | (449) |
| Estimated Payments | 9,011 | -29.0% | (106) | 10,700 | 18.7% | (594) |
| Vouchers | 6,932 | -12.1% | (66) | 7,795 | 12.4% | (499) |
| IT 370s | 2,079 | -56.7% | (40) | 2,905 | 39.7% | (95) |
| Final Payments | 1,784 | -33.6% | (52) | 2,008 | 12.6% | (185) |
| Delinquencies | 1,227 | 29.2% | (40) | 1,234 | 0.6% | (82) |
| **Total Refunds** | **6,616** | **-7.7%** | **29** | **7,819** | **18.2%** | **(256)** |
| Prior Year Refunds | 4,964 | 9.3% | 26 | 5,205 | 4.8% | (288) |
| Current Refunds | 1,250 | -28.6% | - | 1,750 | 40.0% | 0 |
| Previous Refunds | 477 | 18.3% | 3 | 476 | -0.1% | 32 |
| State/City Offsets | (75) | -115.8% | - | 388 | -617.3% | 0 |
| **Collections** | **34,321** | **-6.8%** | **(59)** | **36,389** | **6.0%** | **(1,054)** |
| Transfers to STAR | (3,420) | -22.9% | - | (3,208) | -6.2% | - |
| Transfers to DRRF/RBTF | (8,580) | -6.8% | 16 | (9,097) | 6.0% | 264 |
| **General Fund PIT Collections** | **$22,320** | **-3.8%** | **($43)** | **$24,084** | **7.9%** | **($791)** |

## General Description

New York imposes a tax on income earned within the state by individuals, estates and trusts. New York's definition of income closely follows federal rules, which includes wages and salaries, capital gains, unemployment compensation, and interest and dividend compensation. The New York standard deduction or itemized deductions, in addition to exemptions claimed on federal taxes, are subtracted from the federal definition of income to arrive at New York taxable income. Certain credits are then subtracted from the calculated tax to arrive at total tax liability.

Personal income tax (PIT) receipts contribute more than one-half of all tax collections. PIT receipts are received through employee withholdings, estimated tax payments, payments accompanying tax returns, late payments, and audits and assessments.



*Source: Tax and Finance; Ways and Means Committee Staff estimates*

**Figure 29**

## State Fiscal Year (SFY) 2009-10 Estimate

*Net Collections*

The Committee staff estimates that All Funds personal income tax collections will total $34.321 billion in SFY 2009-10. This represents a decrease of $2.52 billion or 6.8 percent below All Funds collections in SFY 2008-09. A large portion of the decline can be attributed to extension payments from the April settlement, which declined 54.1 percent from a record-high in April 2008. Through January, PIT collections have fallen 12.8 percent, but are expected to increase by 50.2 percent over the remainder of the fiscal year, benefiting from the effects of the temporary personal income tax surcharge and a reduction in the amount of refunds distributed between January and March. The Committee staff's All Funds PIT estimate is $58 million below the Executive's estimate.

April 2009 settlement payments represented a significant downturn from a record-high in April 2008. Final payments and extension payments diminished 38.7 and 54.1 percent respectively, totaling a $3.32 billion reduction in settlement payments compared to April 2008. This has been coupled with declines in voucher collections of 40.8 percent in April, 22.7 percent in June, and 17.3 percent in September. These months are particularly significant because they represent three out of the four months that voucher payments are due. Revenue collections have recovered in-part since November, however, largely due to the temporary surcharge. Disproportionate benefits to withholding and voucher collections in the second half of the fiscal year have aided revenue collections, resulting both from timing of the surcharge implementation and the increased portion of wages subject to the surcharge as bonus payments have been made.

*Withholding*

Through January 2010, withholding collections increased by $155 million or 0.7 percent above the comparable period in 2009. The Committee staff estimates that by the end of the fiscal year withholding collections will total $28.915 billion. This represents an increase of $1.229 billion or 4.4 percent compared to total collections during the SFY 2008-09 fiscal year. The Committee staff's estimate is $167 million above the Executive's estimate.

The Committee staff's estimate reflects an anticipated wage decline of 2.2 percent for SFY 2009-10, offset by the impact of the temporary surcharge on an improved bonus season. Variable wage growth over the second half of the year is estimated at 6.7 percent percent. Over the period spanning between SFY 2001-02 and SFY 2008-09, Ways and Means estimates that approximately 87.1 percent of all variable wage collection took place in the second half of the fiscal year. As a result, withholding is expected to increase relative to SFY 2008-09. Withholding decreased in the second half of SFY 2008-09, the first such decline since SFY 2002-03. However, without the benefit of the temporary income tax surcharge, the Committee staff estimate that withholding would decline $678 million or 2.4 percent below SFY 2008-09 collections.

*Estimated Payments*

Estimated payments, also known as vouchers, consist of quarterly estimated tax payments made by taxpayers who expect that the amount of tax being withheld from their wages will fall short of their final tax liability. In general, estimated payments are paid by taxpayers whose income is derived from non-wage sources, like capital gains, interest or dividends.

The Committee staff expects that estimated payment collections for SFY 2009-10 will be $6.932 billion, which represents a decrease of $957 million or 12.1 percent from SFY 2008-09 collections. The Committee staff's estimate is $66 million below the Executive's estimate.

The first quarter of the fiscal year ended with a decline in voucher collections of 28.9 percent below the previous first quarter. This was followed by an 18.2 percent second quarter decline in vouchers relative to the equivalent time period. Voucher collections benefited from a strong December, leading to a third quarter growth of 13.3 percent. The Ways and Means Committee staff estimate fourth quarter growth of 0.3 percent to finish off the fiscal year.

The current fiscal year decline in voucher collections, which are down 12.5 percent through January, follows a decrease in SFY 2008-09 voucher collections of 8.2 percent. This diminished revenue is the fallout of five years of surging growth in capital gains - the largest source of non-wage income during recent years. Capital gains grew by 39.5 percent in 2003, 79.8 percent in 2004, 25.9 percent in 2005, 27.9 percent in 2006, and 41.3 percent in 2007. This translates into capital gains earnings that grew from $20.398 billion to $116.437 billion between 2002 and 2007. The Ways and Means Committee staff estimates that capital gains income declined by 55.0 percent in 2008, followed by another decline of 27.3 percent in 2009, as the economy has struggled to recover from recent failures in the financial sector.

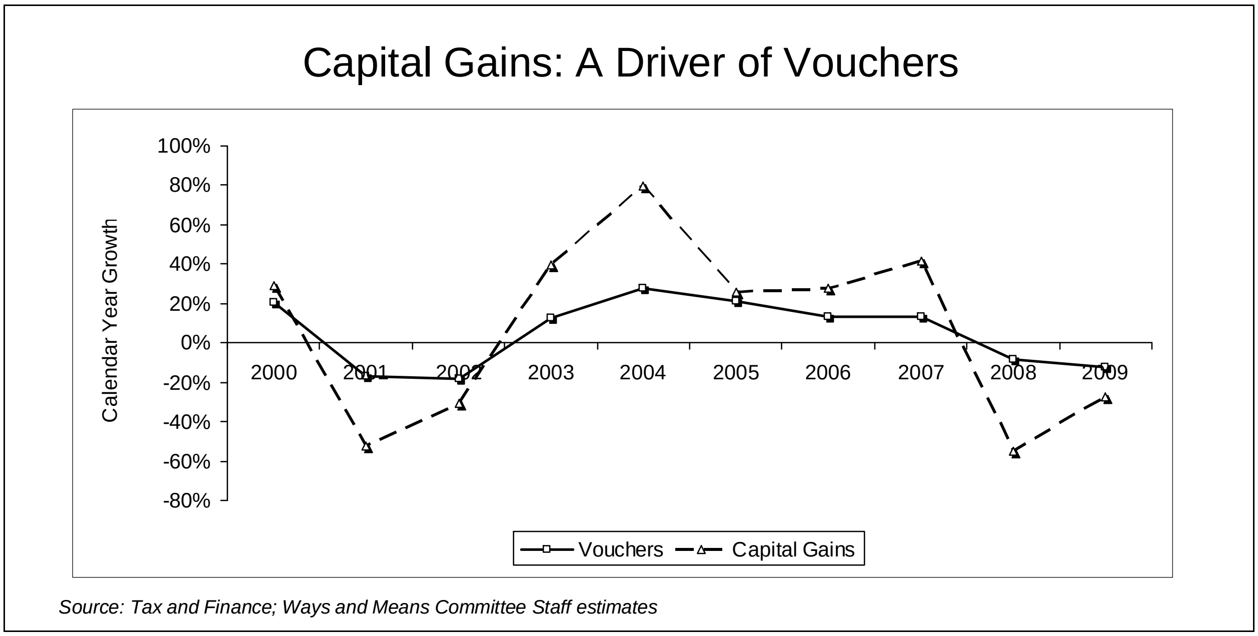



**Figure 30**

*April Settlements*

Each April, taxpayers must file either an extension or final return to settle their tax liability for the prior fiscal year. These returns are accompanied by either a corresponding payment if the taxpayer owes money, or by a claim for a refund if they have paid too much over the course of the year. As a result, April usually has a large impact on annual personal income tax collections.

*Final Payments*

Final payments, which result from the timely filing of tax returns each April 15th, declined by $873 million or 34.7 percent through January 2010. The Committee staff estimates that final payments will total $1.784 billion in SFY 2009-10. This estimate is $52 million below the Executive's estimate.

*Extensions*

In April 2009, extension deposits (IT-370s) decreased by $2.551 billion or 54.1 percent below April 2008. The Committee staff estimates that extension deposits will total $2.079 billion in SFY 2009-10, representing a decline of $2.722 billion or 56.7 percent below the previous fiscal year. Since extension payments are based on previous year's liability, this is a reflection of a drastic reduction in non-wage income for calendar year 2008. This estimate is $40 million below the Executive's estimate.

*Refunds*

Refunds are issued to taxpayers who have paid more than their tax liability. The dollar amount of refunds paid out between January and March of each year is administratively determined by the Executive. The amount set to be paid during this SFY 2009-10 three month period is currently $1.250 billion. This represents a $500 million reduction relative to SFY 2008-09. The remaining refunds, known as prior year refunds, are paid to taxpayers as they are processed. Approximately 70 percent of prior year refunds are paid out in April and May of each year.

The Committee staff estimates that total refunds will decrease $556 million or 7.7 percent, to total $6.616 billion. The Committee staff estimate of total refunds is $29 million above the Executive. The Committee staff estimates that prior year refunds will total $4.964 billion in SFY 2009-10, representing an increase of $420 million or 9.2 percent above the previous fiscal year. This estimate is $26 million above the Executive's estimate.

*Delinquencies*

Delinquency collections arise from taxpayer audits. Delinquency payments are estimated to total $1.227 billion in SFY 2009-10, which is $278 million or 29.3 percent above collections from SFY 2008-09. This growth is largely attributable to the combination of an increased number of auditors and the Penalty and Interest Discount (PAID) program. The Committee staff estimate is $39 million below the Executive Budget estimate.

**SFY 2010-11 Forecast**

The Committee staff's forecast for personal income tax collections during SFY 2010-11 reflects improved income expectations over the course of a slow economic recovery. All Funds collections are forecast to be $36.389 billion, which is $2.068 billion or 6.0 percent higher than the Committee staff's SFY 2009-10 estimate. This forecast is $1.054 billion below the Executive's forecast.

*Withholding*

Withholding collections are forecast to total $30.266 billion in SFY 2010-11. This represents $1.351 billion or 4.7 percent growth over the SFY 2009-10 withholding estimate. The Committee staff's forecast is $449 billion below the Executive's forecast. The growth in withholding is based on a forecast growth in wages of 4.1 percent in SFY 2010-11.

*Estimated Payments*

The Committee staff forecasts that voucher payments will total $7.795 billion. This represents an increase of $863 million or 12.4 percent over SFY 2009-10 collections. The forecast is $499 million below the Executive's forecast. Growth in estimated payments is expected to rebound strongly, primarily due to expectations for a 45.0 percent growth in capital gains for calendar year 2010, resulting from a push to liquidate stocks before reduced federal capital gains tax rates expire. The forecast includes the $30 million estimated value of the proposed law change with regard to S-corporation income.

*Final Payments*

Final payments are forecast to total $2.008 billion in SFY 2010-11. This represents an increase of $224 million or 12.6 percent over the Committee staff's SFY 2009-10 estimate. The Committee staff's forecast is $185 million below the Executive's forecast.

*Extensions*

The Committee staff forecasts extensions (IT-370s) to total $2.905 billion in SFY 2010-11. This represents an increase of $826 million or 39.7 percent from the SFY 2009-10 estimate, which can largely be attributed to the impact of the temporary surcharge on 2009 PIT liability. This forecast is $95 million below the Executive's.

*Refunds*

The Committee staff forecasts that total refunds will be $7.819 billion, representing 18.2 percent growth over SFY 2009-10. This forecast is $256 million below the Executive's forecast. Prior year refunds are projected to total $5.205 billion in SFY 2010-11, representing an increase of $241 million or 4.9 percent above estimated prior year refunds during SFY 2009-10. The Committee staff's forecast is $288 million below the forecast from the Executive. However, $500 million of the increase in refunds is attributable to an administrative shift of current year refunds in SFY 2009-10 to prior year refunds in SFY 2010-11, meaning that prior year refunds would be forecast to decline $259 million or 5.2 percent had this refund shift not taken place.

*Delinquencies*

Delinquency payments are forecast to total $1.234 billion in SFY 2010-11, which is $7 million or 0.6 percent above estimated collections from SFY 2009-10. The Committee staff's estimate is $82 million below the Executive's forecast.

*Adjusted Gross Income*

Table 16 breaks out the components of Adjusted Gross Income. The trends for each component highlight the importance of non-wage income. Capital gains have become increasingly significant, but other non-wage components such as business income have also grown in importance. The non-wage components are typically earned by wealthier taxpayers.

**Table 16**

| **Components of AGI (Dollar Amounts in Millions)** | | | | | | |
|---|---|---|---|---|---|---|
| | Actual | | | | Estimates | |
| | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** |
| **NYSAGI** | | | | | | |
| *Amount* | $525,989 | $571,916 | $632,600 | $724,576 | $661,459 | $604,043 |
| *Percent Change* | 11.0% | 8.7% | 10.6% | 14.5% | -8.7% | -8.7% |
| **Wages** | | | | | | |
| *Amount* | $397,431 | $416,988 | $445,210 | $485,089 | $493,828 | $456,413 |
| *Percent Change* | 6.5% | 4.9% | 6.8% | 9.0% | 1.8% | -7.6% |
| **Capital Gains** | | | | | | |
| *Amount* | $51,162 | $64,411 | $82,412 | $116,437 | $52,448 | $38,116 |
| *Percent Change* | 79.8% | 25.9% | 27.9% | 41.3% | -55.0% | -27.3% |
| **Interest, Dividends and** | | | | | | |
| *Amount* | $48,917 | $58,647 | $69,623 | $79,360 | $70,852 | $66,929 |
| *Percent Change* | 7.4% | 19.9% | 18.7% | 14.0% | -10.7% | -5.5% |
| **Business and Partnership** | | | | | | |
| *Amount* | $53,686 | $60,718 | $67,249 | $74,250 | $73,465 | $71,356 |
| *Percent Change* | 11.5% | 13.1% | 10.8% | 10.4% | -1.1% | -2.9% |
| **Other Income** | | | | | | |
| *Amount* | ($25,207) | ($28,848) | ($31,894) | ($30,561) | ($29,134) | ($28,772) |
| *Percent Change* | 16.2% | 14.4% | 10.6% | -4.2% | -4.7% | -1.2% |

## Analyzing the Temporary Personal Income Tax Surcharge

*Current Law*

The three-year personal income tax (PIT) surcharge, enacted as part of the 2009 budget (A. 157-B Part Z-1), added two additional personal income tax brackets to the previously existing tax tables for all filer types. The additional brackets in the table below affect taxpayers with annual New York taxable incomes above $300,000. Taxpayers with taxable incomes above $200,000 and $250,000 also face additional liability if filing as single or head of household, respectively.

**Table 17**

| New York Taxable Income Range | New Tax Rate |
|---|---|
| Over $300,000 To $500,000 | 7.85% |
| Over $500,000 | 8.97% |

Tax table benefit recaptures exist for each additional tax bracket. Both surcharge bracket recaptures include $50,000 phase-ins, with the first beginning at $300,000 in annual New York State Adjusted Gross Income (NYSAGI) and the second beginning at $500,000 in NYSAGI.

*Determining the Value of the Surcharge*

The original estimated value of the surcharge on 2009 calendar year liability, as released in the Executive Enacted Budget Report, was $3.900 billion. The majority of this revenue was expected to be collected from withholding, with significantly smaller portions to be received from estimated tax and April settlement payments. Since the implementation of the surcharge, however, a combination of changes in the economic climate and lower than expected withholding collections have forced the Committee staff to re-examine exactly how this revenue is collected. The Ways and Means Committee staff estimates the value of the surcharge to be $3.821 billion in 2009, $4.468 billion in 2010, and $4.282 billion in 2011, with estimated payments and the settlement accounting for the majority of surcharge revenue collection each year.

**Table 18**

| Enacted Budget Report Temporary Personal Income Tax Increase Estimates<br>Tax Year and State Fiscal Year Values Under Current Law<br>(Dollar Amounts in Millions) | | | | | | |
|---|---|---|---|---|---|---|
| | | Fiscal Year | | | | |
| Tax Year | | 2009-10 | 2010-11 | 2011-12 | 2012-13 | Liability Totals |
| 2009 | Withholding | $1,179 | $0 | $0 | $0 | |
| | Estimated Tax | 1,526 | 0 | 0 | 0 | |
| | Settlement | 0 | 1,116 | 0 | 0 | |
| | **Subtotal** | **2,705** | **1,116** | **0** | **0** | **3,821** |
| 2010 | Withholding | 728 | 1,355 | 0 | 0 | |
| | Estimated Tax | 0 | 1,739 | 0 | 0 | |
| | Settlement | 0 | 0 | 646 | 0 | |
| | **Subtotal** | **728** | **3,094** | **646** | **0** | **4,468** |
| 2011 | Withholding | 0 | 677 | 1,065 | 0 | |
| | Estimated Tax | 0 | 0 | 1,921 | | |
| | Settlement | 0 | 0 | 0 | 619 | |
| | **Subtotal** | **0** | **677** | **2,986** | **619** | **4,282** |
| **SFY Totals** | | **$3,433** | **$4,887** | **$3,632** | **$619** | **$12,571** |

The New York State PIT is based on calendar year income. However, total calendar year liability due to the State of New York is not received by the Department of Taxation and Finance over the course of that same calendar year. With regard to gross collections, and ignoring delinquent payments, it takes two years to collect all payments that are due toward one liability year. In order to determine the value of the surcharge on a fiscal year basis, it must first be understood what the value of the surcharge is on a calendar year basis, and then how the revenue is likely to be collected over the course of the relevant time span.

**Table 19**

| Calendar Year Liability Collections Across State Fiscal Years (SFY) | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2008-09 SFY | 2009-10 SFY | | | | 2010-11 SFY | | |
| 2009 Q1 | 2009 Q2 | 2009 Q3 | 2009 Q4 | 2010 Q1 | 2010 Q2 | 2010 Q3 | 2010 Q4 |
| **2009 W.** | **2009 W.** | **2009 W.** | **2009 W.** | 2010 W. | 2010 W. | 2010 W. | 2010 W. |
| 2008 E. P. | **2009 E. P** | **2009 E. P.** | | **2009 E. P.** | 2010 E. P. | 2010 E. P. | |
| | 2008 A. F. P. | | 2008 O.F.P. | | **2009 A.F.P.** | | **2009 O.F.P.** |

W. - Witholding
E.P. - Estimated Payments
A.F.P. - April Final Payments
O.F.P. - October Final Payments

2009 Liability Payments in **Bold**

Table 19 illustrates how 2009 calendar year PIT revenue is received over the course of multiple calendar and State Fiscal Years. The simplest type of collection to understand is withholding, which is collected over the course of a calendar year on calendar year wages. Therefore, all withholding from 2009 liability was collected by the beginning of 2010. Estimated payments are due in the months of April, June, September and January, based on calendar year liability of whatever year the April payment is attributable. For example, in 2009 the estimated payments made in April, June, and September were all distributed in anticipation of total 2009 calendar year liability. However, the January 2010 estimated payments have been made with respect to 2009 calendar year liability as well. Finally, final payments made in April and October of each calendar year are based on the previous calendar year's liability. As is demonstrated by the above table, 2009 liability collections began in SFY 2008-09 and will not be completed until SFY 2010-11.

The Ways and Means Committee staff calculated calendar year values of the PIT surcharge using a tax liability simulation model.[15] The model utilizes sample taxpayer data provided to the Ways and Means Committee staff from the Department of Taxation and Finance. The most recent data, however, is always from two or three years prior to present date, and therefore must be "grown" to appropriately represent the desired estimation period. To estimate the value of the surcharge, the model was simply run both with and without the surcharge brackets, with the difference in calculated liability being the estimated surcharge value.

[15] Ways and Means Committee Revenue Methodology 2010

*Splitting Calendar Year Value across Fiscal Years*

In order to accurately forecast State Fiscal Year (SFY) collections, each calendar year surcharge estimate must be separated into the three categories of collection types: withholding, estimated payments, and the settlement.[16]

Estimated payments have the most direct relationship to calendar year liability in that all same-State Fiscal Year payments are made relative to one particular calendar year liability. For example, all SFY 2009-2010 payments are made with regard to 2009 calendar year liability. The Ways and Means staff has determined the estimated payments portion of the surcharge by estimating the effective tax rate on non-wage income with and without the application of the surcharge, with the difference being the effective tax rate attributable to the surcharge exclusively.

Calendar year withholding collections are attributable to two different fiscal years.[17] Therefore, surcharge-attributable withholding cannot be calculated in the same fashion as estimated payments. For the purposes of calendar year 2009, the Ways and Means staff referenced the difference between year-to-date NYC withholding growth and NYS withholding growth to get an approximation of what state withholding growth would have been without the benefit of the surcharge. For tax years 2010 and 2011, the Ways and Means staff utilized a withholding simulation model in order to forecast the difference between withholding with and without the benefit of the surcharge. The results were calendar year figures, and the estimates were shared-out on a quarterly basis according to the percentage of variable wage earnings expected in each quarter. Finally, these values were aggregated into State Fiscal Year timeframes.

The settlement portion of the surcharge was simply calculated as the calendar year total, minus the sum of the portions attributable to estimated payments and withholding.

*Income and Timing Effects to the Surcharge*

The New York State and Yonkers Withholding Tax Computation Rules[18] for the 2009 tax year were not adjusted to account for the impact of the surcharge until May 2009. The rates in the withholding tables were increased in order to account for under-withholding that would have taken place during the first four months of the year. However, the Committee staff estimates that these rates were not high enough to collect the full calendar year's worth of withholding due. This being the case, the Committee staff has estimated a larger portion of 2009 surcharge liability to be collected during the 2010-11 State Fiscal Year.

---

[16] Final payments minus refunds
[17] Withholding collections from the first calendar year of the surcharge, 2009, are attributable to SFY 2009-10 collections exclusively.
[18] New York State Department of Taxation and Finance. (2009 May). Revised New York State and Yonkers Withholding Tax Computation Rules. Retrieved from http://www.tax.state.ny.us/pdf/publications/withholding/nys50_t1_509.pdf

Beyond the under-collections from withholding, an effective tax rate analysis on non-wage income has led to the conclusion that a greater portion of 2009 surcharge revenue has been attributable to SFY 2009-10 estimated payments. Panning forward, and accounting for an understanding that the withholding "catch-up" issue will not take place during tax years 2010 and 2011, the Ways and Means Committee staff expects significant surcharge amounts to be collected in the SFY 2011-12 and 2012-13 settlements. As the surcharge affects relatively wealthy taxpayers who make large portions of their liability payments as part of settlements with New York State, staggered surcharge revenue collection is to be expected.

*Volatility in Surcharge-Applicable Incomes*

For the State of New York, 2007 represented historic highs for both New York State Adjusted Gross Income (NYSAGI) and tax liability, largely due to record-high wages and capital gains realizations. Had the surcharge been in effect in 2007, 3.7 percent of the filing population would have been subject to the surcharge, a group that earned 46.1 percent of total NYSAGI and paid 59.0 percent of total liability. The Ways and Means Committee staff estimates that in 2009, the filing population subject to the surcharge declined to 3.0 percent, with these filers earning 35.9 percent of total NYSAGI and paying 55.0 percent of liability. This means that state revenue has become dependent on an even smaller percentage of taxpayers to pay the majority of tax revenue.

Income has historically been highly concentrated in the top percentile of taxpayers. In 2007, taxpayers earning more than $1 million in NYSAGI made up less than 0.6 percent of the population, but earned 31.7 percent of total NYSAGI and paid 40.7 percent of total liability. Since then, both the number of taxpayers earning more than $1 million and the average income of these taxpayers has fallen, reducing the value of the surcharge brackets relative to 2007.

**Table 20**

**Taxpayers Earning Over $1 Million in NYSAGI***

| Tax Year | Taxpayers | Taxpayer Growth | Average NYSAGI | Average NYSAGI Growth |
|---|---|---|---|---|
| 2007 | 84,931 | 17.2% | $5,337,310 | 32.7% |
| 2008 | 72,322 | -14.8% | $4,353,913 | -18.4% |
| 2009 | 63,916 | -11.6% | $4,193,672 | -3.7% |
| 2010 | 70,900 | 10.9% | $4,432,640 | 5.7% |

Actual 2007 data, estimates/forecasts for 2008 through 2010
*Includes nonresident income not subject to New York taxes
*Source: Tax and Finance, Ways and Means Committee staff estimates*

While the surcharge initially affects taxpayers at varying income levels, every taxpayer with a NYSAGI above $500,000 is subject to some degree of additional taxation. The incomes of these taxpayers have been historically volatile, and therefore add a significant degree of potential error to the forecast. The application of the surcharge expands the potential for revenue variability relative to other years in recent history, due to the increased tax rates on a small percentage of total taxpayers.

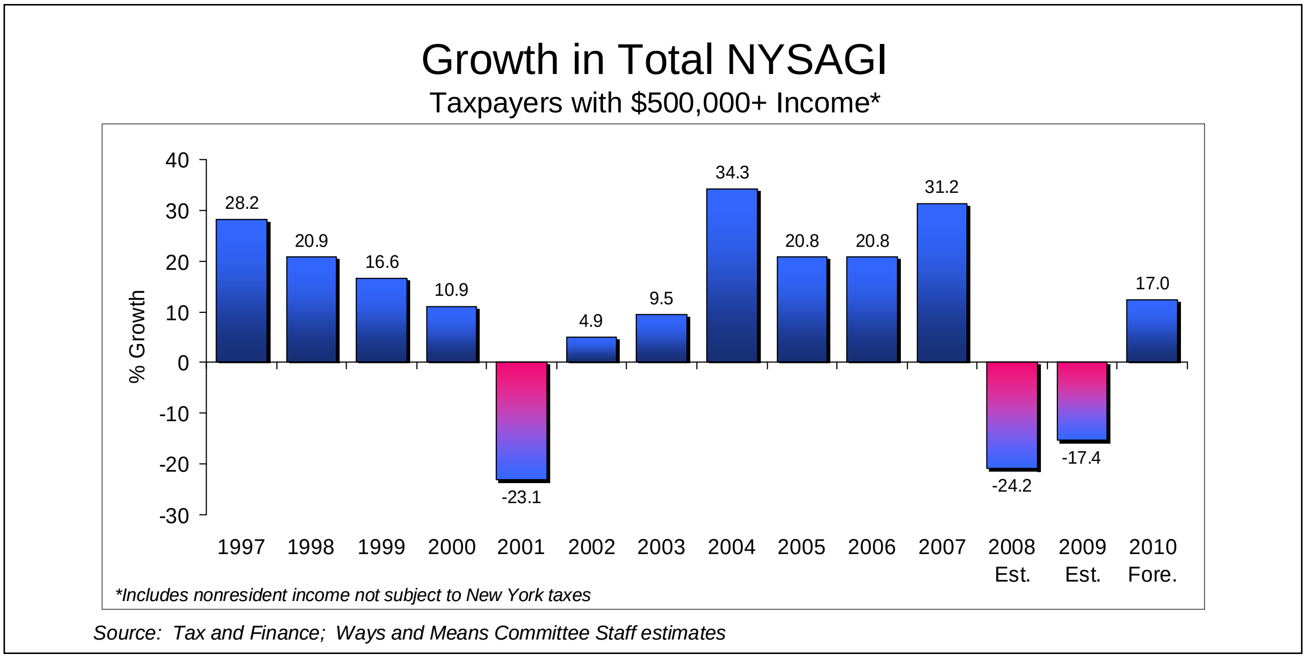



**Figure 31**

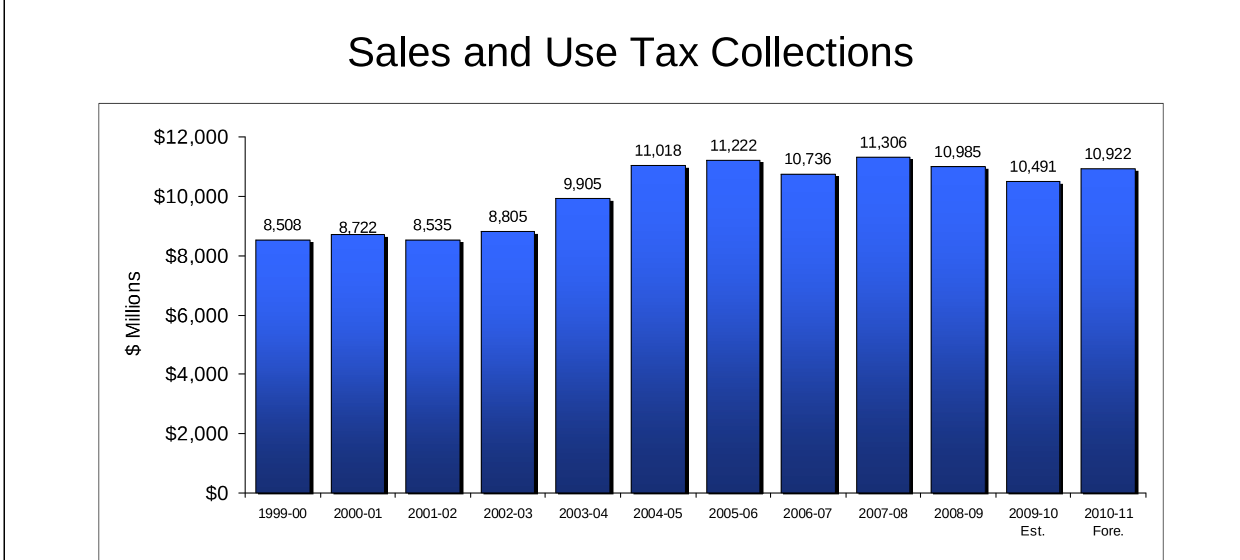
# Sales and User Taxes

**Table 21**

| User Tax Collections<br>Forecasts by State Fiscal Year<br>(Dollar Amounts in Millions) | SFY 2009-10 | Growth | Diff. Exec. | SFY 2010-11 | Growth | Diff. Exec. |
|---|---|---|---|---|---|---|
| **User Taxes and Fees** | **$13,836** | **-1.2%** | **($158)** | **$15,424** | **11.5%** | **($139)** |
| Sales and Use Tax | 10,491 | -4.5% | (177) | 10,922 | 4.1% | (142) |
| Motor Fuel Tax | 505 | 0.3% | 4 | 514 | 1.8% | 11 |
| Cigarette Tax | 1,350 | 0.7% | 15 | 1,545 | 14.4% | 19 |
| Motor Vehicle Fees | 980 | 35.5% | (2) | 1,149 | 17.2% | (27) |
| Highway Use | 140 | -0.4% | 0 | 132 | -5.8% | (2) |
| Alcoholic Beverage Tax | 228 | 10.7% | 5 | 237 | 3.8% | 8 |
| Alcoholic Beverage Fees | 49 | 12.1% | (3) | 296 | 503.1% | (7) |
| Auto Rental Tax | 78 | 28.5% | (1) | 95 | 21.4% | (0) |
| Taxi Surcharge | 14 | N/A | 0 | 85 | 507.1% | 0 |
| Syrup/Soda Excise Tax | 0 | N/A | 0 | 450 | N/A | 0 |

## SALES TAX

The sales and compensating use tax, imposed by Article 28 of the Tax Law, is a four percent broad-based consumption tax levied on the sale of tangible personal property, excluding items such as food, medicine, clothing and footwear under $110, products used in manufacturing, and items purchased for resale. A limited number of services such as cleaning, parking and interior design are also subject to this tax. Certain non-profit and charitable organizations are exempt from paying sales tax on purchases. Sales tax is generally paid to and collected by the vendor at the time of purchase. Vendors remit sales tax collections annually, quarterly or monthly, depending on their level of taxable sales. Depending on the amount of taxable sales, some vendors are also required to remit their sales tax liability electronically. All Funds sales tax collections are deposited into the General Fund, the Local Government Assistance Tax Fund (LGAC), and the Mass Transportation Operating Assistance Fund (MTOAF).



*Source: NYS Comptroller; Ways and Means Committee Staff estimates*

**Figure 32**

### SFY 2009-10 Estimate

The sales tax is expected to generate $10.491 billion on an All Funds basis in SFY 2009-10, a decrease of $494 million or 4.5 percent over SFY 2008-09. This estimate is $176 million below the Executive’s estimate released in the SFY 2010-11 Executive Budget Report.

Total collections are $8.870 billion through January 2010, a decline of 5.5 percent over the same period last year. Sales tax collections are expected to increase 2.3 percent for the February through March period. While major retailers were forecasting a flat holiday selling season, early estimates are actually showing increases between 1.7[19] and 3.6 percent over last year. An east coast snowstorm the week before Christmas shifted many sales online that would have otherwise occurred in stores and at shopping malls.[20] Stronger than expected retail sales boosted December sales tax collections to 6.0 percent over last December – the first year over year growth in fourteen months.

Despite these improvements in sales, outstanding consumer credit, which is debt owed by consumers, excluding mortgages, saw its tenth month of decline in November, the longest run of declines on record. Economists see this as a general movement towards saving and away from a reliance on credit for purchases. Consumer credit is not likely to turn around until an upturn in employment is seen.[21] Further diminishing consumers' ability to purchase the personal debt-to-income ratio has been steadily increasing over the last few decades (see Figure 1). Outstanding debt per household exceeded household income for the first time in 1985 and has continued to outpace income ever since.

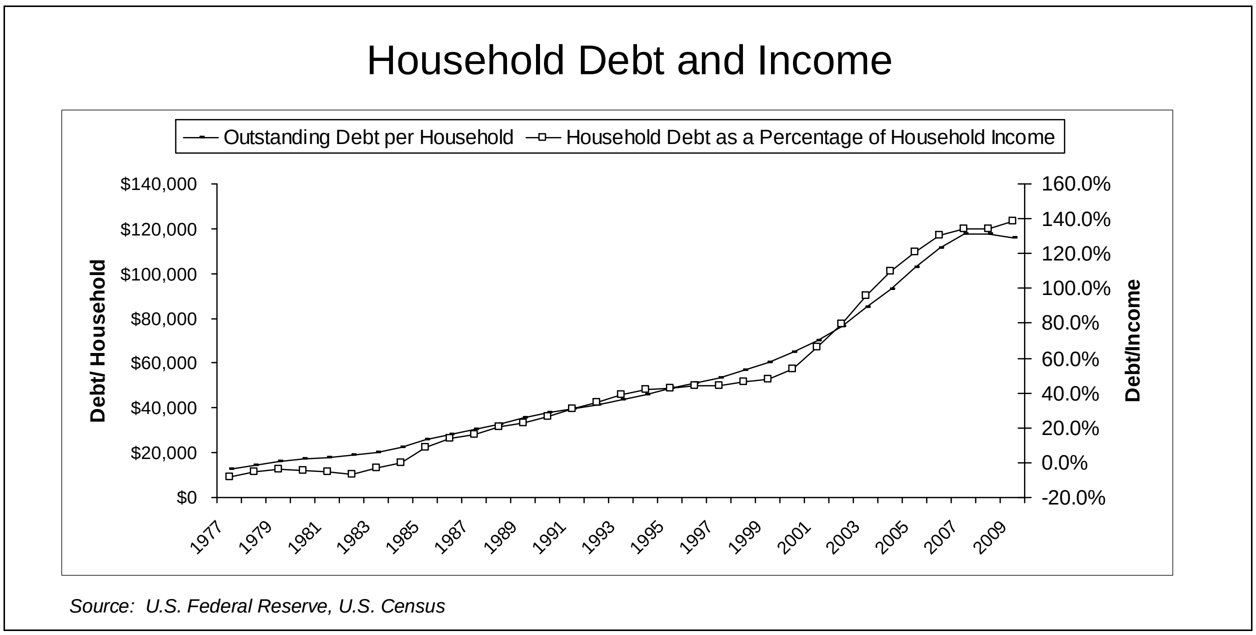


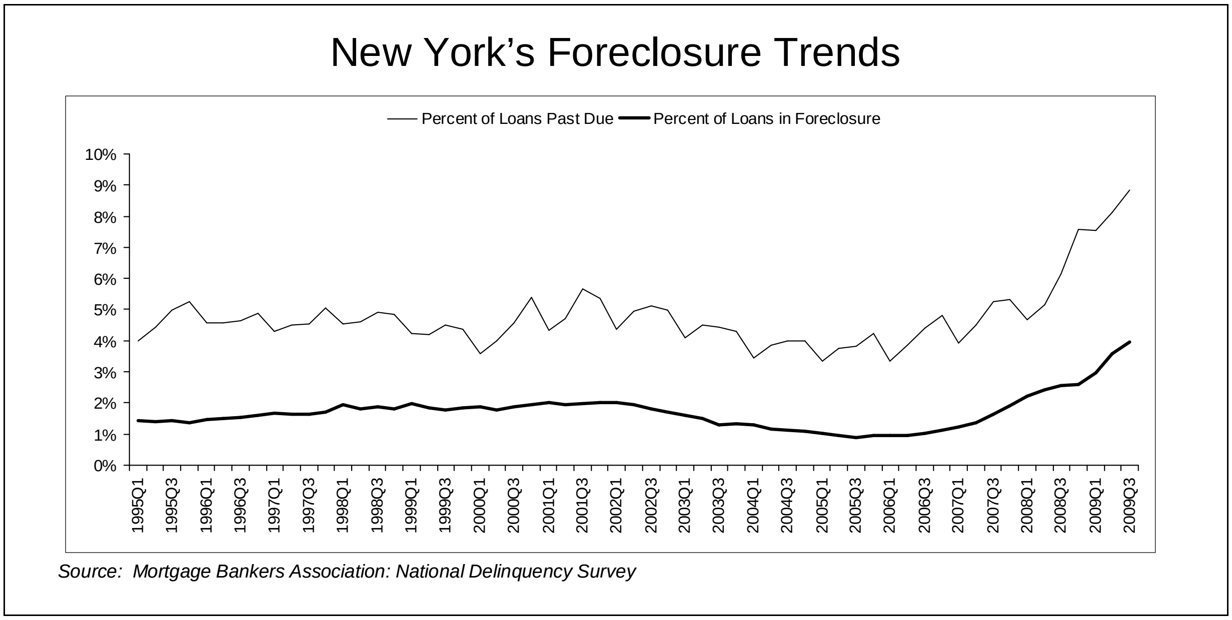

**Figure 33**

[19] Guy, Sandra, "Straggling shoppers brighten 2009 holiday retail sales," Chicago Sun-Times 12 January 2010,

[20] Sandler, Linda, "Holiday Retail Sales Rose an Estimated 3.6%, SpendingPulse Says," BusinessWeek 28 December 2009, http://www.businessweek.com/news/2009-12-28/holiday-retail-sales-rose-an-estimated-3-6-spendingpulse-says.html.

[21] Pepitone, Julianne, "Consumer Credit Falls for 8th Month," CNN Money, 6 November 2009, http://money.cnn.com/2009/11/06/news/economy/consumer_credit_september/?postversion=2009110615

Accelerating foreclosures and bankruptcies have undoubtedly been a factor in restraining consumer purchases. Housing foreclosures rates in New York, while among the lowest in the country, have been steadily increasing since the fourth quarter of 2005 (see Figure 34). Additionally, the rate of growth of bankruptcy filings in the State has accelerated since 2007, following a drop in filings due to law changes in 2005 that established more stringent requirements to file for bankruptcy. Except for the fourth quarter of 2007, quarterly filings have increased at double-digit rates since 2006. For the first three quarters of 2009, bankruptcy filings have increased by an average of 23.4 percent.[22] Individuals and families facing foreclosure and filing for bankruptcy lack the ability to purchase discretionary goods and services, directly impacting state sales tax collections.



*Source: Mortgage Bankers Association: National Delinquency Survey*

**Figure 34**

Tourism across the state, particularly in New York City, has seen significant fluctuations, although recent numbers appear to be somewhat more optimistic compared to last year. Public transit ridership was down 3.5 percent in October, and air travel to the New York City region, while up 1.4 percent in September declined 2.5 percent in August. Broadway attendance and revenue both grew in November, at 9.8 percent and 18.8 percent respectively.[23] Hotel occupancy rates are up slightly in October after a significant downturn of 18.4 percent in September. Average daily room rates in New York City have declined an astonishing 18.4 percent in October and 24.7 in September, the worst among the top 25 tourism markets. This combination has resulted in an overall Revenue per Available Room (RevPAR) loss of 31.0 percent, also the worst among the top

[22] American Bankruptcy Institute, Annual Bankruptcy Filing Statistics by State, www.abiworld.org/am/template.cfm?section=Bankruptcy_Statistics1

[23] Huynh, Susan, Urvashi Kaul and Fiona Peach, "Economic Snapshot: A Summary of New York City's Economy," Economic Research & Analysis Department, New York City Economic Development Corporation, November 2009.

25 markets. This drop-off in tourism has undoubtedly contributed to the year-to-date 4.8 percent decline in sales tax revenue in New York City for SFY 2009-10.

*Fund Distribution*

The Committee staff estimates General Fund sales tax receipts of $7.370 billion in SFY 2009-10, representing a decline of 4.4 percent from the prior year. This estimate is $134 million lower than the Executive's SFY 2010-11 Budget Report estimate.

Receipts from one percentage point of the 4.0 percent State sales tax rate is dedicated to the Local Government Assistance Corporation (LGAC), which was created in 1990 to eliminate annual Spring borrowing. Once the LGAC debt service obligations are paid, excess revenues are transferred back to the General Fund along with certain other transactions. LGAC receipts are projected to be $2.457 billion in SFY 2009-10, representing a decrease of 4.4 percent from the prior year.

In 1981, the Metropolitan Transportation Operating Assistance Fund (MTOAF) was created to help finance the State's public transportation system. A portion of the revenue is derived from a separate sales tax rate that is imposed in the Metropolitan Commuter Transportation District. Effective June 1, 2005, the rate was increased to 0.375 percent from 0.25 percent. The forecast for collections in the MTOAF for SFY 2009-10 is $665 million, representing a decline of 6.5 percent over SFY 2008-09.

**2009 Enacted Legislation**

The 2009-10 Enacted Budget included a number of measures designed to increase the sales and use tax base. This included expanding the definition of "vendor" to include those sellers whose affiliates are present in New York State, increasing the pre-paid sales tax rate on cigarettes from 7 to 8 percent, and a measure to close a potential sales tax loophole for corporate aircraft. Additionally, the sales tax was extended to transportation services provided by limousines and black cars. Combined, these measures were projected to raise $130 million in SFY 2009-10 and $215 million in SFY 2010-11.

**2010 Proposed Legislation**

The 2010-11 Executive Budget proposes measures related to sales tax collections. An excise tax on syrups and sugared beverages would increase sales tax revenues by effectively increasing the shelf prices of such products. Two proposals relate to sales tax compliance and auditing—a proposal to require credit card companies to report aggregate sales information to the Tax Department, and a measure authorizing the Tax Department to use statistical sampling methods when performing audits. The expansion of the definition of "vendor" in the 2009-10 Enacted Budget would be somewhat narrowed, and a proposal to allow the sale of wine in grocery and drug stores would increase sales tax revenues slightly by increasing the availability of wine.

## Cash for Clunkers Program

The Consumer Assistance to Recycle and Save (CARS) Act of 2009, otherwise known as the "Cash for Clunkers" Program, was signed into law on June 24, 2009. Through this program, owners of vehicles meeting certain age and efficiency criteria received a voucher for trading in an older vehicle for a new, more efficient one. The program was initially allocated $1 billion,[24] but an additional $2 billion was supplemented when the program ran out of money in the beginning of August.[25]

Cash for Clunkers was in effect from July 1 through August 26, 2009. Throughout the program's nearly two month run, 700,000 cars were taken off the road and replaced with more efficient vehicles. Preliminary analyses estimate that the program boosted U.S. GDP in the third quarter of 2009 by 0.3 to 0.4 percent. Furthermore, because of increased auto production now needed to replace diminished inventories, this impact is thought to have continued into the fourth quarter.[26]

In New York, the program resulted in $820 million in auto sales. This raised $33 million in sales tax revenue for the State in the third quarter, and improved the finances of county and city governments through local sales taxes. The program has had the greatest impact in Western New York, where revenues from program-related auto sales comprised 2.2 percent of Q3 sales tax collections, more than any other region in the state (see Table 10). Statewide, revenues directly from the Cash for Clunkers Program comprised 1.3 percent of all third quarter sales tax revenues.

---

[24] U.S. Department of Transportation, National Highway Transportation Safety Administration "Consumer Assistance to Recycle and Save Act of 2009; Proposed Rule," Federal Register Vol. 74, No. 126, July 2, 2009, Part III.

[25] Seredynski, Paul, "Cash for Clunkers: Senate Approves $2 billion in Extra Funding," EdmundsDaily, www.edmunds.com, August 6, 2009.

[26] "Cash for Clunkers Wraps Up with Nearly 700,000 Car Sales and Increased Fuel Efficiency, U.S. Transportation Secretary LaHood Declares Program 'Wildly Successful,'" Press Release DOT 133-09, U.S. Department of Transportation, August 26, 2009.

**Table 22**

| Region | Total Value of Sales from CARS Program | Tax Revenue from CARS Program | All Sales Tax Revenue 2009Q3 | CARS % of 2009 Revenue |
|---|---|---|---|---|
| Capital District | $61,477,346.23 | $2,405,439.14 | $112,154,390.48 | 2.14% |
| Central New York | $40,444,068.00 | $1,617,762.72 | $94,512,943.07 | 1.71% |
| Finger Lakes | $9,375,378.18 | $375,015.13 | $27,864,198.83 | 1.35% |
| Long Island | $190,242,835.60 | $8,085,320.51 | $530,663,953.18 | 1.52% |
| Lower Hudson | $105,545,358.61 | $3,879,907.42 | $210,617,384.89 | 1.84% |
| Mid-Hudson | $37,434,588.92 | $1,441,716.60 | $73,949,733.99 | 1.95% |
| Mohawk Valley | $25,347,105.67 | $1,108,768.72 | $60,629,902.85 | 1.83% |
| New York City | $103,352,136.71 | $4,650,846.15 | $1,095,374,696.25 | 0.42% |
| North Country | $29,412,002.74 | $1,016,293.74 | $69,025,137.09 | 1.47% |
| Southern Tier | $34,253,641.59 | $1,370,145.66 | $72,680,093.73 | 1.89% |
| Western NY | $183,576,702.59 | $7,942,241.36 | $360,295,630.37 | 2.20% |
| Statewide | **$820,461,164.84** | **$33,893,457.15** | **$2,524,400,000.00** | **1.34%** |

*Source: Data from the Car Allowance Rebate System website, www.cars.gov, and reports from the New York State Comptroller*

## SFY 2010-11 Forecast

The SFY 2010-11 forecast for sales tax collections is projected to be $10.903 billion, representing growth of 3.9 percent over SFY 2009-10. This forecast, which does not include any revenue from proposed legislation, is $142 million lower than the Executive's 2010-11 Budget forecast. Factoring in law changes proposed in the Executive Budget, sales tax collections are expected to be $10.922 billion, for 4.1 percent growth. This growth is due largely to an expected economic rebound next year. Consumption of durable goods and wages in New York State are both forecast to grow over the previous year. Another major sign of the recovery is the expectation that unemployment will finally decline for the time since the beginning of the recession in early 2011. The turnaround in these indicators will likely lead to increased retail sales and sales tax revenue for the State.

### *Fund Distribution*

The Committee staff estimates General Fund sales tax receipts of $7.659 billion in SFY 2010-11, representing growth of 3.9 percent over the prior year. This estimate is $112 million below the Executive's 2010-11 Budget forecast.

Sales tax collections dedicated to LGAC are projected to be $2.553 billion in SFY 2010-11, representing growth of 3.9 percent over the prior year. Dedications to the Metropolitan Transportation Operating Assistance Fund (MTOAF) are forecast to be $691 million, also an increase of 3.9 percent.

## AUTO RENTAL TAX

The auto rental tax, imposed by Article 28-A of the Tax Law, applies to the rental of any passenger car with a gross vehicle weight of 9,000 pounds or less that can seat a maximum of nine passengers. The auto rental tax was imposed at a rate of five percent on auto rental charges incurred for use in New York State, until June 1, 2009 when the rate increased to 6 percent statewide. Additionally, on June 1 a 5 percent tax went into effect on auto rentals in the Metropolitan Commuter Transportation District (MCTD). The tax does not apply to leases of one year or more. Since SFY 2002-03 all statewide auto rental receipts are dedicated to the Highway and Bridge Trust Fund. Revenue from the additional 5 percent MTA auto rental tax is dedicated to the Mass Transportation Operating Assistance Fund (MTOAF).

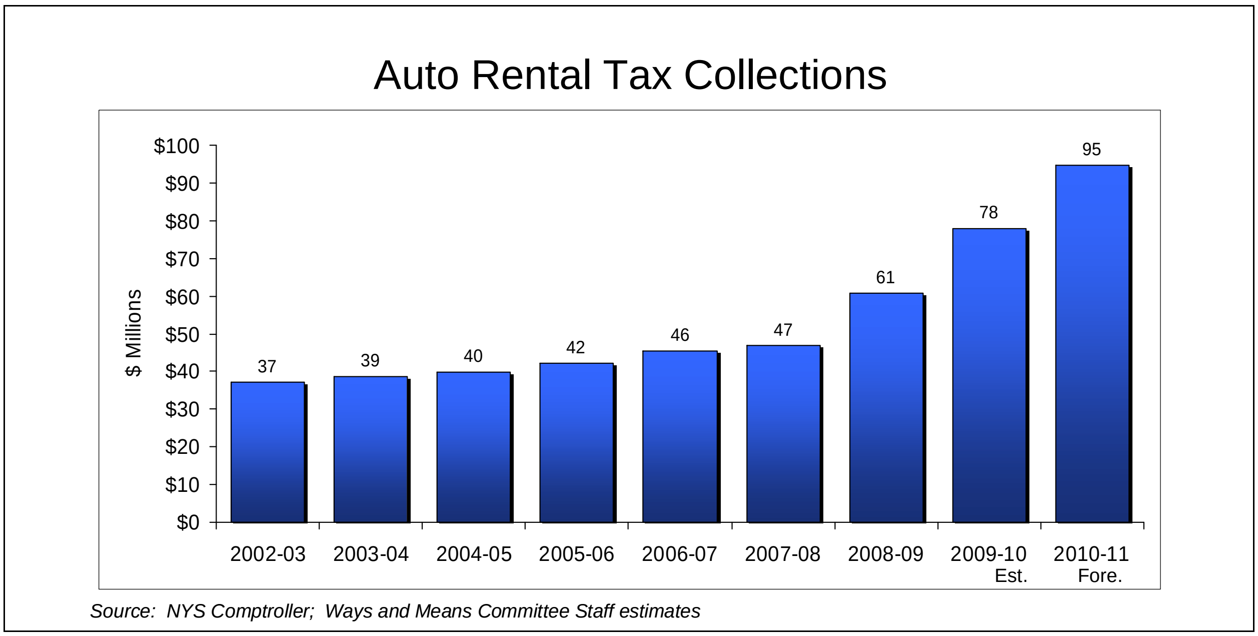



**Figure 35**

### SFY 2009-10 Estimate

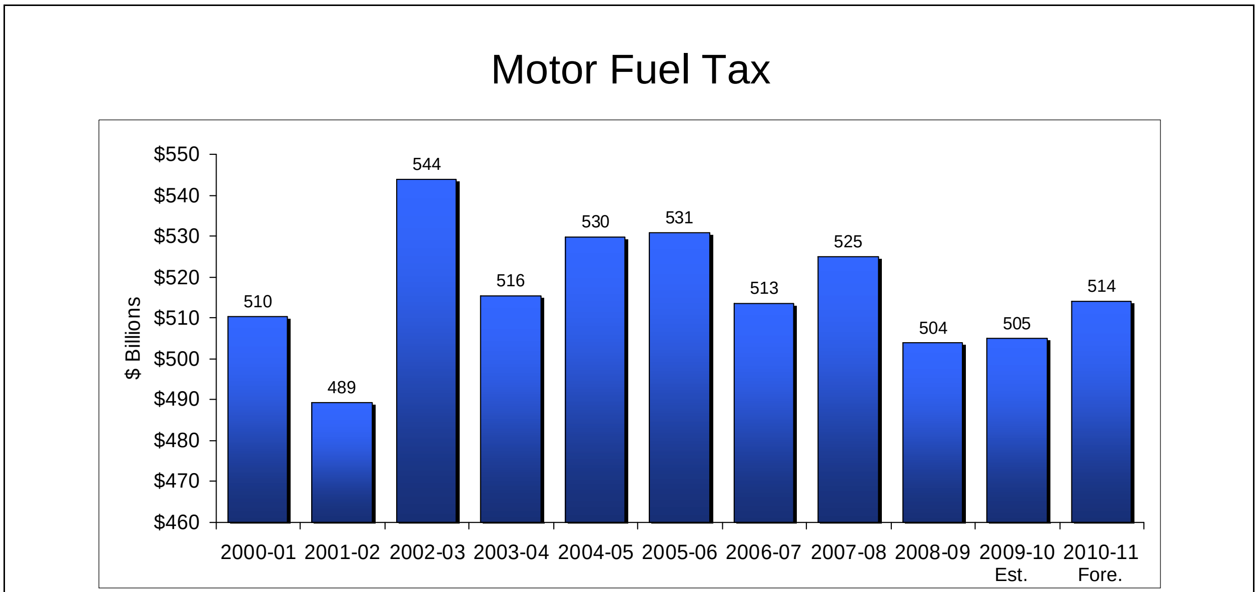
Collections to date are $44 million for the statewide 6 percent auto rental tax, and $18 million for the 5 percent MTA auto rental tax, for a total of $61 million. For the statewide rate, this represents an increase of 2.6 percent over the same period in SFY 2008-09. The Committee staff estimates that collections in SFY 2009-10 will be $52 million from the statewide rate and $26 million from the MTA rate, for a total of $78 million. This estimate is $1 million below the estimate in the SFY 2010-11 Executive Budget, and represents growth of 2.9 percent from last year for the statewide rate.

## SFY 2010-11 Forecast

The Ways and Means Committee staff estimate for SFY 2010-11 is $95 million, $35 million of which is expected from the MTA auto rental tax, with the remaining $60 million resulting from the statewide rate. This represents an increase of 15.5 percent over SFY 2009-10 for the statewide tax, and 33.1 percent for the MTA rate, primarily due to the fact that SFY 2010-11 will be the first year that the MTA auto rental tax will see full-year implementation.

## MOTOR FUEL TAXES

Article 12-A of the Tax Law imposes an eight cents per gallon tax on diesel motor fuel at the point of import or use in New York. The tax also applies to gasoline, upon first import into or production within New York. The tax has three components: regular tax (4 cents per gallon), additional tax (3 cents per gallon) and supplemental tax (1 cent per gallon). Motor fuel tax collections are dedicated based on the following schedule: Gasoline receipts are split between the Highway and Bridge Trust Fund (81.5 percent) and the Dedicated Mass Transportation Trust Fund (18.5 percent). Diesel receipts are split between the Dedicated Highway and Bridge Trust Fund (63 percent) and the Dedicated Mass Transportation Trust Fund (37 percent).




*Source: NYS Comptroller; Ways and Means Committee Staff estimates*

**Figure 36**

### State Fiscal Year (SFY) 2009-10 Estimate

The Committee staff estimates that motor fuel tax receipts will total $505 million in SFY 2009-10, this estimate is 0.3 percent higher than the previous fiscal year. The Committee staff estimate is $4 million above the Executive estimate. Revenues collected from motor fuel taxes are not deposited into the General Fund, but instead are statutorily dedicated in the following manner:

- $106 million deposited in the Dedicated Mass Transportation Trust,
- $399 million to the Dedicated Highway and Bridge Trust Fund.

Through January 2010, motor fuel collections are $429 million, an increase of 1.1 percent over the comparable period in the prior fiscal year.

## State Fiscal Year 2010-11 Forecast

The Committee staff forecast for motor fuel taxes in SFY 2010-11 is $514 million, a 1.8 percent or $9 million increase over SFY 2009-10. The Committee staff forecast is $11 million above the Executive forecast. Motor fuel taxes will be distributed as follows:

- $108 million to the Dedicated Mass Transportation Trust Fund,
- $406 million to the Dedicated Highway and Bridge Trust Fund.

## Revenue Trends

Motor Fuel taxes are generally very stable, having increased by 10 percent over a 12 year period. Much of the fluctuations can be explained by changes in consumption in both gasoline and diesel fuel. Consumption of diesel fuel is largely a function of economic activity. As the economy expands the demand for shipping expands and the consumption of diesel fuel increases. The recent decline in motor fuel taxes results from the combination of a decrease in consumption due to higher gasoline prices early in 2008 and the troubled economy. However, the recent trend of increasing fuel prices will not erode fuel tax revenues as the rebounding economy will stimulate demand. Also, because motor fuel taxes are a fixed amount per gallon, not a percentage of amount paid, an increase in prices will not yield additional revenues.

## MOTOR VEHICLE FEES

Revenue from Motor Vehicle Fees comes from over 50 different license, registration, service, and penalty receipts. Passenger and commercial vehicle registrations and licensing fees are the largest components. Registration fees are weight based for passenger vehicles, commercial vehicles, trailers, and ambulances. Buses, taxis, livery vehicles, and rental cars are charged registration fees based upon their seating capacity. Other vehicles such as semi trailers, motorcycles, MOPEDS, farm vehicles, snowmobiles, and all terrain vehicles are charged a flat fee. Motorboat registration is based upon the length of the boat. Other fees include in-transit permits and certificates of title; manufacturers, dealers and repairmen also pay fees for miscellaneous licenses and permits. Resident drivers are required to obtain a New York driver license within 90 days of becoming a resident. This license is issued by the Department of Motor Vehicles with fees based on various classifications. Other items included in motor vehicle receipts are: business permits for driving schools, repair shops and car dealerships; special plate fees, penalty fees for driving without insurance or refusing a chemical test; and various sticker fees.

The SFY 2009-10 Enacted Budget provided substantial increases in a variety of motor vehicle fees. The increases are as follows:

- Increase Motor Vehicle Registration Fees ($52 million in SFY 2009-10, $104 million in SFY 2010-11). Increased registration fees for most vehicles and fees for distinctive plates by 25 percent. The average vehicle registration fee increased from $44 to $55. Revenues are directed to the Dedicated Highway and Bridge Trust Fund. These fees were last increased in 1998.

- Increase Motor Vehicle License Fees ($19 million in SFY 2009-10, $38 million in SFY 2010-11). Increased original and renewal driver's license fees by 25 percent. A standard 8-year renewal will now cost $62.50, up from $50. Revenues are directed to the Dedicated Highway and Bridge Trust Fund. These fees were last increased in 1992.

- Increase License Plate Fees (no impact in SFY 2009-10, $20 million in SFY 2010-11). The enacted budget required the Commissioner of the Department of Motor Vehicles to reissue reflectorized number plates starting April 1, 2010. The associated fee increased from $15 to $25, with revenues directed to the General Fund. License plates were last issued in 2001. However, subsequent to enactment of the budget, the requirement that all license plates be replaced was removed. However, the increased fee remained intact, for a fiscal impact of $20 million in SFY 2010-11.

The Metropolitan Commuter Transportation Authority Package, chapter 25 of the Law of 2009, provided for additional increases in certain motor vehicle fees:

- License Fee surcharge ($14 million in SFY 2009-10, $27 million in SFY 2010-11). This change imposed a supplemental fee of one dollar for each six month period of validity of persons holding a learner's permit or License within the Metropolitan Commuter Transportation District.

- Supplemental Registration Fee ($91 million in SFY 2009-10, $182 million in SFY 2010-11). This change imposed a supplemental fee of twenty-five dollars per year on the registration and renewals of all registrants of motor vehicles who reside within the Metropolitan Commuter Transportation District.

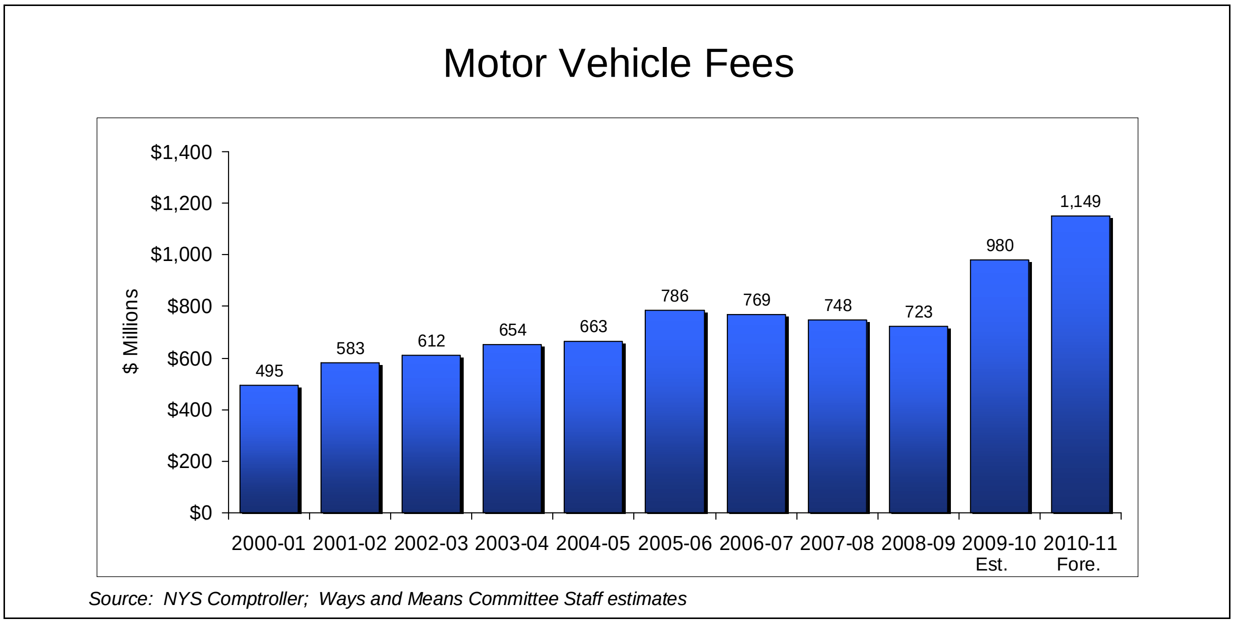



**Figure 37**

## State Fiscal Year 2009-10 Estimate

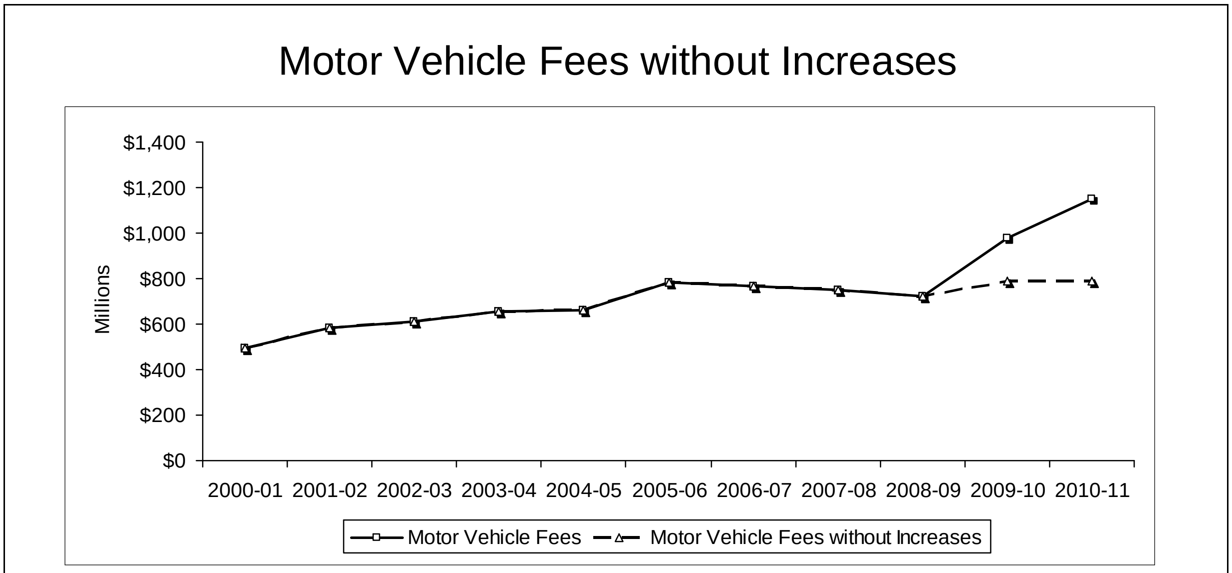
In SFY 2009-10, All Funds receipts are estimated to total $980 million, representing an increase of 35.5 percent from last year. The Committee Staff's estimate is $2 million below the Executive. Through January 2010, motor vehicle collections are $774 million, an increase of 29.8 percent from the comparable period in the prior fiscal year. Of the $980 billion in motor vehicle fees, the Committee staff estimates that the Dedicated Mass Transportation Trust Fund will receive $348 million, while the Dedicated Highway and Bridge Trust Fund will receive $619 million. The General Fund will receive $13 million. Absent the increased fees that were included in the SFY 2009-10 budget and the increases in fees to benefit the MTA, which totaled approximately $191 million, motor vehicle fees would have only increased by 8.9 percent.

## State Fiscal Year 2010-11 Forecast

In SFY 2010-11, All Funds receipts are forecast to total $1.149 billion, a 17.2 percent increase. The Committee staff forecast is $26 million below the Executive forecast. The Committee staff estimates that in SFY 2010-11 the Dedicated Mass Transportation Trust Fund will receive $430 million and the Dedicated Highway and Bridge Trust Fund will receive $677 million. The General Fund will receive $41 million. This forecast is dependent on $367 million in additional revenues attributable to increased fees associated with the enacted budget and the MTA revenue enhancements. Absent these enhancements, motor vehicle fees would have actually decreased 1.2 percent.

## Revenue Trends

The increase in motor vehicle fees is explained by recent changes in registration, license and other motor vehicle fees enacted as part of the SFY 2009-10 budget.




*Source: NYS Comptroller, Ways and Means Committee Staff estimates*

**Figure 38**

## HIGHWAY USE TAX

Highway use tax revenues are derived from three sources: the truck mileage tax, highway use permit fees, and the fuel use tax. The truck mileage tax is a weight-distance tax generally imposed on commercial vehicles having a loaded gross weight of more than 18,000 pounds. The tax is imposed at rates graduated according to the gross vehicle weight and miles traveled on public highways. In addition, a supplemental tax equal to the base truck mileage tax was imposed prior to January 1, 1999. Effective January 1, 1999, the supplemental tax was reduced by 50 percent, and effective April 1, 2001, the remaining supplemental tax was reduced by an additional 20 percent.

Highway use permits are mandatory to owners of vehicles subject to the highway use tax. The permits are triennial at a cost of $15 for an initial permit. The fuel use tax applies to commercial vehicles that purchase fuel outside New York State, but is consumed while traveling on New York highways. It has two components: the motor fuel component and the sales tax component. The aggregate fuel use tax rate is the sum of the motor fuel tax rate and the sales tax rate.

The sales tax rate has two components, the state sales tax rate which is 4 percent and the lowest county sales tax rate at the time which is currently 3 percent. These rates are applied to the capped price of $2 per gallon. All Highway Use Tax receipts are earmarked to the Dedicated Highway and Bridge Trust Fund. Effective September 1, 2009, highway use tax renewal fees were increased from $4 to $15 – resulting in an additional $7.5 million in revenues in State Fiscal Year (SFY) 2009-10. However, since this renewal only takes place every three years, no additional revenues are anticipated in SFY 2010-11.

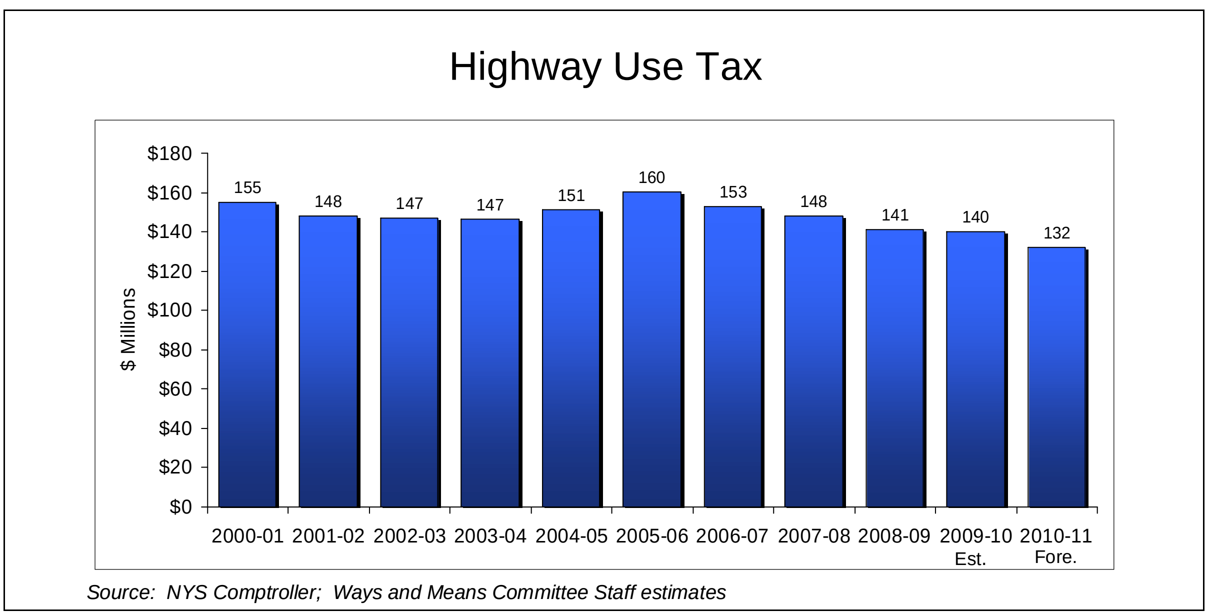



**Figure 39**

## State Fiscal Year (SFY) 2009-10 Estimate

The Committee staff estimates that receipts in SFY 2009-10 will total $140 million, a decrease of $1 million, or 0.4 percent below the prior year. This estimate equals the Executive estimate.

## State Fiscal Year 2010-11 Forecast

The Committee staff's forecast for Highway Use Tax receipts is $132 million for SFY 2010-11, which represents a 5.8 percent decrease from SFY 2009-10. This forecast is $2 million below the Executive's. This decrease reflects the loss of revenue attributable to the increase in the highway use tax renewal fee in SFY 2009-10.

## CIGARETTE AND TOBACCO TAXES

Cigarette and Tobacco Taxes are governed via Article 20 of the New York State Tax Law. In SFY 2008-09, legislation was enacted to increase the excise tax on cigarettes from $1.25 to $2.75 per package of 20 cigarettes sold within the State of New York (see L. 2008, c. 57). This year the Executive's 2010-11 Budget proposes to increase the excise tax on a package of 20 cigarettes sold within New York to $3.75 per pack. The Executive estimates the increase in excise tax will result in an additional $218 million in SFY 2010-11. In addition, the Executive's proposals calls for modifying the shares of the cigarette tax revenue, increasing the amount dedicated to the Health Care Reform Act (HCRA) from 70.63 percent to 75 percent, the remainder is deposited into the General Fund.

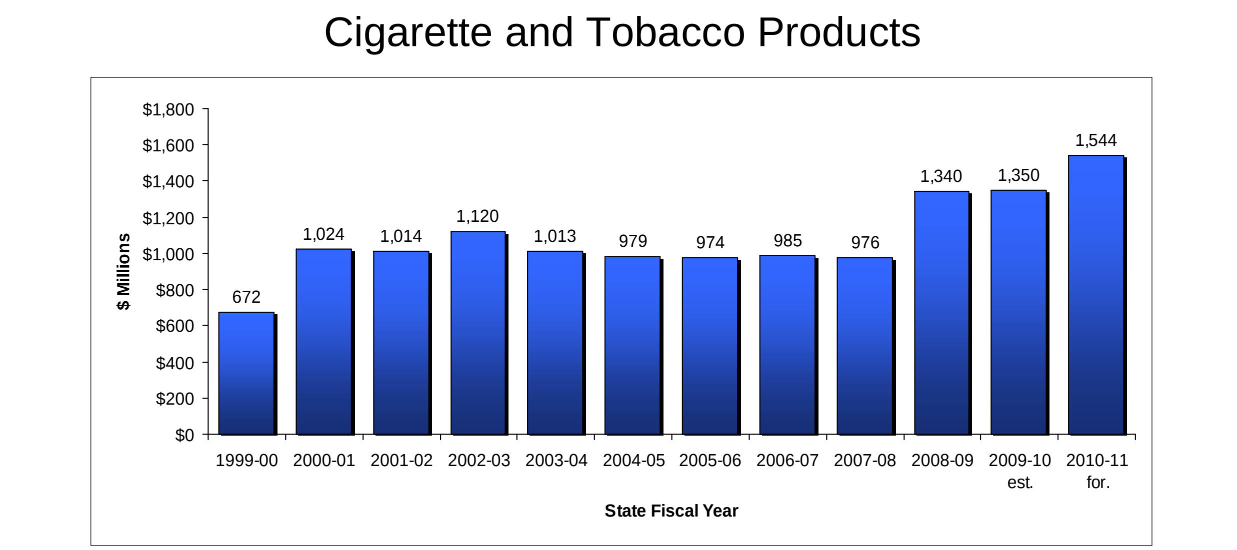
In SFY 2009-10, legislation was enacted (see L. 2009, c. 57) to increase the excise tax on tobacco products, however this does not apply to cigarettes or snuff. The tax on tobacco products (e.g. rolling tobacco, cigars) increased from 37 percent to 46 percent of wholesale price. The Executive's SFY 2008-09 projected the 33.3 percent increase would generate an additional $12 million in SFY 2009-10.

Additional cigarette and tobacco revenue receipts are obtained through annual licensing fees. There are approximately 25,000 licensed retailer vendors and 2,600 licensed vending machines in New York. Historically, on average, the annual cigarette/tobacco licensing fee generates $3 million in General Fund revenue. In SFY 2009-10, legislation was enacted (see L. 2009, c. 58) to increase the cigarette/tobacco licensing fee applicable to the 2010 annual application/renewal. The licensing fee is paid at the same time retailers file their September quarterly filings. All revenue in excess of $3 million generated from the fee increase is to be deposited into HCRA. The fee increases the flat annual rate of $100 or $25 for retailers and vending machine operators respectively to a sliding scale rate based on the gross receipts of each entity as follows:

**Table 23**

| **Cigarette/Tobacco Retailers - 2010 Annual Licensing Fee** | |
|---|---|
| Gross Sales | Application Fee |
| Less than $1 million | $1,000 |
| $1 million, less than $10 million | $2,500 |
| $10 million or more | $5,000 |
| **Cigarette/Tobacco Vending Machine Operators - 2010 Annual Licensing Fee** | |
| Gross Sales | Application Fee |
| Less than $1 million | $250 |
| $1 million, less than $10 million | $625 |
| $10 million or more | $1,250 |

The Division of Budget estimates that the All Funds revenue generated from the cigarette/tobacco registration fee increase will be approximately $17 million in SFY 2009-10 and $6 million in SFY 2010-11. However, on September 16, 2009, the Honorable Thomas Feinman, Nassau County Supreme Court Justice, placed an injunction on the fee increase. Accordingly, retailers and vendors where instructed to remit the 2009 "flat" rate registration fee in with their 2010 applications.



*Source: NYS Comptroller; Ways and Means Committee Staff estimates*

**Figure 40**

### SFY 2009-10 Estimate

The Committee staff estimates that cigarette and tobacco receipts, excluding the "increased" licensing fees, will generate $1.350 billion on an All Funds basis in SFY 2009-10, an increase of $10 million from SFY 2008-09. This is $14 million above the Executive's estimate. The SFY 2009-10 estimate is consistent with year-to-date collection patterns.

As of January 2010, All Funds collections are up $21 million or 1.8 percent over SFY 2008-09. However, year-to-date cigarette consumption has declined by 10.0 percent while tobacco collections (e.g. snuff, pipe tobacco, etc.) are up by 43.3 percent or $17 million over SFY 2008-09.

The Committee Staff estimates General Fund cigarette and tobacco tax receipts of $445 million in SFY 2009-10, representing no change from the prior year. HCRA receipts are estimated to be $905 million, representing a $9 million increase over the prior year.

**SFY 2010-11 Forecast**

All Funds cigarette and tobacco receipts are projected to be $1.544 billion in SFY 2010-11, an increase of $194 million or 14 percent from SFY 2009-10. The Committee Staff forecast includes $218 million in additional revenue as a result of the proposed one dollar increase in the cigarette excise tax. The Committee staff forecast is $18 million above the Executive forecast.

The Ways and Means Committee staff did not include cigarette and tobacco tax revenue for cigarette and tobacco products that are sold on Native American land to non-Native American persons. Although current State Law authorizes the collection of cigarette and tobacco excise taxes to non-Native Americans that are sold by Native Americans within their sovereign territory via a coupon system, and although the collection of such taxes were scheduled to begin in February of 2009, no regulations or coupons have been disseminated to implement the enforcement of section 471-e of the New York State Tax Law.

According to testimony presented by Deputy Commissioner of Tax Enforcement William Comiskey at the Senate Standing Committee on Investigations and Government Operations on October 27, 2009, Governor Paterson does not agree with the forbearance policy that took hold during Governor Pataki's administration and is actively seeking to have the matter resolved. He has requested the Department of Taxation and Finance to promulgate the necessary rules and regulations to implement the excise tax

## ALCOHOLIC BEVERAGE FEES

Distillers, brewers, retailers, wholesalers and others who sell alcoholic beverages in New York State are required by Articles 4, 4-A, 5 and 6 of the Alcoholic Beverage Control Law to be licensed by the State Liquor Authority (SLA). Approximately, 2,500 retail outlets, 18,500 grocery stores and 26,400 bars and restaurants are licensed. Licenses are issued triennially, biannually and annually, and fees are paid directly to the SLA.

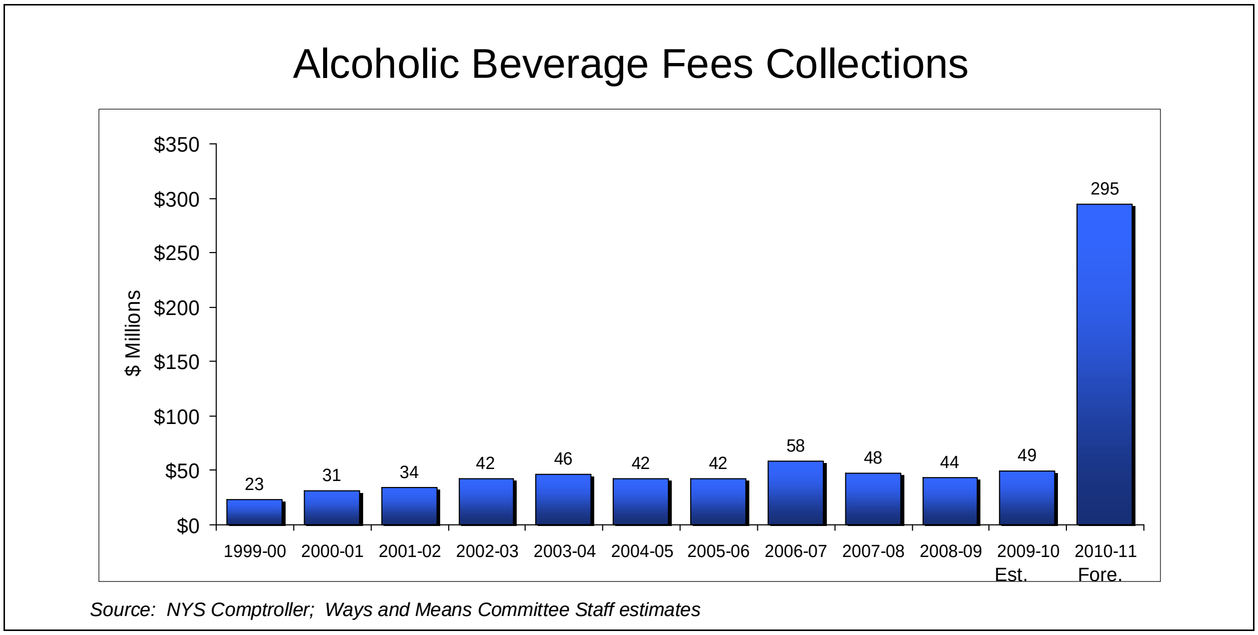



**Figure 41**

### SFY 2009-10 Estimate

The Committee staff estimates that receipts from alcoholic beverage fees will total $49 million in SFY 2009-10, a $5 million or 12.1 percent increase from SFY 2008-09. This estimate is $3 million below the SFY 2001-11 Executive Budget Report estimate.

### SFY 2010-11 Forecast

The Committee staff forecasts receipts will total $296 million in SFY 2010-11, an increase of $247 million or 503.0 percent over SFY 2009-10. This growth is a result of a proposal in the 2010-11 Executive Budget to allow the sale of wine in grocery stores, which accompanies a one-time franchise fee based on gross sales, and an annual license fee of either $500 or $1,000. This measure is expected to raise $254 million in SFY 2010-11 and $58 million in SFY 2011-12, as most new wine licenses are expected to be obtained in the first year. The collections from the franchise fee, which comprise a majority of the expected revenues from this proposal, are dedicated to the Health Care Reform Act (HCRA) fund.

## ALCOHOLIC BEVERAGE TAX

Article 18 of the Tax Law imposes a tax on various alcoholic beverages, including beer, wine and other spirits. The tax rate varies depending on the alcohol content of the beverage. All of the receipts are deposited into the General Fund.

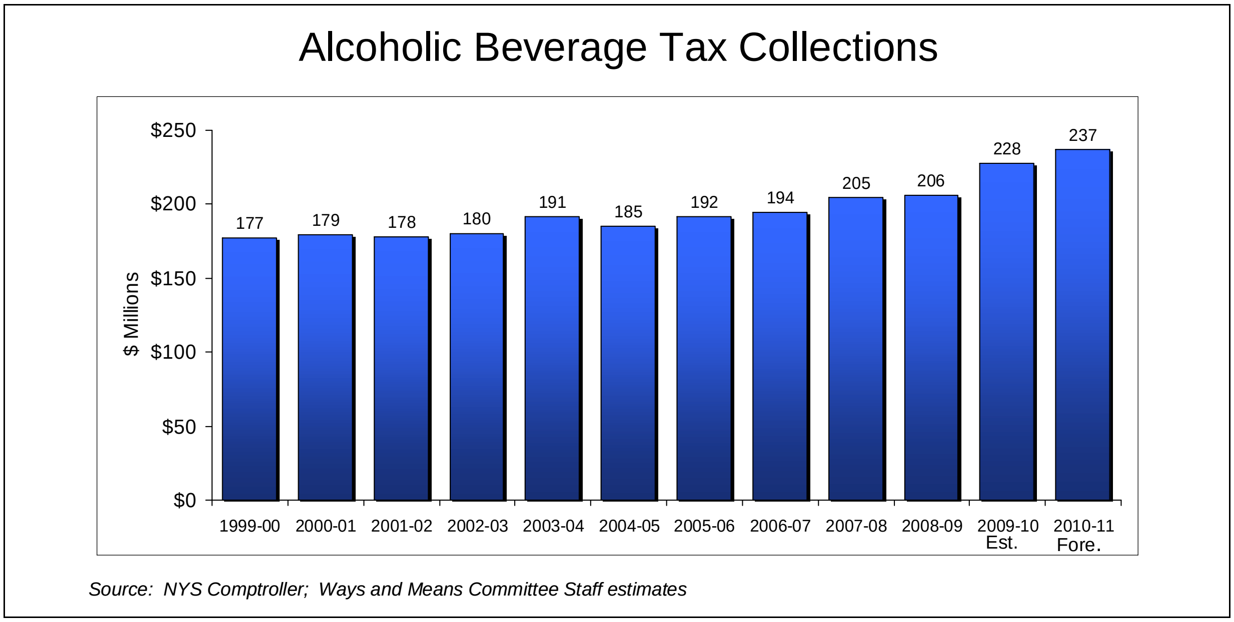



**Figure 42**

### SFY 2009-10 Estimate

The Committee staff estimate for SFY 2009-10 alcoholic beverage tax receipts is $228 million, representing an increase of $22 million or 10.6 percent growth over SFY 2008-09. This estimate is $5 million above the estimate released in the SFY 2010-11 Executive Budget Report. Year-to-date collections have grown 9.8 percent over the same period last year. However, much of this expected growth in collections is due to tax law changes enacted in the 2009-10 Budget, which increased the alcoholic beverage tax on beer from 11 to 14 cents per gallon, and on wine from 5 to 7.92 cents per liter (see Table 24). Year-to-date volume in wine and beer sales is flat over the prior year. Without the increase in alcoholic beverage taxes, collections in SFY 2009-10 would likely be much lower

**Table 24**

| New York State Alcoholic Beverage Tax Rates History | | | | | | | |
|---|---|---|---|---|---|---|---|
| Beverage | Liquor > 24% alc/liter | Liquor – all other | Natural Spklg | Art Spklg Wine/liter | Still Wine/liter | Beer/gallon | Cider/ gallon |
| 4/1/2009 | $1.70 | $0.67 | $0.0792 | $0.0792 | $0.0792 | $0.14 | $0.0379 |
| 1/1/2003 | 1.70 | 0.67 | 0.05 | 0.05 | 0.05 | 0.11 | 0.0379 |
| 1/1/2001 | 1.70 | 0.67 | 0.05 | 0.05 | 0.05 | 0.125 | 0.0379 |
| 1/1/1999 | 1.70 | 0.67 | 0.05 | 0.05 | 0.05 | 0.135 | 0.0379 |
| 1/1/1996 | 1.70 | 0.67 | 0.05 | 0.05 | 0.05 | 0.16 | 0.0379 |
| 1/1/1995 | 1.70 | 0.67 | 0.05 | 0.05 | 0.05 | 0.21 | 0.0379 |
| 7/1/1994 | 1.70 | 0.67 | 0.05 | 0.05 | 0.05 | 0.21 | 0.01 |
| 6/1/1990 | 1.70 | 0.67 | 0.25 | 0.15 | 0.05 | 0.21 | 0.01 |
| 5/1/1989 | 1.40 | 0.55 | 0.25 | 0.15 | 0.05 | 0.11 | 0.01 |
| 5/1/1983 | 1.08 | 0.264 | 0.175 | 0.088 | 0.032 | 0.055 | 0.004 |
| Before | 0.86 | 0.21 | 0.14 | 0.07 | 0.03 | 0.04 | 0.00 |

## SFY 2010-11 Forecast

Alcoholic beverage tax receipts are forecast to be $237 million in SFY 2010-11, representing an increase of 3.9 percent over the prior year. This forecast is $8 million above the Executive's Midyear Update, and reflects a general turnaround in the economy expected in SFY 2010-11. However $1 million of this increase is due to a proposal in the 2010-11 Executive Budget allowing for the sale of wine in grocery stores. This measure is expected to have a slight positive impact on alcoholic beverage taxes, as it is expected to result in an increase in the sale of wine. Also impacting alcoholic beverage tax receipts, forecasts for increased employment, wages and durable goods consumption in this year can be expected to lead to greater spending on non-necessities such as alcoholic beverages. The increased taxes on beer and wine enacted in 2009 will sustain revenues from the alcoholic beverage tax at a higher level than in previous years.

# Business Taxes

**Table 25**

| Forecasts by State Fiscal Year (Dollar Amounts in Millions) | | | | | | |
|---|---|---|---|---|---|---|
| | SFY 2009-10 | Growth | Diff. Exec. | SFY 2010-11 | Growth | Diff. Exec. |
| **Business Taxes** | **$7,884** | **3.7%** | **$61** | **$7,578** | **-3.9%** | **($182)** |
| Corporate Franchise | $2,808 | -12.8% | ($153) | $2,885 | 2.7% | ($392) |
| Utility Tax | $938 | 8.6% | ($30) | $925 | -1.4% | $3 |
| Insurance Tax | $1,565 | 32.5% | $153 | $1,511 | -3.5% | $111 |
| Bank Tax | $1,449 | 17.5% | $86 | $1,172 | -19.1% | $96 |
| Petroleum Business Tax | $1,124 | 1.5% | $5 | $1,085 | -3.4% | $0 |

## CORPORATE FRANCHISE TAX

Article 9-A franchise taxes are imposed on every domestic or foreign corporation "for the privilege of exercising its corporate franchise, or of doing business, or of employing capital, or of owning or leasing property ... in a corporate or organized capacity, or of maintaining an office in this state..." (Tax Law §209.1).

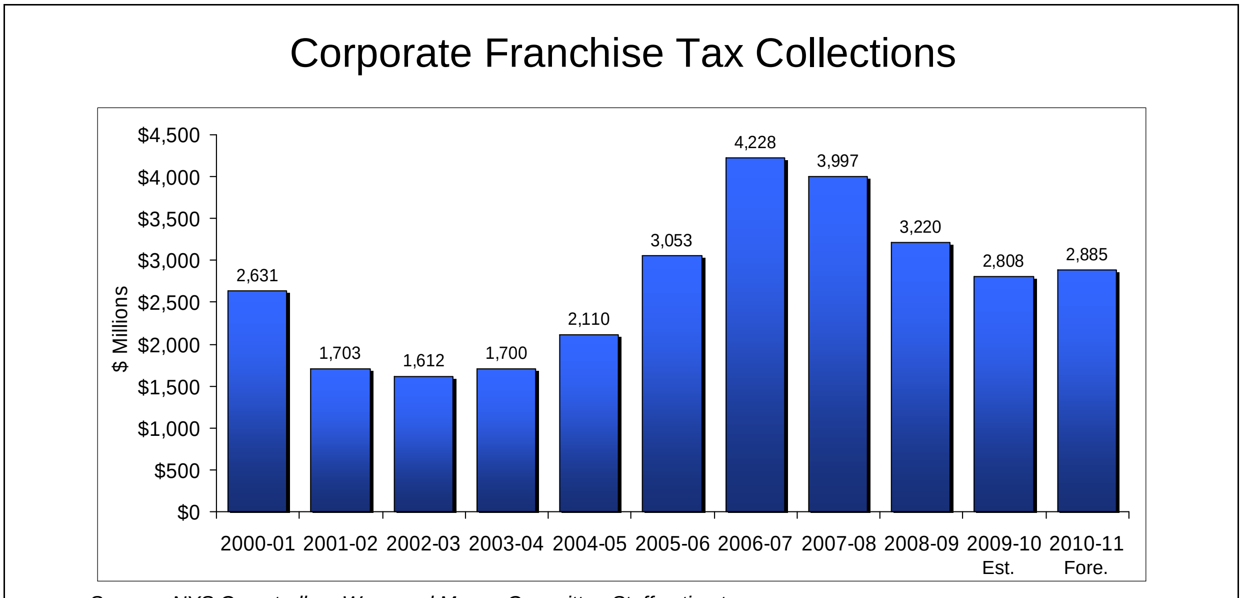
The corporate franchise tax is composed of three parts:

1. All corporations will pay the highest of the following four alternative bases:

    - 7.1 percent of entire net income allocated to New York;
    - 0.15 percent of allocated capital, subject to a maximum of $10 million;
    - an alternative minimum tax of 1.5 percent of entire net income; or,
    - A fixed dollar minimum tax, which ranges from $25 to $5,000, and is based upon the amount of New York receipts.

2. For corporations that own more than 50 percent of the voting stock of another corporation, a tax of 0.09 percent of allocated subsidiary capital is to be paid.

3. If a corporation is in the Metropolitan Commuter Transportation District, they pay an additional surcharge which is distributed to the Metropolitan Transportation Authority.




*Source: NYS Comptroller; Ways and Means Committee Staff estimates*

**Figure 43**

## SFY 2009-10 Estimate

The Committee staff estimate for SFY 2009-10 is calculated using a combination of year-to-date collections and historical collection patterns. Furthermore, the fiscal impact of previously enacted revenue actions are also taken into consideration when finalizing the estimate. The Ways and Means Committee Staff's SFY 2009-10 closeout is $2.808 billion. This estimate is $154 million below the Executive estimate released with the Executive budget.

**Table 26**

| 2009 Tax Law Changes (Dollar Amounts in Millions) | |
|---|---|
| 1st Installment increase from 30% to 40% | $174 |
| Overcapitalized Captive Insurance Companies | 33 |
| Underutilized Tax Credits Elimination | 2 |
| Vendor Offset | 3 |
| Health Maintenance Organization Reclassification | -18 |
| Low Income Housing Tax Credit Expansion | -4 |
| Empire Zones Reform | 44 |
| **Total** | **$234** |

## Year-to-Date Results and Cash Flow

Corporations have a three-year window in which to finalize their tax returns for a given tax year. Corporations are currently finalizing their 2007 and 2008 state tax returns, and are changing their cash management strategies to meet recessionary times. In economic expansions, corporations usually carry forward prior year overpayments – which are referred to as prior-year adjustments – to reduce current year liability. However, during recessions corporations incur reduced liabilities and may be experiencing cash flow restrictions.

Tax payments for current year liability also reflect recessionary times. Through January, current year payments from all Article 9-A payers are down 30 percent or $728 million from the same period last year. Another way to gauge current payment activity is to compare all payments excluding audits, because audits are driven through tax law enforcement measures and not economic conditions. This measure also reflects the recessionary trend; collections excluding audits are down $547 million or 33 percent from the same period last year. However, the Ways and Means Committee Staff expects payments in the spring to reflect stronger economic conditions.

Uncertainty surrounds the expected growth in the March 2010 payments, which includes both a final payment on 2009 liability and a 40 percent prepayment on 2010 liability. The March prepayment is based upon the previous year's liability, which is expected to be 33.6 percent below the peak of corporate franchise collections in SFY 2006-07.

Through January, audit collections were $615 million or $134 million lower than last year. The Division of the Budget in collaboration with the Department of Taxation and Finance predicts audit collections for SFY 2009-10 will be $872 million or 3.6 percent lower than last year. Through January, refunds reached $755 million, an increase of $144 million or 24 percent over last year.

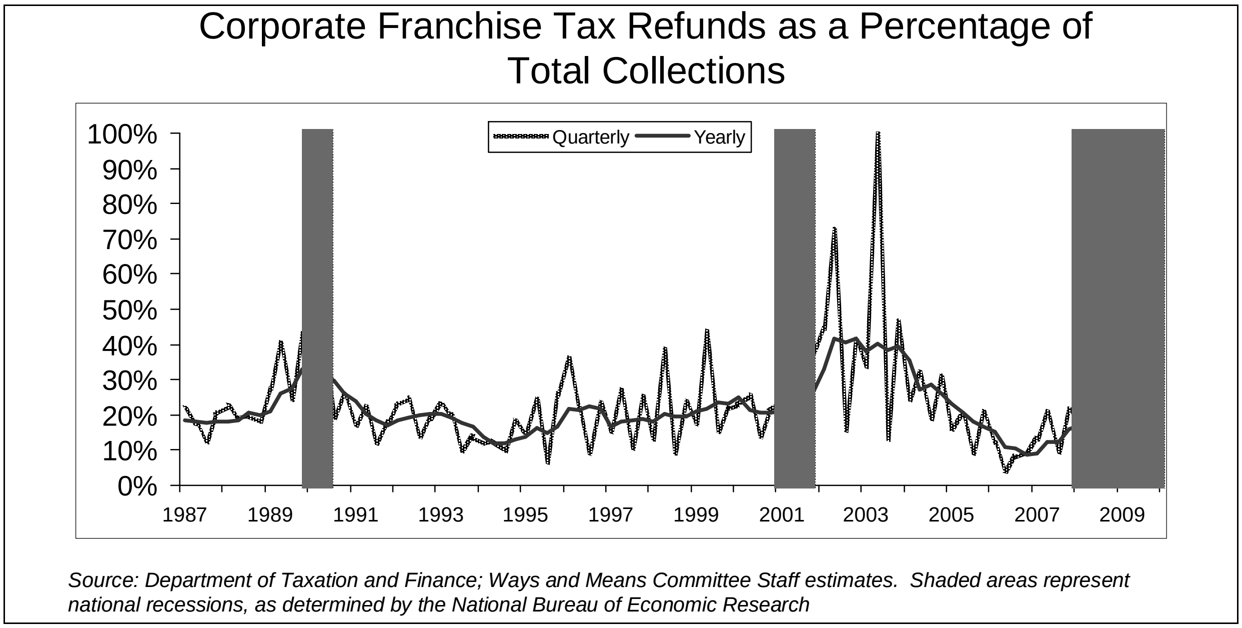



**Figure 44**

The historical percentage of refunds to collections is a good indicator of what New York State should expect in refunds in the next few years. The 2001 national recession ended in November of 2001; however, refunds as a percentage of total collections continued to rise for two years after the end of the recession. If this trend continues, New York could see the ratio of refunds to collections rise through SFY 2011-12. Prior year adjustments, also displayed the same two-year lag following the 2001 recession. Total prior-year adjustments, which includes most refunds, totaled $1.38 billion through January, an increase of 7 percent, or $88 million over the prior year.

The Executive has the ability to withhold requested refunds for 90 days without paying interest, and after this time the current interest rate the State is obligated to pay is 3 percent. Due to cash flow restrictions that the State is facing in March, $76 million in corporate franchise refunds will be withheld from taxpayers until the next fiscal year, which begins on April 1st.

## SFY 2010-11 Forecast

The Ways and Means Committee staff forecast for corporate franchise tax receipts is $2.885 billion, an increase of $77 million or 2.7 percent from SFY 2009-10 Committee staff estimates. This forecast is $391 million below the Executive forecast. U.S. Corporate profits reached a trough in the fourth quarter of 2008, but they are not expected to exceed the 2008 third quarter level, just before their precipitous drop, until the third quarter of 2010. For SFY 2010-11, corporate profits are expected to increase by 7.8 percent.

Corporate franchise receipts excluding law changes and administrative adjustments are expected to be $3.31 billion, but the growth of the Brownfields remediation tax credit program, the payment of withheld refunds from the prior fiscal year, the loss of the one time boost from the increase in the March prepayment percentage, as well as many small impacts from a variety of legislative changes, all contribute to an expected reduction of $425 million in receipts.

The only Executive budget proposal expected to have an impact on corporate collections next fiscal year is the request for an additional $4 million increase in the aggregate amount allowed for the low-income housing credit.

## Executive's Proposed Tax Actions

In addition to increasing the aggregate amount allowed for the Low Income Housing Credit to $28 million dollars a year, the Executive has a few proposals designed to enhance the economic vitality of businesses in New York State.

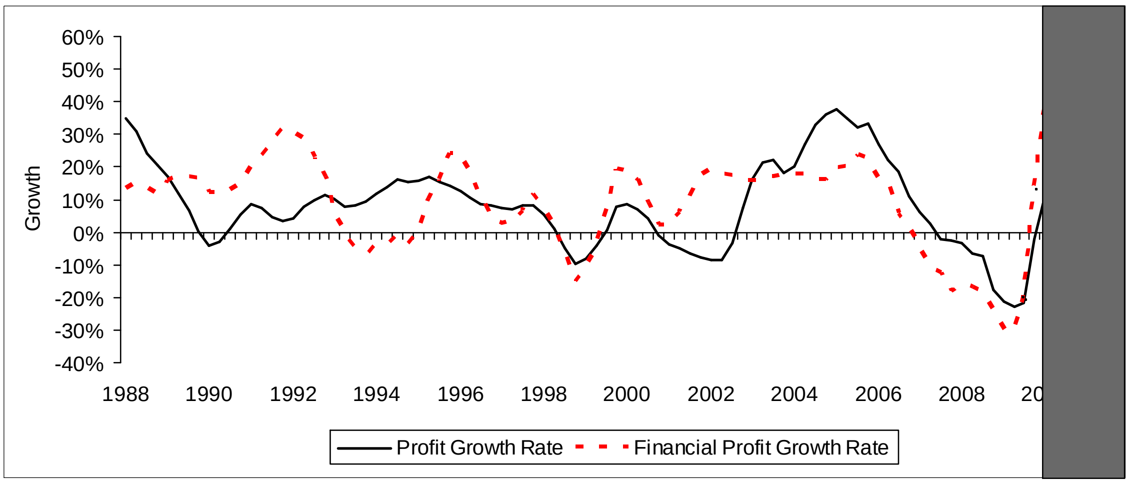
The Excelsior Jobs Program proposes three new tax credits for businesses that create a minimum of 50 new jobs in the State. The Excelsior Jobs Tax credit would range between $2,500 and $10,000 based on the type of job created. The Excelsior Investment Tax Credit would accrue based on two percent of qualified investments and would be fully refundable. The Excelsior Research and Development Credit would be 10 percent of the Federal Research and Development Credit. The maximum aggregate credit allowed for each fiscal year of the Excelsior Jobs Program would be $50 million, but because the credits are valid for 5 years, each year of the programs existence the State would be making a $250 million commitment to businesses.

The Executive also wants to make a $2.1 billion enhancement to the Film Tax Credit. The proposal would cap aggregate credits for film producers at $420 million a year for five years. Other modifications to the credit would mandate that qualified film studios were involved in the production of films receiving the tax credit.

Participants in the Brownfield Cleanup Program (BCP) that were admitted before June 23, 2008, but have not yet received a Certificate of Completion as of February 9, 2010, would have their tangible property credits capped by the reforms of 2008 if the

Executive BCP proposal is approved. The savings to the State in the out years would be in excess of $800 million.

By proposing a technical amendment to the Empire Zones law the Executive wants to ensure that the Empire Zone decertifications that were approved in 2009 apply to tax year 2008. The Executive also seeks to extend the Empire Zone Investment Tax credit and the Empire Zone Employment Incentive credit through April 1, 2014.



*Source: Ways and Means Committee Staff estimates. Shaded area represents forecast.*

**Figure 45**

## Corporate Franchise Tax Base

The share of Corporate Franchise taxes contributed by the manufacturing sector since 1997 has fallen from 25.8 percent to just 13 percent in 2005, but it rose to 17.1 percent in 2006. This decline coincides with both the decline in manufacturing employment in the State and the nation. Industrial production, a nation-wide measure of output that is highly correlated with New York State's manufacturing corporations' profitability, is expected to increase by 4.8 percent in SFY 2010-11, following a 6.7 percent decline in 2009-10. It reached the trough in the second quarter of 2009 (see figure 55). The share of NY Corporate tax that wholesale and retail trade accounted for during the same period experienced an upward trend, except in 2005 when the share of the finance and insurance sector surged. The finance and insurance industry fortunes have been a volatile source for New York State tax receipts, but their importance has grown over the past few decades and in 2006 finance and insurance comprised 23.6 percent of corporate franchise receipts.

## BANK TAX

In general, the bank tax is imposed on all corporations performing banking business in New York. Corporations subject to the bank tax will pay the highest of the following four alternative bases:

- 7.1 percent of entire net income allocated to New York;
- 3 percent of alternative entire net income allocated to New York;
- a variable tax that ranges from 1/10 to 1/50 of a million per dollar of assets allocated to New York; or,
- a fixed minimum tax of $250.

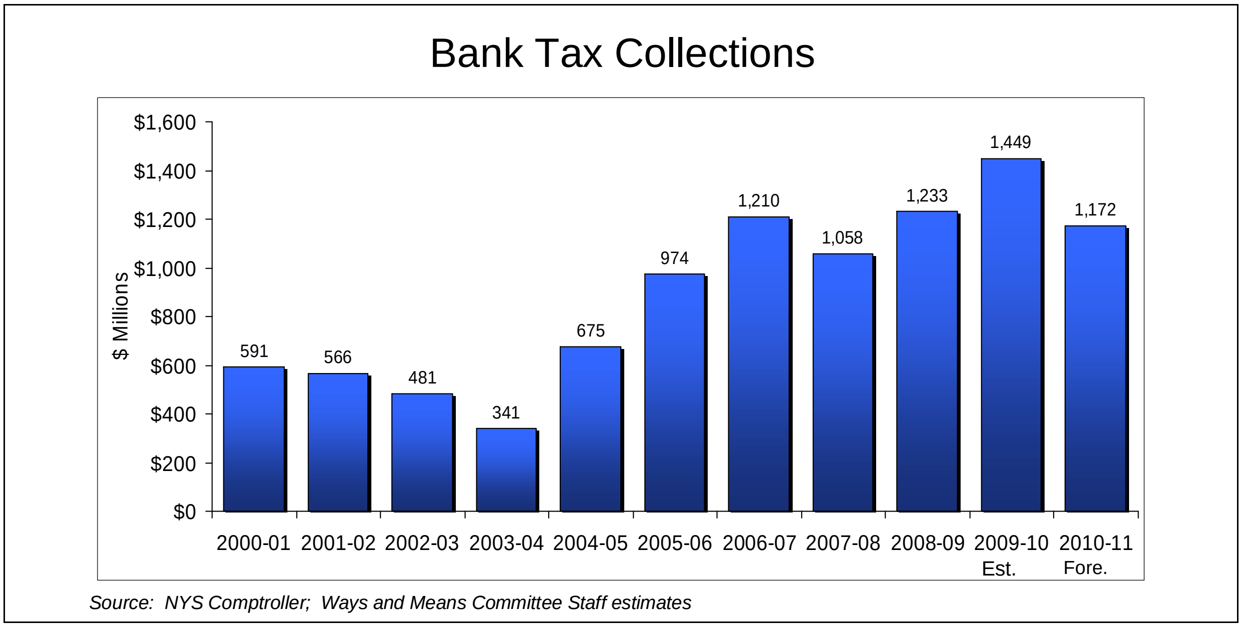



**Figure 46**

## SFY 2009-10 Estimate

All Funds collections through January were $1.03 billion, an increase of $273 million or 36 percent from the same period last year. This increase is partially attributable to one taxpayer making its yearly payment months ahead of schedule, as well as federal audits of banks that have caused a few taxpayers to upwardly adjust their previous tax payments to the State. The liquidity that the Federal Reserve and the Department of Treasury injected into the financial system stabilized the credit markets and allowed some New York banks to report quarterly profits after billions of dollars of write-downs. It is expected that banks will continue to remain profitable, but there remains uncertainty in how banks will use past losses to reduce future liabilities. The Ways and Means Committee Staff closeout for SFY 2009-10 is $1.449 billion, an increase of $216 million or 17.5 percent from collections in the prior fiscal year. This estimate is $86 million above the Executive estimate.

*Cash Flow*

Similar to corporate franchise taxpayers, banks are currently finalizing their 2007 and 2008 tax returns. Unlike corporate franchises, many banks are not requesting high levels of refunds and are electing to carry forward their overpayments because they are not facing liquidity constraints. Through January, banks requested $61 million in refunds, a decrease of $196 million or 76 percent from the previous year. This volume of refunds equates to 19 percent of All Funds bank tax collections. While this is a slightly elevated percentage, there is not a constant relationship between refund volume and collections.

Prior year adjustments have also decreased significantly from the previous year. The ratio of total prior year adjustments to All Funds bank tax revenues has decreased from 60.9 percent last year to 18 percent this year. The volume of adjustments has decreased from negative $441 million last year to negative $181 million this year, a decrease of $260 million or 59 percent.

In SFY 2008-09 New York State received $454 million in audits, an unusually large amount due to the Voluntary Compliance Initiative (VCI) that was available to taxpayers for only a few months. The Deficit Reduction Plan, that was enacted in December, included a tax amnesty plan (PAID) that is expected to raise $19 million in bank taxes. This year the Department of Taxation and Finance is only expecting $239 million in audit collections for the entire fiscal year, compared to $455 last year.

All businesses are required by a law passed with the SFY 2009-10 budget to increase their first tax payment from 30 percent to 40 percent of the previous years tax liability. This is expected to increase tax collections in March of this fiscal year by $47 million.

Another factor increasing end of the year collections that is unrelated to the banking business is the Executive's decision to withhold $124 million requested refunds until the next fiscal year due to cash flow restrictions faced by the State of New York.

**SFY 2010-11 Forecast**

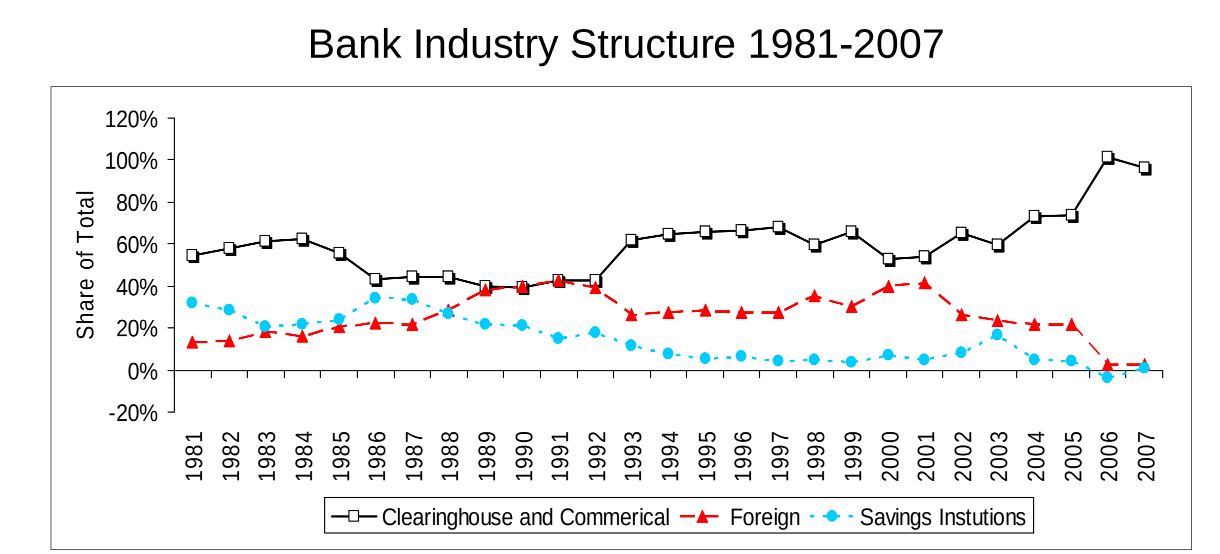
The Ways and Means Committee staff's forecast for bank tax receipts in SFY 2010-11 is $1.172 billion, a decrease of $277 million or 19.1 percent from the staff previous fiscal year estimate. Without the negative adjustments made to the forecast for the payment of the delayed refunds, and the loss of the one time boost from the increase in the prepayment percentage, the bank tax would be expected to grow a mild 1.1 percent to $1.465 billion. The Committee staff forecast is $96 million above the Executive estimate.

## Executive Budget Proposal

The Executive is anticipating the Department of Taxation and Finance completing a project that proposes the elimination of the separate tax on banking corporations and reforms the taxation of general business corporations. Before the consolidation of the bank and corporate franchise taxation articles is formally proposed and enacted, a one year extension of the Gramm-Leach-Bliley Act transitional provisions and the reforms of 1985 and 1987 is being proposed. This proposal would not have any fiscal impact.

*Tax Base*

Over the past few decades the structure of the banking industry has shifted. In the 1980s and 1990s approximately 50 percent of the entire bank tax collected was paid by clearinghouse and commercial banks. In 2007, banks classified as clearinghouse and commercial banks paid 97 percent of the bank tax. Savings institutions and foreign banks had been paying a much larger share of the New York bank tax, but in the past few years their share has declined.




*Source: Department of Taxation and Finance*

**Figure 47**

## INSURANCE TAX

Insurance companies in New York State are taxed by two separate taxing bodies, the Tax Department and the Insurance Department. Pursuant to Article 33 of the Tax Law, the Tax Department imposes income and/or premiums taxes on insurance companies. The Insurance Department imposes taxes on insurance companies pursuant to Articles 11 and 21 of the Insurance Law.

Article 33 of the Tax Law imposes a tax on insurance companies for the privilege of operating in a corporate form in New York State. Significant Legislative changes to Article 33 were enacted in 2003. The new calculation and rates vary by type of insurer as illustrated below:

### Life Insurers

The greater of:

1. The highest of four alternative bases listed below, plus 0.7 percent of premiums written on risks assigned to New York State; or,
2. 1.5 percent of premiums written on risks assigned to New York State.

Four Alternative Bases of Tax for Life – Insurance Calculation

1. 7.1 percent on allocated entire net income;
2. 1.6 mills for each dollar of allocated business and investment capital;
3. 9 percent on statutory allocated income and salaries; or,
4. $250.
5. Plus 0.8 million for each dollar of allocated subsidiary capital.

The total amount of tax cannot exceed 2.0 percent of taxable premiums and cannot be lower than 1.5 percent of net premiums.

### Non–Life Insurers

1. 1.75 percent of premiums written on risks assigned to New York State for Accident and Health (A/H) insurers; and,
2. 2.0 percent of premiums written on risks assigned to New York State for Property and Casualty (P/C) insurers.

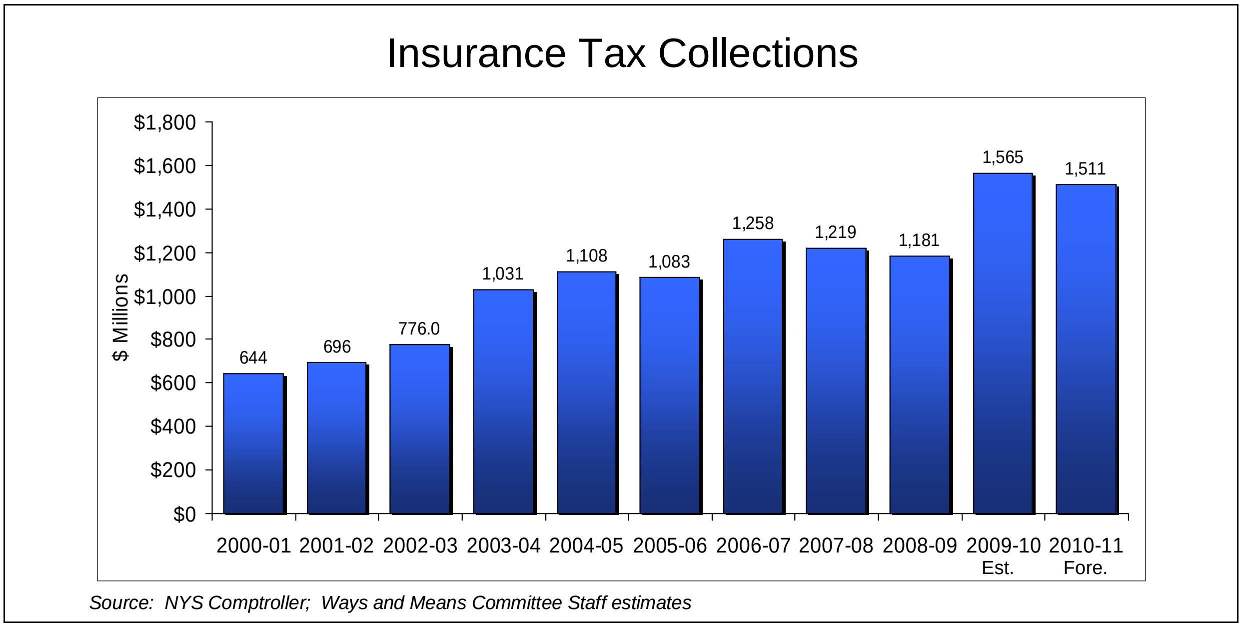



**Figure 48**

## SFY 2009-10 Estimate

Through January, insurance tax collections for the fiscal year are up $203 million, or 27 percent, from the same period last year. The Ways and Means Committee's estimate for SFY 2009-10 is $1.565 billion, an increase of $384 million or 32.5 percent. Without the increase in collections attributed to law changes, the insurance tax is only expected to increase by $141 million or 11.9 percent.

**Table 27**

| Revenue Actions (Dollar Amounts in Millions) | |
|---|---|
| March Prepayment (30% to 40%) | $79 |
| Add HMO to Article 33 | 169 |
| **Total Actions** | **$248** |

## Year to Date Results and Cash Flow

Fiscal year-to-date through January, refunds have decreased $27 million or 46 percent over the same period last year. In the first half of SFY 2008-09 the refund to collections ratio reached 7.7 percent, but it decreased to 5.3 percent for the entire year. This ratio is currently 3.3 percent for SFY 2009-10, and this indicates that the insurance industry is not experiencing financial stress because they are not using their prior losses to supplement their operating budgets.

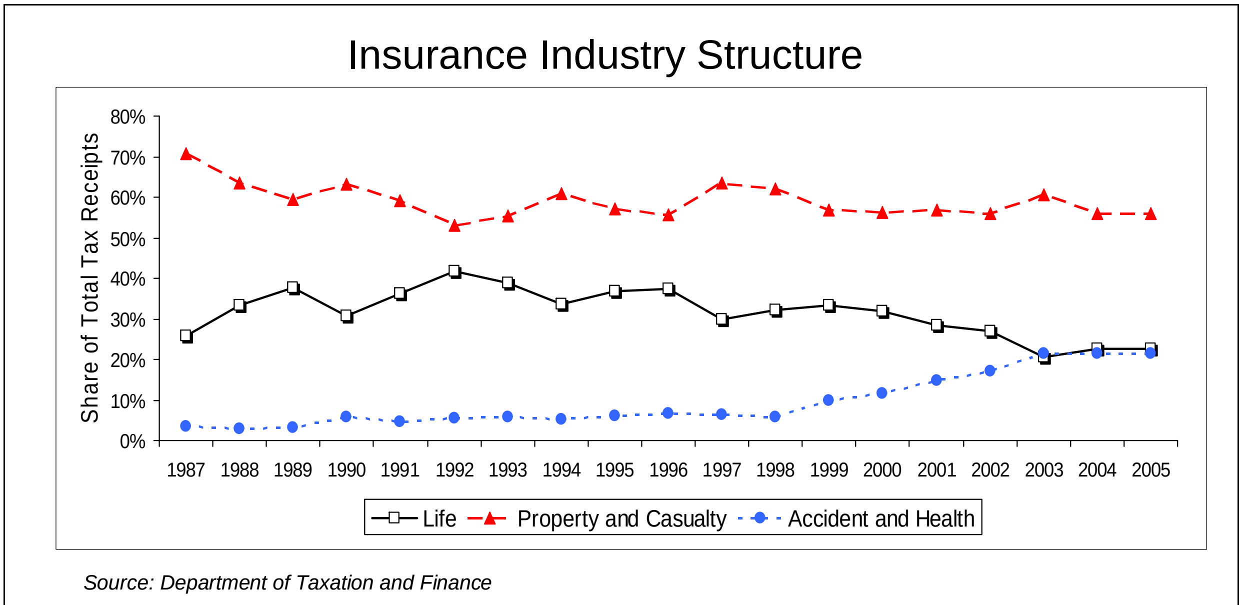
Due to changes in the 2009-10 enacted budget, Health Maintenance Organizations are subject to premium taxes for the first time in New York State this fiscal year. As a result, insurance taxes are expected to increase by a minimum of $169 million. The insurance tax is experiencing more growth than expected and it is possible that HMOs will contribute more to the tax than originally expected. The Committee also expects insurance companies to increase their prepayment by $79 million dollars this year. Law changes account for a minimum growth of $248 million or 20.9 percent this fiscal year

**SFY 2010-11 Forecast**

The Ways and Means Committee staff's current law forecast for SFY 2010-11 is $1.506 billion, $54 million or 3.8 percent less than the Committee staff is projecting for SFY 2009-10. Without the decrease in collections attributable to the loss of the one time prepayment percentage increase, insurance collections would increase by $26 million or 1.6 percent due to the incorporation of HMOs into the insurance tax. The Committee staff forecast is $111 million above the Executive forecast.

**Tax Base**

The share of tax liability borne by the Accident and Health insurance sector of the market has increased since 1995. This is largely due to rising health insurance premiums.




*Source: Department of Taxation and Finance*

**Figure 49**

## UTILITIES TAX

All transportation or transmission companies exercising their corporate franchise, doing business, employing capital, owning or leasing property in the State in a corporate or organized capacity, or maintaining an office in New York are subject to a franchise tax pursuant to Article 9 of the tax law.

Section 183, which only accounted for 3.4 percent of total Article 9 collections last fiscal year, imposes tax on transportation and transmission companies. They pay the highest tax after determining their liability under these 3 methods:

6. $75;
7. 1.5 mills per dollar of net value of issued capital stock; or,
8. if dividends paid on the par value of any stock during any calendar year amount to 6 percent or more, 0.375 mill for each 1 percent of dividends paid, computed at par value of the stock.

Section 184 taxes the same companies taxed under section 183, with a 0.375 percent tax on gross receipts within New York State. This tax accounted for 9 percent of Article 9 taxes last year.

Section 186-a imposes a 2 percent gross receipts tax on the sale of the transportation, transmission, distribution, or delivery of electric and gas utility service.

Section 186-e imposes a 2.5 percent excise tax on the gross receipts from the sale of inter and intrastate telecommunication services. Sections 186-a&e accounted for 65.6 percent of all Article 9 collections last fiscal year.

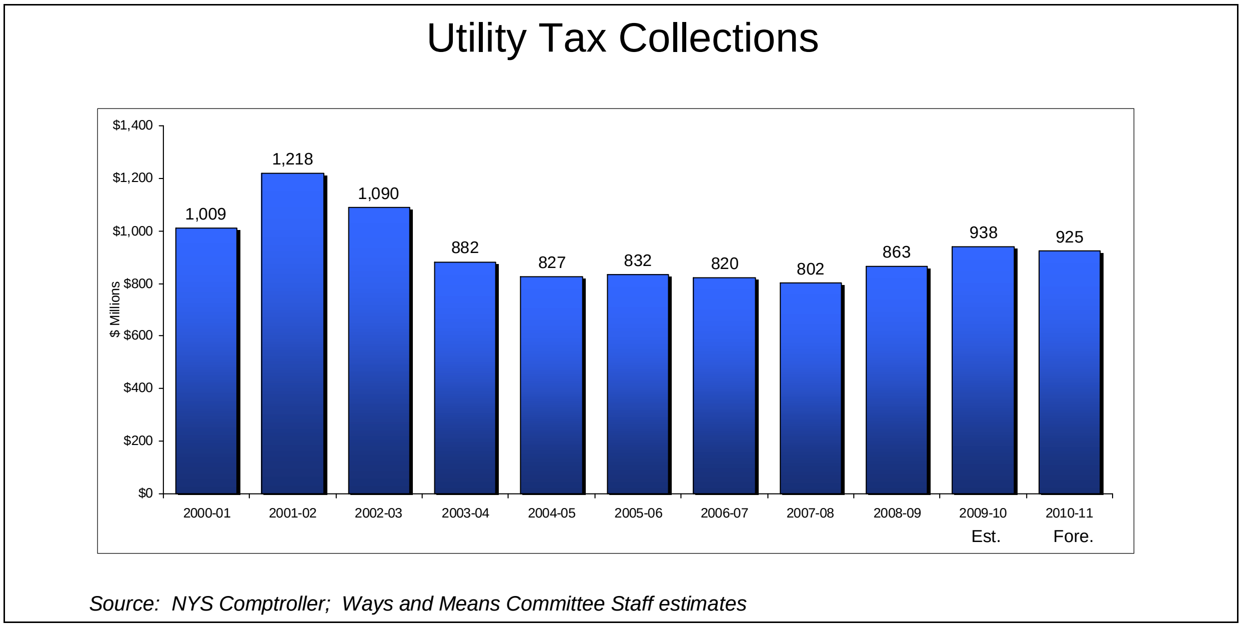



**Figure 50**

## SFY 2009-10

All Funds collections through January were $650 million, an increase of $12 million or 2 percent over the same period last year. The Way and Means Committee staff's estimate for SFY 2009-10 is $938 million, an increase of $75 million or 8.6 percent over last year. Collections were bolstered this fiscal year by a $30 million payment that one company was supposed to pay last fiscal year, but made in this fiscal year instead. The increase in the percentage businesses have to make as a first payment is also expected to increase collections this fiscal year by $42 million. Article 9 companies have requested refunds totaling $29 million through January, an increase of $10 million or 53 percent compared to last fiscal year. This indicates that many of the companies are utilizing recessionary losses to supplement current operating cost. Current year payments are $54 million or 9 percent higher than last year through January. The Committee staff estimate for SFY 2009-10 is $30 million below the Executive estimate.

## SFY 2010-11 Forecast

The Ways and Means Committee's staff forecast for utility tax collections is $925 million, a decrease of $13 million or 1.4 percent, over the Committee staff's estimate for the previous fiscal year. Adjusting the forecast for the onetime prepayment percentage increase, utility collections would be forecast to increase by 2.9 percent. The Committee staff forecast is $3 million above the Executive forecast.

## PETROLEUM BUSINESS TAX

Article 13-A of the Tax Law imposes the Petroleum Business Tax (PBT) on every petroleum business for the privilege of engaging in business, employing capital, owning or leasing property, or maintaining an office in the state. Gasoline is subject to tax at the time it is imported, while diesel is taxable upon the first sale. The petroleum business tax also applies to the fuel that motor carriers purchase outside New York State, but consume within the State.

On each January 1st, the tax rates are indexed based on the producer price index for refined petroleum products published by the Bureau of Labor Statistics Therefore, unlike the motor fuel tax or highway use tax, petroleum business tax revenues are directly related to the price of fuel, albeit lagged. The rates of tax are rounded to the nearest 1/10 of one cent and are limited to a 5 percent annual change.

All revenues from the basic tax are earmarked to dedicated funds, namely the Dedicated Mass Transportation Trust Fund, Dedicated Highway and Bridge Trust Fund and the Metropolitan Transportation Operating Assistance Fund. The dedication is as follows: 19.7 percent to the Mass Transportation Operating Assistance Fund and 80.3 percent to the Dedicated Mass Transportation Trust Fund and the Dedicated Highway and Bridge Trust Fund. The supplemental tax as well as the tax on Carriers (section 301-h of the tax law) is fully earmarked to the dedicated funds. This fund is comprised of the Public Transportation System Operating Assistance Account and the Metropolitan Transportation Operating Assistance Account. Receipts from the dedicated funds are split 37 percent and 63 percent respectively between the two funds.

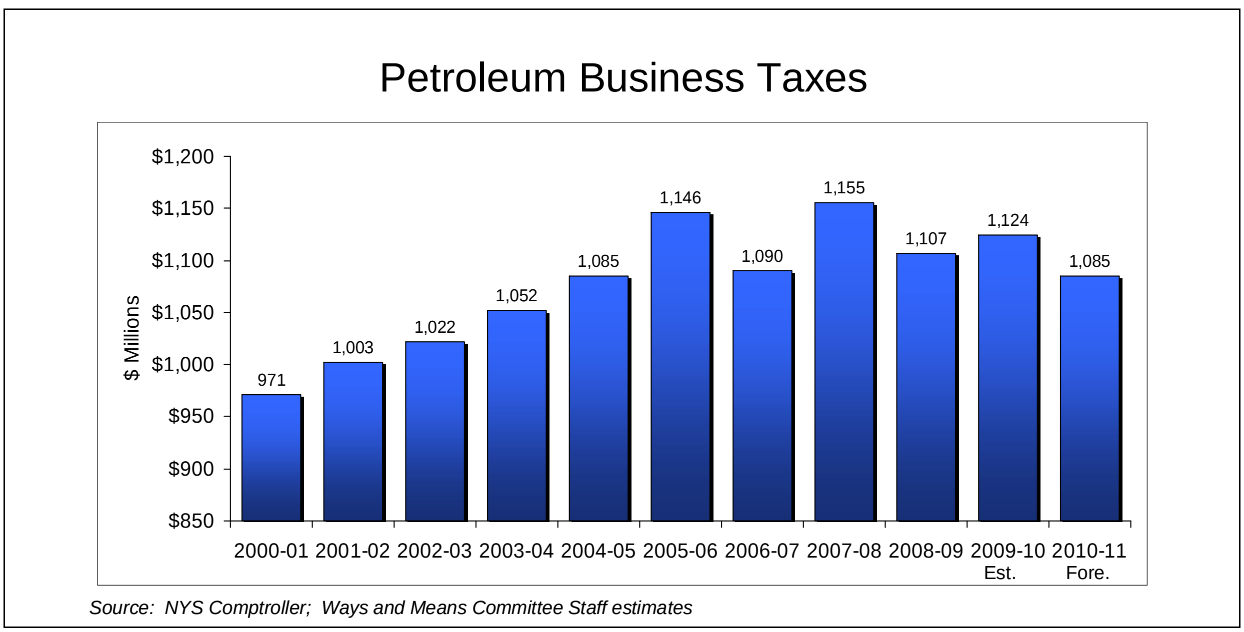



**Figure 51**

## State Fiscal Year (SFY) 2009-10 Estimate

The Committee staff anticipates All Funds receipts of $1.124 billion for SFY 2009-10, representing a 1.5 percent increase from SFY 2008-09. This estimate is $5 million above the Executive's. Through January 2010 petroleum business tax collections are $944 million, 2.0 percent above the comparable period in the prior fiscal year. Revenues from this tax are split between various dedicated funds. Of the total expected in SFY 2009-10, $366 million will be deposited in the Dedicated Mass Transportation Trust Fund, and $135 million will be deposited into the Mass Transportation Operating Assistance Fund. The remaining $623 million is deposited into the Dedicated Highway and Bridge Trust Fund. The petroleum business tax rates were decreased by 5.0 percent in January 2010.

## State Fiscal Year 2010-11 Forecast

In SFY 2010-11, All Funds receipts are forecast to total $1.085 billion, a 3.4 percent decline from SFY 2009-10. This forecast is even with the Executive's forecast. The decline in the PBT forecast is directly tied to the decline in fuel tax rates, effective January 1, 2010. Of the total expected in SFY 2010-11, $353 million will be deposited in the Dedicated Mass Transportation Trust Fund, and $130 million will be deposited into the Mass Transportation Operating Assistance Fund. The remaining $602 million will be deposited into the Dedicated Highway and Bridge Trust Fund.

## Revenue Trends

This forecast assumes that demand for gasoline and diesel will be higher in SFY 2010-11 compared to the prior year. However, the higher levels of consumption in SFY 2010-11 will still leave overall consumption lower than it was in SFY 2008-09. Lower consumption from the increase in petroleum prices will be offset by higher demand from a recovering economy.

# Other Taxes

**Table 28**

| Other Taxes<br>Forecasts by State Fiscal Year<br>(Dollar Amounts in Millions) | | | | | | |
|---|---|---|---|---|---|---|
| | SFY 2009-10 | Growth | Diff. Exec. | SFY 2010-11 | Growth | Diff. Exec. |
| **Other** | **$2,635** | **39.5%** | **($10)** | **$3,171** | **20.3%** | **$158** |
| Estate and Gift | 908 | -22.1% | (24) | 1,041 | 14.6% | 131 |
| Real Estate Transfer | 470 | -33.0% | 15 | 520 | 10.6% | 28 |
| Pari Mutuel | 19 | -14.8% | (1) | 19 | 0.0% | (1) |
| Other | 1 | 29.4% | 0 | 3 | 200.0% | 0 |
| Payroll Tax | 1,237 | N/A | 0 | 1,588 | 28.4% | 0 |

## ESTATE TAX

Article 26 of the Tax Law imposes a tax on the transfer of property upon death. Commonly known as the estate tax, Article 26 imposes a graduated rate structure on the value of estates in excess of one million dollars. All of the receipts from this tax are deposited into the General Fund. In 1997, legislation was enacted which phased-in a reduction of New York's Estate Tax making the tax liability equal to the federal credit for state estate taxes paid. New York automatically conformed State law to the unified credit provisions specified in Federal Law, but capped the maximum credit at $1 million. However, the Federal "Economic Growth and Tax Relief Reconciliation Act of 2001" repealed the credit for state estate taxes over four years.[27] In order to avoid a massive loss of revenues at a time of fiscal pressure, New York amended State law such that New York's estate tax is equal to the federal estate tax credit as it existed in 1998. Subject to extensions, estate taxes must be filed and payments made within nine months of the decedent's death.

While the estate tax is difficult to forecast, as it depends upon the death of very wealthy individuals, there is a relationship between the health of the stock market and estate tax revenues. As can be seen in (Figure 1), although not directly correlated, the estate tax does generally follow the stock market, as measured by the S&P stock price index.

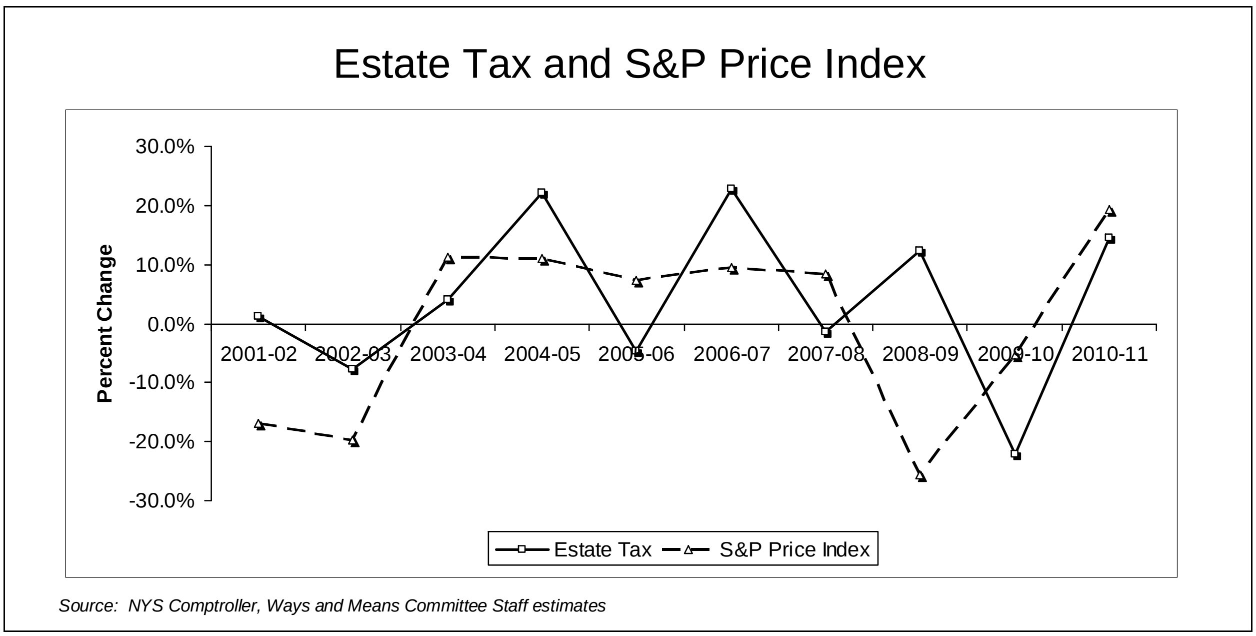
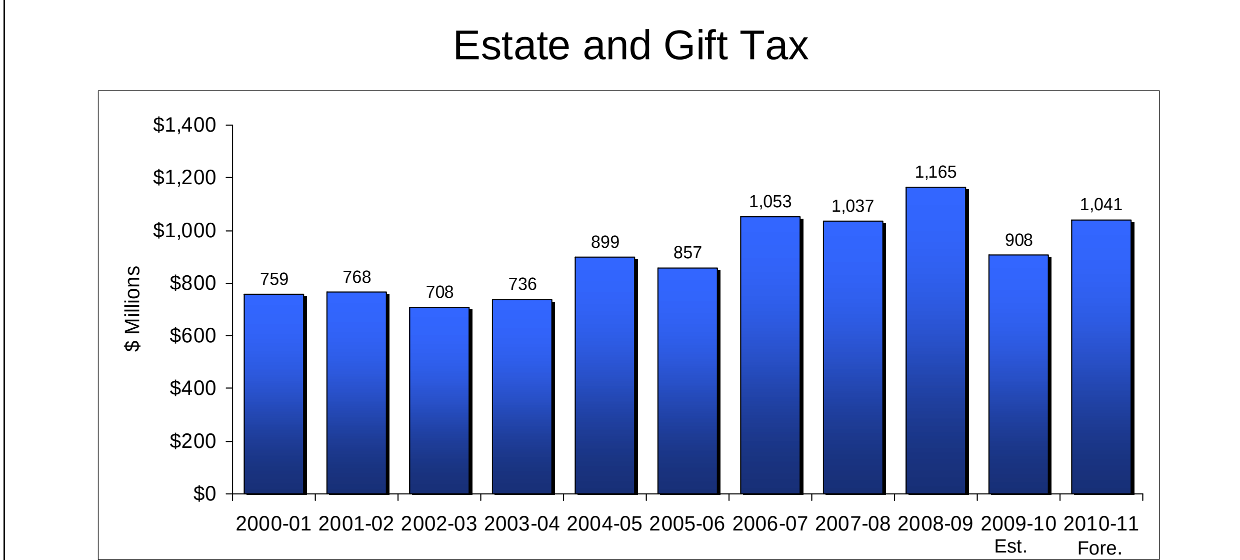



**Figure 52**

[27] "By the time the 2001 Act was passed, every one of the 50 states and the District of Columbia had in place a state death tax that reflected, largely or entirely, the federal credit." Lee, Carolyn Joy. "The Unfortunate State Tax Side Effects of Federal Death Tax 'Repeal.'" *State Tax Notes.* December 17, 2001. P. 935 – P. 949.



*Source: NYS Comptroller; Ways and Means Committee Staff estimates*

**Figure 53**

## SFY 2009-10 Estimate

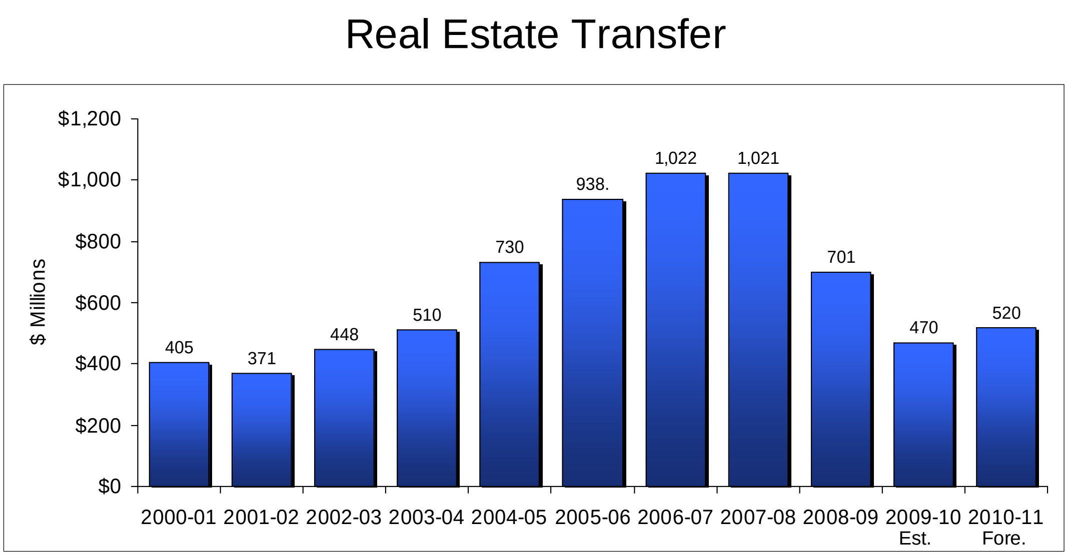
The Committee staff estimates that estate tax collections will total $908 million in SFY 2009-10, which represents a decrease of 22.1 percent or $257 million from the previous fiscal year. This estimate includes $20 million from the Penalty and Interest Discount (PAID) program, which was enacted as part of the Deficit Reduction program in December of 2009. This estimate is $24 million below the Executive's estimate. Over the last two years, the significant declines in equity and real estate markets contributed to decreases in net worth, and thus the taxable value of estates.

## SFY 2010-11 Forecast

Estate Tax collections are forecast to total $1.041 billion in the upcoming fiscal year, an increase of 14.7 percent. The forecast reflects the anticipated increase in household net worth, reflecting healthy growth in the equities and housing markets during the coming year. The Committee staff estimate is $131 million above the Executive's forecast.

## REAL ESTATE TRANSFER TAX

Article 31 of the New York State Tax Law levies a two dollar per $500 or 0.4 percent tax on real property transfers in excess of $500. The tax also applies to transfers of economic interests such as shares in cooperatively owned apartments. An additional tax of one percent, referred to as the "mansion tax", is levied on the transfer of one-two-or three-family residences over one million dollars. Typically, the party conveying the property (grantor) is liable for the 0.4 percent tax and the party purchasing the property (grantee) is liable for the additional one percent mansion tax, where applicable. The tax is collected at the local level and sent to the State, so there is a lag of a few months or more.




*Source: NYS Comptroller; Ways and Means Committee Staff estimates*

**Figure 54**

### SFY 2009-10 Estimate

Based on year-to-date collections, historical collection patterns and present economic forecasts, the Committee staff forecasts that Real Estate Transfer Tax (RETT) receipts will total $470 million in SFY 2009-10, representing a 30.0 percent decrease over SFY 2008-09. The Committee staff's closeout is $15 million above the Executive's 2010-11 Budget estimates. Of the $470 million, $199 million will be deposited into the Environmental Protection Fund (EPF) as required by Section 1421 of the New York State Tax Law and the balance is deposited into the Clean Water/Clean Air Bond Debt Service fund (CWCA). Unused RETT funds deposited into CWCA will be transferred to the General Fund. The $199 million dedicated to the EPF is a 15.9 percent reduction from SFY 2008-09; in SFY 2008-09, $237 million was dedicated to the EPF. According to the SFY 2009-10 Executive Budget Five-Year Capital Program and Financing Plan, the reduction in dedicated RETT receipts for the EPF is part of a restructuring plan to replace RETT as a major source of EPF funding with revenues received via the new "Bottle Bill."

Through January 2010, RETT receipts are down 36.4 percent statewide compared to the same period last year. As of December (the latest available data), regional RETT receipts in New York City were down by 45.7 percent compared to the December SFY 2008-09. This is significant as New York City accounted for 65.7 percent of all RETT receipts in SFY 2008-09.

**Table 29**

| Regional Real Estate Transfer Tax Collections and Growth Rates | | | | | | |
|---|---|---|---|---|---|---|
| Region | Dec. YTD SFY 2008-09 | Dec. YTD Receipts SFY 2009-10 | Dec. YTD $ Change | Dec. YTD % Change | % of YTD Receipts SFY 2008-09 | % of YTD Receipts SFY 2009-10 |
| NYC | 370 | 201 | -169 | -45.7% | 63.9% | 55.1% |
| Long Island | 75 | 63 | -12 | -16.0% | 13.0% | 17.3% |
| Mid-Hudson | 52 | 37 | -15 | -28.8% | 9.0% | 10.1% |
| Capital Region | 12 | 10 | -2 | -16.7% | 2.1% | 2.7% |
| Mohawk Valley | 3 | 2 | -1 | -33.3% | 0.5% | 0.5% |
| North Country | 4 | 3 | -1 | -25.0% | 0.7% | 0.8% |
| Western NY | 9 | 9 | 0 | 0.0% | 1.6% | 2.5% |
| Southern Tier | 5 | 4 | -1 | -20.0% | 0.9% | 1.1% |
| Central NY | 6 | 5 | -1 | -16.7% | 1.0% | 1.4% |
| Finger Lakes | 10 | 9 | -1 | -10.0% | 1.7% | 2.5% |
| Unclassified | 33 | 22 | -11 | -33.3% | 5.7% | 6.0% |
| Total | 579 | 365 | -214 | -37.0% | 100.0% | 100.0% |

As the economy continues its sluggish recovery the demand for high-end residential units, units that are subject to the mansion tax, continues to wane. In SFY 2008-09 the “mansion tax” generated $227 million which was a decline of $89 million or 28 percent from SFY 2007-08. According to the Division of Budget, as of November 2009, there were only 4,250 transactions which resulted in $97 million or 31 percent in revenue receipts. These low numbers suggest that the high-end residential market remains fragile and will most likely remain so throughout SFY 2009-10.

**Table 30**

| New York State Mansion Tax Liability: SFY 1996-1997 thru 2008-09 | | | | |
|---|---|---|---|---|
| SFY | # of Real Estate Transaction Subject to Mansion Tax | Mansion Tax Liability (in million) | Total RETT Revenues | % of Revenues from Mansion Tax |
| 1997-1998 | 1,374 | 26.3 | 230 | 11.4% |
| 1998-1999 | 1,810 | 35.5 | 312 | 11.4% |
| 1999-2000 | 2,331 | 46.2 | 340 | 13.6% |
| 2000-2001 | 4,025 | 90.6 | 405 | 22.4% |
| 2001-2002 | 3,429 | 69.5 | 371 | 18.8% |
| 2002-2003 | 5,111 | 99.3 | 448 | 22.2% |
| 2003-2004 | 6,150 | 150.0 | 510 | 29.4% |
| 2004-2005 | 9,582 | 198.0 | 730 | 27.1% |
| 2005-2006 | 11,406 | 240.0 | 938 | 25.6% |
| 2006-2007 | 11,824 | 248.0 | 1,021 | 24.3% |
| 2007-2008 | 13,526 | 316.0 | 1,021 | 31.0% |
| 2008-2009 | 9,675 | 227.0 | 701 | 32.4% |

Note: This data was provided by the Department of Taxation and Finance; these are estimates that could be subject to manual corrections and revisions.

## SFY 2010-11 Forecast

In light of the slow economic recovery, the Committee staff estimates that RETT receipts in SFY 2010-11 will be approximately $520 million, representing an increase of 10.6 percent or $50 million over SFY 2009-10 estimates. The Committee Staff's estimate is $28 million more than the Executive 2010-11 Budget projections.

The Committee staff attributes the instability of the financial market and the upswing in unemployment, as well as the continued credit crunch, as major factors in the conservative revenue projections for RETT receipts.

## Revenue Trends

Real Estate Transfer Tax (RETT) receipts are a function of the number of real estate transactions and the dollar amount of each sale. From SFY 1996-97 through 2006-07, RETT receipts had grown by 426.3 percent – from $194 million in SFY 1996-97 to $1.021 billion in SFY 2007-08. Had receipts merely increased by the rate of inflation, they would have only grown by 24 percent during the same time period. The bulk of this growth took place during SFY 2004-05 and SFY 2005-06, when receipts grew by more than $200 million each year. This drastic increase in RETT receipts is attributed to a surging real estate market in New York State, particularly in New York City and the surrounding suburbs. The surging real estate market in and around New York City put many properties above the million dollar mark – subjecting such properties to the additional "mansion tax." Over the same period the mansion tax grew from 10 percent to 31 percent of collections. Just as the housing boom had a sudden and significant positive impact on RETT receipts since 2005, the Committee staff anticipates the current economic slow-down, particularly in the housing sector, will cause the RETT receipts to have only modest growth over the next couple of years.

In the first half of SFY 2009-10, RETT receipts were down by 50.4 percent or $220 million over the same time period in SFY 2008-09; however, in the third quarter of SFY 2009-10 receipts were down by only 15.2 percent or $25 million over the same year-to-date period in SFY 2008-09. This is significant as it was not until the fourth quarter of SFY 2008-2009 that RETT receipts plummeted by more than 50 percent from the prior record year. Thus, it is reasonable to be cautiously optimistic about New York's real estate market; New York "may" have hit bottom and RETT receipts may be stabilizing.

**Real Estate Trends**

There is concern that foreclosure filings - default notices, scheduled auctions and bank repossessions – may be on the rise; this is due in part to the high-employment rate as well as the increase in exotic mortgages. Many of the newer foreclosures are from riskier mortgages such as "Alt-A" (mortgages that were provided based solely on credit – no proof of income/ability to pay) and Option ARMs (mortgages that had very low interest rates for the first few years which "reset" after three to five years at much higher rates; thus higher monthly payments)[28].

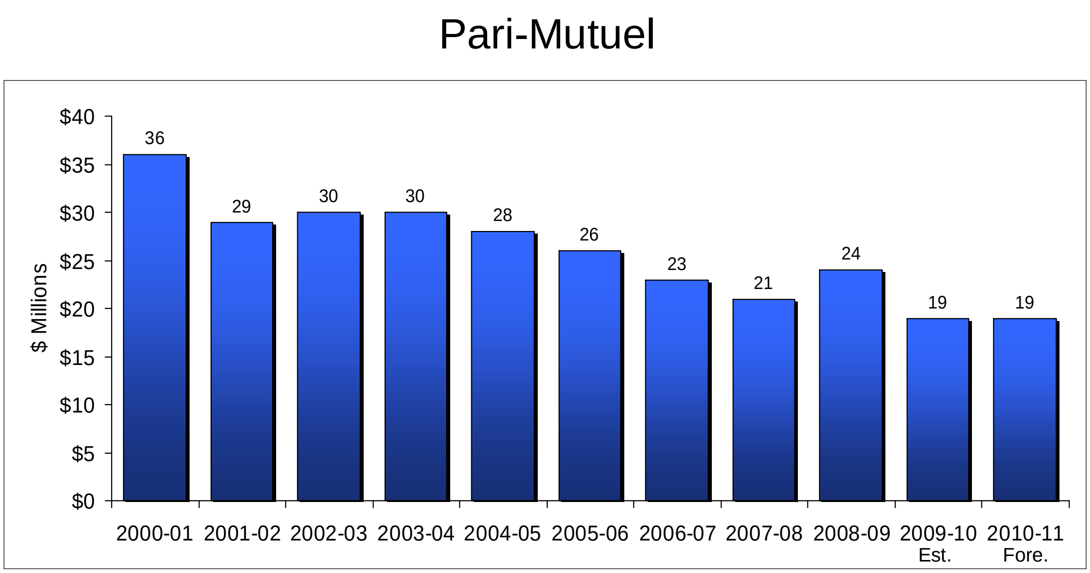
An increase in foreclosure activity and a steady supply of foreclosed real estate may adversely affect real estate transfer receipts, as the supply of homes out-paces demand and prices slide downward. Although a decrease in housing prices may increase sales, especially since the first-time home-buyer credit has been expanded and interest rates are expected to remain low, these factors will have minimal impetus if unemployment remains high, as many economists are warning. Likewise, RETT revenue declines may be exacerbated if financial institutions continue to restrict and limit credit lines.

[28] Realty Trac Staff, "As Some Top Metro Foreclosure Activity Rates Decrease, New Foreclosure Hot Spots Emerge in Q3 2009," Realty Trac Press Releases on the Web, 28 Oct. 2009.

## PARI-MUTUEL

The Racing, Pari-mutuel Wagering and Breeding Law imposes a pari-mutuel tax on bets placed at racetracks, simulcast theaters and Off-Track Betting (OTB) facilities. For-profit and not-for-profit racing associations, as well as OTB Corporations, are taxed a percentage of their total betting pools for the privilege of conducting pari-mutuel wagering. All of the receipts are deposited into the General Fund.

The tax is paid on the last business day of each month for the period from the 16th day of the preceding month through the 15th day of the current month. Payments that are required to be made on March 31 must include all taxes due and accruing through the last full week of racing in March.




*Source: NYS Comptroller; Ways and Means Committee Staff estimates*

**Figure 55**

### SFY 2009-10 Estimate

The Committee staff estimates that receipts will total $19 million in SFY 2009-10, a decline of 14.8 percent or $3 million compared to SFY 2008-09. This estimate is $1 million below the Executive's SFY 2010-11 Budget estimate. As of January 2010 Pari-mutuel receipts are down 19.2 percent or $4 million compared to the same period in SFY 2008-09.

### 2010-11 Forecast

The Committee staff forecast for SFY 2010-11 is $19 million, representing no growth over SFY 2009-10. The Committee's forecast is $1 million below the Executive's SFY 2010-11 Budget estimate.

### Revenue Trends

Pari-mutuel receipts have steadily declined over the pass 20 years. Current receipts through January of 2010 are down by 14.8 percent or $3 million dollars over the same period in SFY 2008-09. The decline in pari-mutuel gambling is believed to be related to the competition of other forms of gambling (e.g. lottery, casinos). The New York State Division of Lottery's (DOL) plans to expand multi-state lottery game (adding powerball), the introduction of new lottery and video lottery games, and as DOL's commitment to actively promote the traditional Lottery is cause for concern, as it has the potential to siphon away pari-mutuel dollars as well as interest in New York's horse racing industry. Nonetheless, with the impending licensing of Video Lottery Terminals (VLTs) at Aqueduct Raceway, there is guarded optimism that the horse-racing industry will realize some positive growth from the anticipated upgrading of the facility and increased traffic.

## METROPOLITAN COMMUTER TRANSPORTATION MOBILITY TAX

Chapter 25 of the Laws of 2009 levied a payroll tax of 0.34 percent on all employers, including the self-employed, within the Metropolitan Commuter Transportation District (MCTD). The MCTD includes New York City and Nassau, Suffolk, Westchester, Rockland, Orange, Dutchess and Putnam counties. The revenues from this tax are deposited into the Mass Transportation Operating Assistance Fund (MTOAF) for the benefit of the Metropolitan Transportation Authority (MTA).

Liability for the tax will begin for payrolls as of March 1, 2009, however the first payment was not due until October 31, 2009. Those taxpayers who are required to remit withholding taxes electronically will also remit their portion of the payroll tax electronically. Taxpayers who are not required to remit withholding taxes electronically will remit the payroll tax quarterly following the wage reporting schedule (October 31, January 31, April 31, July 31). While all employers, including the self-employed, are subject to this tax, school districts will be reimbursed for payroll tax costs the following April, May and June.

### State Fiscal Year (SFY) 2009-10

The Committee staff estimates that this tax law change will yield an additional $1.237 billion in SFY 2009-10 for the Metropolitan Commuter Transportation District. This estimate is $64 million above the Executive estimate. Since this tax was levied retroactively to March 1, 2009, this estimate actually includes electronic withholding from March 1, 2009 through March 31, 2010, whereas regular withholding and estimated payments are only on liability between March 1, 2009 and December 31, 2009. Year-to-date receipts total $940 million.

### State Fiscal Year 2010-11

The Committee staff forecasts that the MTA payroll tax will yield $1.588 billion in SFY 2010-11, representing growth of 28.4 percent. However, the SFY 2010-11 forecast includes $200 million in revenue attributable to the Executive's proposal to increase the payroll tax within New York City from 0.34 percent to 0.54 percent, while decreasing the rate outside the City form 0.34 percent to 0.17 percent. This forecast is $11 million above that of the Executive.

# Lottery

The New York State Lottery was established via a Constitutional amendment in 1976 for the express purpose of raising revenues for education. The Lottery is currently comprised of Instant Games, Daily Numbers, Win 4, Pick 10, Take 5, Quick Draw, Lotto, Mega Millions, Instant Wind, Promotional “Sweet Millions”, and Video Lottery Terminals (VLTs).

Traditional lottery games are sold by approximately 16,718 licensed retailers throughout the State. A percentage of sales from each game are dedicated to fund education; traditional lottery games dedicate between 15 and 45 percent of sales to education while VLTs dedicate on average between 8 and 9 percent of the VLT credits played (wagers) to education. The prize payouts for traditional lottery vary as well, from 40 percent of Lotto sales to as much as 75 percent for certain “instant” games. The prize payout for VLTs ranges between 91 and 93 percent.

The Division of Lottery (DOL) administrative expenses are appropriated by the Legislature each year as part of the State Operating Budget, but are funded completely with revenues from Lottery sales. DOL is required to set aside 15 percent of lottery sales for administrative expenses; expenses include retailer commissions, contract fees, telecommunication lines, and miscellaneous administrative costs. DOL has control over the administrative expenditures, which are generally limited to 10 percent of sales, thus they end the year with a surplus. When there is an administrative surplus, the remaining funds are transferred to the general Lottery account and dedicated to education. The Lottery Aid Guarantee (LAG), which is the amount of revenue that will be dedicated to education from lottery sales, is established in the State Budget and is based on expected revenues; the LAG includes anticipated unused administrative surpluses. If Lottery proceeds exceed the LAG, any surplus will be dedicated to education in the next fiscal year (termed a carry-out).

### SFY 2009-10 Estimate

The Ways and Means Committee staff estimates the SFY 2009-10 Lottery revenues will total $2.958 billion, this includes approximately $2.168 billion for traditional lottery, of which $382 million is administrative surplus and $790 million is VLT revenue. Of the $790 million, $300 million is for the one-time licensing fee for VLT rights at Aqueduct. The $300 million is included in the SFY 2009-10 closeout, as this revenue was incorporated into the Deficit Reduction Plan. The SFY 2009-10 Committee staff closeout includes $19 million in “Powerball” receipts; Powerball tickets became available for sale the last week of January 2010.

*Traditional Lottery*

As of week 47 (week ending February 13th, 2010) of SFY 2009-10, traditional Lottery year-to-date proceeds were up by 1.8 percent or $27 million over the same period in SFY 2008-09. The increase in revenue is primarily due to the increased activity in Mega Millions and from the new promotional game "Sweet Million" that was introduced in September of 2009; Sweet Million year-to-date revenue is $13.2 million. Mega Millions continues to draw interest - as of week 47, Mega Millions revenue had increased $141 million or 29.6 percent over the same year-to-date period in SFY 2008-09. The continued interest in Mega Millions can be attributed to the potentially high payouts; in 21 of the 47 weeks in SFY 2009-10 Mega Millions had jackpots of over $100 million. Lotto – which in prior years has consistently had negative year-over-year growth - has a growth rate of 3.6 percent or $2.5 million over the same 47 week period in SFY 2008-09. Nonetheless, Take 5, Quick Draw, and Numbers are still struggling; collectively these games have a negative growth of 2.1 percent or a decline of $9.7 million over the same period in SFY 2008-09.

**Table 31**

| **Traditional Lottery (Dollar Amounts in Millions)** | | | |
|---|---|---|---|
| Game | 2008-09 Actual Receipts | WAM 2009-10 Estimates | WAM 2010-11 Forecast |
| Lotto | $80 | $81 | $57 |
| Mega | 164 | 206 | 158 |
| Numbers | 297 | 296 | 296 |
| Win-4 | 258 | 270 | 270 |
| Pick 10 | 11 | 11 | 11 |
| Take 5 | 115 | 110 | 93 |
| Instant Games | 691 | 674 | 675 |
| Quick Draw | 106 | 104 | *137 |
| (Promo) | 4 | 0 | 0 |
| Sweet Millions | 0 | 16 | 25 |
| Powerball | 0 | 19 | 134 |
| Subtotal | 1,726 | 1,786 | 1,855 |
| Administration Aid | 356 | 382 | 448 |
| **Total** | **$2,082** | **$2,168** | **$2,303** |
| *Forecast: Quick Draw total includes $33 million additonal for Executives 2010-11 Proposal to remove certain QD location restrictions | | | |

*Video Lottery (VLTs)*

The Committee staff estimates that VLT revenues in SFY 2009-10 will total $790 million, an increase of 81.6 percent or $355 million over SFY 2008-09; the anticipated growth without the $300 million one-time licensing fee for Aqueduct would be 12.6 percent or 55 million over SFY 2008-09.

Revenue receipts through January of SFY 2009-10 show VLT revenue growth of 7.7 percent or $27 million over the same period in SFY 2008-09. Notably, Monticello raceway is the only VLT facility that has had negative growth throughout SFY 2009-10; revenue receipts through January 2010 show Monticello has had a year-to-date decline in growth of 5.7 percent or $1 million over SFY 2008-09.

**Table 32**

**Video Lottery**
**(Dollar Amounts in Millions)**

| Racino | 2008-09 Acutals | WAM 2009-10 Closeout | WAM 2010-11 Forecast |
|---|---|---|---|
| Batavia | 14 | 14.9 | 15.7 |
| Empire | 239 | 265.4 | 292.6 |
| Fairgrounds | 18 | 19.1 | 20.8 |
| Finger Lakes | 48 | 50.8 | 56.1 |
| Monticello | 22 | 20.0 | 17.8 |
| Saratoga | 64 | 62.1 | 60.6 |
| Tioga Downs | 18 | 18.1 | 19.6 |
| Vernon Downs | 13 | 12.8 | 13.6 |
| subtotal | 436 | 463.2 | 496.8 |
| Admin Aid | 27 | 26.4 | 24.2 |
| subtotal | 463 | 489.6 | 521.0 |
| Licensing Fee | 0 | 300.0 | 0.0 |
| Proposed Elimination of "Hour" Restrictions | 0 | 0 | 45.0 |
| **Total** | **$463** | **$789.6** | **566.0** |

**SFY 2010-11 Forecast**

The Committee staff forecasts the Lottery revenues for SFY 2010-11 will total $2.869 billion, representing a negative growth of 3.0 percent or a decline of $89 million over SFY 2009-10. The forecast includes $134 million in revenue from “Powerball”, $50 million related to new investment strategies – purchasing municipal bonds instead of Treasury Bills; and $78 million in revenue from the Executive’s SFY 2010-11 Budget proposal. The Executive’s budget proposal includes an additional $33 million in revenues related to the removal of Quick Draw restrictions, which currently places limitations on where Quick Draw play is authorized, and an additional $45 million in revenue related to lifting restrictions on the number of hours VLT facilities can operate.

The Committee staff does not include proceeds from the operation of VLTs at Aqueduct Raceway in the forecast; at the time of this report there has been no final determination as to which facility will be awarded the VLT rights at Aqueduct; thus the logistics (e.g. how many machines, opening date) are still unresolved.

**Revenue Trends**

New York Lottery revenues have generally risen over the last decade. Driven by large gains in instant sales, which more than doubled since SFY 1997-98, Lottery receipts have grown from $1.534 billion in SFY 1997-98 to $2.544 billion in SFY 2008-09. Lottery revenues have substantially benefited from the introduction of Video Lottery Terminals (VLTs) beginning in SFY 2004-05. As of week 42 of SFY 2009-10, Lottery and VLT receipts have a combined growth of 2.6 percent or $46 million over the same period in SFY 2008-09. The fact that New York continues to realize growth is significant, as many other states have realized declines or remained flat through the economic downturn that the nation has experienced throughout SFY 2008-09 and into SFY 2009-10.

VLTs produced $462 million in SFY 2008-09 for education, a decline of 5.7 percent or $28 million from SFY 2007-08. The decline in education revenue was the direct result of the legislation that was enacted in SFY 2008-09 that modified the shares. The purpose of the legislation was to provide VLT operators with additional funding to promote and improve the VLT facilities to attract new participants as well as to retain regular customers. Overall, in SFY 2008-09, all but one VLT facility had increased participation. Monticello was the only VLT facility that had a decline; the overall net machine income (NMI) for Monticello declined by 8.5 percent. Monticello continues to slide in SFY 2009-10; through December 2009 Monticello had a NMI decline of 7.4 percent over the same period in SFY 2008-09.

The Division of Lottery (DOL) is in the midst of revamping the entire traditional lottery gaming system; every piece of hardware is being replaced, from retail terminals to the central computer systems. The new technology will allow the Division of Lottery to seek competitive opportunities that arrive as new companies and new games are introduced into the world of Lottery.

# Miscellaneous Receipts

## Miscellaneous Receipts – General Fund

General Fund Miscellaneous Receipts consist of income derived annually from abandoned property, investment earnings, fees, licenses, fines, surcharges, patient income, and reimbursement income. In addition, Miscellaneous Receipts typically include certain non-recurring revenue actions.

General Fund Miscellaneous Receipts are estimated to total $2.9 billion in SFY 2010-11, $592 million or 16.9 percent decrease from SFY 2009-10, a result of a $67 million increase in license and fee collections, $50 million decrease in reimbursement, $645 million decrease in other transactions, a $35 million increase from investment income, and no change in abandoned property.

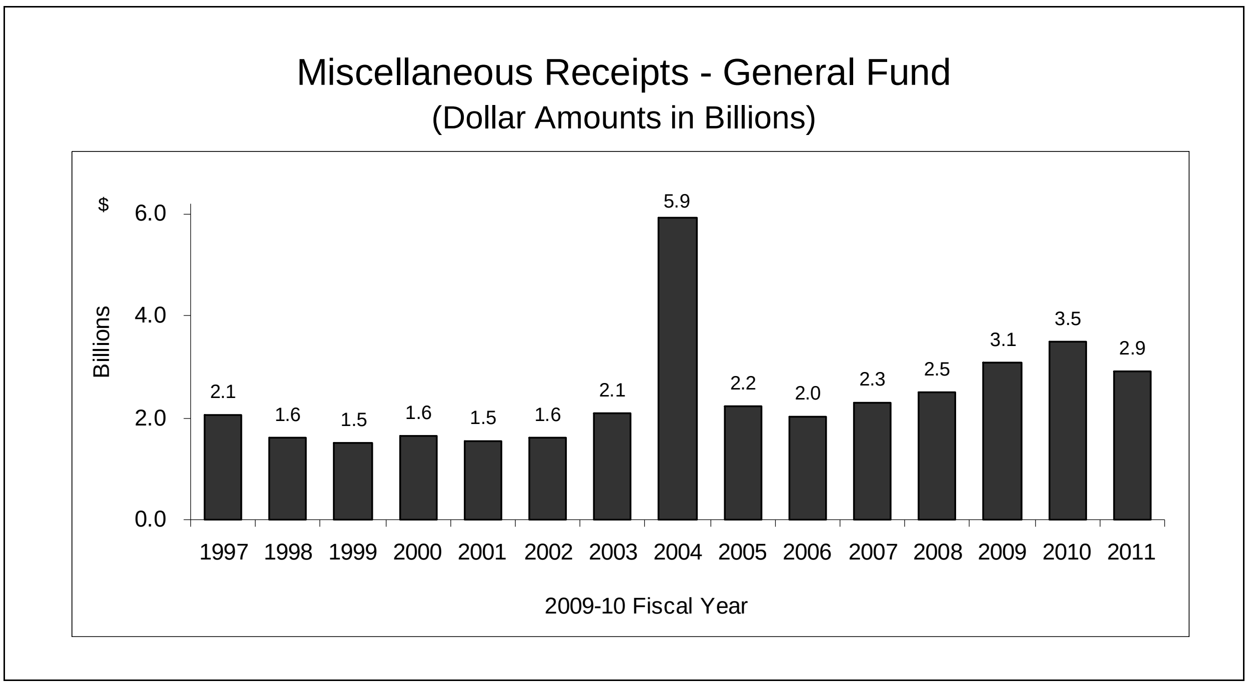



**Figure 56**

Miscellaneous receipts have been a steady source of revenue for the General Fund. The sizeable increase in 2004 receipts reflects the one time deposit of tobacco bond proceeds to fund the shortfall in the Health Care Fund.

**Table 33**

## Miscellaneous Receipts - General Fund
### (Dollar Amounts in Millions)

| | 2008-09 Actual | 2009-10 Estimated | 2010-11 Projected | Change | Percent Change |
|---|---|---|---|---|---|
| Licenses, Fees | $562 | $598 | $665 | $67 | 11.2% |
| Abandoned Property | $698 | $550 | $550 | - | 0.0% |
| Reimbursements | $253 | $272 | $222 | ($50) | -18.4% |
| Investement Income | $104 | $25 | $60 | $35 | 140.0% |
| Other Transactions | $1,488 | $2,063 | $1,418 | ($645) | -31.3% |
| **Total** | **$3,105** | **$3,508** | **$2,915** | **($593)** | **-16.9%** |

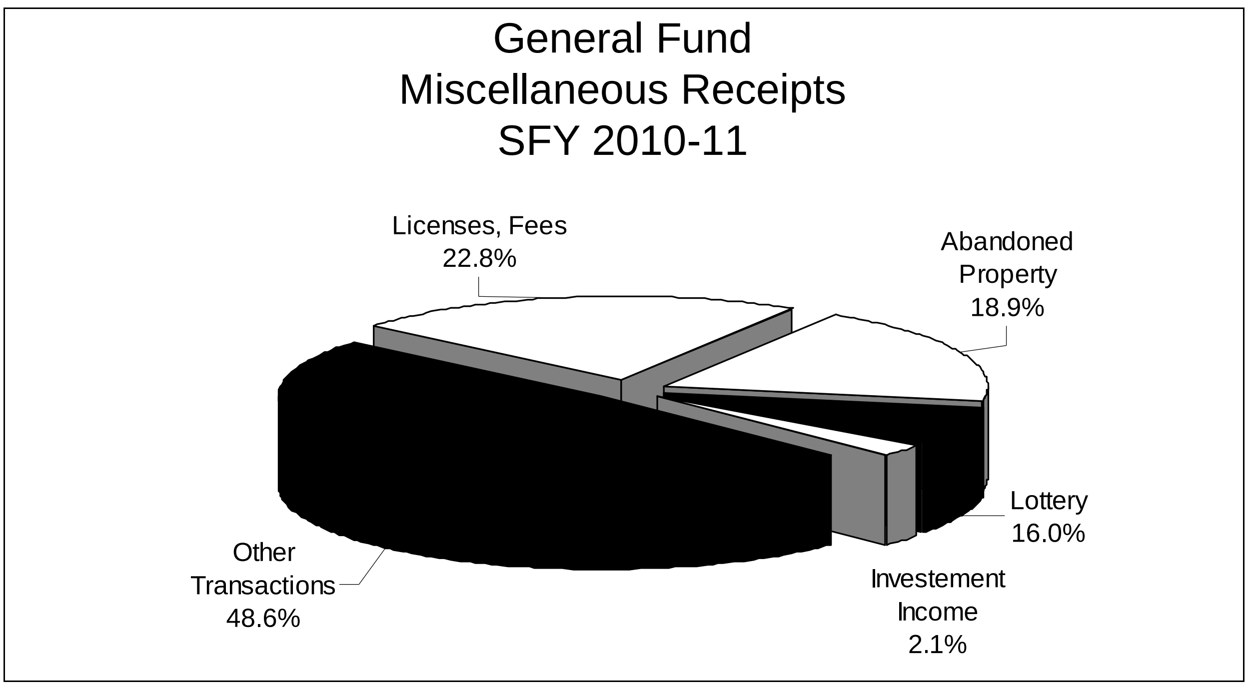



**Figure 57**

## MISCELLANEOUS RECEIPTS - SPECIAL REVENUE FUNDS

State Funds Miscellaneous Receipts consist of moneys received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses.

The Executive estimates miscellaneous receipts in State Funds of $18.8 billion in SFY 2010-11, an increase of $16 million or 0.1 percent from SFY 2009-10. The change in miscellaneous receipts is primarily related to increases in Medicaid of $228 million and Capital Projects increase of $138 million. Funding decreases are projected for HCRA totaling $17 million, Lottery $89 million, Debt Service $38 million and All Other Revenue $370 million. Lottery and Video Lottery Terminal receipts decreased are related to a $300 million Aqueduct VLT Franchise payment anticipated in SFY 2009-10.

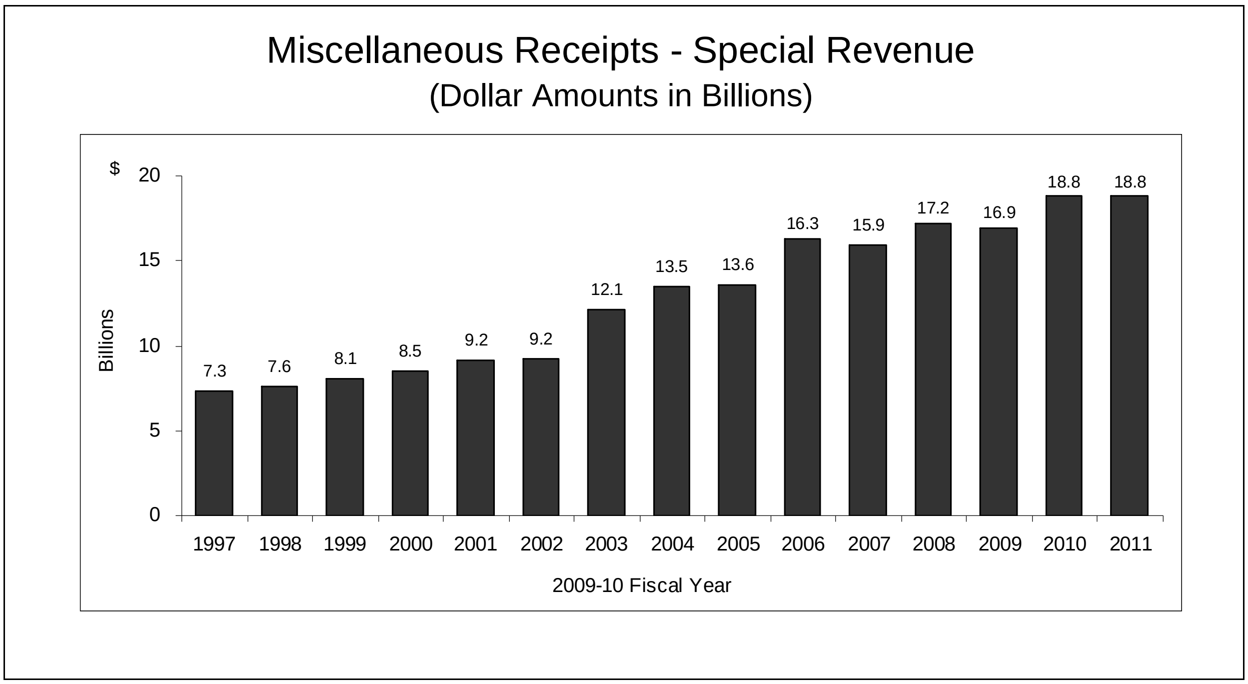



**Figure 58**

Capital Projects spending is funded from two sources: authority bond proceeds which support spending financed through Authority Bonds, and miscellaneous receipts (Parks, Environmental, and other receipts) which finance State pay-as-you-go spending.

The Executive estimates $3.6 million in capital projects receipts, including receipts from public authority bond proceeds, and $779 million in debt service receipts.

Table 34

## Miscellaneous Receipts - Special Revenue Funds
### (Dollar Amounts in Millions)

| | 2008-09 Actual | 2009-10 Estimated | 2010-11 Projected | Change | Percent Change |
|---|---|---|---|---|---|
| HCRA | $3,614 | $3,896 | $3,879 | ($17) | -0.4% |
| State University Income | $2,958 | $3,367 | $3,531 | $164 | 4.9% |
| Lottery | $2,732 | $3,146 | $3,057 | ($89) | -2.8% |
| Medicaid | $562 | $737 | $965 | $228 | 30.9% |
| Industry Assessment | $868 | $886 | $886 | $0 | 0.0% |
| Capital Projects | $3,022 | $3,459 | $3,597 | $138 | 4.0% |
| Debt Service | $844 | $817 | $779 | ($38) | -4.7% |
| All Other | $2,355 | $2,499 | $2,129 | ($370) | -14.8% |
| **Total** | **$16,955** | **$18,807** | **$18,823** | **$16** | **0.1%** |

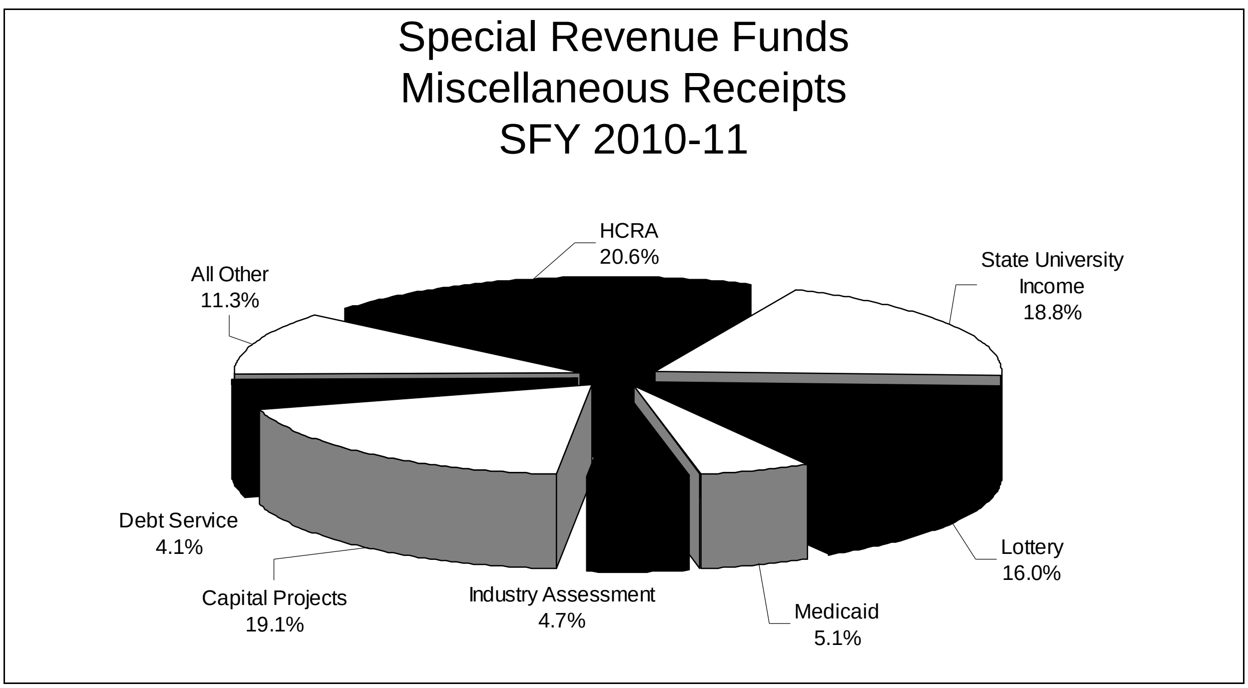



**Figure 59**

# Funds Analysis

# Governmental Funds

## Financial Plan

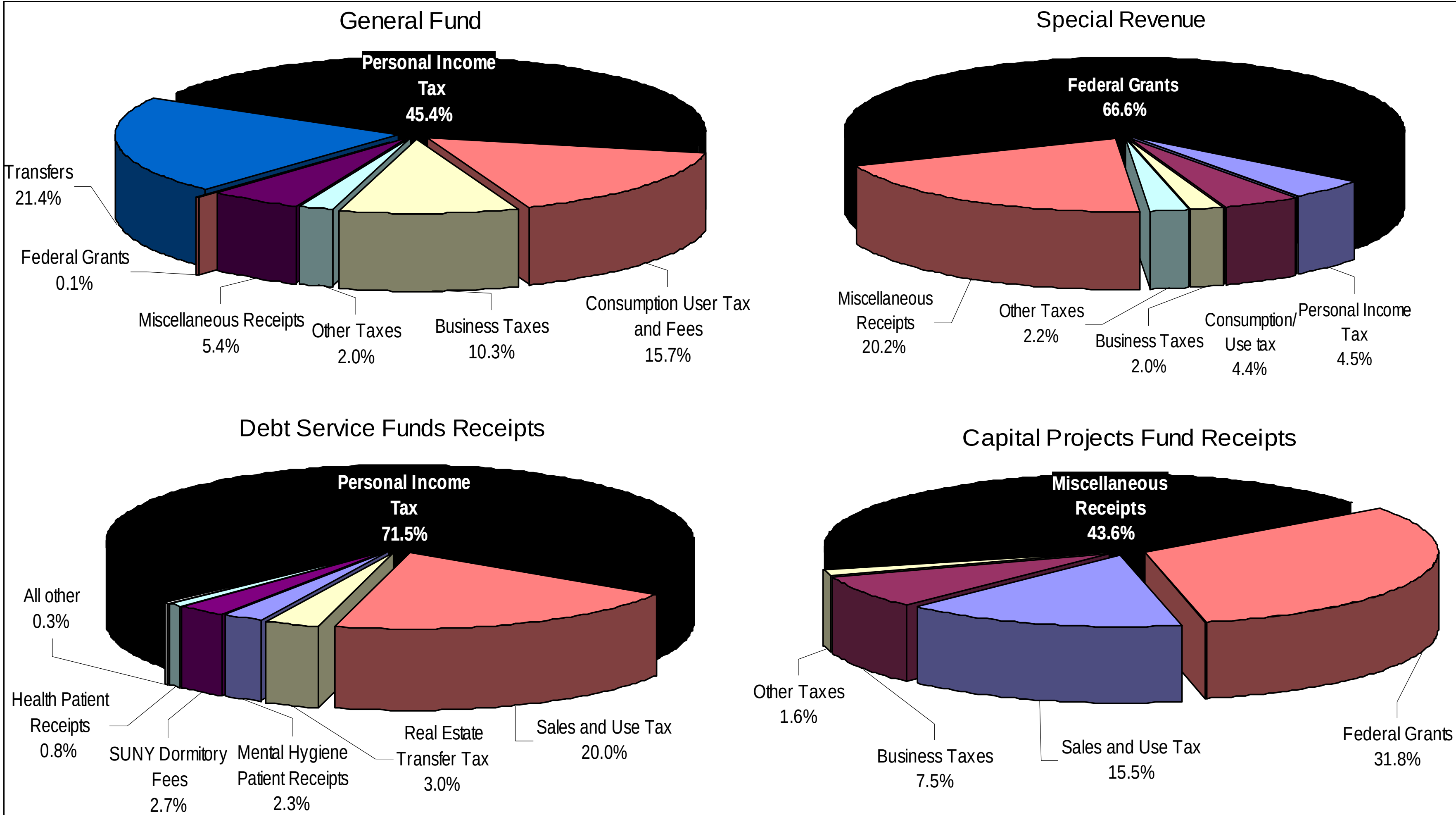
New York uses a cash basis Financial Plan to report the amount of money that is collected and spent during the State fiscal year. The Division of Budget develops a plan each year that shows the receipts and disbursements proposed for the coming fiscal year. The plan is then submitted as part of the Executive Budget. It is revised subsequent to enactment of the budget to show the effect of the changes made by the Legislature to the Executive's original budget proposal. The plan is then updated quarterly to reflect actual experience and revised estimates.

The Financial Plan divides receipts and disbursements into different fund types. The General Fund is the fund into which most State taxes are deposited and from which State Operations and the State share of local grants are disbursed. The General Fund provides funding to programs that are not supported by dedicated fees and revenues.

Programs that are supported by dedicated fees and revenues are funded from Special Revenue Funds. These funds are used to ensure that monies are used solely for the purpose for which they are raised, or to ensure that individual programs are self-supporting. Examples of such dedicated funding streams include the Environmental Protection Fund and the Dedicated Highway and Bridge Trust Fund. When non-federal Special Revenue Funds, Capital, and Debt Service Funds are combined with the General Fund the total is known as State Funds. Special Revenue Funds also contain Federal Funds. State Funds and Federal Funds combine to produce an All Funds figure. The All Funds amount is usually reported as the State Budget total.

### *All Funds*

Receipts on an All Governmental Funds basis for SFY 2010-11 are projected to be $134.5 billion, which represents an increase of $3.5 billion or 2.7 percent over SFY 2009-10 estimates. The All Funds receipts increase is the result of a $3.88 billion increase in tax receipts, a $331 million increase in federal grants and a $676 million decrease in miscellaneous receipts.




*Sources: Executive Budget; Assembly Ways and Means Committee Staff.*

**Figure 60**

## All Governmental Funds

### General Fund

The General Fund is the primary operating fund of the State. It accounts for all of the financial plan transactions that are not earmarked for a particular fund, program or activity specifically required by law. The General Fund receives monies from income taxes, sales and user taxes and fees, business taxes and various other taxes, miscellaneous receipts and transfers from other funds. Disbursements from the General Fund are for: local assistance purposes to counties, cities, towns, villages and school districts for education, health care, Medicaid, social services, and other state aid; state operating purposes to the Executive, Legislative and Judicial branches of government, general state charges for pension and employee benefits, and transfers to other funds of the Financial Plan.

### Special Revenue Funds

The Special Revenue Funds are specified funds of the state where receipts or revenues and disbursements of such accounts are earmarked for Federal or State purposes.

The Special Revenue Funds are divided mainly into two parts federal and state accounts. Federal grants in the special revenue funds satisfy certain federal accounting and reporting requirements. Federal grants are disbursed for Medicaid, Social Services, Labor, Education, Mental Hygiene, Transportation and Other programs.

The State Special Revenue Funds are fund are specified accounts for School Tax Relief Fund (STAR), Health Care Reform Act resources (HCRA), Dedicated Mass Transportation Trust Fund, Mass Transportation Operating Assistance, Environmental Conservation Funds, Conservation Fund, Environmental Protection and Spill Compensation Fund, Public Asset and Miscellaneous Funds for Other programs.

### Debt Service Funds

The Debt Service Funds have accounts for the principal and interest payments of the states' general obligation debt, special obligation debt, lease purchase and contractual obligations.

### Capital Projects Funds

The Capital Projects Funds are used to finance the acquisition and construction of the state facilities and projects and to provide financial assistance to local governments and public authorities.

Grants are funded through the State Capital Projects Fund, Dedicated Highway and Bridge Trust Fund, Environmental Trust Fund, Bond Funds (bond proceeds), Hazardous Waste Remedial Fund, Housing Program Fund, Department of Transportation Engineering Services Fund, Mental Hygiene Facilities Capital Improvement Fund, Correction Facilities Capital Improvement Fund, Miscellaneous Funds and the Federal Capital Projects Fund.

# Source of Funds

The section will delineate the allocation of funds from various revenue sources: Transportation, Education, Health Care, Higher Education, and the Environment. The monies earmarked will be used for everything from maintenance to the implementation of innovative ideas that will enable the state to keep pace with technological advancement.

Transportation accounts for just over $8.6 billion in receipts and is financed by the Dedicated Mass Transportation Trust Fund, Dedicated Highway and Bridge Trust Funds, MTA Financial Assistance Fund (payroll tax), Mass Transportation Operating Assistance Fund and Federal Funds.

Education receives $27.6 billion in receipts and its primary funding source is the General Fund at $18.4 billion.

Health Care fund totals $54.7 billion and is primarily financed by federal Medicaid grants at $31.98 billion. HCRA will have approximately $5.7 billion in receipts which are primarily funded by $2.3 billion in surcharges (assessments on hospital revenues) $1 billion in Cigarette Tax revenues, and $1 billion in covered lives assessments (assessments paid by insurance carriers).

Higher Education receipts are projected to be $9.8 billion primarily funded by $3.7 billion in General Fund receipts with another $1.1 billion received through tuition, $2.1 billion in patient revenue and $1.6 billion special revenue receipts respectively.

Environment Funds will be backed by $1.9 billion in receipts, with its primary funding from $726 million in Special Revenues and $520 million in Real Estate Transfer taxes.

The State of New York will face many challenges in the 2010-11 fiscal year. There will be shortfalls in receipts, and it will be difficult to meet previous benchmarks. Nevertheless, the State has an obligation to meet minimum requirements in order to ensure education, health and welfare of its citizens and will strive to adequately fund programs.

# Transportation Funds

Earmarked or dedicated revenues are an integral part of transportation financing. The long term nature of construction projects and the constant need for maintenance and safety repair require a long term funding commitment.

There are four Dedicated Transportation Funds: the Mass Transportation Operating Assistance Fund, the Dedicated Mass Transportation Trust Fund, Dedicated Highway and Bridge Trust Funds, and the Metropolitan Transportation Authority Financial Assistance Fund.

The Department of Transportation (DOT) is responsible for managing programs related to highways, bridges, transit, aviation, ports, rail and other modes of transportation. All Fund receipts dedicated for transportation are estimated at $7.7 billion in SFY 2009-10 and $8.6 billion in SFY 2010-11. Non-federal Special Revenue Receipts dedicated for transportation purposes are $5.8 billion in SFY 2009-10 and $6.4 billion in SFY 2010-11. Federal receipts for transportation purposes are estimated to be $1.8 billion in SFY 2009-10 and $2.1 billion in SFY 2010-11.

*Mass Transportation Operating Assistance Fund (MTOAF)*

The Mass Transportation Operating Assistance Fund (MTOAF) was created by the Legislature in SFY 1981-82 to help finance State mass transportation operating systems, which at that time were experiencing operating deficits. Pursuant to section 88-a of the State Finance Law, the fund is subdivided into Public Transportation Systems and Metropolitan Mass Transportation Operating Assistance Accounts. The Mass Transportation Operating Assistance Account provides funding for the transit systems in the Metropolitan Commuter Transportation District (MCTD) which encompasses New York City and the counties of Dutchess, Nassau, Orange, Putnam, Rockalnd, Suffolk, and Westchester. The account consists of revenues the Petroleum Business Tax (PBT), the MTA Corporate Tax surcharge, a 0.375 percent Sales Tax imposed in the counties that comprise the MCTD and taxes imposed on corporation and utility companies. The Public Transportation Systems Operating Assistance Account funds all other transit systems (primarily upstate) and consists of receipts from a portion of the PBT and a portion of all transportation taxes and taxes imposed on corporations and utility companies.

This fund receives deposits from the following tax sources:

- A 0.375 percent sales tax imposed on the MTA district (inclusive of all the counties that comprise the MCTD);
- A 17 percent corporate franchise surcharge for the MTA district;
- An approximately 12 percent share from PBT revenues; and

- 80 percent of the imposed corporate surcharge based on the Utility Tax in the MTA district (the remaining is deposited with the DHBTF).

The Assembly estimates that $1.79 billion in SFY 2009-10, and $1.78 billion in SFY 2010-11 will be dedicated to support the activities funded through the MTOAF.

*Dedicated Fund Pools*

There are two dedicated funds for Transportation, the Dedicated Mass Transportation Trust fund and Dedicated Highway and Bridge Trust fund. These dedicated funds split revenues from the PBT, Motor fuel tax and Motor Vehicle fees.

The Dedicated Mass Transportation Trust fund (DMTTF) receives deposits from the following tax sources:

- 80.3 percent of the Petroleum Business Tax (PBT);
- Motor Fuel Tax: 4 cents per gallon for gasoline and 8 cents for diesel with revenues flowing into the Dedicated Funds Pool;
- Motor Vehicle Fees: based on registration and other fees around 55 percent of receipts flow into the Dedicated Funds Pool and the rest into the Dedicated Highway & Bridge Trust Fund;
- Once revenues have been collected in the Dedicated Funds Pool about a third goes to the Dedicated Mass Transportation Trust Fund and the rest to the Dedicated Highway & Bridge Trust Fund (DHBTF). The DHBTF also receives 20 percent of the surcharge imposed in the MTA district for Utility taxpayers; and
- The DHBTF also receives 100 percent of the revenues from the Highway Use and Auto Rental taxes. Payments from this fund are also pledged to support the debt service on DHBTF Bonds with debt service coverage of two times the revenues to support debt service costs.

The Dedicated Mass Transportation Trust Fund receives dedicated revenues from the PBT, Motor Fuel Tax, and Motor Vehicle Fees. Dedicated tax revenues deposited into the DMTTF are expected to total $681 million in SFY 2009-10, and $665 million in SFY 2010-11. The moneys of the DMTTF are used for the reconstruction, replacement, purchase, modernization, improvement, reconditioning, preservation and maintenance of mass transit facilities, vehicles and rolling stock, for rail projects or the payment of debt service or operating expenses incurred by mass transit operating agencies.

The Dedicated Highway and Bridge Trust Funds (DHBTF) receives dedicated revenues from the PBT, Motor Fuel Tax, Highway Use Tax, Motor Vehicle Fees, Transmission Tax and the Auto Rental Tax.

Fund monies are used to support transportation, including the reconstruction, replacement, reconditioning, restoration, rehabilitation and preservation of state, county, town, city and village roads, aviation projects, matching federal highway grants, snow and ice removal, acquisition of real property, bus safety inspection, rail freight facilities, intercity rail passenger facilities, state, municipal and private ports, ferry lines and a portion of operations cost. Payments from the Fund are also pledged to support the debt service on Dedicated Highway and Bridge Trust Fund Bonds with debt service coverage equaling two times the revenues to support debt service costs.

This Fund is expected to receive $1.8 billion in SFY 2009-10 and $1.9 billion in SFY 2010-11.

*Metropolitan Transportation Authority Financial Assistance Fund*
*(MTA Financial Assistance Fund)*

MTA Financial Assistance Fund receipts are derived from the Metropolitan Commuter Transportation Mobility Tax the tax on medallion taxicabs, and from supplemental motor vehicle fees, including the supplemental learner permit/license fee, the supplemental registration fee, and the supplemental tax on passenger car rentals

The MTA Financial Assistance Fund receipts are collected from the Metropolitan Commuter Transportation District (MCTD) which includes New York City and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester. Receipts collected from certain employers and self-employed individuals within the MCTD are deposited in the Mobility Tax Trust Account of the MTA Financial Assistance Fund.

Receipts collected from the supplemental motor vehicle fees are all derived from the MCTD. These receipts are deposited into the MTA Aid Trust Fund Account of the MTA Financial Assistance Fund.

**Table 35**

## Source of Transportation Funds
### (Dollar Amounts in Millions)

| | 2008-09 Actual | 2009-10 Estimated | 2010-11 Projected | Change | Percent Change |
|---|---|---|---|---|---|
| Dedicated Highway and Bridge Trust Funds | $1,778 | $1,851 | $1,896 | $45 | 2.4% |
| Mass Trans. Operating Assistance Fund | $1,768 | $1,795 | $1,782 | ($13) | -0.7% |
| Dedicated Mass Transportation Trust Fund | $648 | $681 | $665 | ($16) | -2.3% |
| MTA Financial Assistance Fund | | $1,414 | $1,933 | $519 | 36.7% |
| General Fund | $109 | $65 | $101 | $36 | 55.4% |
| Other Special Revenue Funds | $37 | $41 | $41 | - | 0.0% |
| Federal Funds | $1,723 | $1,841 | $2,190 | $349 | 19.0% |
| **Total Transportation Receipts** | **$6,063** | **$7,688** | **$8,608** | **$920** | **12.0%** |

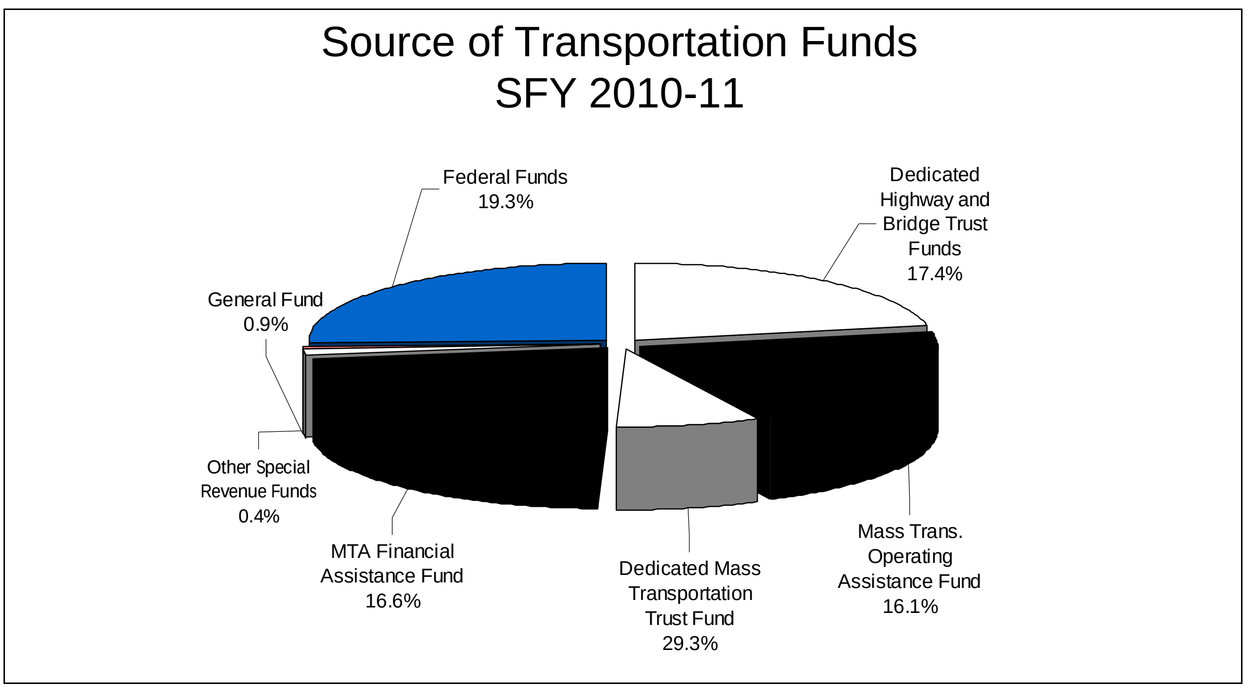



**Figure 61**

# Education Funds

Education receipts include income received from the General Fund support, the Lottery, other revenue streams and Federal grants. Total Education Receipts for SFY 2010-11 are estimated at $27.6 billion, a decrease of $506 million below SFY 2009-10.

General Fund support for Education in SFY 2010-11 is estimated at $18.4 billion, a decrease of $684 million below SFY 2009-10.

Special Revenue Education receipts are estimated at $12 million in the SFY 2010-11. Lottery receipts are estimated to be $3 billion, a decrease of $89 million from SFY 2009-10.

Capital Projects receipts are expected to be $43 million, an increase of $10 million from the prior fiscal year.

Federal grants are expected to be $6 billion, an increase of $261 million above 2009-10.

Table 36

## Source of Education Funds
### (Dollar Amounts in Millions)

| | 2008-09 Actual | 2009-10 Projected | 2010-11 Estimated | Change | Percent Change |
|---|---|---|---|---|---|
| Federal Grants | $3,579 | $5,836 | $6,098 | $261 | 4.5% |
| Lottery | $2,110 | $3,146 | $3,057 | ($89) | -2.8% |
| Other SRO Receipts | $14 | $6 | $12 | $6 | 106.8% |
| General Fund Receipts | $19,329 | $19,159 | $18,474 | ($684) | -3.6% |
| **Total Education Receipts** | **$25,033** | **$28,147** | **$27,641** | **($506)** | **-1.8%** |

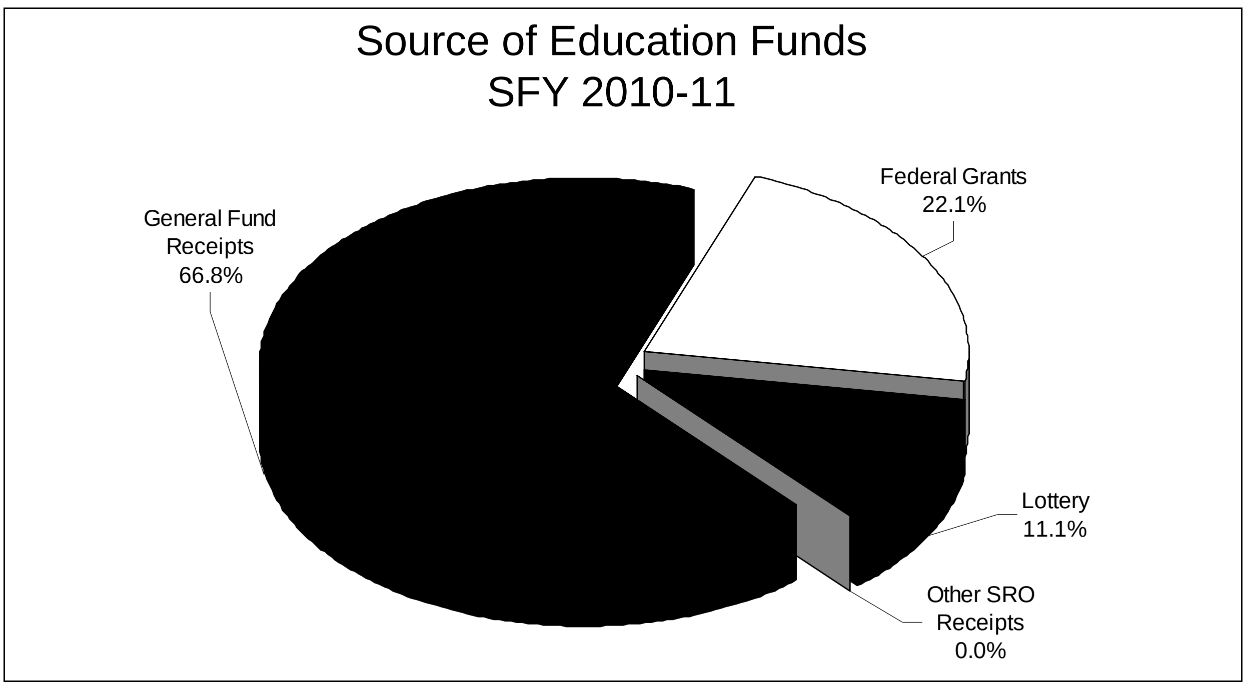



**Figure 62**

# Health Care Funds

New York State Health Care All Funds receipts for SFY 2010-11 are estimated to total $54.7 billion, an increase of $759 million above the previous fiscal year. Health Care receipts support several programs including Medicaid.

Medicaid is the largest health care program and coordinates the provision, quality and cost of care for its enrolled members. Medicaid in SFY 2010-11 is $31.9 billion, an increase of $193 million or 0.6 percent over the previous year. Medicaid grants have increased by nearly $7.1 billion from SFY 2008-09 in FMAP assistance to state and counties from the impact of the Federal ARRA stimulus program of 2009. The ARRA allowed FMAP assistance to be reimbursed for expenses retroactive to October 1, 2008.

The General Fund support for other than Medicaid Health care is estimated at $3.8 billion, an increase of $161 million over SFY 2009-10. Medicaid receipts in the General Fund are estimated at $5.4 billion, a decrease of $811 million from SFY 2009-10.

Special Revenue Health Care receipts in SFY 2010-11 are anticipated to increase $426 million above the previous fiscal year. HCRA is anticipated to receive $5.68 billion, an increase of $790 million above SFY 2009-10.

The Executive Medicaid estimate of $31.9 billion includes an additional $1.06 billion in federal grants for the last quarter of SFY 2010-11 primarily related to the continuation of FMAP as outlined in the proposed Federal budget by President Obama. The additional FMAP assistance would reduce the General Fund contribution of the State for health care. The Executive proposes to put in reserve $485 million of the FMAP assistance for fiscal uncertainties of the State.

Table 37

## Source of Health Care Funds
### (Dollar Amounts in Millions)

| | 2009-10 Estimated | 2010-11 Projected | Change | Percent Change |
|---|---|---|---|---|
| Federal Medicaid Grants | $31,791 | $31,984 | $193 | 0.6% |
| SRO Receipts | $7,417 | $7,843 | $426 | 5.7% |
| HCRA | $4,896 | $5,686 | $790 | 16.1% |
| General Fund Medicaid | $6,194 | $5,383 | ($811) | -13.1% |
| Other General Fund Receipts | $3,662 | $3,823 | $161 | 4.4% |
| **Total Receipts** | **$53,960** | **$54,719** | **$759** | **1.4%** |

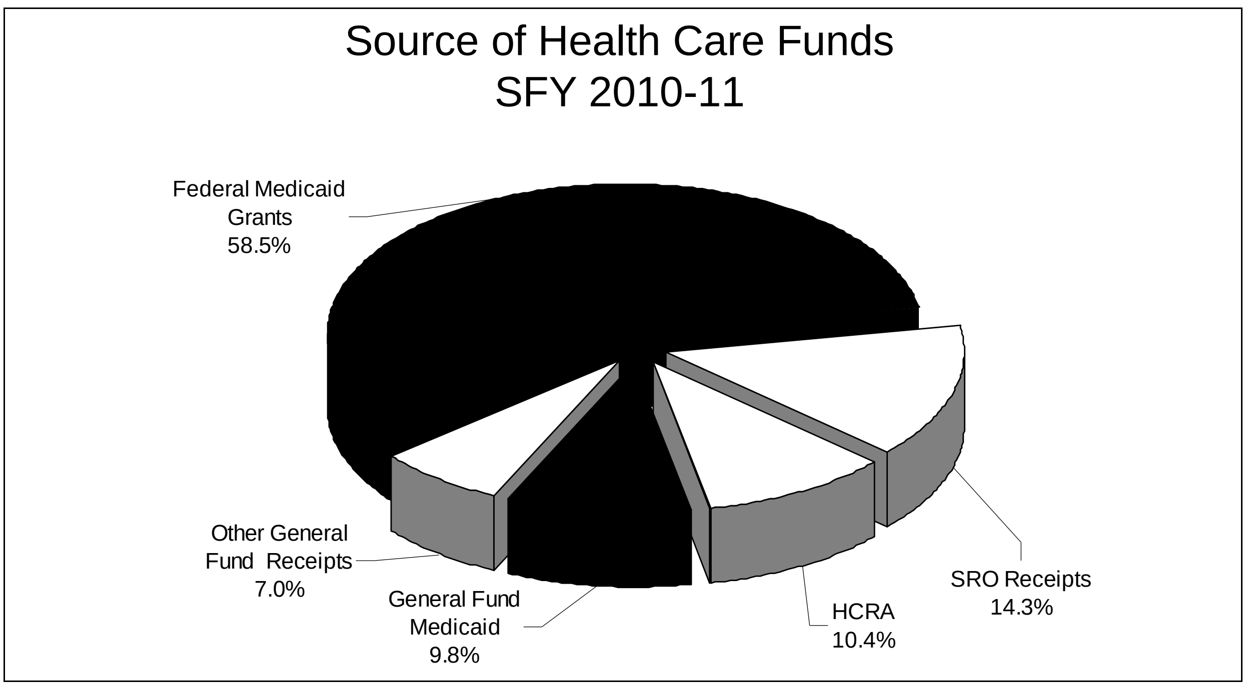



Figure 63

## Health Care Taxes, Fees and Assessments

The State provides a variety of health care services such as Medicaid, Family Health Plus, Child Health Plus, Elderly Pharmaceutical Insurance Coverage, Community-based Health Care, and Public Health Services such as Early Intervention and General Public Health Works and Mental Hygiene.

In this section we analyze the State's dedicated taxes, fees and assessments that make up the Health Care Reform Act (HCRA) revenues. We provide an overview of the relevant revenue sources and estimated revenue raised as of State Fiscal Year (SFY) 2010-11.

Revenues to support HCRA include surcharges and assessments on hospital revenues, proceeds from insurance company conversions, a covered lives assessment paid by: insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute.

The SFY 2010-11 Assembly Ways and Means staff estimates HCRA receipts of approximately $5.7 billion and projected HCRA expenditures in the same amount.

The following table estimates the dedicated fund tax receipts for the HCRA for SFY 2009-10:[1]

**Table 38**

| **Total HCRA Receipts SFY 2009-10** | **$4,896** | |
|---|---|---|
| Surcharges | $2,242 | 45.8% |
| Covered Lives Assessment | $1,165 | 23.8% |
| Cigarette Tax Revenue | $905 | 18.5% |
| Conversion Proceeds | $95 | 1.9% |
| Hospital Assessment (1 percent) | $406 | 8.3% |
| All Other | $83 | 1.7% |

In SFY 2009-10 a total of $4.89 billion was to be dedicated to HCRA. Of the $4.89 billion, 45.8 percent is from surcharges on clinics and hospitals, 23.8 percent from the covered lives assessment paid by insurance companies based on the number of insured, while 18.5 percent comes from cigarette taxes. Conversion proceeds, approximately 1.9 percent of HCRA revenues, are related to the conversion of state-operated health plans to for-profit entities. The one percent hospital assessment is a fee on inpatient services and accounts for 8.3 percent of HCRA revenues. Total HCRA receipts are forecast to grow by 16 percent to $5.7 billion in SFY 2010-11, primarily due to the proposed increases in the Cigarette tax and the Syrup Excise tax.

[1] Based on the SFY 2010-11 Executive Budget.

*Surcharges*

Varying surcharges are assessed on the net patient revenue of general hospitals and freestanding clinics. Surcharges are expected to yield $2.242 billion in SFY 2009-10. The surcharge levels are as follows:

- 9.63 percent for private payers that pay directly; and,
- 7.04 percent for Medicaid and other New York State governmental payers.

*Covered Lives Assessment*

The covered lives assessment is a regionally calculated assessment on certain insurance providers based on the number of individuals insured. The covered lives assessment is estimated to produce $1.165 billion in SFY 2009-10.

*Cigarette Tax*

Currently, New York State levies a $2.75 per pack tax on each package of cigarettes. Per statute, 70.63 percent of revenue collected from this tax is dedicated to HCRA – approximately $905 million in SFY 2009-10. The remaining is deposited into the General Fund.

*Conversion Proceeds*

Receipts from conversion proceeds - - a result of the merger of WellChoice and WellPoint - - have enabled HCRA programs to remain operative. As a result of a merger, $4.6 billion was deposited into State accounts. At the time of the merger, the State received $2.7 billion in cash and 27 million shares of WellPoint common stock. In SFY 2006-07 $1 billion, $504 million in SFY 2007-08, $233 million in SFY 2008-09 and $95 million in SFY 2009-10 derived from conversion proceeds and interest income.

*Hospital Assessment*

Every hospital in New York State is required to pay one percent of its annual inpatient revenue to HCRA. This assessment is estimated to yield approximately $406 million in SFY 2009-10.

*All Other*

All other HCRA revenue sources are from a variety of smaller fees and assessments making up 1.7 percent, or $83 million, of HCRA in SFY 2009-10.

*History of HCRA Receipts*

**Table 39**

| HCRA Receipts (Dollars in Millions) | | | | | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Surcharges, Assessments & Other | Cigarette Tax | Conversions | Syrup Tax | Wine Tax | Total |
| 2002-03 | 2,034 | 675 | | | | 2,709 |
| 2003-04 | 2,394 | 593 | | | | 2,987 |
| 2004-05 | 3,846 | 573 | | | | 4,419 |
| 2005-06 | 2,700 | 571 | 2,743 | | | 6,014 |
| 2006-07 | 3,128 | 574 | 514 | | | 4,216 |
| 2007-08 | 3,332 | 567 | 999 | | | 4,898 |
| 2008-09 | 3,400 | 894 | 233 | | | 4,527 |
| 2009-10* | 3,896 | 905 | 95 | | | 4,896 |
| 2010-11* | 3,879 | 1,107 | | 450 | 250 | 5,686 |

* Estimate

HCRA revenues have varied significantly over time as certain revenue streams fluctuated. Specifically, insurance conversion proceeds have varied considerably. The vast majority of these revenues - $2.7 billion - were received in SFY 2005-06, equaling 49 percent of HCRA revenues received that year. As can be seen from the table above, SFY 2005-06 marked a high in HCRA revenues.

Revenues generated into HCRA provides for partial financing of hospital indigent care, Elderly Pharmaceutical Insurance Coverage (EPIC), Child Health Plus (CHP), workforce recruitment and retention, capital improvement to health care facilities, and other public health programs. The increased demand for HCRA revenues are driven by the increased costs of health care services. The General Fund will supplement HCRA program if HCRA revenues is not sufficient to support the HCRA program as it recently provided HCRA with $88 million in SFY 2008-09.

Receipts for HCRA have increased $2.97 billion or 110 percent over the past eight years. The HCRA surcharges, hospital assessments and other revenues have increased 90.7 percent from SFY 2002-03 - - from $2 billion to $3.8 billion. Cigarette revenues declined steadily until June 2008, when the law changed the distribution of cigarette revenues from 61.2 percent to 70.6 percent to benefit HCRA. The proposed law change for cigarette revenues provides an increase of $432 million or 64 percent from SFY 2002-03. The merger of WellChoice and WellPoint in SFY 2005-06 generated an additional $2.7 billion in conversions revenues for HCRA. The state sold shares of stock from such conversions and the proceeds enabled the State to maintain funding for existing programs and add more health services.

In order to continue funding health care at a time when conversions revenues are declining and the growth in cigarette revenues is slowing, the Executive is proposing additional revenues sources to sustain HCRA services, such as $450 million in a syrup tax, $250 million in a “wine-in-grocery-stores-tax”, $24.5 million in a physician procedure surcharge, and a $1-per-pack increase in the price of cigarettes, along with a change in the distribution of cigarette revenues between General Fund and HCRA to 25/75 percent from 29.37/70.63 percent respectively.

*Tax Sources for the Funding of HCRA*

All current and proposed HCRA funding sources rely on excise taxes (a certain per unit tax, e.g. $7.68 per gallon for beverage syrups, or $3.75 per pack of cigarettes) or ad-valorem taxes (a tax that is imposed as a fixed percent of revenues, e.g. the one percent Hospital Assessment and other Surcharges.)

**Proposed Changes in the SFY 2010-11 Executive Budget**

*Syrup Tax*

Included with the Executive’s SFY 2010-11 Budget is a proposal to levy a new excise tax of $7.68 per gallon for beverage syrups and $1.28 per gallon for bottled soft drinks, powders or base products. The result of these various tax rates would be an increase in cost for sugary drinks of one cent per ounce. The revenues from this tax would flow directly to HCRA, with an expected revenue impact of $450 million in SFY 2010-11 and $970 million annually thereafter.

*Increase in the Cigarette Tax*

Contained within the Executive Budget is a proposal to increase the cigarette tax from $2.75 to $3.75 per pack and increase the percentage of revenues dedicated to HCRA from 70.63 percent to 75 percent. This proposal is forecast to increase HCRA revenues by $210 million in SFY 2010-11. Cigarette Tax receipts are expected to be $1.1 billion, an increase of $202 million above the SFY 2009-10 estimates.

*Wine in Grocery Stores Tax*

The Executive has proposed a tax on wine in grocery stores for businesses with gross sales over $1 million. This tax would generate an additional $250 million in SFY 2010-11 and $50 million in SFY 2011-12 dedicated to HCRA.

*Surcharges*

HCRA receipts for the surcharge on patient service revenues are $2.3 billion, an increase of $93 million.

*Covered Lives Assessments*

HCRA receipts for the covered lives assessment on insurance companies and HMOs are $1 billion, a decrease of $120 million below prior year estimates.

*Hospital Assessment (1 percent)*

HCRA receipts for the one percent assessment on hospital inpatient revenues are $424 million, an increase of $18 million.

*All Other*

All Other HCRA receipts decreased from $83 million to $75 million, a decrease of $8 million.

Table 40

## Health Care Reform Act (HCRA) Receipts
### (Dollar Amounts in Millions)

| | 2008-09 Actual | 2009-10 Estimated | 2010-11 Projected | Change | Percent Change |
|---|---|---|---|---|---|
| Surcharges | $2,091 | $2,242 | $2,335 | $93 | 4.1% |
| Covered Lives Assessment | $920 | $1,165 | $1,045 | ($120) | -10.3% |
| Cigarette Tax Revenue | $874 | $905 | $1,107 | $202 | 22.3% |
| Syrup Excise Tax | $0 | $0 | $450 | $450 | 100.0% |
| Wine Tax | $0 | $0 | $250 | $250 | 100.0% |
| Conversion Proceeds | $233 | $95 | $0 | ($95) | -100.0% |
| Hospital Assessment (1 percent) | $288 | $406 | $424 | $18 | 4.4% |
| All Other | $101 | $83 | $75 | ($8) | -9.6% |
| **Total Receipts** | **$4,507** | **$4,896** | **$5,686** | **$790** | **16.1%** |

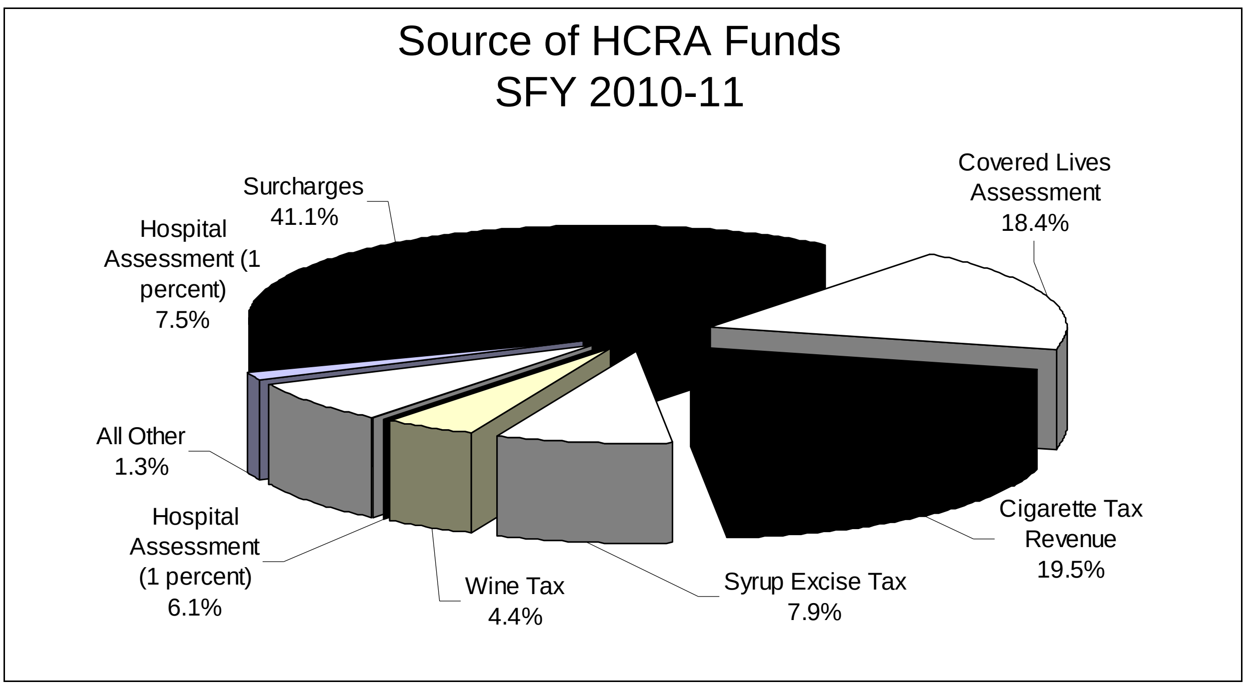



**Figure 64**

# Higher Education Funds

Higher Education Funds include income received from tuition, fees, and patient revenues from the City and State University system, and the Higher Education Services Corporation (HESC). Total Higher Education Receipts are estimated at $9.8 billion, a decrease of $145 million below SFY 2009-10 estimates.

General Fund receipts for SFY 2010-11 are estimated at $3.6 billion, a decrease of $565 million from SFY 2009-10. SUNY General Fund receipts are expected to be $1.6 billion, a decrease $227 million below SFY 2009-10. CUNY receipts are estimated to decrease by $326 million to $1.2 billion in SFY 2010-11. HESC receipts will decrease by $12 million to $835 million.

Higher Education Special Revenue receipts are estimated at $3.7 billion, an increase of $164 million above SFY 2009-10. The change is attributed to $48 million increase in SUNY tuition, $96 million increase in user fees, $20 million increase in patient revenues, $5 million increase from CUNY, and $5 million decrease in HESC.

Capital Projects are estimated to be $623 million, a decrease of $75 million from the prior fiscal year. SUNY Dormitory fees which are pledged for debt service to the Dormitory Authority on bonds issued are estimated at $341 million, an increase of $3 million above SFY 2009-10 estimates.

Federal grants are expected to be $1.4 billion, an increase of $329 million over SFY 2009-10.

Table 41

## Source of Higher Education Funds
### (Dollar Amounts in Millions)

| | 2009-10 Estimated | 2010-11 Projected | Change | Percent Change |
|---|---|---|---|---|
| Federal Grants | $1,147 | $1,475 | $329 | 28.6% |
| Tuition | $1,064 | $1,112 | $48 | 4.5% |
| Patient Revenue | $2,052 | $2,072 | $20 | 1.0% |
| SRO Receipts | $1,553 | $1,577 | $24 | 1.5% |
| General Fund Receipts | $4,216 | $3,651 | ($565) | -13.4% |
| **Total Receipts** | **$10,032** | **$9,887** | **($145)** | **-1.4%** |

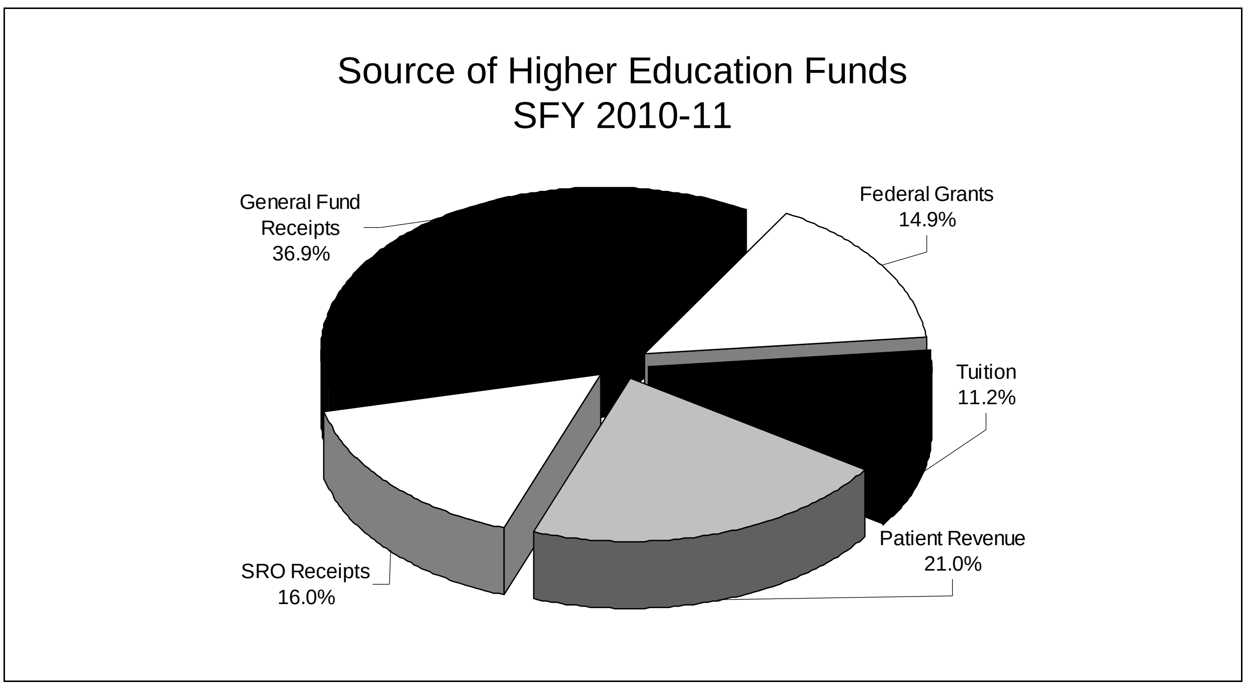



**Figure 65**

# Environment Funds

Environment Funds include income received from the General Fund, the Environmental Facilities Corporation and the Real Estate Transfer Tax. Total Environment receipts are estimated at $1.86 billion, a decrease of $43 million below SFY 2009-10.

General Fund receipts for SFY 2010-11 are estimated to decrease $40 million to $235 million.

Environment Special Revenue receipts are estimated at $726 million, a decrease of $50 million from SFY 2009-10. The Real Estate Transfer Tax receipts are estimated at $492 million an increase of $37 million. The components of the Real Estate Transfer Tax receipts are anticipated to decrease by $106 million in the Capital Project Fund and increase $156 million in the Debt Service Fund from the previous year.

Federal grants are estimated to be $404 million a $10 million increase from the previous year.

Table 42

## Source of Environment Funds
### (Dollar Amounts in Millions)

| | 2008-09 Actual | 2009-10 Estimated | 2010-11 Projected | Change | Percent Change |
|---|---|---|---|---|---|
| Federal Grants | $150 | $394 | $404 | $10 | 2.5% |
| Real Estate Transfer Tax | $701 | $455 | $492 | $37 | 8.1% |
| SRO Receipts-Other | $277 | $776 | $726 | ($50) | -6.4% |
| General Fund Receipts | $293 | $275 | $235 | ($40) | -14.4% |
| **Total Receipts** | **$1,420** | **$1,900** | **$1,857** | **($43)** | **-2.2%** |

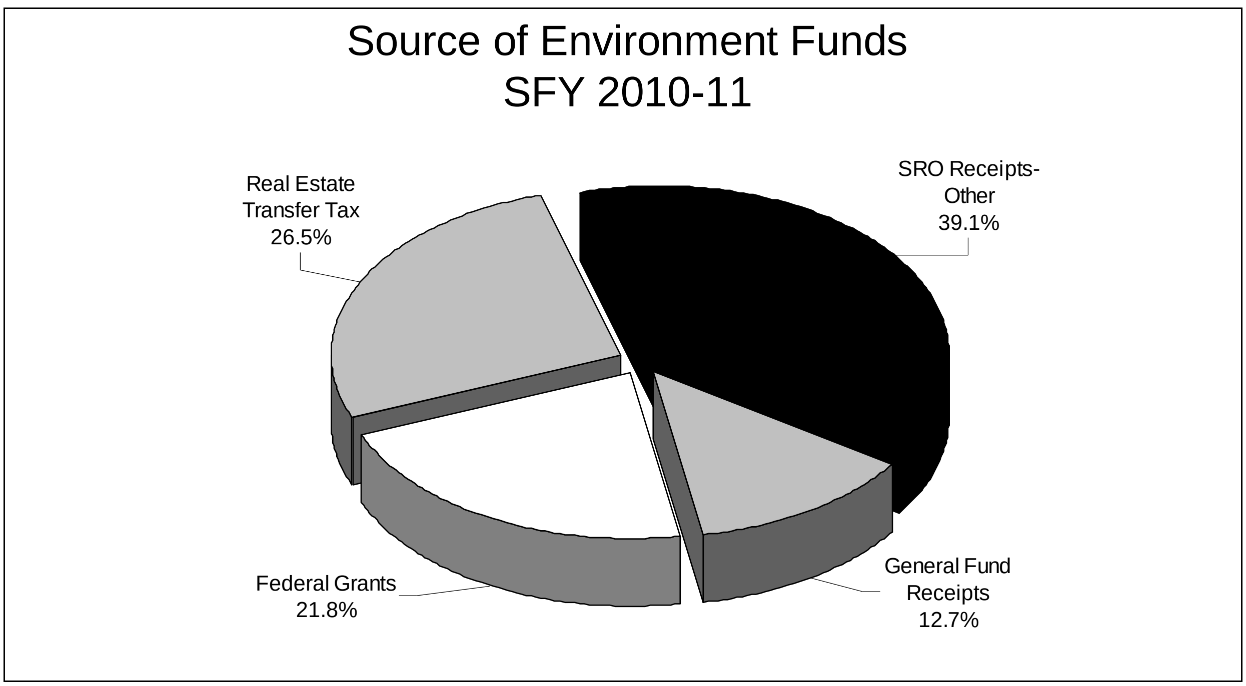



**Figure 66**

# Federal Funds

Federal funding represents more than one-third of total All Funds spending. Federal grants consist of reimbursements from the Federal government for services performed by the State in accordance with Federal laws and regulations. The State is required to follow specific cash management practices regarding the timing of withdrawal for each grant award.

The Executive projects total Federal grants receipts of $50.2 billion in SFY 2010-11, an increase of $331 million from SFY 2009-10.

Federal grants in the Special Revenue Fund support a multitude of programs of which Medicaid is the largest. The Executive estimates Federal grants for Medicaid will be $31.9 billion in SFY 2010-11. Other programs include Welfare, Food and Nutrition Services, and Supplementary Educational Services. Included in the $31.9 billion are the Executive estimates of an additional $1.06 billion in federal grants for the last quarter of SFY 2010-11 primarily related to the continuation of FMAP as outlined in the proposed Federal budget by President Obama.

Federal grants in the Capital Projects Fund support transportation planning, engineering, construction projects, housing programs, rehabilitation of state armories and other environmental purposes as well as local wastewater treatment project financed through the State's revolving loan fund. The Executive estimates Federal grants for Capital Project at $2.62 billion in SFY 2010-11.

Enhanced Federal funding through the American Recovery and Reinvestment Act of 2009 (ARRA) was used to backstop eroded State revenues caused by the financial and economic crisis's of 2008 and 2009. New York State will receive $4.662 billion in ARRA fiscal relief in 2010-11 that will support and close State budget gaps.

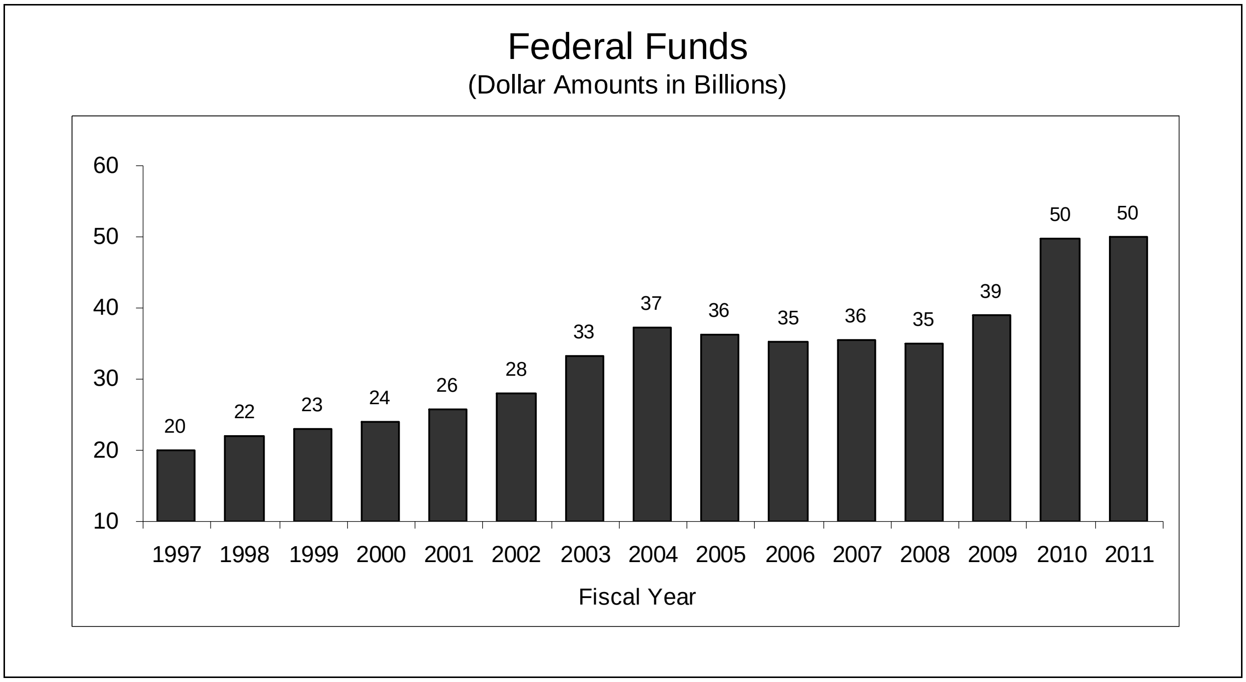



**Figure 67**

**Table 43**

| **Federal Funds (Dollar Amounts in Millions)** | | | | | |
|---|---|---|---|---|---|
| | **2008-09 Actual** | **2009-10 Estimated** | **2010-11 Projected** | **Change** | **Percent Change** |
| **Special Revenue** | **$36,907** | **$47,236** | **$47,496** | **$260** | **1%** |
| Medicaid | $24,844 | $31,791 | $31,984 | $193 | 1% |
| Welfare | $2,597 | $2,782 | $2,699 | ($83) | -3% |
| All Other | $9,466 | $12,663 | $12,813 | $150 | 1% |
| **General Fund** | **$45** | **$68** | **$60** | **($8)** | **-12%** |
| **Capital Projects** | **$1,882** | **$2,544** | **$2,623** | **$79** | **3%** |
| **Total All Funds** | **$38,834** | **$49,848** | **$50,179** | **$331** | **1%** |

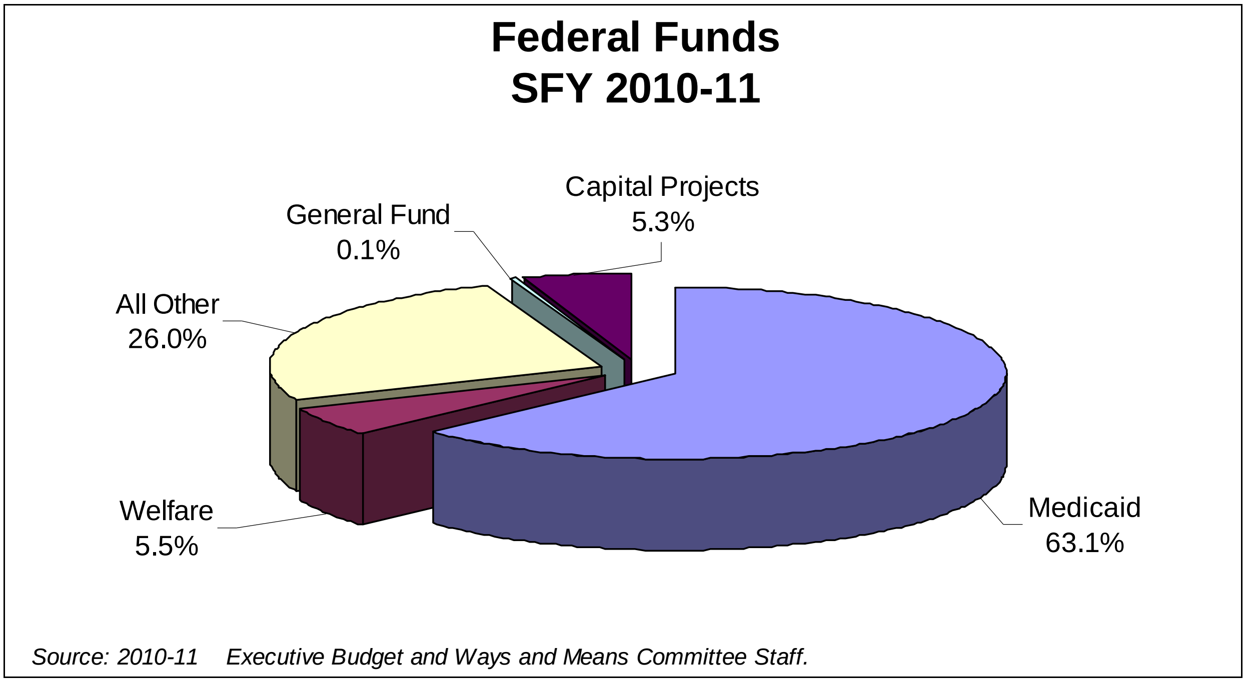



**Figure 68**

## American Recovery and Reinvestment Act (ARRA)

In February 2009, President Barrack Obama signed the American Recovery and Reinvestment Act (ARRA) which enabled States to receive additional federal funds in order to address unprecedented budget deficits during the global economic downturn. The stimulus funding consists of two main components: "pass-through" funding, which is directed to specific spending purposes outlined in federal legislation, and flexible state Federal Medical Assistance Percentages (FMAP) funding. The "pass-through" funding is specifically prescribed in federal legislation and these funds are also appropriated in the budget, and are included in the All Funds financial plan. State FMAP relief can be used for flexible purposes and has no impact by itself on All Funds levels since every dollar in increased federal reimbursement is matched with one dollar in decreased state General Fund.

Each year, the budget includes a $1 billion contingency appropriation to allow the state to accept federal funds that unexpectedly become available during the course of the fiscal year after the state budget has been enacted. These contingency appropriations do not contain any cash, but are enacted annually to ensure that the state would not have to refuse federal funds that may materialize following enactment of the budget. This appropriation was amended to include a reference to ARRA funding in order to be absolutely certain there would be no issues accepting funds. New York State will receive more than $31 billion in Federal stimulus from SFY 2009-10 and SFY 2010-11. Key ARRA funding categories include:

**Table 44**

| ARRA 2-year Key Funding Categories (Millions of Dollars) | |
|---|---|
| **Category** | **Amount** |
| ARRA fiscal relief | **$14,100** |
| Federal Medical Assistance Percentage (FMAP) | $11,000 |
| State Fiscal Stabilization Fund (SFSF) | $3,100 |
| Unemployment benefits, food stamp assistance and other forms of economic support for individuals and families threatened by the national recession | **$7,000** |
| "Shovel ready" infrastructure investments in transportation, clean water, drinking water and other projects, as well as support for a range of energy-related programs such as weatherization and smart grid improvements | **$4,500** |
| Education Programs such as Pell Grants for college students, and substantial increases in Federal Title I and special education funding provided directly to school districts | **$2,800** |
| All Other Programs | **$2,600** |
| **Total ARRA Funds in Key Funding Categories** | **$31,000** |

*Federal Medical Assistance Percentages (FMAP)*

The Federal Medical Assistance Percentages (FMAPs) are used in determining the amount of Federal matching funds for State expenditures for assistance payments for certain social services, and State medical and medical insurance expenditures. The Social Security Act requires the Secretary of Health and Human Services to calculate and publish the FMAPs each year. FMAP will be implemented over 27 months.

*State Fiscal Stabilization Fund (SFSF)*

The State Fiscal Stabilization Fund was established under ARRA in order to backstop education and other essential State public services and avert budget cuts. The program will help ensure that local educational agencies (LEAs) and public institutions of higher education (IHEs) have the resources to avert cuts. New York State will receive $2.5 billion for education and $549.2 million for other essential State Public services over two fiscal years.

Table 45

| Federal ARRA Funding (Dollar Amounts in Thousands) | | | |
|---|---|---|---|
| | Actual | Executive Budget Estimate | |
| | 2008-09 | 2009-10 | 2010-11 |
| **Direct Federal Aid - FMAP/State Fiscal Stabilization** | **1,299,000** | **5,107,906** | **4,780,591** |
| **FMAP** | **1,299,000** | **3,702,000** | **3,387,000** |
| Medicaid (State Budget) | 1,092,000 | 3,155,000 | 2,883,000 |
| Mental Hygiene | 207,000 | 547,000 | 504,000 |
| **State Fiscal Stabilization Fund** | **-** | **1,405,906** | **1,393,591** |
| **School Aid*** | **-** | **1,141,003** | **1,026,730** |
| Deficit Reduction Assessment (included in 2009-10 Enacted Budget) | - | 768,549 | 329,378 |
| Database Update (included in 2009-10 Enacted Budget) | - | 68,654 | 57,608 |
| Teacher Centers (restoration includes net impact of mid-year cuts) | - | 24,500 | 10,500 |
| Spin-Up (included in 2009-10 DRP) | - | 273,700 | 117,300 |
| Gap Elimination Adjustment (included in 2010-11 Executive Budget) | - | - | 508,144 |
| Other | - | 5,600 | 3,800 |
| **Other Education Aid** | **-** | **140,119** | **200,919** |
| Special Education | - | 132,800 | 193,600 |
| Other | - | 7,319 | 7,319 |
| **Higher Education Aid** | **-** | **102,909** | **165,942** |
| Community College Base Aid | - | 49,045 | 116,042 |
| Tuition Assistance Program | - | 53,864 | 49,900 |
| **Mortgage Foreclosure Program** | **-** | **21,875** | **-** |

*A potion of spending in 2010-11 reflects School Year "tail" funding associated with General Fund relief in 2009-10

# Capital and Debt

# Debt Profile

State-supported Debt Outstanding is expected to increase from $50.451 billion in SFY 2009-10 to $53.515 billion in SFY 2010-11. Transportation and Education, which make up 27 percent and 26 percent of debt outstanding, dominate the State's obligations. The remaining obligations by function of debt outstanding are 11 percent in State Facilities and Equipment, 6 percent in LGAC, 8 percent in Health and Mental Hygiene, 5 percent in Environment, 10 percent in Economic Development and Housing, 5 percent in Tobacco and 2 percent in other areas.

**Table 46**

**Projected Debt Outstanding ($ in Thousands)**

| | SFY 2009-10 | Projected SFY 2010-11 |
|---|---|---|
| General Obligation | $3,399,091 | $3,644,235 |
| LGAC | 3,638,940 | 3,436,468 |
| PA Debt -Other Lease-Purchase & Contractual Obligation (Revenue Bonds) | $43,413,353 | $46,434,047 |
| **Total State-supported Debt** | **$50,451,384** | **$53,514,750** |
| Other State Obligations: | | |
| Tobacco | $3,256,805 | $2,929,550 |
| All Other | $1,123,039 | $1,037,852 |
| **Total State-related Debt** | **$54,831,228** | **$57,482,152** |

The $3.06 billion increase in state-supported Debt outstanding for SFY 2010-11 is offset by $2.8 billion in debt retirements and $5.9 billion in state-supported debt issuances. Increases in debt outstanding will occur in the following programs: $1.4 billion for education facilities, $791 million for transportation, $570 million for State facilities and equipment, $336 million for economic development, and $194 million for health and mental hygiene.

State-supported debt is managed and measured by the Debt Reform Act of 2000 and the state is contractually obligated to pay debt service subject to appropriation. State-supported debt, along with Other State Obligations, is a component of State-related debt as reported by the Executive. Other State Obligations have not been issued by the State since the Tobacco bonds were issued in 2005.

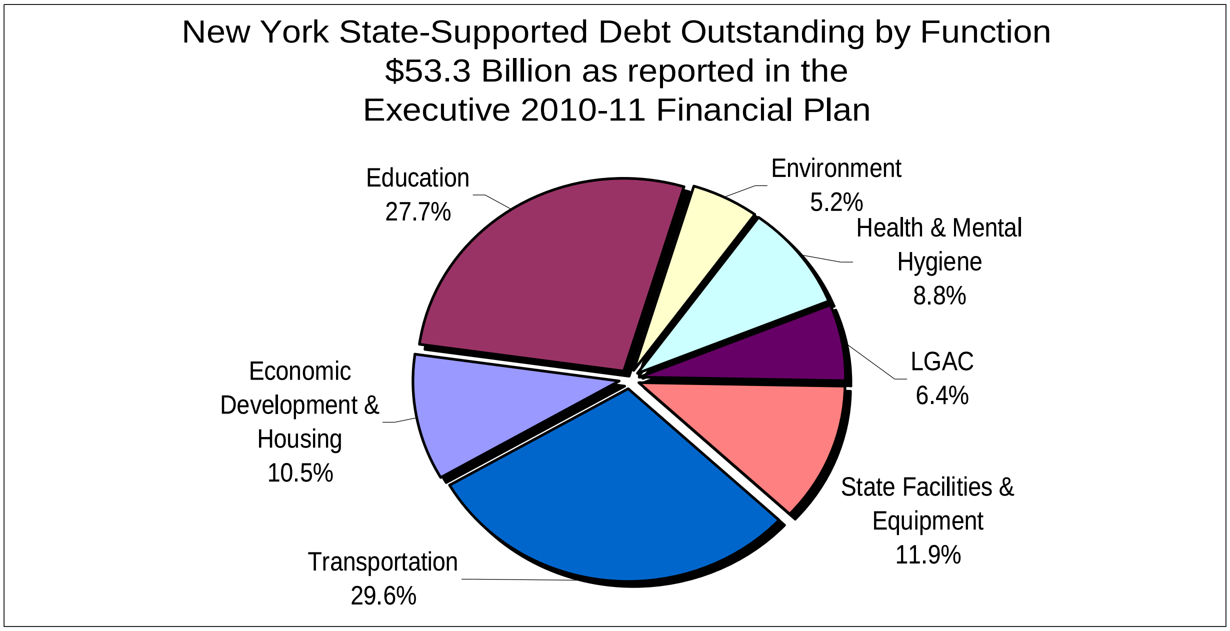



**Figure 69**

## General Obligation Bonds

General Obligation (GO) Bonds are issued with the full faith and credit of the State by voter authorization. Only 5 percent of total State-supported debt outstanding is GO bond debt. The Executive estimates at the end of SFY 2010-11 $3.64 billion in outstanding GO bonds represents: $77.5 million in Economic Development and Housing; $1.44 billion in Environment, and $2.13 billion in Transportation. For SFY 2010-11 the State will pay $503 million in GO debt service and will issue $606 million in bonds.

General obligation bonds are the only debt obligations that the State is required to pay for by law.

At the end of SFY 2008-09, GO Bonds Outstanding was $3.2 billion. GO bonds that were authorized but unissued was $2.66 billion, primarily in Transportation Bond act projects. The Executive anticipated to issue over $1 billion in GO bonds in SFY 2009-10 and 2010-11 and to retire over $700 million in bonds.

**Table 47**

**General Obligation Bond Financing of Capital Projects 2010-11 (Dollar Amounts in Thousands)**

| Bond Referendum | Actual Total Debt Oustanding as of 3/31/09 | Authorized but Unissued 3/31/09 | Projected Issuance 2010-11 |
|---|---|---|---|
| **Transportation** | | | |
| Department of Transportation: | | | |
| Rebuild and Renew - 2005 | $398,000 | $1,032,000 | $316,915 |
| Action - 1988 | $649,000 | $26,000 | $2,000 |
| Infrastructure Renewal - 1983 | $29,126 | $23,000 | $4,000 |
| Energy Conservation - 1979 | $42,000 | $0 | $25 |
| Transportation Capital Facilities - 1967 | $52,000 | $0 | $300 |
| Metropolitan Transportation Authority: | | | |
| Rebuild and Renew - 2005 | $322,000 | $1,118,000 | $206,500 |
| **Parks and Environment** | | | |
| Department of Environmental Conservation: | | | |
| Clean Water/Clean Air - 1996 | $841,000 | $320,000 | $50,000 |
| EQBA - 1986 | $598,000 | $83,000 | $4,000 |
| EQBA - 1972 | $195,000 | $28,000 | $1,500 |
| Pure Waters - 1965 | $91,000 | $26,000 | $600 |
| Environmental Facilities Corporation: | | | |
| Clean Water/Clean Air - 1996 | NA | NA | $343 |
| Parks, Recreation and Historic Preservation: | | | |
| EQBA - 1986 | $39 | $1,000 | $0 |
| **Total General Obligation Bond Financing for SFY 2010-11** | **$3,217,165** | **$2,657,000** | **$586,183** |

## Public Authority Debt

Public Authority debt is not a debt of the State and the State is not obligated to pay for debt service relating to Public Authority debt unless an appropriation is passed by the legislature each fiscal year. Public Authority borrowing supports the Capital Plan and Authority revenue credits include State PIT Revenue Bonds, DHBTF Bonds, SUNY Dormitory Facilities Revenue Bonds, Mental Health Facilities Improvement Revenue Bonds and DOH Revenue Bonds.

Authority bond-finance capital spending is reimbursed by the proceeds of bonds sold by State public authorities pursuant to contractual agreements with the State. Bond reimbursement is managed by the Executive according to timing needs and the availablity of existing bond proceeds, bond market access, investment terms and State cash flow considerations. The State made early debt service payments for November and December of 2009 so that the cash flow shortfall felt by the State in mid-December of 2009 did not adversely impact the State's credit ratings by missing a payment. The following lists all programs that have issued Public Authority debt:

Table 48

| Public Authority Debt 2010-11 (Dollar Amounts in Thousands) | Debt Outstanding | Debt Service | Debt Issuances | Debt Retirements |
|---|---|---|---|---|
| **Transportation** | | | | |
| Metropolitan Transportation Authority | $2,062,790 | $164,995 | | $54,550 |
| Dormitory Authority | | | | |
| Albany County Airport | $20,810 | $3,483 | | $2,530 |
| Thruway Authority | | | | |
| Consolidated Local Highway Improvement | $3,876,906 | $478,408 | $454,410 | $257,309 |
| Dedicated Highway & Bridge | $7,752,200 | $897,132 | $539,797 | $269,850 |
| **Education** | | | | |
| Dormitory Authority | | | | |
| SUNY Educational Facilities | $6,304,650 | $632,252 | $962,152 | $248,576 |
| SUNY Dormitory Facilities | $1,089,100 | $78,776 | $77,520 | $32,130 |
| SUNY Upstate Community Colleges | $685,924 | $52,543 | $51,000 | $21,893 |
| CUNY Educational Facilities | $4,147,312 | $405,968 | $602,002 | $164,161 |
| State Education Department | $53,680 | $4,493 | | $2,280 |
| Library for the Blind | $3,010 | $1,083 | | $900 |
| SUNY Athletic Facilities | $16,330 | $1,538 | | $815 |
| RESCUE | $79,675 | $20,737 | | $15,750 |
| University Facilities (Jobs 2000) | $15,205 | $6,247 | | $5,255 |
| Judicial Training Institute | $9,530 | $1,250 | | $750 |
| School District Capital Outlays | $12,470 | $13,160 | | $11,835 |
| Higher Ed Capital Matching Grants | $113,986 | $16,405 | $40,800 | $11,344 |
| Public Broadcasting Facilities | $8,540 | $1,871 | | $1,375 |
| EXCEL School Construction | $2,132,900 | $170,401 | $215,220 | $66,004 |
| Library Facilities | $47,674 | $4,747 | $13,872 | $2,608 |
| Cultural Educ. Storage Facilities | $71,779 | $5,164 | $33,252 | $2,199 |
| Judiciary Training Academies | $22,635 | $1,713 | $8,160 | $785 |
| **Health** | | | | |
| DOH & Veteran's Home Facilities | $343,760 | $35,286 | | $17,345 |
| Health Care Grants | $344,856 | $31,917 | $126,684 | $21,165 |
| **Mental Hygiene** | | | | |
| Mental Health Facilities | $4,013,061 | $402,403 | $314,955 | $208,718 |
| **Public Protection** | | | | |
| ESDC | | | | |
| Prison Facilities | $4,692,109 | $420,262 | $311,904 | $185,992 |
| Youth Facilities | $193,614 | $32,019 | $20,400 | $22,612 |
| Homeland Security | $16,820 | $2,084 | | $1,000 |
| **Environment** | | | | |
| EFC/ERDA | | | | |
| Riverbank Park | $43,980 | $4,756 | | $2,470 |
| Pilgrim Sewage Treatment | $4,200 | $786 | | $700 |
| State Park Infrastucture | $2,115 | $1,502 | | $1,330 |
| Pipeline for Jobs (Jobs 2000) | $7,879 | $6,031 | | $5,415 |
| Environmental Infrastructure | $781,320 | $98,152 | $62,472 | $63,639 |

*- continued -*

## Public Authority Debt
## 2010-11
## (Dollar Amounts in Thousands)
## *- continued -*

| | Debt Outstanding | Debt Service | Debt Issuances | Debt Retirements |
|---|---|---|---|---|
| Hazardous Waste Remediation | $476,482 | $25,307 | $101,592 | $7,333 |
| ESDC | | | | |
| Pine Barrens | $6,686 | $1,317 | | $945 |
| **State Buildings/Equipment** | | | | |
| ESDC | | | | |
| Empire State Plaza | $0 | $34,430 | | $6,110 |
| State Capital Projects | $154,005 | $29,527 | | $11,225 |
| ESDC/DA/OGS | | | | |
| State Facilities | $946,162 | $53,533 | $361,455 | $27,560 |
| Equipment/Certificates of Participation | $335,967 | $62,464 | $191,031 | $52,641 |
| E911 | $8,265 | $8,677 | | $7,870 |
| **Housing** | | | | |
| Housing Finance Agency | $1,693,322 | $171,552 | $131,422 | $89,015 |
| **Economic Development** | | | | |
| TBTA/ESDC | | | | |
| Javits Center | $41,845 | $41,844 | | $39,475 |
| ESDC/DA | | | | |
| University Technology Centers | $69,567 | $22,539 | | $13,778 |
| Onondaga Convention Center | $28,875 | $4,025 | | $2,510 |
| Sports Facilities | $209,855 | $26,258 | | $15,685 |
| Community Enhancement Facilities | $76,042 | $20,584 | $10,200 | $22,405 |
| Child Care Facilities | $16,045 | $2,173 | | $1,335 |
| Buffalo Inner Harbor | $37,201 | $1,786 | $15,511 | $720 |
| Strategic Investment Program | $27,050 | $5,372 | $4,080 | $4,125 |
| Regional Economic Growth | $545,039 | $142,909 | $60,894 | $116,285 |
| NYS Econ. Dev. Program | $250,896 | $27,131 | $35,700 | $16,616 |
| High Technology & Development | $155,402 | $14,140 | $25,602 | $7,690 |
| Regional Economic Development | $71,135 | $6,354 | $4,907 | $4,589 |
| Economic Development Inititatives | $49,011 | | $49,011 | |
| Semiconductor Manufacturing Facility | $535,910 | $23,565 | $127,500 | |
| Other Economic Development | $778,828 | $76,441 | | $39,043 |
| High Technoology Projects | $209,285 | $33,849 | $61,200 | $26,010 |
| 2008 & 2009 Eco. Development Initiatives | $685,998 | $64,608 | $248,258 | $46,160 |
| RIOC Tram, etc. | $54,354 | $6,757 | $25,959 | $5,815 |
| Debt Management Strategies | | ($16,500) | | |
| **Total Public Authority** | **$46,434,047** | **$4,888,206** | **$5,288,922** | **$2,268,225** |

## Personal Income Tax Bonds (Revenue Bonds)

Personal Income Tax (PIT) Revenue Bonds are backed by 25 percent of Income Tax revenues. The following programs are supported by Revenue Bonds: Education, Environment, Transportation, Economic Development and Housing, Health Care, and State Facilities and Equipment.

Specifically Education supports SUNY, CUNY, Expanding our Children's Education and Learning (EXCEL), NYS Office of Science and Technology, and Academic Research (NYSTAR); Environment supports State Revolving Fund, State Superfund, West Valley and other environmental projects; Transportation supports the CHIPs program to aid local transportation projects; Economic Development and Housing, Health Care, capital projects for the Division of Military and Naval Affairs and equipment bonds, including for software development.

Debt issuance for PIT bonds will be $4.356 billion for SFY 2010-11 and will be offset by $1.882 billion in debt service and $942 million in debt retirements for a total of $21.462 billion in debt outstanding.

**Table 49**

**Personal Income Bonds (PIT)**
**2010-11**
**(Dollar Amounts in Thousands)**

| Revenue Bonds | Debt Outstanding | Debt Service | Debt Issuance | Debt Retirements |
|---|---|---|---|---|
| Personal Income Tax: | | | | |
| Economic Development and Housing | $4,583,374 | $524,930 | $800,244 | $360,445 |
| Education | $8,615,263 | $665,032 | $1,926,458 | $248,265 |
| Environment | $1,184,881 | $107,652 | $164,064 | $59,443 |
| Health & Mental Hygiene | $960,446 | $79,297 | $126,684 | $37,665 |
| State Facilities Equipment | $3,512,404 | $267,363 | $884,790 | $119,536 |
| Transportation | $2,605,991 | $237,850 | $454,410 | $117,009 |
| **Total PIT Bonds** | **$21,462,359** | **$1,882,124** | **$4,356,650** | **$942,363** |

## Service Contract & Lease-Purchase Agreements

The State enters into Service Contract and Lease-Purchase Agreements with Public Benefit Corporations, Municipalities and Other entities.

A lease-purchase agreement is a title asset that will revert back to the State at the end of the lease. Examples of these assets are: Capital Lease-Purchase Agreements (electronic data processing or telecommunications equipment) and Real Property Capital Lease-Purchase Agreements. These debt financings enable Hospitals, Schools and other facilities to purchase new technical equipment and other assets that would be too costly for them to purchase outright.

**Table 50**

| Service Contract & Lease-Purchase Agreements<br>State-supported Debt Outstanding<br>($ in Thousands) | |
|---|---|
| | **SFY 2010-11** |
| Economic Development & Housing | $952,286 |
| Education | 5,110,038 |
| Environment | 137,781 |
| Health & Mental Hygiene | 44,000 |
| State Facilties & Equipment | 2,834,539 |
| Transportation | 3,354,515 |
| **Total** | **$12,433,159** |

**Table 51**

| Revenue Bonds<br>State-supported Debt Outstanding<br>($ in Thousands) | |
|---|---|
| | **SFY 2010-11** |
| **Revenue:** | |
| Education | $8,615,263 |
| Environment | 1,184,881 |
| Transportation | 2,605,991 |
| Economic Development & Housing | 4,583,374 |
| Health Care | 960,446 |
| State Facilities & Equipment | 3,512,404 |
| **Other Revenue:** | |
| Education - SUNY Dorms | 1,089,100 |
| Health & Mental Hygiene | |
| Health Income | 299,760 |
| Mental Health Services | 3,397,471 |
| LGAC - Sales Tax | 3,436,468 |
| Transportation - Dedicated Highway | 7,752,200 |
| **Total All Revenue Bonds** | **$37,437,358** |

Other Revenue Bonds are backed by a separate dedicated revenue stream relating to the projects that they fund, for example SUNY Dormitories would be backed by student fees.

## Contingent Obligations

The Executive defines State-related debt to include the following debt obligations in addition to State-supported debt: Contingent Contractual Obligation (Tobacco Settlement Financing Corporation, DASNY/MCFFA Secured Hospital Program), Moral Obligation (Housing Finance Agency Moral Obligation Bonds, MCFFA Nursing Homes and Hospitals), State Guaranteed Debt (Job Development Authority) and State Funded Debt (MBBA Prior Year School Aid Claims).

Contingent Contractual Obligations are agreements by the State to fund the debt service payments related to a bonded debt issuance only in the case that debt service payments can't be made.

Moral Obligation bonds are issued by an authority to finance a revenue-producing project. The debt is secured by project revenues with statutory provisions morally committing the State.

State Guaranteed debt is public authority debt that finances or guarantees loans which encourages economic development throughout the State and is limited to only $750 million outstanding. Currently, State Guaranteed debt outstanding is $23.2 million.

State Funded debt was created to enable the State to purchase delinquent tax liens from NYS Municipalities through the Municipal Bond Bank Agency (MBBA). Currently, State funded debt outstanding is $395.8 million.

**Table 52**

| State-related Debt Outstanding (Other State Debt Obligations in addition to ($ in Thousands) | |
|---|---|
| | **SFY 2010-11** |
| **Contingent Contractual** | |
| DASNY/MCFFA Secured Hospitals Prg. | $586,390 |
| Tobacco Settlement Financing Corp. | 2,929,550 |
| **Moral Obligation** | |
| HFA Moral Obligation Bonds | 29,987 |
| MCFFA Nursing Homes & Hospitals | 2,480 |
| **State Guaranteed** | |
| Job Development Authority (JDA) | 23,220 |
| **State Funded** | |
| MBBA Prior Year School Aid Claims | 395,775 |
| **Total** | **$3,967,402** |

The Executive began reporting State related debt in their proposed SFY 2006-07 Executive Budget. The Executive also reports State-related debt in the Annual Information Statement (which is certified by the Comptroller). The use of State-related debt surfaced in SFY 2003-04 with the issuance of the Tobacco Bonds.

## American Recovery and Reinvestment Act of 2009 (ARRA)

The federal government initiated several bond programs through the ARRA in order to address the extraordinary pressing circumstances that were brought about during the 2008 banking crisis. Specifically, ARRA was crafted to open other access routes to the financial markets for States and their municipalities to issue debt in order to relieve the pressure and lack of liquidity on the tax-exempt market and lower borrowing costs. Two of the programs that the State has successfully incorporated into their bond issuing practices are the Building America Bond (BAB) Program and the Qualified School Construction Bonds (QSCB) program.

The BAB program enables States and municipalities to issue competitively in the conventional corporate debt markets, which are more attractive to pension funds and non-profit investors, because the US Treasury Department will pay a 35 percent subsidy on the interest payments to the States. With soaring interest rates in the tax-exempt markets, this program has provided an in road to other liquidity resources which has made borrowing less of a burden on the State's financial plan. NYS has issued $1.6 billion in taxable bonds under the BAB program in SFY 2009-10 which will result in approximately $300 million in savings over the life of the transactions.

The QSCB program was created to alleviate allocations of national bond volume cap for schools. This program enables State and local governments to finance public school construction projects and other eligible costs for public school with interest-free borrowings. Essentially this tax credit bond program allows state and local governments to issues bonds without interest cost because it gives investors a Federal tax credit instead of periodic interest payments. The federal program for QSCB's divides the $11 billion national bond volume authorization for 2009 among states and 100 largest school districts based on Federal school funding. New York has been allocated $192 million of QSCB capacity for 2009. The State sold $58 million in QSCB bonds for EXCEL projects, which resulted in a debt service savings of approximately $20 million. The State will sell the remaining $134 million balance of the 2009 allocation during the 2010-11 fiscal year.

# Debt Management

The management of $53.5 billon state-supported debt outstanding is primarily in debt instruments of fixed rate (91.3 percent), Interest Rate Exchange Agreement (Swaps) (5.6 percent) and in variable rate (3.2 percent). When interest rates are favorable the State has often refunded outstanding debt to produce fiscal year savings.

The State has refunding criteria that indicated each individual bond must have a certain minimum net present value savings and the overall total NPV savings must be at least the lesser of two percent of the par amount of refunded bonds or three times the refunding's total cost of issuance, including underwriter's discount and bond insurance if applicable.

The uses of variable rate and swap instruments have declined due to the over exposure of the underlying markets to the economic crisis. The state has no plans to enter into additional swaps and may continue to decrease its exposure to such instruments. In order for the state to enter into swap agreements, the state counterparty rating must be AA rated at a minimum and total notional amount of the swaps and net variable rate cannot exceed 20 percent of State-supported debt outstanding.

### Debt Instruments

New York State uses certain debt instruments like interest rate exchange agreements (swaps) and variable rate debt obligations (VRDO) to manage our debt. Only 8.7 percent of our debt in SFY 2010-11 will be managed with debt instruments other than fixed interest rates. Article 5-D of State Finance outlines the management of debt instruments.

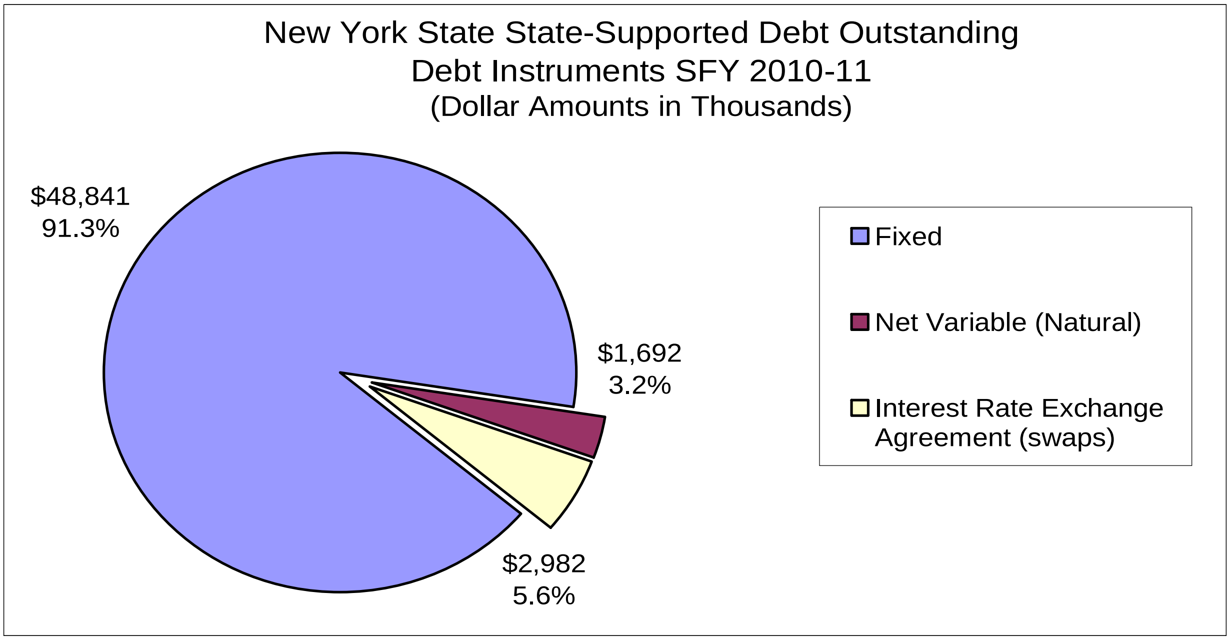



**Figure 70**

## Variable Rate Debt Obligations (VRDO)

The State's policy is to count 35 percent of the notional amount of outstanding 65 percent LIBOR fixed rate swaps in its variable rate exposure. Due to current conditions, the State has no plans to issue VRDO over the course of SFY 2010-11.

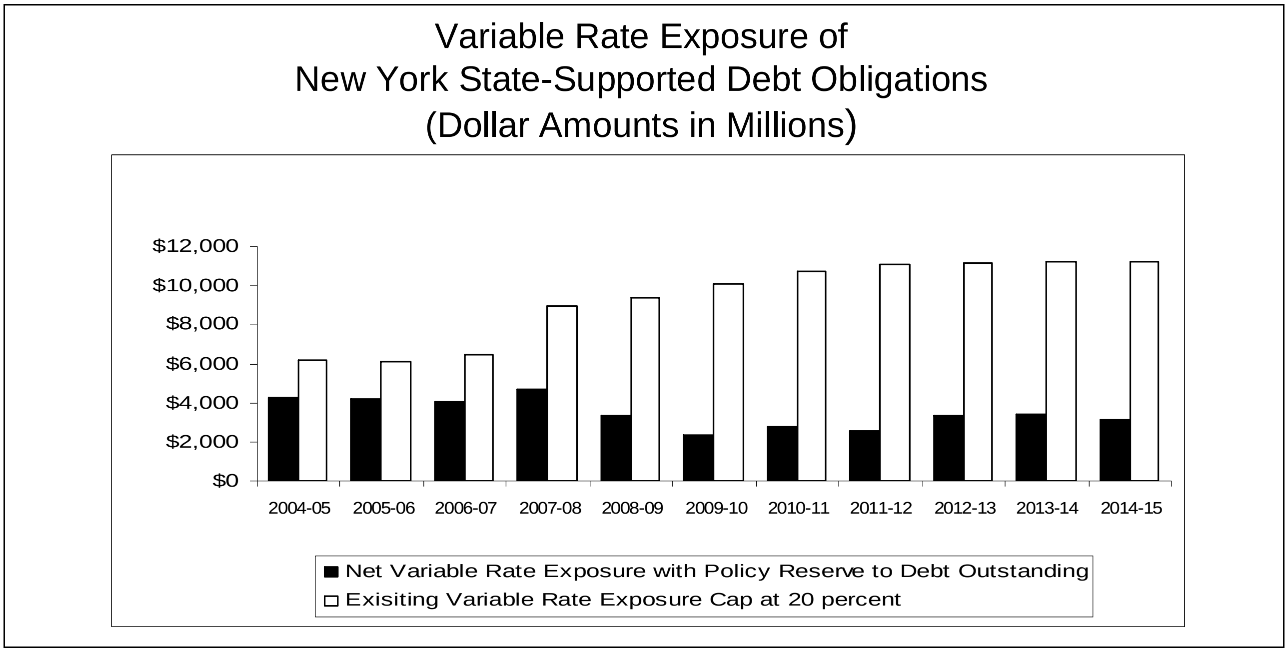



**Figure 71**

## Interest Rate Exchange Agreements (Swaps)

Due to the on-going fiscal crisis, the State has decreased it use of swaps due to the Financial market crisis that took place in 2008.

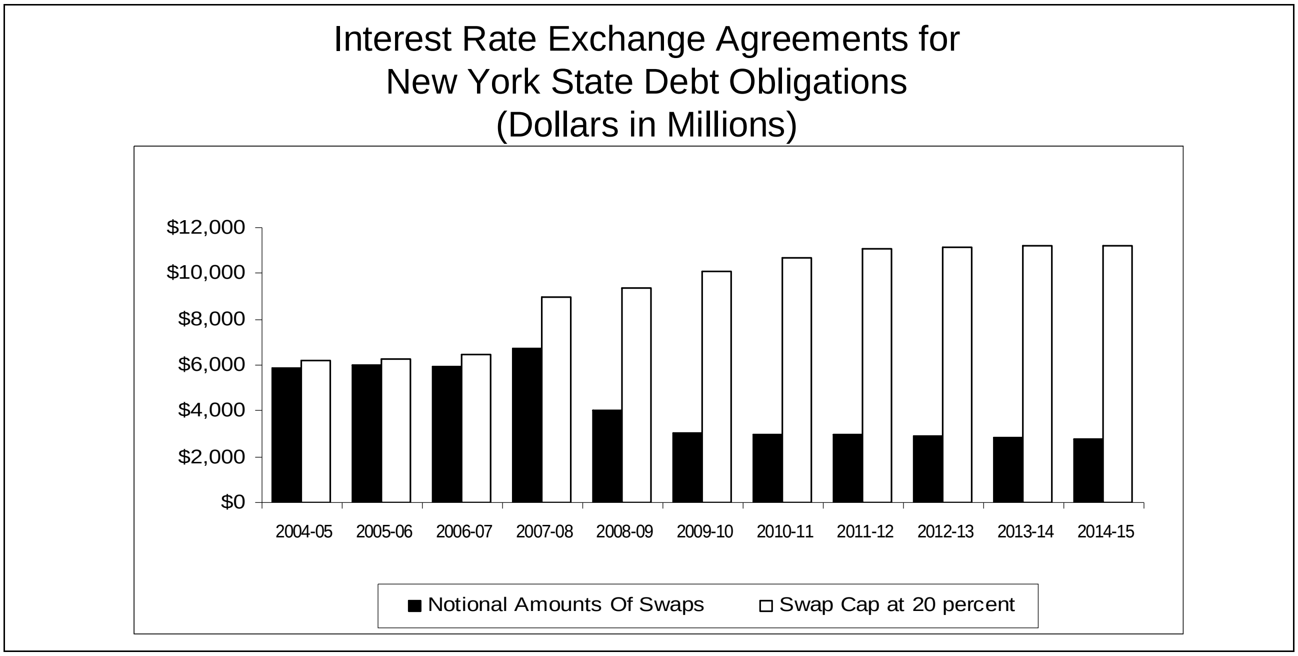



**Figure 72**

Table 53

| State-Supported Debt Caps 2010-11 (Dollar Amounts in Thousands) | | |
|---|---|---|
| **Program** | **Enacted Bond Caps** | **Proposed Bond Cap Increases/Decreases** |
| SUNY Educational Facilities | $10,089,000 | |
| SUNY Dormitory Facilities | $1,230,000 | |
| SUNY Upstate Community Colleges | $536,000 | |
| CUNY Educational Facilities | $6,843,200 | |
| Library for the Blind | $16,000 | |
| SUNY Athletics Facilities | $22,000 | |
| RESCUE | $195,000 | |
| University Facilities (Jobs 2000) | $47,500 | |
| School District Capital Outlay Grants | $140,000 | |
| Judicial Training Institute | $16,105 | |
| Transportation Transition Grants | $80,000 | |
| Public Broadcasting Facilities | $15,000 | |
| Higher Education Capital Matching Grants | $150,000 | |
| EXCEL | $2,600,000 | |
| Library Facilities | $56,000 | $14,000 |
| Cultural Education Facilities | $91,585 | ($12,585) |
| **Total Education Bond Caps** | **$22,127,390** | **$1,415** |
| Environmental Infrastructure Projects | $867,500 | $36,247 |
| Hazardous Waste Remediation (Superfund) | $1,200,000 | |
| Riverbank State Park | $78,000 | |
| Water Pollution Control (SRF) | $600,200 | |
| State Park Infrastructure | $30,000 | |
| Pipeline for Jobs (Jobs 2000) | $33,750 | |
| Western NY Nuclear Service Center | $104,000 | |
| Long Island Pine Barrens | $15,000 | |
| Pilgrim Sewage Plant | $11,200 | |
| **Total Environment Bond Caps** | **$2,939,650** | **$36,247** |
| Empire State Plaza | $133,000 | |
| State Capial Projects (Attica) | $200,000 | |
| Division of State Police Facilities | $114,100 | |
| Division of Military & Naval Affairs | $15,000 | $3,000 |
| Alfred E. Smith Building | $89,000 | |
| Elk St. Parking Garage | $25,000 | |
| State Office Buildings and Other Facilities | $155,800 | $10,000 |
| Judiciary Improvements | $37,600 | |
| OSC State Buildings | $551,700 | |
| Albany Parking Garage (East) | $40,910 | |
| OGS State Buikding and Other Facilities | $140,000 | |
| Equipment Acquisition (Cops) | $564,000 | |
| Food Laboratory | $40,000 | |
| OFT Facilities | $120,500 | |
| Courthouse Improvements | $85,900 | |
| Prison Facilities | $5,837,800 | $319,872 |
| Homeland Security and Training Facilities | $25,000 | $42,000 |

*- continued*

## State-Supported Debt Caps
## 2010-11
## (Dollar Amounts in Thousands)
***- continued -***

| Program | Enacted Bond Caps | Proposed Bond Cap Increases/Decreases |
|---|---|---|
| Youth Facilities | $328,515 | $50,000 |
| E-911 Program | $100,000 | |
| NYRA Land Acquisition/VLT Construction | $355,000 | |
| **Total State Facilities Bond Caps** | **$8,958,825** | **$424,872** |
| Housing Capital Programs | $2,428,141 | $102,116 |
| Javits Convention Center (Original) | $375,000 | |
| Community Enhancement Facilities (CEFAP) | $425,000 | |
| University Technology Centers (incl. HEAT) | $248,300 | |
| Onondaga Convention Center | $40,000 | |
| Sports Facilities | $144,936 | |
| Child Care Facilties | $30,000 | |
| Bio-Tech Facilities | $10,000 | |
| Strategic Investment Program | $225,000 | |
| Regional Economic Development | $1,200,000 | |
| NYS Economic Development (2004) | $350,000 | ($1,275) |
| Regional Economic Development (2004) | $250,000 | ($11,150) |
| High Technology and Development | $250,000 | ($44,200) |
| Regional Economic Development/SPUR | $90,000 | ($21,000) |
| Buffalo Inner Harbor | $50,000 | |
| Jobs Now | $14,300 | |
| Economic Development 2006 | $2,318,000 | |
| Javits Convention Center (Expansion 2006) | $350,000 | ($29,907) |
| Queens Stadium (Mets) | $74,700 | |
| Bronx Stadium (Yankees) | $74,700 | |
| NYS Ec. Dev. Stadium Parking (2006) | $75,000 | ($7,500) |
| State Modernization Projects (Tram) | $50,450 | |
| Int. Computer Chip Research and Dev. Center | $300,000 | |
| 2008 and 2009 Economic Development Initiatives | $1,310,000 | |
| H.H. Richardson Complex/Darwin Martin House | $83,500 | |
| **Total Economic Development Bond Caps** | **$10,767,027** | **($12,916)** |
| Department of Health Faciliteis (inc. Axelrod) | $495,000 | |
| Mental Health Facilities | $7,366,600 | |
| HEAL NY Capital Program | $750,000 | |
| **Total Health/Mental Hygiene Bond Caps** | **$8,611,600** | **$0** |
| Consolidated Highway Improvement Program (CHIPS) | $5,860,800 | $417,510 |
| Dedicated Highway & Bridge Trust | $16,500,000 | |
| High Speed Rail | $22,000 | |
| Albany County Airport | $40,000 | |
| MTA Transit and Commuter Projects | $2,117,340 | |
| **Total Transportation Bond Caps** | **$24,540,140** | **$417,510** |
| Local Government Assistance Corporation (LGAC) | $4,700,000 | |
| **Total LGAC Bond Cap** | **$4,700,000** | **$0** |
| General Obligation | $17,185,000 | |
| **Total General Obligation Bond Caps** | **$17,185,000** | **$0** |

## New York State Bond Proceeds

**Table 54**

| NYS Bond Proceeds (Dollar Amounts in Millions) | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Program** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** |
| DASNY | $413.3 | $418.7 | $467.4 | $532.3 | $692.6 | $815.2 | $896.4 |
| ERDA | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $13.5 | $0.0 |
| UDC | $432.3 | $224.2 | $256.5 | $373.6 | $426.2 | $565.1 | $860.6 |
| EFC | $77.6 | $121.7 | $147.6 | $149.8 | $173.4 | $206.3 | $345.8 |
| HFA | $182.6 | $74.9 | $73.4 | $163.6 | $102.8 | $127.3 | $135.3 |
| Hudson River Park Trust | $18.7 | $14.6 | $0.0 | $15.4 | $14.7 | $0.0 | $0.0 |
| TA | $473.0 | $1,260.0 | $770.0 | $404.0 | $725.9 | $719.0 | $570.0 |
| **Total** | **$1,597.5** | **$2,114.1** | **$1,714.9** | **$1,638.7** | **$2,135.6** | **$2,446.4** | **$2,808.1** |

## Credit Ratings

The Executive has reported that New York State has maintained a favorable credit rating for its general obligation bonds. A favorable rating by credit rating agencies lowers State borrowing costs and allows for greater access to financial markets.

**Table 55**

| Current Credit Ratings on New York State Debt | | | |
|---|---|---|---|
| | **Standard & Poor's** | **Fitch** | **Moody's[1]** |
| Personal Income Tax Bonds (PIT) | AAA | AA- | NR |
| General Obligation | AA | AA- | Aa3 |
| Local Government Assistance Corporation (LGAC) | AAA | AA- | Aa3 |
| Dedicated Highway & Bridge Trust Fund | AA | AA- | NR |
| Mental Health Services Facilities Improvement Revenue | AA- | A+ | NR |
| Department of Health | AA- | A+ | NR |
| State Universty of New York Dormitory Revenue | AA- | A+ | Aa3 |
| Tobacco Bonds | AA- | A+ | NR |
| Municipal Bond Bank Agency (MBBA) Special Schools Revenue | A+ | A+ | NR |
| Service Contract/Appropriation Credits[2] | AA- | A+ | NR |

*1. Moody's rating not applied for except on GO, LGAC and SUNY Dormitory Bond debt. "NR" - not rated*

*2. Includes programs that have been separately bond-financed-for in the past (i.e. CHIPs, SUNY Academic Facilities, etc.) and are now replaced by PIT financing*

For the past six years, New York State has been rated by Standard and Poors (S&P) on swaps analysis, transparency and impact on the overall credit quality. The S&P rating ranges from 1.0 to 4.0 with 1.0 indicating the lowest credit risk. The S&P score is a weighted average of four factors: 1) issuer collateral posting and termination risk, 2) counterparty termination risk, 3) economic viability of the swap structure and, 4) the quality of the swap and a municipality's debt management policies and procedures. The state has received a score of 1.5 indicating that the swap portfolio poses a very low risk to the State's credit quality.

# Debt Affordability

## Debt Reform Act of 2000

The State of New York enacted legislation on May 15th, 2000, the Debt Reform Act of 2000 which created a new Article 5-B in the State Finance Law outlining limitations on State-supported debt. The Act limited the issuance of State-supported debt to a capital work or purpose. The ceiling on debt outstanding and debt service became directly tied to total personal income and total governmental funds receipts respectively. The imposed caps for SFY 2010-11 on new debt outstanding for is four percent of personal income and on new debt service costs to five percent of total governmental funds. In addition the Act limited the maturity on all State-supported debt to 30 years. The following shows the impact of issuing State-supported debt outstanding with the Capital Reduction Plan in place to decrease capital expenditures:

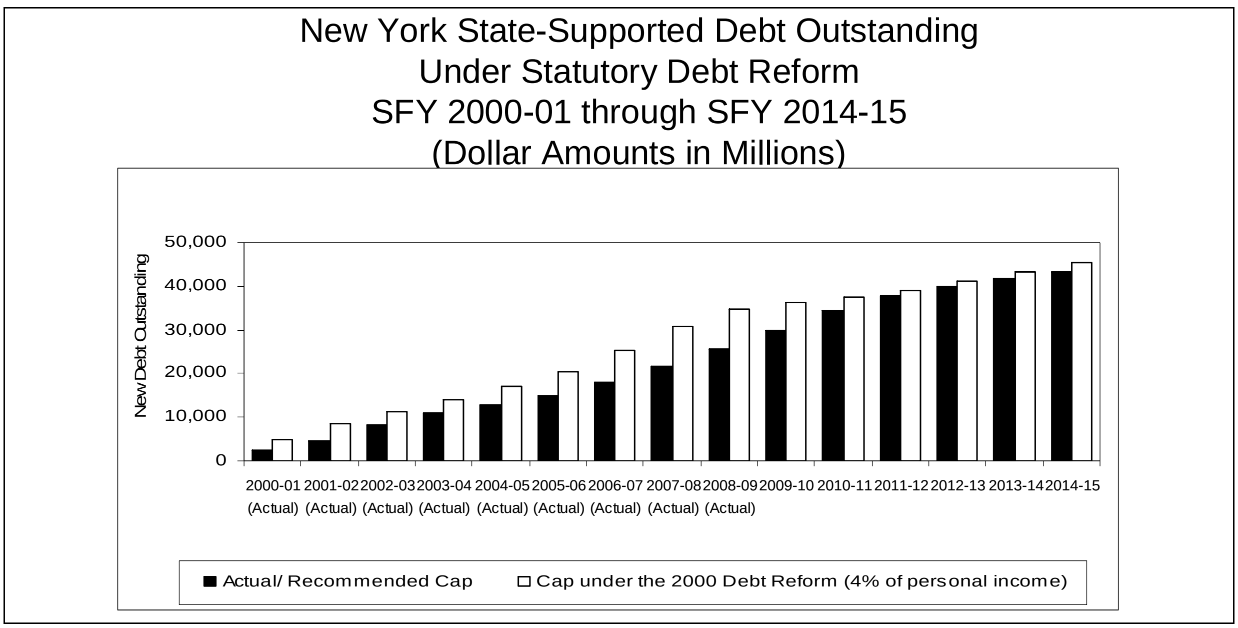



**Figure 73**

Due to the decline in revenues that impacted total personal income and governmental funds, the available room under the caps has declined for debt outstanding by $5 billion from SFY 2009-10 to SFY 2012-13. Because available room to issue debt has declined, the Executive proposed the Capital Reduction Plan which decreases Capital Projects by $1.8 billion over a five year period. The reductions are expected to provide over $130 million in annual debt service savings when fully implemented. The capital reductions will help the State maintain sufficient debt capacity.

Table 56

| Debt Reform Act of 2000<br>New Debt Outstanding Caps with Capital Reduction Plan (CRP)<br>2010-11<br>(Dollar Amounts in Millions) | | | | | | |
|---|---|---|---|---|---|---|
| **Year** | **Maximum Cap under the 2000 Debt Reform (4% of personal income)** | **New Debt Outstanding Cap before CRP is implemented** | **Proposed Capital Reduction Plan (CRP) spending Decreases** | **Proposed Debt Oustanding Cap with CRP** | **Available Room Under Cap before CRP is implemented** | **Proposed Availble Room Under Cap if CRP is implemented** |
| 2009-10 | $36,145 | $30,117 | ($147) | $29,970 | $6,029 | $6,176 |
| 2010-11 | $37,597 | $34,881 | ($385) | $34,496 | $2,717 | $3,102 |
| 2011-12 | $39,046 | $38,444 | ($667) | $37,777 | $602 | $1,269 |
| 2012-13 | $41,208 | $40,984 | ($1,012) | $39,972 | $224 | $1,236 |
| 2013-14 | $43,268 | $43,143 | ($1,390) | $41,753 | $124 | $1,514 |
| 2014-15 | $45,388 | $45,116 | ($1,771) | $43,345 | $271 | $2,042 |

# Capital Plan Highlights

## Overview of the Capital Program and Financing Plan

The New York State capital program has nine spending categories: Transportation, Parks and Environment, Economic Development and Government Oversight, Health and Social Welfare, Education, Public Protection, Mental Hygiene, General Government and Other. The State's five-year plan outlines how each program area will be appropriated and disbursed over the current fiscal year as well as five-year future commitments. There are four financial resources that support the program: state pay-as-you-go, federal pay-as-you-go, authority bonds and general obligation bonds. Appropriations for these areas provide for necessary capital investments to promote commerce, enable construction and repair of roads and bridges, stimulate economic development, protect the environment and ensure the health and safety of all New Yorkers.

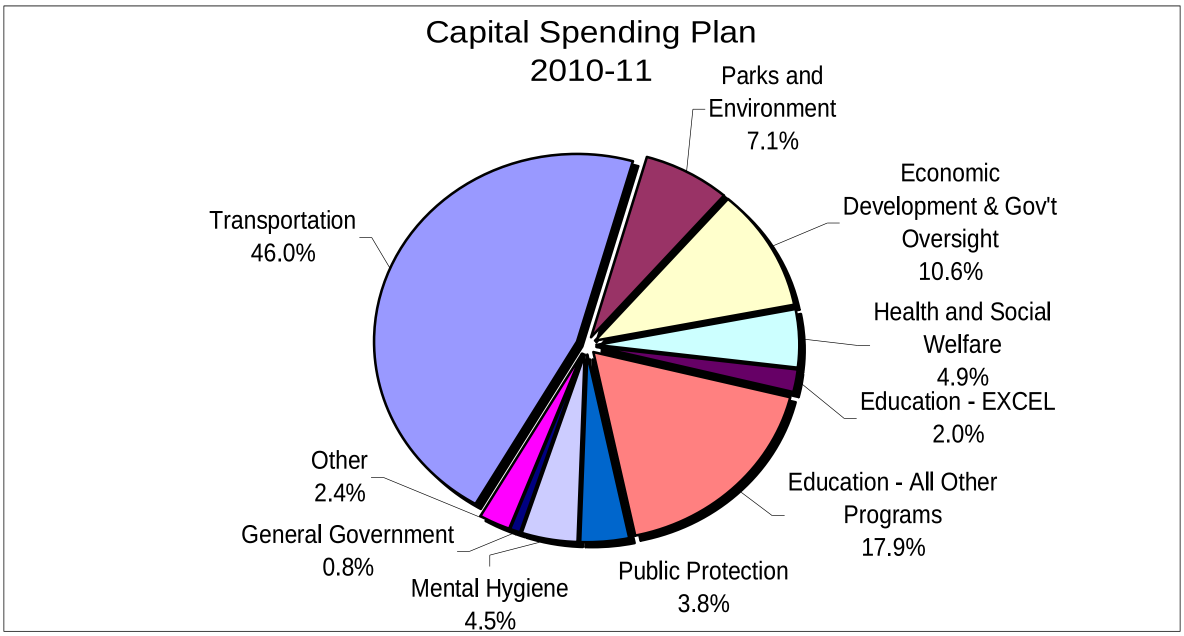



**Figure 74**

The Executive is proposing a $48.8 billion Five-Year Capital Plan. The $10.8 billion Capital Plan for 2010-11 has increased by 8 percent, or $765 million, from 2009-10 and includes "off-budget spending" of $1.9 billion netted from bond proceeds by public authorities. Nevertheless, new capital initiatives have been significantly reduced and existing projects have been prioritized in order to contain costs. The increase in capital projects for 2010-11 is most apparent in transportation ($509 million), which reflects spending on construction projects under ARRA and SUNY ($259 million) reflecting the continued implementation of SUNY's current capital plan. Significant decreases include $61 million in parks and environment, and $47 million in economic development and government oversight.

**Capital Reduction Program**

The Executive has proposed the Capital Reduction Program that is expected to achieve $1.8 billion in savings over five years. This program will ensure that the State will maintain sufficient debt capacity under the Debt Reform caps over the Plan period, while providing for investment in public infrastructure, including investments in the State's roads and bridges. Without the Capital Reduction Program, projections show that the State's cap and debt outstanding may have been exceeded by 2012-13.

The Capital Plan for SFY 2010-11 will include the Capital Reduction Program which will decrease previously planned projects financed with debt by extending the period of time in which the capital projects will be implemented. The five-year plan will save $1.8 billion in capital costs resulting in a direct savings of $360 million in debt service costs, thereby negating any exposure to debt service cap limits. This new program will continue to maintain critical investments in infrastructure and health and safety while deferring or eliminating lower priority projects. The Dedicated Highway and Bridge Trust Fund support for DOT Highway and Bridge program will not be reduced. For this fiscal year it is estimated that the State will save $238 million in capital costs and approximately $10 million in debt service savings. $1.8 billion also includes a savings of $147 million in capital reduction savings in 2009-10.

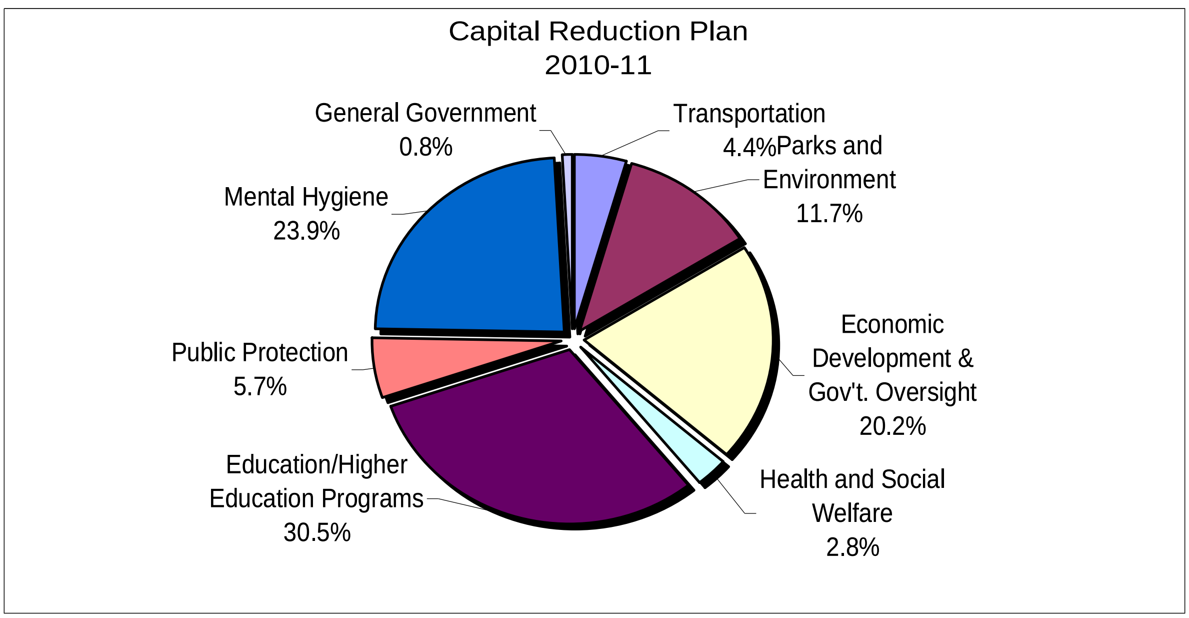



**Figure 75**

**Table 57**

## Capital Reduction Program
## Spending Decreases from Current-Services Forecast by Function
## 2010-11 through 2014-15
**(Dollar Amounts in Thousands)**

| Function Area | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Total* |
|---|---|---|---|---|---|---|
| Transportation | ($10,478) | ($12,480) | ($11,333) | ($10,608) | ($10,383) | ($55,282) |
| Parks and Environment | ($27,900) | ($10,200) | ($6,000) | ($42,800) | ($47,200) | ($134,100) |
| Economic Development & Gov't. Oversight | ($48,165) | ($65,220) | ($93,160) | ($64,220) | ($48,165) | ($318,930) |
| Health and Social Welfare | ($6,664) | ($10,403) | ($15,353) | ($7,012) | ($6,798) | ($46,230) |
| Education/Higher Education Programs | ($72,516) | ($107,300) | ($157,691) | ($190,615) | ($207,291) | ($735,413) |
| Public Protection | ($13,535) | ($28,529) | ($33,695) | ($43,998) | ($42,657) | ($162,414) |
| Mental Hygiene | ($56,872) | ($44,167) | ($25,813) | ($16,564) | ($15,964) | ($159,380) |
| General Government | ($1,908) | ($4,076) | ($2,137) | ($2,441) | ($2,367) | ($12,929) |
| **Total 5-Year Savings** | **($238,038)** | **($282,375)** | **($345,182)** | **($378,258)** | **($380,825)** | **($1,624,678)** |
| **Savings in 2009** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** | **($147,000)** |
| **Grand Total Savings** | **($238,038)** | **($282,375)** | **($345,182)** | **($378,258)** | **($380,825)** | **($1,771,678)** |
| Estimated Debt Service Savings | ($10,000) | ($37,000) | ($78,000) | ($100,000) | ($135,000) | ($360,000) |

**Table 58**

**Capital Spending by Function and Financing Source**
**Capital Program and Financing Plan**
**2009-10 through 2014-15**
**(Thousands of Dollars)**

| Spending | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|---|
| Transportation | $4,437,274 | $4,945,845 | $5,103,788 | $5,144,270 | $5,086,141 | $4,894,674 |
| Parks and Environment | $826,310 | $765,096 | $514,651 | $509,396 | $477,596 | $473,304 |
| Economic Development & Gov't Oversight | $1,191,488 | $1,144,711 | $952,691 | $460,501 | $498,800 | $442,671 |
| Health and Social Welfare | $389,866 | $522,776 | $708,958 | $333,913 | $227,349 | $153,518 |
| Education - EXCEL | $306,555 | $211,054 | $200,000 | $0 | $0 | $0 |
| Education - All Other Programs | $1,758,953 | $1,925,661 | $1,739,458 | $1,594,019 | $1,648,231 | $1,674,086 |
| Public Protection | $377,749 | $409,014 | $396,271 | $368,105 | $372,302 | $374,643 |
| Mental Hygiene | $446,451 | $483,650 | $668,408 | $755,462 | $666,987 | $667,474 |
| General Government | $73,780 | $90,301 | $97,424 | $122,863 | $81,619 | $72,633 |
| Other | $183,820 | $258,957 | $201,700 | $172,900 | $100,000 | $100,000 |
| **Total** | **$9,992,246** | **$10,757,065** | **$10,583,349** | **$9,461,429** | **$9,159,025** | **$8,853,003** |
| Off-Budget Spending | (2,017,844) | (1,900,182) | (1,840,279) | (1,381,672) | (1,363,606) | (1,391,077) |
| **Net Cash Spending** | **$7,974,402** | **$8,856,883** | **$8,743,070** | **$8,079,757** | **$7,795,419** | **$7,461,926** |
| **Financing Source** | | | | | | |
| State Pay-As-You-Go | $1,836,151 | $2,249,708 | $2,674,298 | $2,509,026 | $2,563,219 | $2,691,512 |
| Federal Pay-As-You-Go | $2,517,740 | $2,635,151 | $2,576,704 | $2,616,768 | $2,531,636 | $2,346,055 |
| General Obligation Bonds | $469,697 | $586,183 | $495,494 | $428,043 | $343,290 | $310,262 |
| Authority Bonds | $5,168,658 | $5,286,023 | $4,836,853 | $3,907,592 | $3,720,880 | $3,505,174 |
| **Total** | **$9,992,246** | **$10,757,065** | **$10,583,349** | **$9,461,429** | **$9,159,025** | **$8,853,003** |

The State anticipates spending $10.8 billion in capital financing for SFY 2010-11, of which 21 percent will be funded by state pay-as-you-go, 25 percent will be funded by federal pay-as-you-go, 5.0 percent as general obligation bonds, and 49 percent as authority bonds. Capital projects spending will increase by $764.8 million from SFY 2009-10. The following is a list of the capital maintenance programs and their financing details that provide support to the agencies and authorities that manage the State's resources.

*State PAYGO*

State PAYGO resources consists of General Fund taxes, other taxes and user fees dedicated for specific capital programs, repayment from Local Government and Public Authorities for their share of the projects, and transfers from other funds including the General Fund. Capital Projects financed by State PAYGO Resources will total $2.25 billion for 2010-11. Capital spending supported by General Fund receipts is classified as a transfer to the various Capital Projects Funds. Transfers to capital projects from the General Fund are estimated to be $1.1 billion in 2010-11 and will average up to $1.5 billion annually over the Five Year Plan. General Fund transfers to capital projects essentially finances non-bond eligible capital spending, including minor rehabilitation of facilities operated by Office of General Services, Department of Environmental Conservation, Parks and the Department of Mental Hygiene. General Fund transfers also includes: $5 million annually to the Hazardous Waste Remedial Fund to support the State Superfund program.

Over $866 million will be annually designated for the Dedicated Highway Bridge and Trust Fund (DHBTF) from various transportation taxes.

**Table 59**

**Five-Year Capital Projects Financed by State PAYGO Resources ($ in Thousands)**

| | SFY 2010-11 |
|---|---|
| Transportation | $1,362,236 |
| Parks and Environment | 210,764 |
| Economic Dev. & Gov't Oversight | 102,575 |
| Health and Social Welfare | 254,500 |
| Education | 170,431 |
| Public Protection | 16,549 |
| Mental Hygiene | 79,924 |
| General Government | 48,729 |
| Other | 4,000 |
| **Total State PAYGO Financing** | **$2,249,708** |

*Federal PAYGO*

Federal PAYGO resources for this fiscal year will total $2.64 billion, portioned primarily to Transportation ($2.1 billion) and Environmental projects ($340 million). The Capital Plan for federal spending will also include $205 million for Department of Health Safe Drinking Water projects. Federal PAYGO supports spending financed by grants from the federal government, earmarked for highways and bridges, drinking water and water pollution control facilities, public protection and housing and will total $12.7 billion over the five-year capital plan.

**Table 60**

| Federal PAYGO Resources ($ in Thousands) | |
|---|---|
| | **SFY 2010-11** |
| Transportation | $2,107,744 |
| Parks and Environment | 340,289 |
| Economic Dev. & Gov't Oversight | 3,000 |
| Health and Social Welfare | 89,118 |
| Public Protection | 45,000 |
| Other | 50,000 |
| **Total Federal PAYGO Financing** | **$2,635,151** |

*General Obligation Bond Financing*

General Obligation bonds are voter-approved and therefore backed by the taxing authority of the State. There are nine voter approved bond acts, five for transportation, four for parks and environment. The financing for the 2005 Rebuild and Renew New York Bond Act currently takes up the bulk of the General Obligation financing. It is projected that spending authorizations from seven of the eight acts will be exhausted by 2013. The State expects to issue $606 million of general obligation bonds for Rebuild and Renew New York Transportation Bond Act of 2005 and $549 million of other transportation purposes and $57 million of clean water/clean air and other environmental bond acts.

**Table 61**

| Five-Year Capital Projects Financed by General Obligation Resources ($ in Thousands) | |
|---|---|
| | **SFY 2010-11** |
| Transportation | $529,740 |
| Parks and Environment | 56,443 |
| **Total General Obligation Financing** | **$586,183** |

*Public Authority Bonding*

Public Authority bonds will be issued to support bond-financed capital projects over the plan. The security for these State supported debts issued by State public authorities is provided by the appropriations of the Legislature in the Debt Service Appropriation Bill. The SFY 2010-11 five-year Capital Plan will finance $5.28 billion through the issuance of Authority Bonds. Transportation, Economic Development and Government Oversight and Education programs are heavily supported by Authority Bonds. Proceeds of authority bonds will fund $946 million in transportation projects and $1.97 billion in Education projects and $1.04 billion in Economic Development and Government Oversight projects.

State Personal Income Tax (PIT) Revenue Bonds will finance $800 million of Economic Development initiatives to support the following programs: SIP, Economic Development Projects for the Buffalo area, AMD, CEFAP, the Regional Economic Growth Program, the New York State Economic Development Program, high technology and other business investment programs. State PIT Revenue Bonds will also fund $1.9 billion for Education, $164 million for Environmental, $454 million for Transportation, $127 million for Health Care and $885 million for State Facilities and Equipment Bonds. The remaining $956 million in 2010-11 will be financed by other revenue credits.

**Table 62**

**Five-Year Capital Projects Financed by Authority Bonds Resources ($ in Thousands)**

| | **SFY 2010-11** |
|---|---|
| Transportation | $946,125 |
| Parks and Environment | 157,600 |
| Economic Dev. & Gov't Oversight | 1,039,136 |
| Health and Social Welfare | 179,158 |
| Education | 1,966,284 |
| Public Protection | 347,465 |
| Mental Hygiene | 403,726 |
| General Government | 41,572 |
| Other | 204,957 |
| **Total Authority Bonds Financing** | **$5,286,023** |

# Capital Plan

## The Capital Plan Commitment for 2010-11

### Transportation

New York State's transportation network includes 240,000 lane miles or roads, 19,500 bridges, 4,000 railroad miles, 147 public-use airports, 12 major ports and more than 130 public transportation operators. The transportation agencies that manage these complex networks of travel are the Department of Transportation (DOT), the Thruway Authority (TA), the Metropolitan Transportation System (MTA) and the Department of Motor Vehicle (DMV). Transportation spending accounts for 51 percent of the total spending in the State's five-year plan. Capital spending for transportation reflects the new two-year (2010-11 and 2011-12) DOT program which totals $7 billion, excluding Federal ARRA funds. Spending for transportation is projected to increase by $509 million or by 11 percent from 2009-10 to 2010-11.

**Table 63**

**Transportation**
**Functional Capital Spending by Financing Source**
**SFY 2009-10 through 2014-15**
**(Thousands of Dollars)**

| Financing Source | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|---|
| State Pay-As-You-Go | $1,297,363 | $1,362,236 | $1,436,350 | $1,514,279 | $1,579,140 | $1,604,993 |
| Federal Pay-As-You-Go | $1,761,115 | $2,107,744 | $2,288,286 | $2,328,650 | $2,293,218 | $2,107,637 |
| General Obligation Bonds | $413,254 | $529,740 | $439,051 | $371,600 | $286,847 | $253,819 |
| Authority Bonds | $965,542 | $946,125 | $940,101 | $930,041 | $929,936 | $928,225 |
| **Total** | **$4,437,274** | **$4,945,845** | **$5,103,788** | **$5,144,570** | **$5,089,141** | **$4,894,674** |

### Source of Financing

DOT's capital project appropriations for SFY 2010-11 are projected to exceed $4.9 billion with the larger share of this amount being supported by Federal dollars, which represent over 43 percent of the total, followed by public authority issued debt accounting for a little over 19 percent of the total. State pay-as-you-go represents the third larger funding with 28 percent and GO Bonds provide the rest with 10 percent.

**New Initiatives**

This program includes over $3.6 billion for highway and bridge construction and maintenance contracts, $1.5 billion for engineering and administrative costs, $806 million for local aid, and $618 million for maintenance and maintenance facilities, including snow and ice control activities. The Capital Reduction Program will result in $50 million in savings over the five-year Plan period, reflecting changes to the Multi-Modal and Industrial Access Programs.

*Department of Transportation (DOT)*

**Purpose**

DOT maintains and improves more than 38,000 highway lane miles and 7,500 bridges, and provides for partial funding for locally operated transit systems, local government highway and bridge construction, rail and airport programs. The DOT oversees and funds programs that help defray local capital expenses associated with road and bridge projects including the State-funded CHIPs and Marchiselli programs and significant Federal aid spent on local facilities. The Executive 2010-11 Budget proposes a two-year $7 billion DOT capital program that balances preservation of core transportation infrastructure with fiscal necessity. Key financial factors impacting program levels include the lack of a new multi-year Federal transportation act to replace the Federal program that expired on September 30, 2009; the phase-out of the 2005 Transportation Bond Act as projects are completed; and increasing dependence on the General Fund to support DHBTF, primarily driven by a debt restructuring completed in 2005.

**Table 64**

**Department of Transportation**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| American Recovery and Reinvestment Act | $10,000 | $10,000 | $578,150 |
| Aviation | $10,000 | $10,000 | $29,963 |
| Highway Facilities | $4,276,979 | $4,276,979 | $3,184,677 |
| Maintenance Facilities | $18,165 | $18,165 | $20,428 |
| Mass Transportation & Rail Freight | $81,771 | $81,771 | $109,766 |
| Ports & Waterways | $0 | $0 | $34 |
| Transportation Bondable | $0 | $0 | $276,361 |
| **Total** | **$4,396,915** | **$4,396,915** | **$4,199,379** |

### Source of Financing

The Department of Transportation and Department of Motor Vehicles Operating expenses will be financed with approximately $10.4 billion of State revenues during the next five years. These revenues will provide for pay-as-you-go capital and operating needs and for debt service payments on bonds issued by the State and the Thruway Authority, Federal aid will also support a significant portion of the plan. The 2010-11 Executive Budget includes a cash transfer of $695 million from the General Fund to DHBTF to address a projected funding shortfall in 2010-11. Under current assumptions, this transfer is expected to increase to $785 million for the 2011-12 fiscal year.

### Security for the Bonds

DOT's regulatory programs are funded primarily by fees, miscellaneous revenues (State pay-as-you-go) and Federal Aid (Federal pay-as-you-go), which provide for cash payments or security for the debt service payments for the bonds (General Obligation (GO) Bonds and Thruway Authority Bonds) issued to pay for these capital outlays. These revenues are deposited into the Dedicated Highway and Bridge Trust Fund and used both on a cash basis as well as to pay for the debt service on the bonds issued by the Thruway Authority to finance a portion of the State and Local Highway programs. Portions of these revenues are also deposited into the Consolidated Local Highway Improvement Fund to insure continued maintenance and resurfacing of local highways.

## Department of Motor Vehicle (DMV)

### Purpose

DMV is responsible for the promotion of traffic safety, issuing driver's licenses and vehicle registrations, and collecting revenues used for transportation purposes – including capital projects. The DMV collects more than $1.7 billion annually in revenues for the State and localities, of which more than $600 million is dedicated to the DHBTF. The DOT two-year plan recommends funding nearly $450 million of the Department's transportation-related cash expenses from the DHBTF.

**Table 65**

**Department of Motor Vehicle**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| Transportation Support (DHBTF) | $217,842 | $217,842 | $215,793 |
| **Total** | **$217,842** | **$217,842** | **$215,793** |

### Source of Financing

DMV will be financing all $215 million in disbursements from State pay-as-you-go resources.

### Security for the Bonds

DMV does not issue any bonds nor has any bonds issued on its behalf to pay for its capital appropriation, as a result does not need to secure any bond. Monies for DMV's capital projects are paid out of the State's General Fund.

*Thruway Authority*

### Purpose

The Thruway Authority (TA) operates a 641-mile toll-highway system and maintains, operates, develops and makes capital improvements to 524 miles of navigable waterway. The TA also operates a 426 mile mainline from Pennsylvania to New York City and 71 miles of un-tolled Interstate 84. The Executive 2010-11 Budget is proposing a transfer of Interstate 84 from the Thruway Authority to the DOT.

**Table 66**

**Thruway Authority**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| Canal Development Corporation | $2,000 | $2,000 | $1,800 |
| **Total** | **$2,000** | **$2,000** | **$1,800** |

### Source of Financing

All $1.8 million in disbursement will be paid from state pay-as-you-go resources.

### Security for the Bonds

The Authority's capital projects are all paid from State General Fund monies and require no bonds; as a result there is no need for security for the bonds.

## Metropolitan Transportation Authority (MTA)

### Purpose

The MTA is responsible for operating, maintaining and improving public transportation in the Metropolitan Commuter Transportation District consisting of New York City, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester counties. Furthermore, the MTA oversees the operation of the bus and subway system in New York City, commuter railroads in the region, and seven bridges and two tunnels in New York City.

**Table 67**

| Metropolitan Transportation Authority<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Metropolitan Transportation Authority | $0 | $0 | $0 |
| Urban & Commuter Mass Transportation (Bondable) | $0 | $0 | $206,500 |
| **Total** | **$0** | **$0** | **$206,500** |

### Source of Financing

The MTA will be financing $206.5 million in disbursements from General Obligation Bonds.

### Security for the Bonds

Debt service payments on the MTA bonds are paid out of various revenues collected by the Authority, and the State's share of the MTA bonds is paid from appropriations provided in the State Debt Service Budget.

## Parks and Environment

### Purpose

Appropriations for environmental and recreational capital projects are implemented through the Department of Environmental Conservation (DEC), the Office of Parks, Recreation, and Historic Preservation, the Hudson River Park Trust and the Environmental Facilities Corporation (EFC). Spending for Parks and Environment focuses primarily on the remediation of hazardous waste and hazardous substances, ongoing preservation and maintenance of various lands, facilities and other structures as well as the State's water and air quality.

**Table 68**

| Parks and Environment<br>Functional Capital Spending by Financing Source<br>SFY 2009-10 through 2014-15<br>(Thousands of Dollars) | | | | | | |
|---|---|---|---|---|---|---|
| **Financing Source** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** |
| State Pay-As-You-Go | $165,567 | $210,764 | $201,653 | $201,653 | $201,653 | $202,160 |
| Federal Pay-As-You-Go | $305,300 | $340,289 | $405,300 | $105,300 | $105,300 | $105,300 |
| General Obligation Bonds | $56,443 | $56,443 | $56,443 | $56,443 | $56,443 | $56,443 |
| Authority Bonds | $299,000 | $157,600 | $151,255 | $146,000 | $114,200 | $109,401 |
| **Total** | **$826,310** | **$765,096** | **$814,651** | **$509,396** | **$477,596** | **$473,304** |

### New Initiatives

Parks and Environment spending will continue to focus on the cleanup of environmental hazards and will decrease by $61 million over the Plan period as a result of the completion of voter-approved general obligation bonding authorizations. Implementation of the Capital Reduction Program for parks and the environment will achieve $134 million in savings over the five-year Plan period.

## Department of Environmental Conservation (DEC)

### Purpose

DEC is responsible for conserving, improving and protecting the state's natural resources and environment. DEC also works to control water, land and air pollution and plays a key role in the continued implementation of the 1996 Clean Water/Clean Air Bond Act. Some of DEC's regulatory capital programs include: Hazardous substances bulk storage and oil spill program, Hazardous waste remedial and enforcement program, Open Space Protection Program, Non-point Source Pollution Control Projects, Municipal Park and Waterfront Revitalization Projects, Restoration and Preservation of Historical Barns, Safe Drinking Water Program, Clean Water Program, Solid Waste Projects, Air Quality Projects, and Environmental Restoration Projects.

Table 69

| Department of Environmental Conservation<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| 96 Clean Water/Air Bond Act Fund | $0 | $0 | $0 |
| Administration | $600 | $600 | $1,165 |
| Air Resources | $0 | $0 | $9,466 |
| Clean Water/Clean Air Implementation | $0 | $0 | $0 |
| Clean Water/Clean Air 96 | $0 | $0 | $11,000 |
| Environment and Recreation | $143,000 | $100,000 | $141,000 |
| Environmental Protection and Enhancements | $0 | $0 | $2,000 |
| Fish and Wildlife | $4,000 | $4,000 | $450 |
| Lands and Forests | $1,300 | $1,300 | $1,627 |
| Marine Resources | $5,700 | $5,700 | $300 |
| Operations | $23,050 | $24,100 | $16,673 |
| Recreation | $500 | $500 | $450 |
| Solid and Hazardous Waste Management | $132,592 | $130,000 | $127,973 |
| Solid Waste Management | $50 | $50 | $4,066 |
| Water Resources | $184,934 | $135,900 | $395,732 |
| **Total** | **$495,726** | **$402,150** | **$711,902** |

## Source of Financing

The DEC capital program enhances and maintains the infrastructure necessary to provide a safe environment. An estimated $712 million in capital disbursements will support these activities in 2010-11. The DEC capital plan directs resources to projects to ensure compliance with health and safety requirements and State and Federal environmental mandates. In 2010-11, new Capital Projects Fund appropriations of $17 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. A key element of the DEC capital program is the EPF, a dedicated fund historically supported by revenues from the RETT and other sources.

### Security for the Bonds

GO Bonds are voter-approved and therefore backed by the power of taxation of the State. The security for the State-supported debt issued by EFC is provided by the appropriations provided by the Legislature in the Debt Service Budget.

## Environmental Facilities Corporation (EFC)

### Purpose

EFC assists local governments, state agencies, and private industries to comply with state and federal environmental laws and regulations. To that end, EFC works with these entities to design, construct, operate, and finance air pollution control, drinking water and wastewater treatment, and solid and hazardous waste disposal facilities. EFC relies on five programs to implement its capital program and they are: Clean Water State Revolving Fund (Jointly with DEC), Drinking Water State Revolving Fund (Jointly with DOH), The Industrial Finance Program, Technical Advisory Services, Clean Water/Clean Air Bonds, and Pipeline for Jobs Program.

**Table 70**

**Environmental Facilities Corporation**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
|---|---|---|---|
| Clean Water/Clean Air Implementation | $343 | $343 | $343 |
| Pipeline for Jobs Program | $0 | $0 | $0 |
| **Total** | **$343** | **$343** | **$343** |

### Source of Financing

Estimated spending for these capital programs for SFY 2010-11 will be allocated as follows: $1.3 million by Authority Bonds and $343,000 by General Obligation bonds.

### Security for the Bonds

The security for the state-supported EFC-issued bonds is subject to legislative appropriations. Since the enactment of the Revenue Bonds legislation in 2002, like any state-supported bonds these bonds are now secured by a pledge of 25 percent of the State Personal Income Tax (PIT) receipts or a minimum of $6 billion but subject to appropriation by the legislature. The General Obligation Bonds are voter approved and therefore are backed by the power of taxation from the State.

## Hudson River Park Trust

### Purpose

The Hudson River Park Trust is a public benefit corporation whose mission is to design, develop, and maintains the 550-acre Hudson River Park in New York City which extends for five miles along the Hudson River waterfront from Battery Park City to 59th Street.

**Table 71**

| Hudson River Park Trust<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Regional Development | $0 | $0 | $10,000 |
| **Total** | **$0** | **$0** | **$10,000** |

### Source of Financing

Capital projects disbursement for SFY 2010-11 of $10 million will be financed through State pay-as-you-go resources.

### Security for the Bonds

All the capital projects funded by the Hudson River Park Trust are paid out of the State's General Fund; bonds are not issued for these projects and therefore there is no need to secure the bonds.

## Office of Parks, Recreation and Historic Preservation

### Purpose

The Office of Parks, Recreation and Historic Preservation is responsible for providing safe and enjoyable recreation and for maintaining all natural, historical and cultural resources, including 179 parks and 35 historical sites. The primary focus of the Office's capital program is the health and safety of park visitors and the maintenance and rehabilitation of existing facilities, including 5,000 buildings, 8,320 camp sites, 774 cabins, 76 beaches, 53 swimming pools, 40 boat landing sites, 28 golf courses, 27 marinas, and 18 nature centers. The Office also maintains hundreds of miles of roads and trails, expansive utility systems, 106 dams and 604 bridges.

The Office relies on four major programs for its capital needs: Park Operation: For the operation of the 179 parks; Empire State Games: For the planning and implementation of various games, including for the Physically Challenged, Senior Games, Summer Games, and Winter Games; Historical Preservation: For preservation activities at 35 historic sites, the development of a statewide Comprehensive Historic Preservation Plan, and maintenance of the State Register of Historic Places; and Natural Heritage Trust: This is a public benefit corporation whose mission is to receive and administer (public and private) for the purpose of advancing conservation, outdoor recreation and historic preservation purposes.

**Table 72**

**Office of Parks, Recreation & Historic Preservation**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| Federal Capital Projects Fund | $4,000 | $2,500 | $2,800 |
| Maintenance & Improvement of Existing Facilities | $42,801 | $33,000 | $42,051 |
| Natural Heritage Trust | $0 | $0 | $0 |
| Outdoor Recreation | $0 | $0 | $0 |
| Parks EQBA | $0 | $0 | $0 |
| **Total** | **$46,801** | **$35,500** | **$44,851** |

### Source of Financing

The Office of Parks, Recreation and Historic Preservation will be financing their disbursements as follows: $29 million from State pay-as-you-go resources, $2.8 million from Federal pay-as-you-go resources, and $11 million from Authority Bonds. The are no more authorization for General Obligation Bonds.

### Security for the Bonds

GO Bonds are voter-approved and therefore backed by the power of taxation of the State. The security for the GO bonds is a pledge of the state to levy taxes, if necessary, to make debt service payments in full and on time.

## Economic Development and Government Oversight

New York State Department of Economic Development and government oversight spending will support economic development projects, the disposal of nuclear waste at the Western New York Nuclear Service Center at West Valley, and the preservation and improvement of State Fairground Buildings. The 2010-11 Executive Budget proposes the merger of the Urban Development Corporation (d/b/a Empire State Development Corporation) and the Department of Economic Development into the New York State Job Development Corporation (JDC). This new entity will streamline the currently bifurcated economic development delivery structure to promote growth in the State's traditional economic bases and to ensure that New York Emerges as a leader in the knowledge, technology, and innovation-based economy.

The Capital Reduction Program will achieve $319 million in reduced spending over the Plan period. The savings actions will include aligning economic development spending to actual project needs, requiring implementing agencies to carefully manage the pace of project commitments and spending, and eliminating funding for dormant projects.

**Table 73**

**Economic Development and Government Oversight**
**Functional Capital Spending by Financing Source**
**SFY 2009-10 through 2014-15**
**(Thousands of Dollars)**

| Financing Source | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|---|
| State Pay-As-You-Go | $2,447 | $102,575 | $202,825 | $260,215 | $339,585 | $346,770 |
| Federal Pay-As-You-Go | $256,000 | $3,000 | $3,000 | $3,000 | $3,000 | $3,000 |
| Authority Bonds | $933,041 | $1,039,136 | $746,866 | $197,286 | $156,215 | $92,901 |
| **Total** | **$1,191,488** | **$1,144,711** | **$952,691** | **$460,501** | **$498,800** | **$442,671** |

## New Initiatives

The Executive Budget maintains over $3.8 billion in capital funding for initiatives facilitating economic growth in New York. This includes $1.4 billion for continued support of various economic development and regional initiatives, including high technology initiatives, a statewide competitive grant program administered by JDC, specific downstate regional initiatives, and upstate city-by-city projects. In addition, $2.5 billion is provided for continued support of an international computer chip research and development center, capital improvements at Governor's Island, redevelopment at the Harriman Research and Technology Park, and specific economic development, cultural facilities, university development, environmental, and energy projects administered by JDC and DASNY. This amount includes $650 million for the construction of the GlobalFoudaries facility in Upstate New York and $300 million for the Restore NY Communities Initiative.

## Department of Agriculture and Markets

### Purpose

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 19 major buildings and 107 other structures, the majority of which have a useful life of greater than 10 years and are in good or fair overall condition.

**Table 74**

| Department of Agriculture and Markets<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| New Facilities | $0 | $34,300 | $9,965 |
| State Fair | $3,750 | $2,000 | $2,000 |
| **Total** | **$3,750** | **$36,300** | **$11,965** |

### Sources of Financing

The Department of Agriculture and Markets will be disbursing $11.965 million over the course of SFY 2010-11 through the following resources: $2.0 million from State pay-as-you-go and $9.965 million from Authority Bonds.

## Job Development Corporation (JDC)

### Purpose

The Job Development Corporation will provide financial and technical assistance to businesses, local governments, and community-based not-for-profit corporations for economic development and large-scale real estate projects that create and/or retain jobs in New York and reinvigorate distressed areas.

**Table 75**

| Job Development Corporaton<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Economic Development | $25,000 | $443,445 | $820,848 |
| Regional Development | $0 | $477,403 | $100,000 |
| **Total** | **$25,000** | **$920,848** | **$920,848** |

### Source of Financing

The JDC will be disbursing $100 million in State pay-as-you-go financing, and $820.8 million to be financed by Authority Bonds.

## Economic Development Capital (Misc.)

### Purpose

To align economic development spending to actual project needs, requiring implementing agencies to carefully manage the pace of project commitments and spending, and eliminating funding for dormant projects.

**Table 76**

| Economic Development Capital<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Regional Development | $0 | $57,460 | $57,460 |
| **Total** | **$0** | **$57,460** | **$57,460** |

### Sources of Financing

The $57.46 million in Economic Development Capital will be disbursed through Authority Bonds.

## Strategic Investment Program (Misc.)

### Purpose

To provide support for environmental projects, including the preservation of historically significant places in New York state, and projects to conserve, acquire, develop or improve parklands, parks or public recreation areas; including economic development projects which will facilitate the creation or retention of jobs or increase business activity within a municipality or region of the state; including higher education projects; projects to establish new or rehabilitate existing business incubator facilities to accommodate emerging or small high technology companies; and arts or cultural projects.

**Table 77**

**Strategic Investment Program**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| Strategic Investment Program | $0 | $4,000 | $4,000 |
| **Total** | **$0** | **$4,000** | **$4,000** |

### Sources of Financing

The $4 million of Strategic Investment Program capital will be disbursed using Authority Bonds.

## Foundation for Science, Technology, and Innovation (NYSTAR)

### Purpose

NYSTAR supports technology development, innovation and commercialization leading to economic growth in New York State.

**Table 78**

**NYS Foundation for Science, Technology & Innovation**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| Research Facilities | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** |

### Sources of Financing

There is no financing planned for the Foundation for Science, Technology & Innovation planned for the 2010-11 fiscal year.

### NYS Economic Development Program (Misc.)

**Table 79**

| NYS Economic Development Program<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| NYS Economic Development Program | $0 | $10,109 | $10,109 |
| **Total** | **$0** | **$10,109** | **$10,109** |

### Sources of Financing

The $10.109 million of Economic Development Program will be disbursed using Authority Bonds for SFY 2010-11.

### NYS Javits Convention Center Program (Misc.)

**Table 80**

| Jacob Javits Convention Center<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Jacob Javits Convention Center | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** |

### Sources of Financing

There will be no disbursements relating to the Jacob Javits Convention Center for SFY 2010-11.

*High Technology and Development Program (Misc.)*

**Table 81**

| High Technology and Development<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Technology & Development | $0 | $21,200 | $21,200 |
| **Total** | **$0** | **$21,200** | **$21,200** |

### Sources of Financing

The $21.2 million of High Technology and Development disbursements will be made with Authority Bonds.

*Regional Economic Development Program (Misc.)*

**Table 82**

| Regional Economic Development Program<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Regional Economic Development | $0 | $2,500 | $2,500 |
| **Total** | **$0** | **$2,500** | **$2,500** |

### Sources of Financing

The $2.5 million of Regional Economic Development Program disbursement will be made with Authority Bonds.

*Olympic Regional Development Authority*

**Table 83**

| Olympic Regional Development Authority<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Recreation | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** |

**Sources of Financing**

There will be no disbursements for the Olympic Regional Development Authority.

*NYS Energy Research and Development Authority*

**Table 84**

| NYS Energy Research & Development Authority<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Western New York Nuclear Service Center | $19,247 | $19,247 | $19,247 |
| **Total** | **$19,247** | **$19,247** | **$19,247** |

**Sources of Financing**

The $19.247 million for NYSERDA disbursement will be made through Authority Bonds.

*1.1. Division of Housing and Community Renewal (DHCR)*

**Purpose**

DHCR is the lead state agency for the development, construction, and oversight of state-assisted housing. The Division is responsible for the supervision, maintenance, and development of affordable low and moderate-income housing in New York State. The Division's responsibilities further include: Oversight and regulation of the State's public and publicly assisted rental housing, Administration of the State's rent regulation, and Administration of housing development and community preservation programs including

State and Federal grants and loans to housing developers to finance construction or renovation of affordable housing.

**Table 85**

| Division of Housing & Community Renewal<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Affordable Housing Corporation | $25,000 | $25,000 | $25,000 |
| Homes for Working Families Program | $7,000 | $7,000 | $9,250 |
| Housing Assistance Fund | $0 | $0 | $500 |
| Housing Opportunity Program for Elderly | $400 | $400 | $1,300 |
| Housing Program Capital Improvement | $0 | $0 | $0 |
| Low Income Housing Trust Fund | $29,000 | $29,000 | $42,650 |
| Main Street Program | $0 | $0 | $1,125 |
| Maintenance & Improvements of Exisiting Facilities | $0 | $0 | $0 |
| New Facilities | $0 | $0 | $4,100 |
| Public Housing Modernization Program | $12,800 | $12,800 | $13,125 |
| Rural Revitalization Program | $0 | $0 | $209 |
| State Housing Bond Fund | $0 | $0 | $0 |
| Urban Initiatives Program | $0 | $0 | $123 |
| **Total** | **$74,200** | **$74,200** | **$97,382** |

### Source of Financing

The DHCR will have the following distributions: $93.8 million through Authority Bonds, $3 million through Federal pay-as-you-go and $575,000 through State pay-as-you-go.

### Security for the Bonds

The security for the state-supported Housing Finance Agency (HFA) issued bonds is subject to legislative appropriations. Since the enactment of the Revenue Bonds legislation in 2002, like any state-supported bonds these bonds are now secured by a pledge of 25 percent of the State Personal Income Tax (PIT) receipts or a minimum of $6 billion but subject to appropriation by the legislature through the Debt Service Bill.

## Health and Social Welfare

Capital spending for health and social welfare supports: the preservation and maintenance of youth facilities operated by OCFS; HHAP grants administered by OTDA; and capital projects to protect the health and safety of patients at veterans homes and health care facilities operated by DOH, including new veterans nursing home at Oxford. The Capital Reduction Program will reduce health and social welfare by $46 million over the Plan period.

**Table 86**

**Health and Social Welfare**
**Functional Capital Spending by Financing Source**
**SFY 2009-10 through 2014-15**
**(Thousands of Dollars)**

| Financing Source | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|---|
| State Pay-As-You-Go | $111,900 | $254,500 | $366,640 | $98,795 | $15,400 | $15,400 |
| Federal Pay-As-You-Go | $122,525 | $89,118 | $89,118 | $89,118 | $89,118 | $89,118 |
| Authority Bonds | $155,441 | $179,158 | $253,200 | $146,000 | $122,831 | $49,000 |
| **Total** | **$389,866** | **$522,776** | **$708,958** | **$333,913** | **$227,349** | **$153,518** |

### New Initiatives

Spending for health and social welfare will increase by $132.91 million from SFY 2009-10. The Capital Plan also includes $325 million in new capital appropriations for the continuation for the Health Care Efficiency and Affordability Law for New Yorkers (HEAL NY) enacted in 2005-06.

*Office of Children and Family Services (OCFS)*

### Purpose

OCFS's mission is to strengthen children's and families throughout New York through the supervision of the State's system of family support and child welfare services. The Office has attempted to fulfill its mission through three primary programs, namely its Children and Family Services Program, its Child Care Program and its Youth Facilities Program. The Office's capital projects appropriations primarily support the maintenance and construction of the State's 48 juvenile facilities and day placement centers serving youth placed by the Family Court or directed by the Criminal Court.

Table 87

| Office of Children and Family Services<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Design & Construction Supervision | $7,000 | $1,500 | $521 |
| Executive Direction & Administrative Services | $0 | $0 | $1,100 |
| Maintenance & Improvement of Facilities | $20,675 | $15,500 | $17,363 |
| Program Improvements or Program Change | $10,000 | $3,000 | $3,804 |
| Youth Center | $0 | $0 | $212 |
| **Total** | **$37,675** | **$20,000** | **$23,000** |

**Source of Financing**

OCFS capital program is supported by UDC bonds of $20 million and $3 million in State pay-as-you-go financing.

**Security for the Bonds**

Funding for OCFS capital program are provided through UDC bonds, which are secured by a pledge of 25 percent of the State Personal Income Tax (PIT) receipts or a minimum of $6 billion but subject to appropriation by the legislature.

*Department of Health*

**Purpose**

The focus of the DOH's capital program is to promote the efficient operation of health care facilities statewide, protect the health and safety of its patients, employees and visitors and maintain the Wadsworth Center for Laboratories and Research.

**Table 88**

| Department of Health<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Health Care Efficiency & Affordabilitiy Law for New Yorkers | $325,000 | $25,000 | $362,158 |
| Laboratories & Research | $8,000 | $8,000 | $8,000 |
| Maintenance & Improvements of Existing Institutions | $7,600 | $7,600 | $5,500 |
| Water Resources | $157,183 | $89,118 | $89,118 |
| **Total** | **$497,783** | **$129,718** | **$464,776** |

**Source of Financing**

The DOH will be financing its $464.8 million in disbursements through $251.5 million in State pay-as-you-go, $89.12 million in Federal pay-as-you-go and $124.2 million in Authority Bonds.

*Office of Temporary and Disability Assistance (OTDA)*

**Purpose**

OTDA works in collaboration with OCFS to help needy adults and families achieve economic self-sufficiency through work, job training, and child support enforcement as well as assistance to the aged and disabled persons, unable to work. The Office also provides transitional support to welfare recipients and supportive services to low-income households to help them avoid welfare dependency.

**Table 89**

| Office of Temporary & Disability Assistance<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Supported Housing Program | $30,000 | $30,000 | $35,000 |
| **Total** | **$30,000** | **$30,000** | **$35,000** |

### Source of Financing

Funding for OTDA capital outlays is provided by $35 million in Authority Bonds proceeds.

### Security for the Bonds

Funding for OTDA capital program is provided by cash resources appropriated by the Legislature. No bonds are issued for that purpose.

## Education

Appropriations for education capital projects are implemented through the State Department of Education, the City University of New York and the State University of New York. Capital Spending for Education will increase by $71 million for 2010-11.

**Table 90**

**Education**
**Functional Capital Spending by Financing Source**
**SFY 2009-10 through 2014-15**
**(Thousands of Dollars)**

| Financing Source | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|---|
| State Pay-As-You-Go | $117,032 | $170,431 | $169,890 | $162,464 | $165,464 | $254,610 |
| Authority Bonds | $1,948,476 | $1,966,284 | $1,769,568 | $1,431,555 | $1,482,767 | $1,419,476 |
| **Total** | **$2,065,508** | **$2,136,715** | **$1,939,458** | **$1,594,019** | **$1,648,231** | **$1,674,086** |

### New Initiatives

The Executive Capital Plan includes continued spending for EXCEL to the tune of $211 million in 2010-11 and $200 million in 2011-12. The Capital Reduction Program for SUNY, CUNY and SED will achieve $735 million in savings ($467 million for SUNY, $256 million for CUNY and $13 million for SED) over the five-year period.

*State Education Department (SED)*

### Purpose

SED is responsible for the oversight of public elementary and secondary education programs throughout New York State and for promoting educational excellence, equity, and cost-effectiveness. SED accomplishes its mission by helping local school districts finance their capital outlays through various programs, particularly the building aid portion of the School Aid program, which provide support to school districts for the construction and preservation of school facilities. In addition, the EXCEL program additional funding to school districts in NYC and throughout New York State for their capital construction and improvement projects.

**Table 91**

| State Education Department<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Administration | $6,800 | $6,800 | $4,307 |
| Cultural Education Center | $0 | $0 | $9,523 |
| Cultural Education Storage Facility | $0 | $0 | $10,000 |
| Education Building | $0 | $0 | $1,000 |
| Library Construction | $14,000 | $14,000 | $13,600 |
| Public Broadcasting Facilities | $0 | $0 | $0 |
| School for the Blind | $0 | $0 | $700 |
| School for the Deaf | $0 | $0 | $1,189 |
| Schools for Native American Reservations | $0 | $0 | $2,811 |
| **Total** | **$20,800** | **$20,800** | **$43,130** |

### Source of Financing

SED will be disbursing $43.1 million in funds as follows: $211 million in EXCEL Bonds, $11.9 million in State pay-as-you-go and the remaining $31.2 million in Authority Bonds.

### Security for the Bonds

The security for the state-supported DA-issued bonds is subject to legislative appropriations. Since the enactment of the Revenue Bonds legislation in 2002, like any state-supported bonds these bonds are now secured by a pledge of 25 percent of the State Personal Income Tax (PIT) receipts or a minimum of $6 billion but subject to appropriation by the legislature.

*State University of New York (SUNY)*

**Purpose**

The SUNY system constitutes the nation's largest Public University System with 64 campuses including 30 community colleges, 14 undergraduate colleges, eight research universities, seven technology colleges, and five statutory and contractual colleges. These institutions offer 5,600-degree programs to over 465,000 full-time and part-time students throughout New York State.

To meet the capital needs of such a large education system, SUNY relies on a state-funded multi-year Capital Investment Program. Funding for SUNY residential facilities is secured by SUNY's own Capital Improvement Program while the general maintenance and improvement to all the system's capital assets is provided by the SUNY Capital Project Fund Program. The construction, acquisition, reconstruction, and rehabilitation or improvement to all facilities at state-operated institutions and statutory colleges is under the supervision of the SUNY Construction Fund, which is a public benefit corporation of the State of New York.

**Table 92**

**State University of New York**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| Maintenance & Improvements | $572,426 | $1,267,000 | $1,219,285 |
| **Total** | **$572,426** | **$1,267,000** | **$1,219,285** |

**Source of Financing**

SUNY will be financing its $1.2 billion in disbursements as follows: $147 million State pay-as-you-go and $1.1 million in Authority Bonds.

**Security for the Bonds**

The security for the state-supported DA-issued bonds is subject to legislative appropriations. Since the enactment of the Revenue Bonds legislation in 2002, like any state-supported bonds these bonds are now secured by a pledge of 25 percent of the State Personal Income Tax (PIT) receipts or a minimum of $6 billion but subject to appropriation by the legislature.

*City University of New York (CUNY)*

**Purpose**

With 11 Senior Colleges, six Community Colleges, a Law School, a Graduate School and a University Center, CUNY is the third largest public university system in the nation dedicated to providing affordable higher education to over 259,000 students in the urban community of New York City.

For its capital needs, CUNY relies on both the State and the City who share together the responsibilities for construction, improvement, and rehabilitation of all academic and residential facilities. While the State alone is fully responsible for funding capital projects at all the 11 Senior Colleges (not including the Medgar Evers College), financial supports for CUNY's six community colleges are jointly shared by the State and the City of New York.

**Table 93**

**City University of New York**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| Maintenance & Improvements | $318,785 | $762,823 | $622,970 |
| New Facilities | $0 | $0 | $0 |
| Program Changes & Expansion | $0 | $0 | $275 |
| **Total** | **$318,785** | **$762,823** | **$623,245** |

**Source of Financing**

CUNY will be disbursing $623 million as follows: $611.7 million in Authority Bonds and $11.5 million in State pay-as-you-go resources.

**Security for the Bonds**

The State's share of CUNY capital appropriations come from pay-as-you-go sources and are therefore not bonded out. As a result there is no need for bond security.

*Higher Education Facilities Capital Matching Grants Program (Misc.)*

**Table 94**

| **Higher Education Facilities Capital Matching Grants Program<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars)** | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Higher Education Capital Matching Grants | $0 | $30,000 | $40,000 |
| **Total** | **$0** | **$30,000** | **$40,000** |

**Source of Financing**

The $40 million in disbursements for Higher Education Facilities Capital Matching Grants Programs will be funded by Authority Bonds.

## Public Protection

Appropriations for public protection capital projects are implemented through various state agencies, including the Department of Correction Services, the Division of State Police, the Division of Military and Naval Affairs and Office of Homeland Security.

**Table 95**

| **Public Protection<br>Functional Capital Spending by Financing Source<br>SFY 2009-10 through 2014-15<br>(Thousands of Dollars)** | | | | | | |
|---|---|---|---|---|---|---|
| **Financing Source** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** |
| State Pay-As-You-Go | $18,525 | $16,549 | $14,800 | $13,800 | $13,800 | $13,800 |
| Federal Pay-As-You-Go | $22,800 | $45,000 | $41,000 | $41,000 | $41,000 | $41,000 |
| Authority Bonds | $336,424 | $347,465 | $340,471 | $313,305 | $317,502 | $319,843 |
| **Total** | **$377,749** | **$409,014** | **$396,271** | **$368,105** | **$372,302** | **$374,643** |

**Source of Financing**

Capital Spending for Public Protection will increase by $31.3 million from 2009-10 to 2010-11. Over 85 percent of spending will be through Authority Bonds. The implementation of the Capital Reduction Program will achieve $162 million in savings over the five-year Plan period. DOCS will be responsible for achieving $153 million in savings over the five-year plan.

*Department of Correction Services (DOC)*

**Purpose**

DOC is responsible for the secure confinement of convicted felons and for their successful reintegration once they are released from prison. DOC oversees the nation's fourth largest state prison system with 67 correction facilities, the Willard Drug Treatment Campus and two separate support buildings. The Correction Facilities Capital Improvement Fund ensures that all housing, medical buildings and support space remain functional, safe, and secure.

**Table 96**

| Department of Correctional Services<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Maintenance & Improvements of Exisiting Facilities | $320,000 | $320,000 | $305,788 |
| Medical Facilities | $0 | $0 | $0 |
| **Total** | **$320,000** | **$320,000** | **$305,788** |

**Source of Financing**

For SFY 2010-11, DOC capital disbursements are projected to reach $305.8 million exclusively from proceeds of UDC-issued state-supported bonds.

**Security for the Bonds**

The security for the state-supported UDC-issued bonds is subject to legislative appropriations. Since the enactment of the Revenue Bonds legislation in 2002, like any state-supported bonds these bonds are now secured by a pledge of 25 percent of the State Personal Income Tax (PIT) receipts or a minimum of $6 billion but subject to appropriation by the legislature.

*Division of State Police (DSP)*

**Purpose**

Highway safety, protection of citizens from crimes, patrolling roads and highways outside major urban centers, and providing specialty and investigative police services throughout New York State are the responsibility of the DSP. The agency's capital appropriations essentially support the maintenance of troop facilities and fund projects related to health and safety.

**Table 97**

| Division of State Police<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Maintenance & Improvements of Existing Facilities | $5,500 | $11,000 | $13,591 |
| New Facilities | $6,000 | $4,000 | $26,148 |
| **Total** | **$11,500** | **$15,000** | **$39,739** |

**Source of Financing**

For SFY 2010-11, the DSP capital disbursements are projected to reach $39.7 million and financed through $30.8 million in Authority Bonds, and $8.9 million in State pay-as-you-go resources.

**Security for the Bonds**

All of DSP capital funding comes from pay-as-you-go source and is not therefore bonded out. As a result there is no need for bond security.

*Division of Military and Naval Affairs (DMNA)*

**Purpose**

The DMNA is responsible for maintaining a well-trained military force capable of responding to civil emergencies and any natural or man-made disasters, and to protect against any threat to the national security.

Table 98

| Division of Military and Naval Affairs<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Design & Construction Supervision | $10,100 | $10,100 | $15,170 |
| Maintenance & Improvements | $20,600 | $20,600 | $40,317 |
| **Total** | **$30,700** | **$30,700** | **$55,487** |

**Source of Financing**

The $55.5 million in disbursements for the Division of Military and Naval Affairs will be disbursed as follows: $2.9 million in Authority Bonds, $7.6 million State pay-as-you-go, $45 million in Federal pay-as-you-go.

**Security for the Bonds**

All of DMNA capital funding comes from pay-as-you-go source and is not therefore bonded out. As a result there is no need for bond security.

*1.2. Homeland Security (Misc.)*

Table 99

| Homeland Security - Miscellaneous<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Homeland Security | $0 | $0 | $0 |
| **Total** | **$0** | **$0** | **$0** |

**Sources of Financing**

There are no Homeland Security disbursements for 2010-11.

*Homeland Security and Emergency Services*

**Table 100**

| Homeland Security and Emergency Services<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Design and Construction Supervision | $42,000 | $42,000 | $8,000 |
| **Total** | **$42,000** | **$42,000** | **$8,000** |

**Sources of Financing**

The $8 million of Homeland Security disbursements will be financed through authority bonds.

## Mental Hygiene

The New York State Department of Mental Health is responsible for the mental well-being of all New Yorkers and accomplishes its mission through three independent agencies, which include the Office of Mental Health, the Office of Mental Retardation and Development Disability, and the Office of Alcohol and Substance Abuse Services. These agencies provide services directly to their clients through State operated, and receive reimbursements for these services, primarily through Medicaid. The revenues provide the security for the bonds issued to finance all mental hygiene related capital projects.

**Table 101**

| Mental Hygiene<br>Functional Capital Spending by Financing Source<br>SFY 2009-10 through 2014-15<br>(Thousands of Dollars) | | | | | | |
|---|---|---|---|---|---|---|
| **Financing Source** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** |
| State Pay-As-You-Go | $79,682 | $79,924 | $82,140 | $82,820 | $86,177 | $88,779 |
| Authority Bonds | $366,769 | $403,726 | $586,268 | $672,642 | $580,810 | $578,695 |
| **Total** | **$446,451** | **$483,650** | **$668,408** | **$755,462** | **$666,987** | **$667,474** |

## New Initiatives

Capital spending for Mental Hygiene will increase by $37.2 million from 2009-10 for continued critical rehabilitation projects at State facilities and the continued development of community residences, including new residential treatment opportunities in support of Rockefeller Drug Law reform. Implementation of the Capital Reduction Program will achieve $159 million in savings over the five-year Plan period. This action reflects a delay in non-critical spending associated with the maintenance of facilities.

*Office of Mental Health (OMH)*

## Purpose

OMH is an important element of the New York State mental hygiene system. The Office is responsible for planning and operating an integrated system of mental health care for adults with serious and persistent mental illness and children with serious emotional disturbances. OMH provides high services to an inpatient population of approximately 5,100 persons on 21 separate, active campuses containing 27 institutions: 16 adult, six children and youth, three forensic and two research facilities. Capital appropriations provide for much needed resources that: ensure the preservation and maintenance of inpatient and community facilities, support health and safety projects, preserve and maintain the physical plant, provide for local programs to maintain the existing residential system, and continue the development of Community Beds.

**Table 102**

**Office of Mental Health**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| Administration | $3,717 | $3,717 | $3,658 |
| Design & Construction Supervision | $14,000 | $14,000 | $14,000 |
| Maintenance & Improvements of State Facilities | $203,935 | $210,595 | $250,806 |
| Non-Bondable Projects | $1,000 | $1,000 | $1,000 |
| Voluntary Facilities | $11,639 | $11,639 | $60,000 |
| **Total** | **$234,291** | **$240,951** | **$329,464** |

**Source of Financing**

Funding for OMH capital projects comes essentially from two sources, including DA-issued state-supported bonds and from the General Fund in the form of State pay-as-you-go payments. OMH will disburse $35.8 million from State pay-as-you-go and $293.6 million from Authority Bonds.

**Security for the Bonds**

The security for the state-supported DA-issued bonds is subject to legislative appropriations. Since the enactment of the Revenue Bonds legislation in 2002, like any state-supported bonds these bonds are now secured by a pledge of 25 percent of the State Personal Income Tax (PIT) receipts or a minimum of $6 billion but subject to appropriation by the legislature.

*Office of Mental Retardation and Development Disabilities (OMRDD)*

**Purpose**

OMRDD serves and supports more than 125,000 New Yorkers with development disabilities. The Office works with local governments and non-profit providers to operate some 477 developmental center beds along with 1,122 special unit beds, and oversee a comprehensive system of delivery of services to the developmentally disabled. OMRDD capital appropriations provide resources aimed at preserving and maintaining long-term facilities in the case of institutional projects, at maintaining both State and Voluntary not-for-profit community based sites and, at developing State-operated residential placements for adults in developmental centers and on the NYS-CARES waiting list. There are three important capital spending areas: residential services, community day services and support for consumers living in their own homes.

**Table 103**

| Office of Mental Retardation & Developmental Disabilities<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Community Services Program | $53,580 | $17,438 | $40,025 |
| Design & Construction Supervision | $11,000 | $7,000 | $9,000 |
| Institutional Services Program | $57,200 | $49,330 | $63,600 |
| Non-Bondable Projects | $1,000 | $0 | $0 |
| Voluntary Facilities | $16,780 | $4,000 | $5,409 |
| **Total** | **$139,560** | **$77,768** | **$118,034** |

**Sources of Financing**

Funding for OMRDD capital projects comes essentially from two sources, including the General Fund in the form of State pay-as-you-go payments and from the DA-issued state-supported bonds.

For SFY 2010-11, OMRDD capital disbursements is expected to exceed $118 million and will be financed through $32.12 million in State pay-as-you-go and $85.9 million in Authority Bonds.

**Security for the Bonds**

The security for the state-supported DA-issued bonds is subject to legislative appropriations. Since the enactment of the Revenue Bonds legislation in 2002, like any state-supported bonds these bonds are now secured by a pledge of 25 percent of the State Personal Income Tax (PIT) receipts or a minimum of $6 billion but subject to appropriation by the legislature.

*Office of Alcoholism and Substance Abuse Services (OASAS)*

**Purpose**

OASAS operates the largest drug and alcohol prevention and treatment system in the nation providing treatment and rehabilitation to over 110,000 patients, which are enrolled at more than 1,200 community-based agencies. The Office is responsible for licensing, evaluating service providers as well as implementing and advocating policies, and programs covering all phases of the prevention and treatment of alcoholism and substance abuse.

**Table 104**

| Office of Alcoholism and Substance Abuse Services<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Adminstration | $1,328 | $1,328 | $1,328 |
| Community Alcoholism & Substance Abuse Facilities | $99,356 | $135,998 | $26,040 |
| Design & Construction Supervision | $3,500 | $9,253 | $3,000 |
| Insititutional Services Program | $4,000 | $7,807 | $5,034 |
| Non-Bondable Projects | $750 | $750 | $750 |
| **Total** | **$108,934** | **$155,136** | **$36,152** |

### Source of Financing

For SFY 2010-11 OASAS capital project disbursement are estimated at $36.2 million with the majority of the money coming from DA-issued state-supported bonds and the remaining being supported by the General Fund in the form of State pay-as-you-go payments. OASAS financing is as follows: $25 million in Authority Bonds and $11.1 million as State pay-as-you-go.

### Security for the Bonds

The security for the state-supported DA-issued bonds is subject to legislative appropriations. Since the enactment of the Revenue Bonds legislation in 2002, like any state-supported bonds these bonds are now secured by a pledge of 25 percent of the State Personal Income Tax (PIT) receipts or a minimum of $6 billion but subject to appropriation by the legislature.

## General Government

### Purpose

General government capital spending is provided for the construction, rehabilitation, consolidation and renovation of State office buildings to maintain asset value, achieve space efficiencies and reduce operational costs.

**Table 105**

| General Government<br>Functional Capital Spending by Financing Source<br>SFY 2009-10 through 2014-15<br>(Thousands of Dollars) | | | | | | |
|---|---|---|---|---|---|---|
| **Financing Source** | **2009-10** | **2010-11** | **2011-12** | **2012-13** | **2013-14** | **2014-15** |
| State Pay-As-You-Go | $43,635 | $48,729 | $55,000 | $55,000 | $55,000 | $55,000 |
| Authority Bonds | $30,145 | $41,572 | $42,424 | $67,863 | $26,619 | $17,633 |
| **Total** | **$73,780** | **$90,301** | **$97,424** | **$122,863** | **$81,619** | **$72,633** |

## New Initiatives

General government spending increases by $16.5 million in 2010-11. As a result of the Capital Reduction Program, general government spending will be reduced by $13 million over five years.

*Office of General Services*

**Table 106**

| Office of General Services<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Design & Construction Supervision | $12,766 | $13,000 | $9,840 |
| Maintenance & Improvement of Real Property Facilities | $74,284 | $70,000 | $51,845 |
| Sustainability | $10,950 | $9,000 | $4,000 |
| **Total** | **$98,000** | **$92,000** | **$65,685** |

## Source of Financing

The $65.7 million in disbursements of OGS will be financed as follows: $19.7 million in Authority Bonds and $45.9 million in State pay-as-you-go resources.

*Department of State*

**Table 107**

| Department of State<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Solid and Hazardous Waste Management | $2,750 | $2,750 | $2,750 |
| Local Government & Community Services | $0 | $0 | $0 |
| Office of Fire Prevention | $0 | $0 | $0 |
| **Total** | **$2,750** | **$2,750** | **$2,750** |

**Source of Financing**

The $2.7 million in disbursements of DOS will be financed by $2.7 million in State pay-as-you-go resources.

*1.3. Office of Technology*

**Table 108**

| Office for Technology<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Economic Development | $0 | $2,500 | $3,000 |
| New Facilities | $0 | $50,000 | $18,866 |
| **Total** | **$0** | **$52,500** | **$21,866** |

**Source of Financing**

OFT will be disbursing $21.8 million in SFY 2010-11 and financed as follows: $21.8 million in Authority Bonds.

## Other

### Purpose

This spending supports capital investments for the Judiciary, statewide equipment, systems development and upgrades, and capital spending financed with Federal funds for the World Trade Center site. Spending for these areas is projected to total $834 million over the Plan period, an average of about $167 million annually.

**Table 109**

**Other**
**Functional Capital Spending by Financing Source**
**SFY 2009-10 through 2014-15**
**(Thousands of Dollars)**

| Financing Source | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|---|---|---|---|---|---|---|
| State Pay-As-You-Go | $0 | $4,000 | $75,000 | $50,000 | $40,000 | $40,000 |
| Federal Pay-As-You-Go | $50,000 | $50,000 | $50,000 | $50,000 | $0 | $0 |
| Authority Bonds | $133,820 | $204,957 | $76,700 | $72,900 | $60,000 | $60,000 |
| **Total** | **$183,820** | **$258,957** | **$201,700** | **$172,900** | **$100,000** | **$100,000** |

### New Initiatives

Capital spending will increase by $75.1 million for the Judiciary, statewide equipment and capital spending financed with Federal funds for the World Trade Center site. This reflects work in court facilities and renovations to the Court of Appeals. These projects are funded by authority bonds issued by DASNY.

*Judiciary*

**Table 110**

**Judiciary**
**Summary of Projected Appropriations, Commitments, and Disbursements**
**SFY 2010-11**
**(Thousands of Dollars)**

| Program Summary | Appropriations | Commitments | Disbursements |
|---|---|---|---|
| Courthouse Improvements | $0 | $14,200 | $18,000 |
| **Total** | **$0** | **$14,200** | **$18,000** |

### Sources of Financing

The Judiciary will be disbursing $18 million over SFY 2010-11, all of which will be funded through Authority Bonds.

*World Trade Center (Misc.)*

**Table 111**

| World Trade Center<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| World Trade Center | $0 | $0 | $50,000 |
| **Total** | **$0** | **$0** | **$50,000** |

### Sources of Financing

The World Trade Center will be disbursing $50 million over SFY 2010-11 all of which will be supported through Federal pay-as-you-go financing.

*State Equipment Financing Program*

**Table 112**

| State Equipment Financing Program<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars) | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Program Changes & Expansion | $187,285 | $187,285 | $187,285 |
| **Total** | **$187,285** | **$187,285** | **$187,285** |

### Sources of Financing

The State Equipment Financing Program will be disbursing $187.3 million all of which will be supported through Authority bond financing.

*Roosevelt Island Operating Corporation*

**Table 113**

| **Roosevelt Island Operating Corporation<br>Summary of Projected Appropriations, Commitments, and Disbursements<br>SFY 2010-11<br>(Thousands of Dollars)** | | | |
|---|---|---|---|
| **Program Summary** | **Appropriations** | **Commitments** | **Disbursements** |
| Program Changes & Expansion | $0 | $0 | $4,000 |
| **Total** | **$0** | **$0** | **$4,000** |

## Sources of Financing

The Roosevelt Island Operating Corporation will be disbursing $4 million all of which will be supported through State pay-as-you-go financing.