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 27, 2013

Dear Colleagues:

I am providing you with the NYS Assembly Ways and Means Committee *Revenue and Fiscal Outlook* for State Fiscal Year (SFY) 2012-13 and 2013-14. 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 2012-13 and 2013-14.

The Committee staff projects that total All Funds receipts will reach $135.112 billion in SFY 2012-13, which represents an increase of $2.367 billion, or 1.8 percent, from SFY 2011-12. The Committee staff estimate is $73 million above than the Executive's estimate for SFY 2012-13.

The Committee staff projects that All Funds receipts will total $141.427 billion in SFY 2013-14, an increase of $6.315 billion, or 4.7 percent, over SFY 2012-13. The Committee staff forecast is $484 million higher than the Executive's forecast for SFY 2013-14. 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 AND FISCAL OUTLOOK

FISCAL YEAR 2012-13 AND 2013-14

February 2013

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

Matthew A. Howard
Secretary to the Committee

Steven A. Pleydle
Deputy Secretary to the Committee

Michael J. Johnson
Counsel to the Committee

Anthony A. Rodolakis, Ph.D.
Deputy Director for Fiscal Studies
Director of Tax Study

Philip A. Fields
Deputy Director for Fiscal Studies

Karen J. Smeaton
Deputy Director for Fiscal Studies

TABLE OF CONTENTS

Fiscal Outlook

A slow, albeit steady, economic recovery continues to exert persistent pressure on the State's fiscal outlook. Although tax revenues continue to underperform during State Fiscal Year (SFY) 2012-13, a return to trend growth is anticipated for SFY 2013-14.

The Ways and Means Committee staff All Funds collection estimates for SFY 2012-13 and forecasts for SFY 2013-14 together with the difference from the Executive is outlined in Table 1. In general, the Committee staff's analysis concurs, for the most part, with the Executive's assumptions with a combined two-year difference of $557 million in additional receipts, inclusive of miscellaneous receipts and Federal funds. The bulk of the differences from the Executive lies in the withholding component of the Personal Income Tax of $390 million over two years, which is less than a one percent difference. A measureable difference also lies in business taxes which at $162 million is less than two percent for SFY 2013-14.

Table 1

All Funds Collections SFY 2012-13 and 2013-14
($ in Millions)

	WAM 2012-13	Exec. 2012-13	Difference	WAM 2013-14	Exec. 2013-14	Difference
Personal Income Tax	$40,254	$40,126	$129	$42,610	$42,421	$189
User Taxes and Fees	14,627	14,630	(3)	15,189	15,167	22
Business Taxes	8,150	8,181	(31)	8,622	8,460	162
Other	2,983	2,986	(3)	3,122	3,058	64
Total Taxes	**66,015**	**65,922**	**92**	**69,543**	**69,105**	**438**
All Funds Misc Receipts	24,966	24,985	(19)	23,936	23,889	46
Federal Funds	44,131	44,131	0	47,948	47,948	0
Total All Funds Receipts	**$135,112**	**$135,038**	**$73**	**$141,427**	**$140,942**	**$484**

Sources of Revenue

Revenue Forecasts, SFY 2012-13 and 2013-14

SFY 2012-13

The Committee staff estimates total All Funds receipts of $135.1 billion for growth of 1.7 percent, or $2.3 billion over SFY 2011-12. Additional Federal Funds of $1.5 billion for Superstorm Sandy relief is projected to boost collection numbers this year. When focusing on tax receipts only, the staff estimates total receipts of $66.0 billion or growth of 2.7 percent. The majority of the gain in tax receipts is attributed to the Personal Income Tax (PIT) which is estimated to close the year $1.5 billion over the previous year, primarily due to strong estimated payments growth. All Funds Miscellaneous receipts are expected to close the year with growth of 4.2 percent primarily due to one-time receipts from several major audits and settled legal cases. The Committee's All Funds receipts estimate is $73 million above the Executive. On a General Fund basis, the Committee staff expects a total of $59.2 billion in receipts for growth of 4.2 percent. The Committee's estimate is $93 million above the Executive.

SFY 2013-14

The Committee staff forecasts a return to trend growth with an All Funds receipts estimate of $141.4 billion or $6.3 billion over the prior year for growth of 4.7 percent. All Funds tax receipts are forecast to total $69.5 billion for growth of 5.3 percent or $3.5 over the prior year. Federal receipts are forecast to increase by 8.6 percent to $47.9 billion due to temporary disaster assistance relief. Absent temporary and non-recurring resources (e.g. Federal Disaster Assistance and temporary extensions of certain taxes and fees), total State revenues are projected to increase by close to one percent. General Fund receipts are forecast to total $61.4 billion for growth of 3.8 percent or $2.2 billion over the prior year.

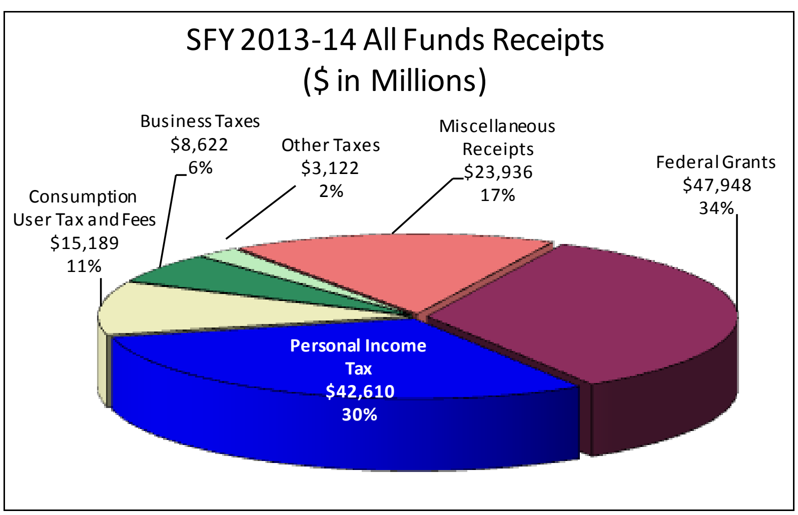
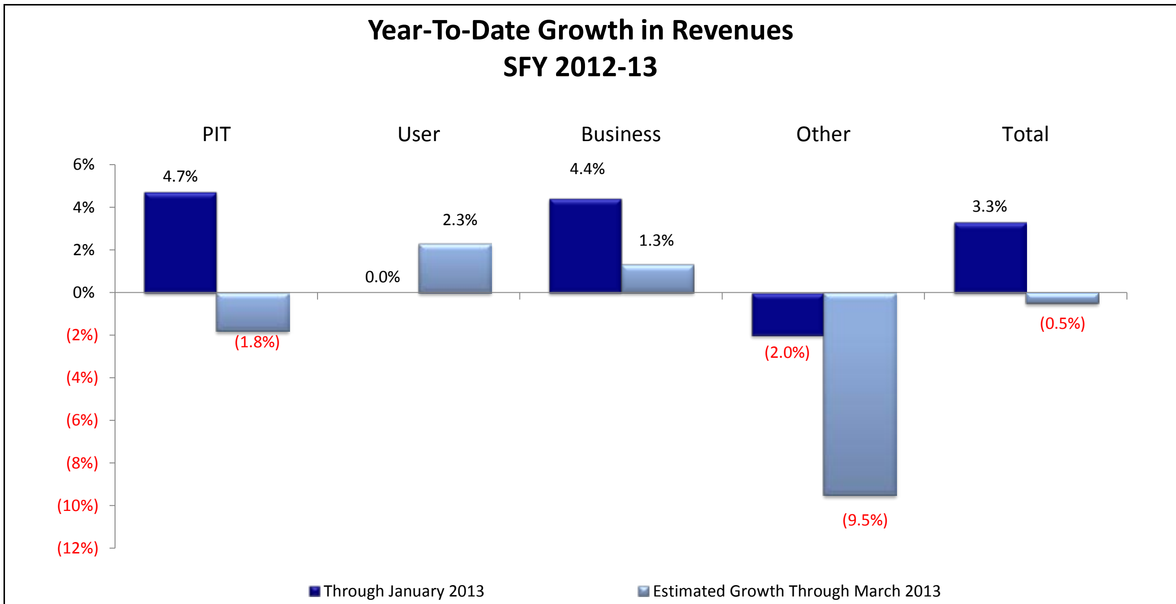


Figure 1

Although Personal Income Tax collections account for 47 percent of total General Fund receipts, they contribute only 30 percent of All Funds receipts. Non-tax receipts account for a total of 51 percent of All Funds receipts. Federal funds account for the largest share of All Funds receipts at 34 percent, while miscellaneous receipts account for another 17 percent.

Revenue Trends through January 2013

Through January, All Governmental Funds Receipts totaled $109.3 billion or 0.1 percent below the first ten months of the prior fiscal year. In spite of the fact, All Funds tax collections were $55.9 billion, representing growth of 3.3 percent over the prior fiscal year. Miscellaneous receipts totaled $19.0 billion, 1.8 percent above collections a year ago, but $445 million below financial plan projections. Federal funds totaled $34.4 billion, 6.1 percent below collections a year ago, yet $315 million above financial plan projections. Overall, during the first ten months of the fiscal year All Governmental Funds receipts are $111 million below the same period during the prior fiscal year, primarily due to $2.2 billion less in federal funds, while tax receipts – including lottery and Miscellaneous receipts – increased by $2.1 billion.



Source: Office of the State Comptroller, NYS Assembly Ways and Means Committee staff estimates.

Figure 2

The Ways and Means Committee staff's tax revenue estimates for SFY 2012-13 are based on year-to-date collections and historical collections patterns. This increase is largely attributed to the $1.6 billion increase in PIT as well as a $242 million increase in business tax receipts. User taxes and fees were up by $4 million while other taxes were down $53 million or 2.0 percent. Tax collections are projected to decline by 0.5 percent over the last two months of the fiscal year.

The December 2011 Tax Reform included legislative changes to the tax base and rates imposed on payrolls within the MTA region which has led to weaker PIT receipts as well as a large decline in receipts from the MTA payroll tax.

Figure 3 provides a useful overview of the year-to-date growth progression since the beginning of the current fiscal year. While the Tax Reform of 2011 and the slow economic growth restrained revenue growth in the early months of the year, receipts growth has accelerated, especially in January as taxpayers shifted certain income streams to December 2012 in anticipation of higher marginal tax rates at the Federal level in 2013.

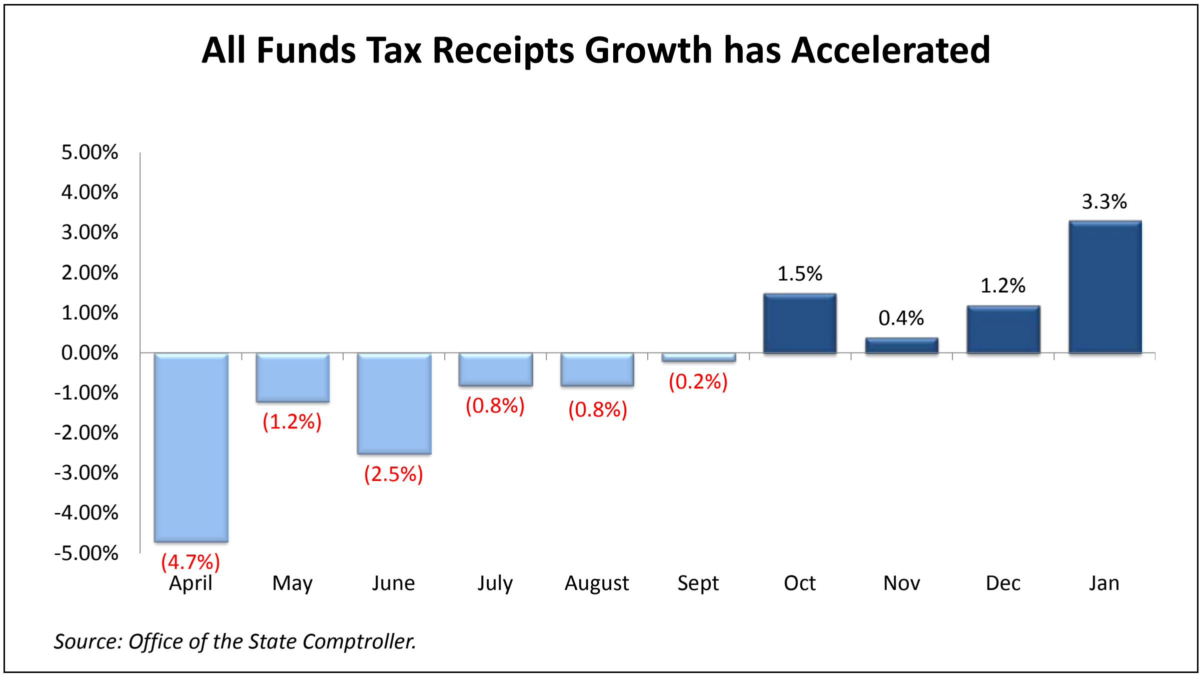


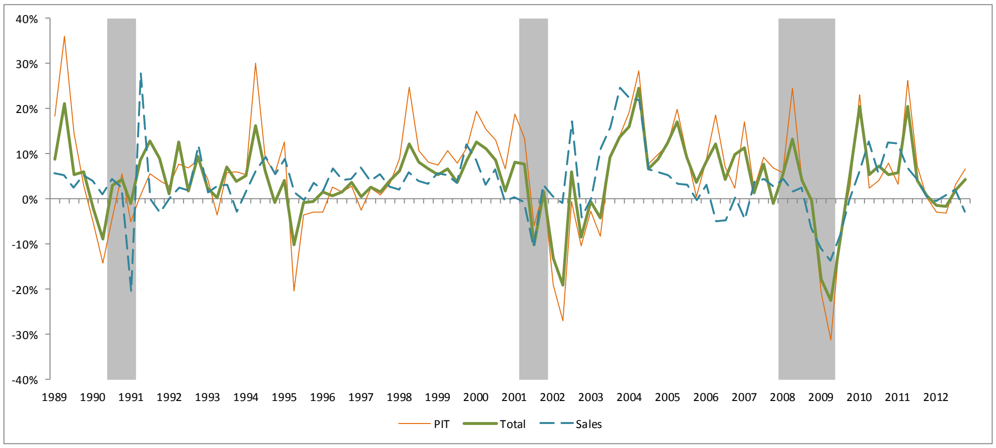
Figure 3

Revenue Trends since the Great Recession

While the U.S. recession ended in June 2009 – at least as officially measured by the National Bureau of Economic Research – the State recession lasted through November 2009, according to the New York State Department of Labor. Figure 4 shows, revenue growth plunged during 2008 and 2009 for all major tax areas with a growth recovery in 2010 and 2011 following State tax revenue actions that boosted receipts. Following the tax reform of 2011 tax revenue growth has slowed reflective of the tepid recovery. However, revenue growth is forecast to accelerate during 2013, with total receipts growth of 5.3 percent for SFY 2013-14.

Rebound in State Tax Collections

(year-over-year quarterly growth)



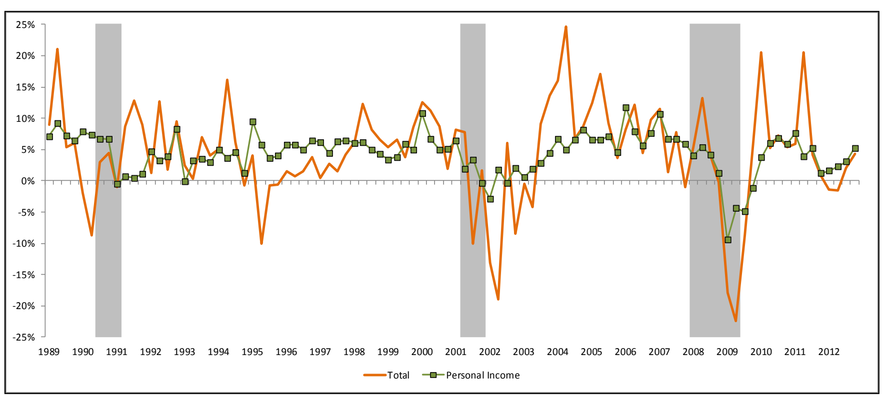
Source: NYS Department of Taxation and Finance; Ways and Means Committee Staff

Figure 4

Revenue trends are closely tied to the trends in the underlying economy. Figure 5 below shows the quarterly growth rates of total tax receipts compared to growth in State personal income providing evidence that the volatility of tax receipts growth is higher than that of personal income reflective, among other factors, of legislative actions and the underlying structure of the tax system.[1]

Total State Tax Collections and Personal Income Growth

(year-over-year quarterly growth)



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

Figure 5

[1] Note that personal income does not include capital gains, a significant source of tax receipts for the State. The fact that capital gains realizations are volatile helps to partially explain the more volatile nature of tax receipts especially in the context of a highly progressive personal income tax structure.

The slow revenue recovery, reflective of the slow national and State economic recoveries, is more easily seen once we compare quarterly growth patterns following the onset of a recession. The chart below tracks for the last three recessions (1990, 2001, and 2007) the revenue performance of total inflation-adjusted tax receipts for 12 quarters following the start of the recession. While tax receipts during the post-2007 recession and recovery have surpassed the performance following the 2001 recession, as of the end of 2011 receipts were below the levels at the onset of the recession and well below the recovery patterns established during the post-1991 recession. By the end of 2012, receipts were finally reaching the pre-recession performance levels.

Revenue Recovery

(4-qtr moving average, Quarters since Start of Recession, Inflation Adjusted)

Source: NYS Department of Taxation and Finance; U.S. Bureau of Labor Statistics; Ways and Means Committee Staff

Figure 6

Overall Temporary and Non-Recurring Proposed Actions

Part of the fiscal adjustments enacted in the aftermath of the Great Recession were temporary revenues to balance the budget. Included in this budget are the temporary, three-year PIT reform, the 2009 three year deferral of business tax credits, the 18-A extension of the utility assessment and the limitation on charitable contributions. Another $1.5 billion is in the form of proposed actions related to State Insurance Fund (SIF), from health insurance conversion proceeds and other one-time actions.

In particular, the temporary Tax Reform of 2011 is set to expire following taxable year 2014, with the top marginal tax rate returning to 6.8 percent from the current 8.8 percent, while middle-income families will see their rates increase from 6.4 percent or 6.6 percent, depending on the precise income range, to 6.8 percent.

Spending Outlook

The Governor proposes an All Funds Budget of $141.1 billion for SFY 2013-14, $5.4 billion higher than the estimated $135.6 billion in spending for SFY 2012-13 representing an increase of 4.0 percent. Federal funds are forecast to increase by almost 8.7 percent in SFY 2013-14, based on Federal assistance related to Superstorm Sandy and payments for the implementation of the Affordable Care Act. The Executive's current budget submission incorporates a State Funds growth of 0.5 percent.

Table 2

Size of Budget ($ in Millions)				
	2012-13	**2013-14**	**Difference**	**Percent**
General Funds	$59,375	$60,888	$1,513	2.5%
State Operating Funds	$89,621	$89,823	$202	0.2%
State Funds	$95,791	$96,225	$434	0.5%
All Funds	$135,642	$141,061	$5,419	4.0%

Disbursements through January 2013

The General Fund spending through January 2013 was $37.5 billion which is $482.2 million below the Financial Plan. This is primarily a result of lower than expected spending in Local Assistance Grants of $318.9 million, in Departmental Operations of $98.8 million, and in General State Charges of $64.5 million.

All Funds spending through January 2013 was $102.9 billion which is $119.8 million below the Financial Plan. This is primarily a result of lower than expected spending in Departmental Operations of $153.7 million and General State Charges of $193.1 million, offset by $160.8 million higher in expected Local Assistance spending.

With the addition of Federal aid related to the recent natural disasters and the Affordable Care Act, this is will be the second time over the last four years that the State will receive extraordinary financial assistance from the Federal government. The State received over $10 billion in Federal stimulus aid following the financial implosion and the onset of the Great Recession.

The All Funds Budget is the broadest measure of spending accounting for both State unrestricted and restricted or dedicated funds as well as funds received from the Federal government. Figure 7 provides an overview of the key components of All Funds disbursements since SFY 2002-03.

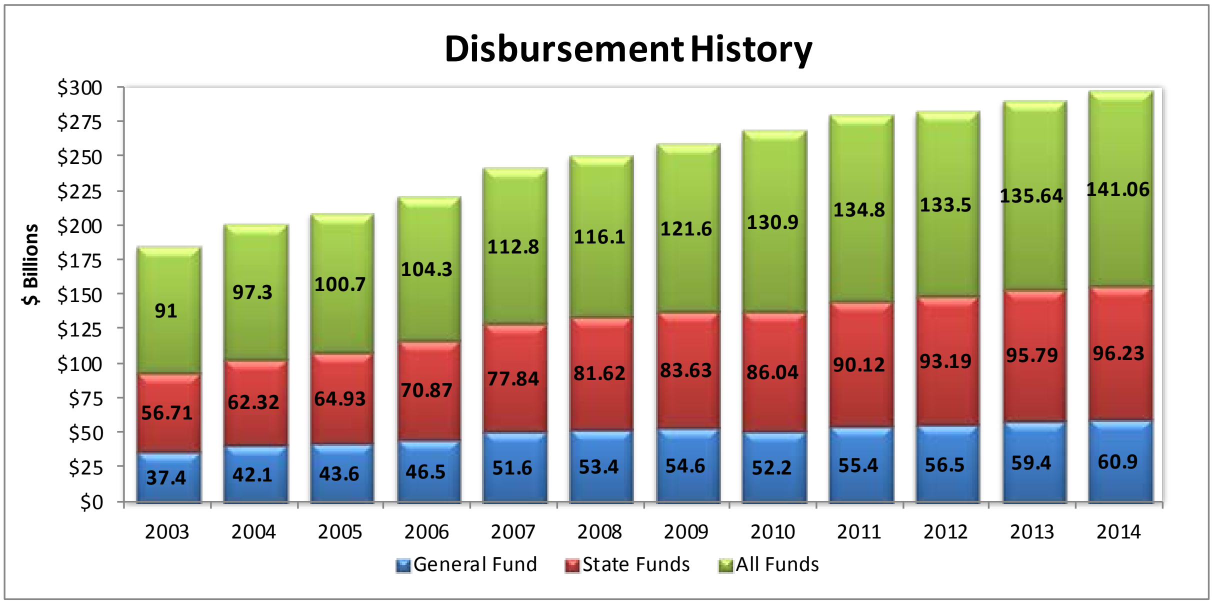


Figure 7

The top parts of the bars represent the incremental additions to the State funds via Federal grants. The middle parts of the bars represent State funds and underscore the robust gains in State tax resources growth during the mid-2000s when State receipts benefited from the growth in Wall Street and the overall financial environment. Receipts growth translated into robust gains in State-only spending growth followed by a slowdown in the rate of growth over the last few fiscal years.

General Fund Disbursements

The General Fund is the primary operating fund of the State. It accounts for the entire financial plan transactions that are not earmarked for a particular fund, program or activity specifically required by law. General Fund spending is projected to total $60.9 billion in SFY 2013-14, an increase of $1.5 billion or 2.5 percent over SFY 2012-13. The General Fund accounts for non-dedicated taxes and receipts, as well as spending on State Operations and Local governments not funded through dedicated revenues. Education, with a share of 32 percent, accounts for the largest component of outlays with Medicaid a distant second with a share of 19 percent.

State and All Funds Disbursements

State Operating Funds spending is estimated to total $89.8 billion, an increase of $202 million or 0.2 percent. The State Operating Funds includes all State spending in the General Fund plus State Special Revenue Funds and Debt Service Funds except Capital Projects Funds and Federal spending. On an All Fund basis Medicaid is the largest share at 30 percent with Education following at 19 percent.

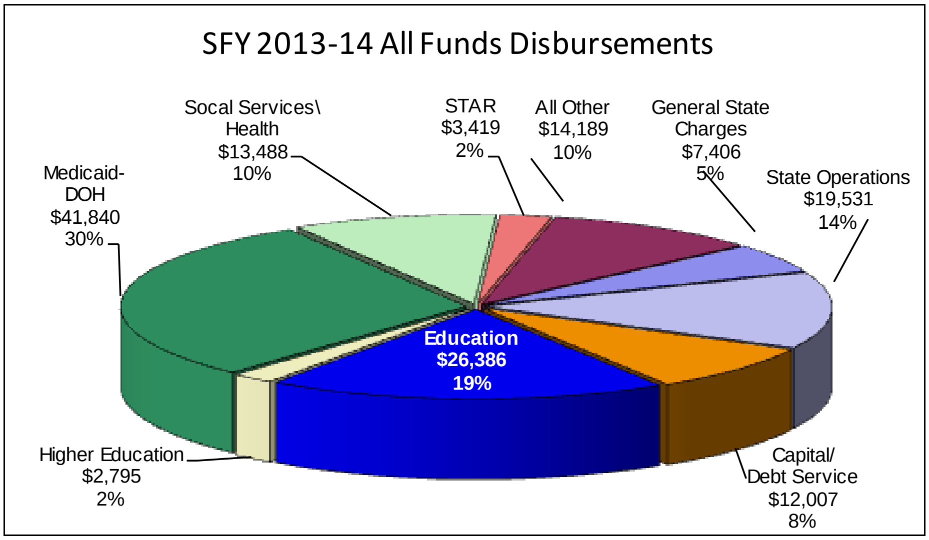


Figure 8

Balancing the General Fund

Each year the Division of Budget develops a cash financial plan that shows the receipts and disbursements proposed for the upcoming fiscal year. That plan is then submitted as part of the overall Executive Budget. As required by the Constitution, the Executive submitted a balanced General Fund budget that closes a projected budget gap of $1.35 billion for the upcoming fiscal year. However, it is projected that the State will experience budget deficits through SFY 2016-17. Therefore the Executive Budget incorporates many of the critical fiscal rules and discretionary policies enacted over the past two years to bring the upcoming budget into balance and reduce the projected out-year fiscal gaps. Table 3 provides an overview of the General Fund gaps anticipated over the next four fiscal years inclusive of the anticipated gaps following the Executive's gap-closing proposals.

Table 3

Out Year General Fund GAPS ($ in Millions)		
	Before Action	**Executive Proposal**
2013-14	(1,352)	0
2014-15	(3,979)	(2,093)
2015-16	(5,201)	(3,563)
2016-17	(5,663)	(4,161)

The Executive's proposed gap-closing actions are projected to eliminate a gap total of $6.4 billion, or 39 percent of the total before-actions gap for the period SFY 2013-14 to SFY 2016-17. State expenses will still have to be carefully managed as total receipts which are slowly expected to resume trend line growth will be insufficient to meet current law spending. It is important to note that on a State-only funds basis the growth rates of spending and revenues start to converge.

Proposed Gap-Closing Actions

The SFY 2013-14 Executive Budget includes recommendations that are intended to close an estimated $1.35 billion General Fund budget gap. These recommendations consist of $1.1 billion in spending reductions, $331 million in tax extenders, and $18 million in other new net resources.

The spending reductions are related to agency operations, local assistance, and debt management. These actions include agency redesign and cost-control efforts such as hiring controls, attrition, consolidation of resources, and efficiency measures. The most significant local assistance actions involve consolidation of various health programs and savings from the application of supplemental TANF funding for child care.

Two of the largest revenue raisers come from the proposed extension in two areas. Of the $331 million, approximately $255 million will come this fiscal year from the extension of the 18-A Utility Assessment on public utilities for another five years and $70 million will come from the extension of the 25 percent limitation on itemized charitable contributions for those with income over $10 million for another three years.

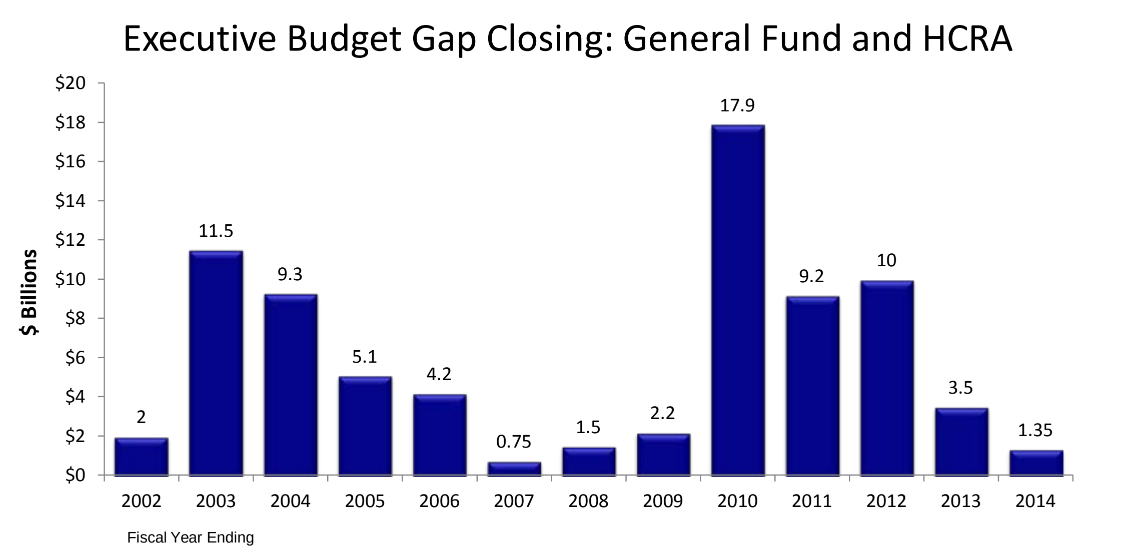
An estimated $549 million of gap closing will come from savings in recurring resources, such as $250 million in State Insurance Fund (SIF), reserves that will become available as a result of Workers' Compensation Reform, and $240 million in savings is expected from the Annual Professional Performance Review Noncompliance re-estimates from non-compliant school districts. This will be offset by $531 million in various other spending aid proposed reserve deposits.

Table 4

General Fund GAP-Closing Plan 2013-14 ($ in Millions)	
CURRENT SERVICES GAP ESTIMATES	**(1,352)**
Spending Controls	**1,123**
Agency Operation	434
Local Assistance	378
Debt Management	311
Revenue Extenders	**331**
Other Resources	**18**
Gross Resources	549
Proposed Investments	(531)
Tax Receipts	**(120)**
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATES	**0**

Gap-Closing Actions since SFY 2001-02

From SFY 2001-02 to SFY 2013-14, New York State has closed budget gaps totaling $78.5 billion. While primarily using spending and revenue actions, gaps have also been closed utilizing non-recurring resources such as tax audits, reserve deposits, and state and federal relief. In SFY 2009-10, the General Fund gap of $17.9 billion was the largest gap to close over the past 11 years.



Source: Division of Budget.

Figure 9

With an improving economy and significant legislative action with the budget, the annual gap has been reduced to the second lowest level in ten years.

Reserves

Reserves are an essential safeguard against unexpected adverse movements that deplete the available cash flow. According to the latest Executive estimates, SFY 2012-13 is projected to register a closing total reserves balance of $1.5 billion of which $1.1 billion is attributed to the Tax Stabilization Reserve Fund, a constitutionally restricted fund that can only be used in the event of a revenue shortfall or deficit during the fiscal year.

During the financial boom of the mid-2000s the State benefited from robust revenue growth rates that allowed for a General Fund reserve of $3.3 billion in SFY 2005-06 followed by $3.1 billion in SFY 2006-07. With the onset of the Great Recession and the sharp declines in tax receipts, General Fund reserves contracted to a low of $1.4 billion in SFY 2010-11.

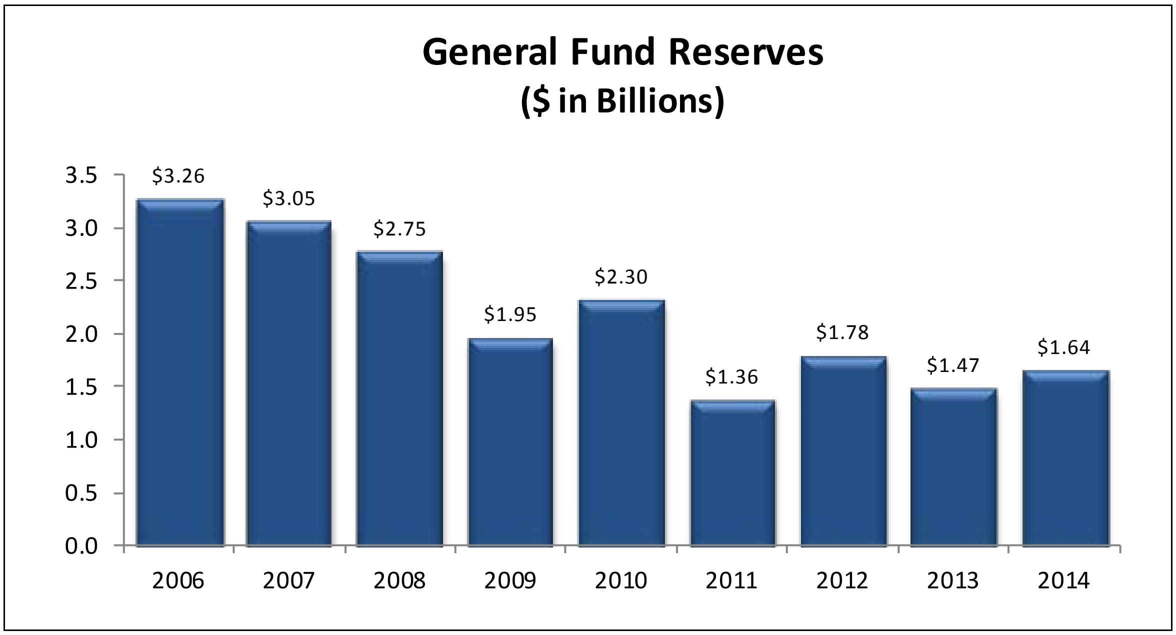


Figure 10

The Executive budget expects virtually no change in the year-end closing balance from this year to the next fiscal year. The Executive estimates that the SFY 2013-14 General Fund closing balance will be $1.6 billion, maintaining $1.1 billion in the Tax Stabilization Reserve Fund, $21 million in the Contingency Reserve Fund and $175 million in the Rainy Day Reserve.

Table 5

Estimated General Fund Closing Balance ($ in Millions)		
	2012-13	2013-14
Tax Stabilization Reserve Fund	1,131	1,131
Statutory Rainy Day Reserve Fund	175	175
Contingency Reserve Fund	21	21
Community Projects Fund	57	-
Reserved for Prior Year Labor Agreement	77	51
Reserved for Debt Reduction	13	263
Closing Balance	**1,474**	**1,641**

Economic Risks to Revenue Outlook

The underlying economic fundamentals are critical for the accuracy of the overall State fiscal outlook and any large deviations from the underlying economic assumptions could threaten the viability of current projections as well as the efficacy of any fiscal measures embedded in the outlook. However, the outlook is also subject to upside risks as the housing market's recovery could accelerate above expectations, while consumer spending – especially in automobiles – will also benefit from a credible long-term federal budget agreement.

The relative weakness in tax receipts is premised on an economy that has showed signs of weakness over the course of the last few months, with sluggish employment gains, relatively slow consumer spending, and overall GDP growth at relatively low levels. Despite the December 2012 agreement that federal policy makers reached, uncertainty remains related to spending policies as well as taxes at the Federal level. New York is still faced with significant fiscal uncertainty related to the impact of the impending Federal sequestration (slated to take effect March 1, 2013), the possibility of the Federal government further shifting costs to the states, as well as risks from a pro-longed recovery related to Superstorm Sandy and the reconstruction costs.

In the global economy there are signs that the European Union sovereign debt crisis is contained, although significant slowdowns continue to plague most Euro-zone nations.

The revenue forecast also contains specific transaction risks such as the receipt of certain payments from public authorities; non-anticipated miscellaneous receipts, such as payments pursuant to the Tribal-State Compact that have not materialized in prior years.

With Federal action still in doubt, any reduction of Federal aid, related to sequestration from the Budget Control Act of 2011 would adversely impact the proposed Financial Plan.

The sale of equity assets from the health care conversion depends on the vagaries of the market. Any decrease in the proceeds from the health care conversions could force the State to finance additional expenses from the General Fund. In SFY 2013-14, $175 million in proceeds is projected to be used.

Lastly, implementation of the proposed Financial Plan is dependent on the State's ability to market its bonds successfully. Initially, the State finances most of its capital spending through the General Fund or STIP, which it then reimburses with the sale of its bonds. If the bonds are not sold at the levels or on the time table estimated in the Capital Plan, it could affect the State's cash levels.

Multi-Year Financial Plan

The budget gap for the upcoming year has been revised to zero for SFY 2012-13 (due to receipts and disbursement revisions). Gaps in the outyears of , $1.4 billion for SFY 2013-14, $4 billion for SFY 2014-15, $5.2 billion for SFY 2015-16 and $5.7 billion for SFY 2016-17 remain. The Executive Budget reduces the projected out-year gaps in State Agency operations and provides certain revenue enhancements and non-recurring resources**.** The proposed gap closing actions reduces the gaps to $2.1 billion gap for SFY 2014-15, $3.6 billion gap for SFY 2015-16 and $4.2 billion in SFY 2016-17.

Table 6

General Fund GAP-Closing Plan 2013-14

($ in Millions)

	2014	2015	2016	2017
CURRENT SERVICES GAP ESTIMATES	**(1,352)**	**(3,979)**	**(5,201)**	**(5,663)**
Spending Controls	**1,123**	**811**	**738**	**747**
Agency Operation	434	447	470	503
Local Assistance	378	298	268	244
Debt Management	311	66	0	0
Federal Revenue Reduction Plan (Net Impact)	**0**	**(35)**	**(13)**	**312**
Revenue Extenders	**331**	**671**	**671**	**395**
Other Resources	**18**	**539**	**242**	**48**
Gross Resources	549	756	506	517
Proposed Investments	(531)	(217)	(264)	(469)
Tax Receipts	**(120)**	**(100)**	**0**	**0**
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATES	**0**	**(2,093)**	**(3,563)**	**(4,161)**

Of the projected current services gap total of $16.2 billion for the period SFY 2013-14 to SFY 2016-17, the Executive's proposed actions reduces the out-year gap by $6.4 billion.

Generally Accepted Accounting Principles (GAAP) Analysis

State Finance Law requires that the Financial Plan is presented for informational purposes in accordance to GAAP rules, mirroring the accounting principles followed by the State Comptroller in the preparation of the annual Financial Statements. Cash basis accounting recognizes revenues at the time they are received rather than when earned while expenses are recognized when paid rather than when obligations are incurred. Thus, under GAAP one is better able to match revenue and expenses in a specific year.

Based on GAAP principles the SFY 2013-14 fiscal gap is projected at $2.4 billion as can be seen in Figure 11. This compares to the projected gap of $1.4 billion based on a cash basis.

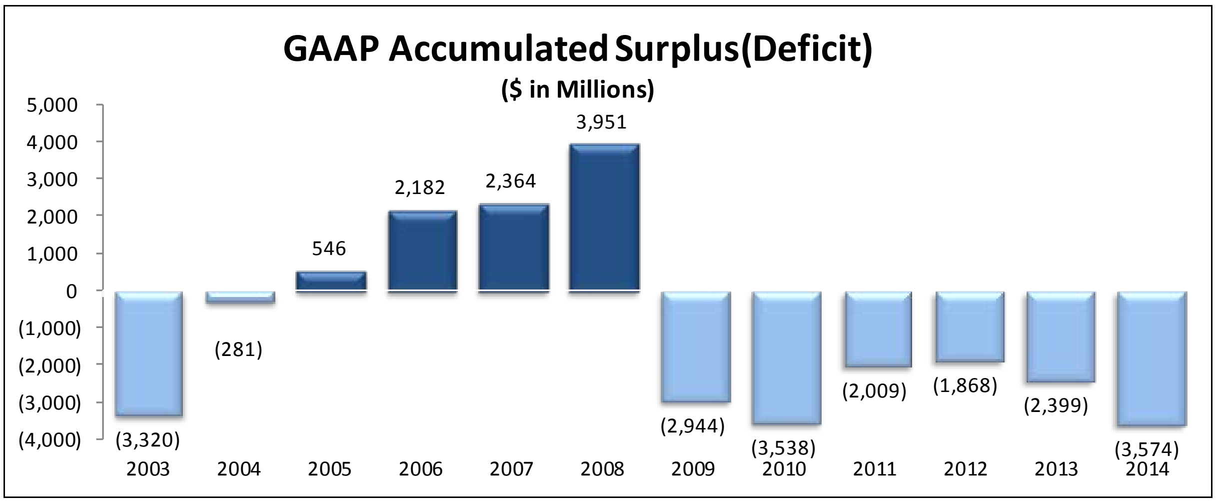


Figure 11

The severity of the revenue shortfall substantially reversed the State's financial position between SFY 2008-09. During the housing boom, pre-financial crisis, the State generated a GAAP surplus. Yet even with the addition of federal stimulus money, there was a $6.9 billion swing in the State's fiscal position. State revenue actions enacted in 2009 improved the financial position, but the sunset of temporary revenues will increase our projected accumulated deficits.

Economic Overview

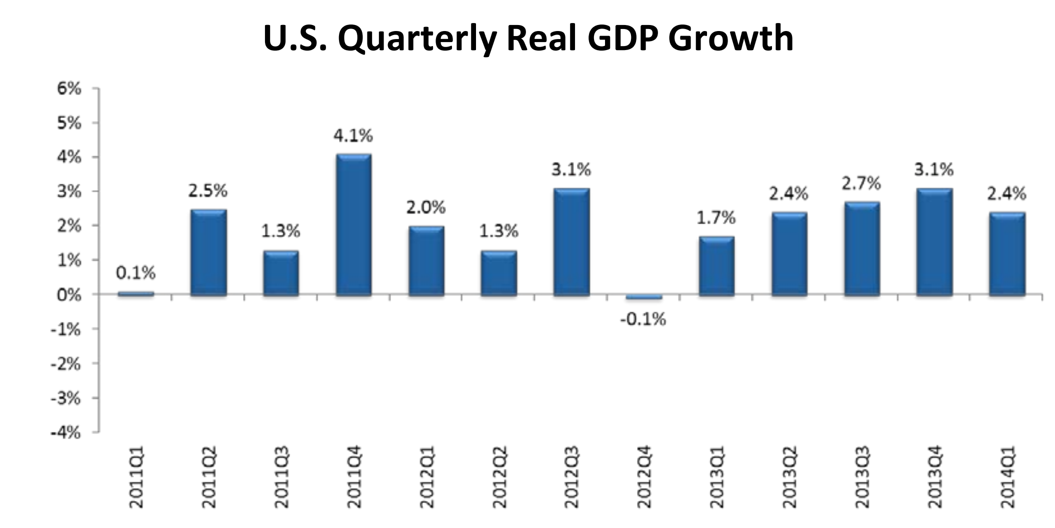
Economic Trends

U.S. Economy

Four years after the end of the Great Recession and through 2013, the U.S. economy will continue on its recovery path, albeit at a rate considered not sufficient for substantially reducing the rate of unemployment and provide the basis for robust increases in incomes.

The U.S. economy registered weaker-than-expected real Gross Domestic Product (GDP) "growth" during the last quarter of 2012, declining 0.1 percent. Economists attribute the decline to transitory factors such as a sharp drop in federal defense expenditures and inventory investment as well as a decline in net exports.

The uncertainty over the "fiscal cliff", and thus over the precise tax and spending outlook for the near future, has restrained the U.S. economy from entering onto a path of strong and sustainable growth. Figure 12 provides an overview of the quarterly real GDP growth rates since the first quarter of 2011. On average, growth has remained below historical trend patterns underlying the significant headwinds the economy still faces.



Source: U.S. Bureau of the Census; NYS Assembly Ways and Means Committee staff

Figure 12

Consumer spending averaged close to 2.0 percent during 2012 well below the rates registered during the late 1990s and early 2000s. Consumer confidence decreased in January to 58.6 from

66.7 in December, a reflection of the overall fiscal uncertainty as well as the increase in the payroll tax and upward pressures on energy prices.

The Conference Board's Leading Economic Index (LEI) for the U.S. increased 0.5 percent in December to 93.9, following no change in November and a 0.3 percent increase in October. The increase was led by a large improvement in initial claims for unemployment insurance and positive contributions from the interest rate spread and the Leading Credit Index. The Housing sector is expected to help improve consumer balance sheets and strengthen consumption.

Gross business investment, a key indicator of the overall health of the economy, as it provides the basis for the future health of the employment outlook of the nation, declined 0.6 percent in the fourth quarter, following tepid growth through 2012. However, some encouraging signs were registered as the U.S. Manufacturing Index rose to 53.1 percent in January up from 50.2 percent in December.

U.S. employment gains continue with an estimated 157,000 net new non-farm jobs added in January, following 196,000 job gains in December. However, the unemployment level edged up to 7.9 percent as of January, indicating that job gains are still insufficient compared to the number of entrants in the labor force.

The fiscal policy agreement reached at the Federal level in December of 2012 encompassed the following elements: expiration of the two percentage point payroll tax holiday, extension of unemployment benefits through 2013, new healthcare taxes, a permanent Alternative Minimum Tax fix, a permanent extension of the "doc fix", increases in the top personal income tax rates, as well as an extension of bonus depreciation for businesses. However, the debate and, thus, the uncertainty continue as a new March 1st deadline looms near related to the sequestration of non-discretionary spending while a possible deal involving new tax revenues is also on the table.

Financial conditions have improved with equity markets registering strong growth during the first few weeks of 2013. The S&P 500 registered average growth of 8.7 percent in 2012. Despite gains in the broad equity market indices, the underlying health of the finance and insurance sector, and in particular the securities industry, remains fragile.

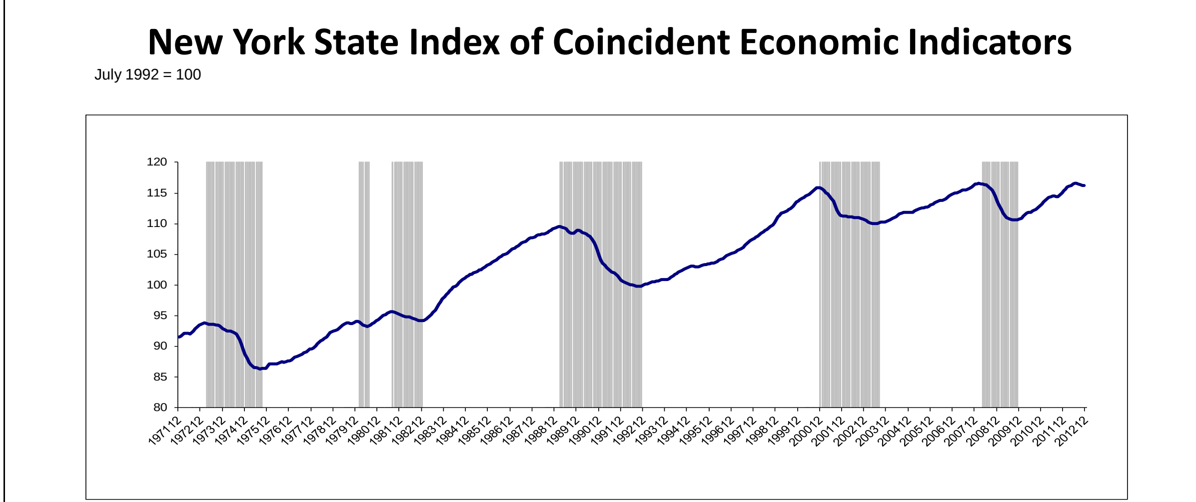
Employment trends in the financial services industry are critical for the health of the State economy. The State relies on the securities industry which currently employs a little over 190,000 workers, many of whom are located in New York City. Employment in this industry is estimated to have fallen 1.0 percent in 2012 as firms continue to streamline operations in response to lower revenues and profits.

Real exports ended 2012 with a decline of 3.1 percent while real imports also declined by 4.5 percent. Global demand trends and the value of the U.S. dollar are key determining factors of U.S. exports. The 16 Euro-zone countries registered an estimated decline in real GDP of 0.4 percent in 2012, with Germany's output growth relatively flat. The entire EU area saw a decline of 0.3 percent, underlying the significant headwinds that the European economies are facing.

Following years of stagnant sales, both new and existing home sales have showed signs of strength over the last several months. New home sales increased close to 20 percent in 2012, while existing home sales increased as a rate of 12.8 percent. As confidence is slowly returning in the housing market, 2012 marked the first time in six years that business spending on residential construction was positive on an annual basis, and is expected to gain momentum through 2014.

New York State Economy

The New York State's Department of Labor has constructed a Coincident Index – similar to the Conference Board's indices – that provides a summary view of economic conditions in the State based on current data on employment, hours worked in the manufacturing sector, sales tax receipts and the unemployment rate. The Index registered a small increase – 0.1 percent at an annual rate - in December of 2012, or 1.1 percent over the same month a year ago.



Note: Shaded Areas Represent NYS Recessions

Source: New York State Department of Labor

Figure 13

New York employers added 34,300 jobs in December of 2012 for a change of 0.5 percent over November. However, the unemployment rate at 8.2 percent still remains above the 7.9 percent national rate, primarily due to the unemployment rate in New York City at 8.8 percent.

Tourism, a significant driver of New York City jobs, continues its strong performance. In 2012, 52 million visited NYC, or 2.1 percent over 2011 and 44 percent more than 2000, according to the NYC Economic Development Corporation. Hotel metrics have also strengthened with occupancy at 89.1 percent in November 2012 compared to 88.4 percent in November 2011.

New York wages, the key driver for the State's personal income tax collections as well as for sales tax receipts, are estimated to have registered growth of 5.7 percent during the fourth quarter of 2012, due to a 21.4 percent growth in the variable, or bonus, component attributed to the performance of Wall Street. The sharp increase in variable compensation during the end of the year is explained by the anticipation of higher marginal income tax rates at the Federal level in 2013.

New York's economic recovery has also lifted employment and, thus, compensation. In 2012 wage growth is estimated at 2.2 percent, while bonuses are forecast to decline by 5.5 percent, reflecting declines during the first three quarters of 2012. Bonuses are expected to register positive growth in both the fourth quarter of 2012 as well as the first quarter of 2013.

Capital gains, a key driver of estimated payments, increased by an estimated 52.3 percent in 2012, again due to the expectation of higher tax rates in 2013. Capital gains are expected to decline by 33.8 percent during 2013.

Economic Forecasts

U.S. Economy

Table 7 provides an overview of the Committee Staff's forecasts for key economic variables.

Table 7

Key Economic Forecast Variables (Percent Change)

	Actual 2011	Estimate 2012	Forecast 2013	Forecast 2014
US Variables				
Real GDP	1.8	2.2	1.9	2.8
Personal Income	5.1	3.5	2.6	4.7
Corporate Profits	7.3	5.1	4.6	3.4
Employment	1.2	1.7	1.4	1.7
S&P 500	11.4	8.7	9.0	5.7
Treasury Bill Rate (3 month)*	0.1	0.1	0.1	0.1
Treasury Note Rate (10-year)*	2.8	1.8	2.0	2.6
NYS Variables				
Employment	1.2	1.4	1.2	1.3
Wages	3.7	2.2	4.2	4.8

*Annual Average Rate

Source: NYS Assembly Ways and Means Committee Staff

However, a more robust recovery is forecast for 2014 with real GDP growth reaching 2.8 percent, the highest rate since 2005.

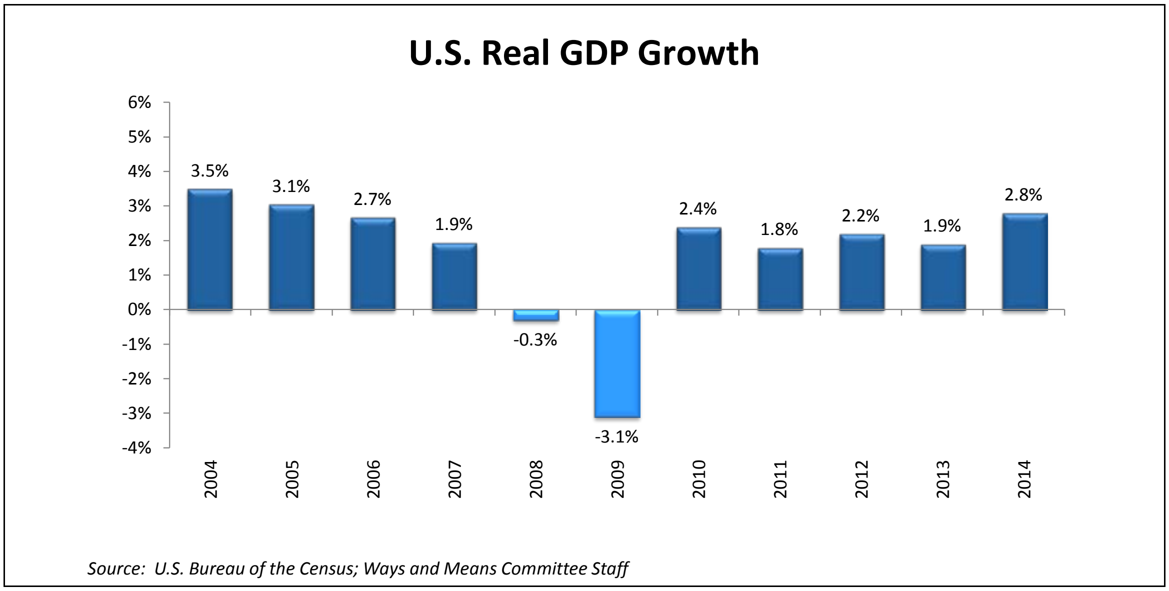


Figure 14

The current Ways And Means Committee staff GDP forecasts are consistent with the Blue Chip (BC) consensus of 1.9 percent and 2.8 percent for 2013 and 2014, respectively.

Consumption expenditures are forecast to experience positive, albeit tepid growth, compared to recent history. The decline in 2008 was the first since 1980. Despite the recovery, consumption growth is not expected to return to the 2007 growth levels until 2014.

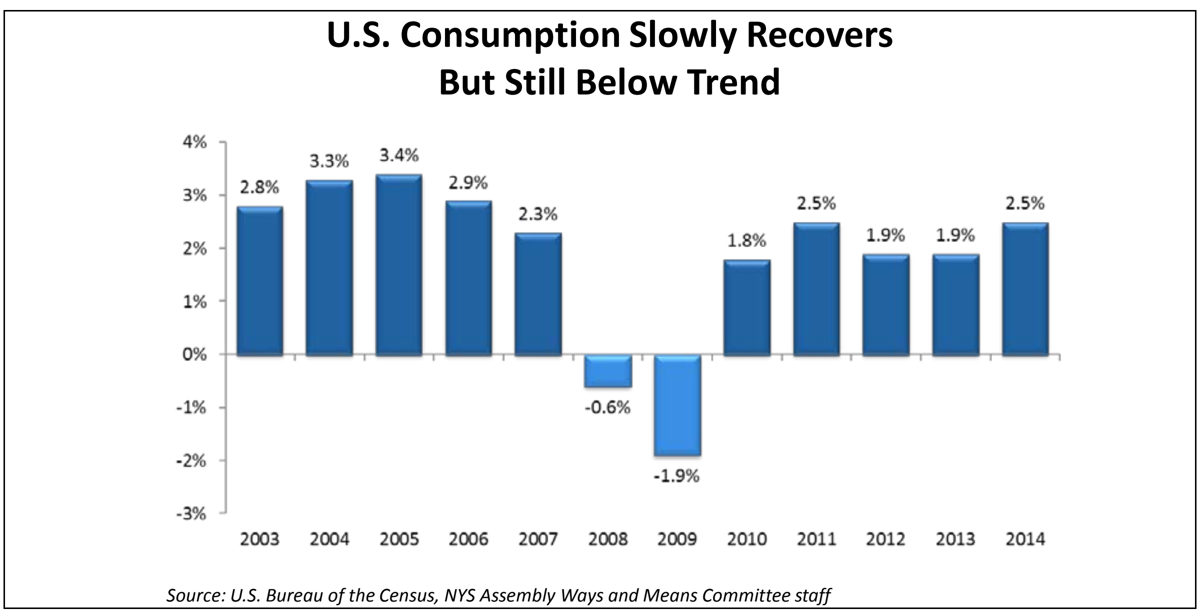


Figure 15

Business investment growth is also expected to pick up steam in 2014 with residential investment expected to register in 2014 its third consecutive year of double-digit growth.

However, Federal government spending will remain a drag on GDP growth as it is expected to continue its declines through 2014, the fourth consecutive year of negative growth.

The Federal Reserve is expected to maintain its federal funds rate target at near-zero levels for an "extended period of time" which forecasters interpret as indicating constant policy through at least the middle of 2014. The Ways and Means Committee staff forecast for the federal funds rate in 2013 is consistent with that of other private forecasters at historically low levels.

Broad measures of financial wealth, such as the S&P 500 index have registered impressive gains since the lows of early 2009. The S&P 500 is expected to increase by 9.0 percent in 2013 with growth of 5.7 percent in 2014.

New York State Economy

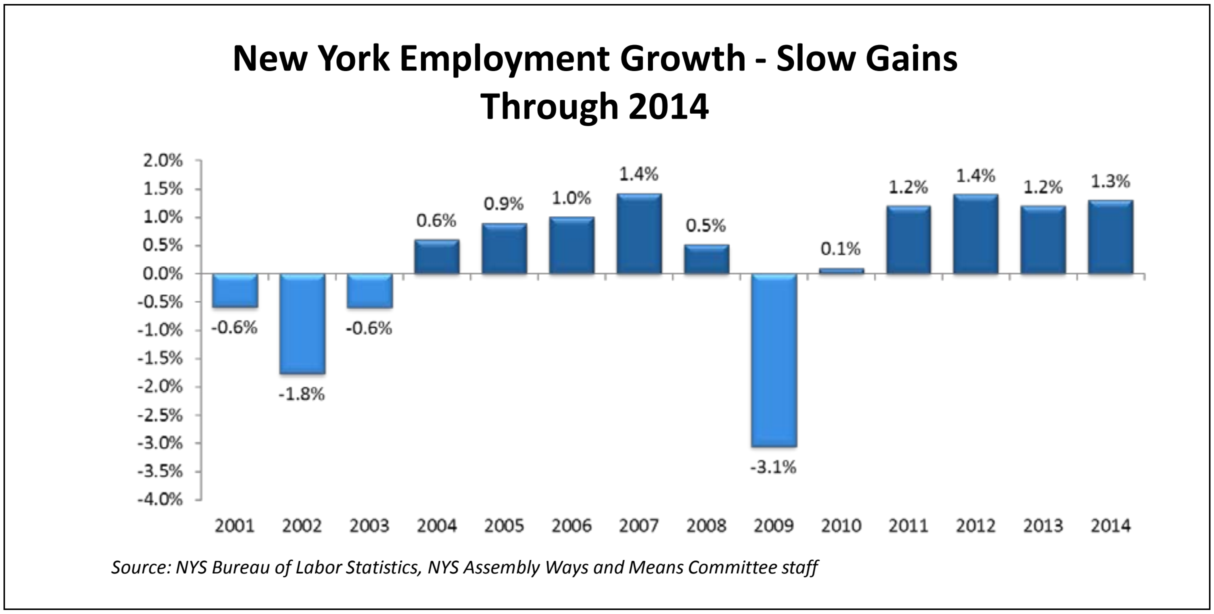


Figure 16

New York State employment growth has recovered since the 2009 lows and is forecast to increase by 1.2 percent in 2013 followed by growth of 1.3 percent in 2014.

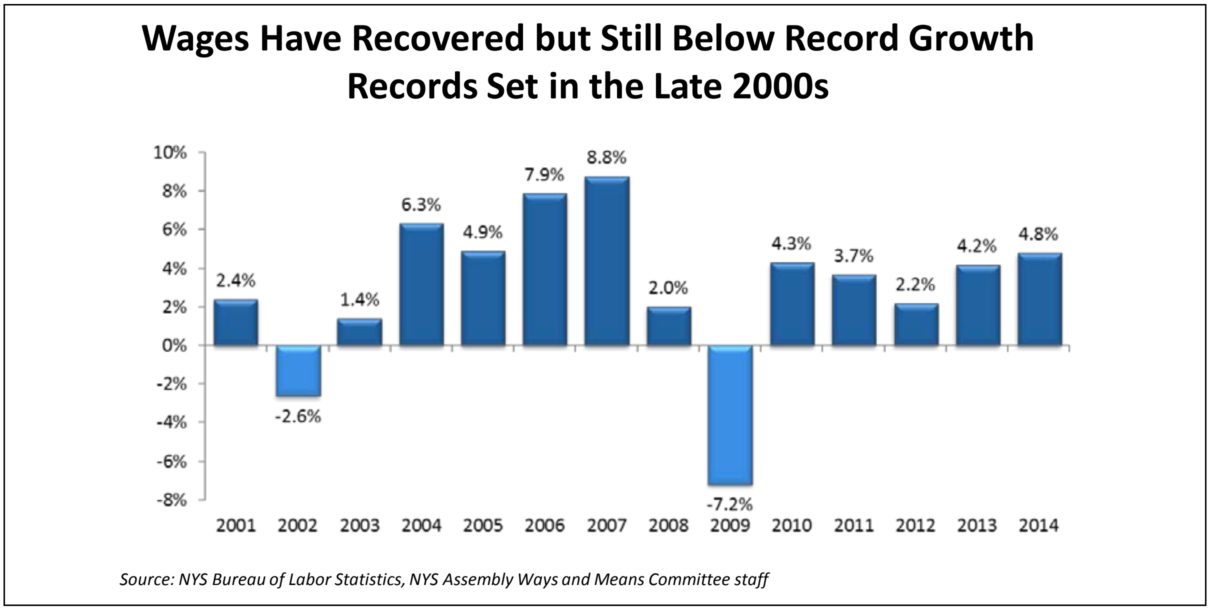


Figure 17

The Ways and Means Committee Staff is forecasting total bonus growth of 8.2 percent during the first quarter of 2013, following growth of 21.4 percent in the fourth quarter of 2012. The chart below reviews the recent history and the Committee's current forecast for State bonuses through 2014. Variable wages are estimated to have decreased by 5.5 percent in 2012, followed by growth of 8.8 percent in 2013 and 8.4 percent in 2014.

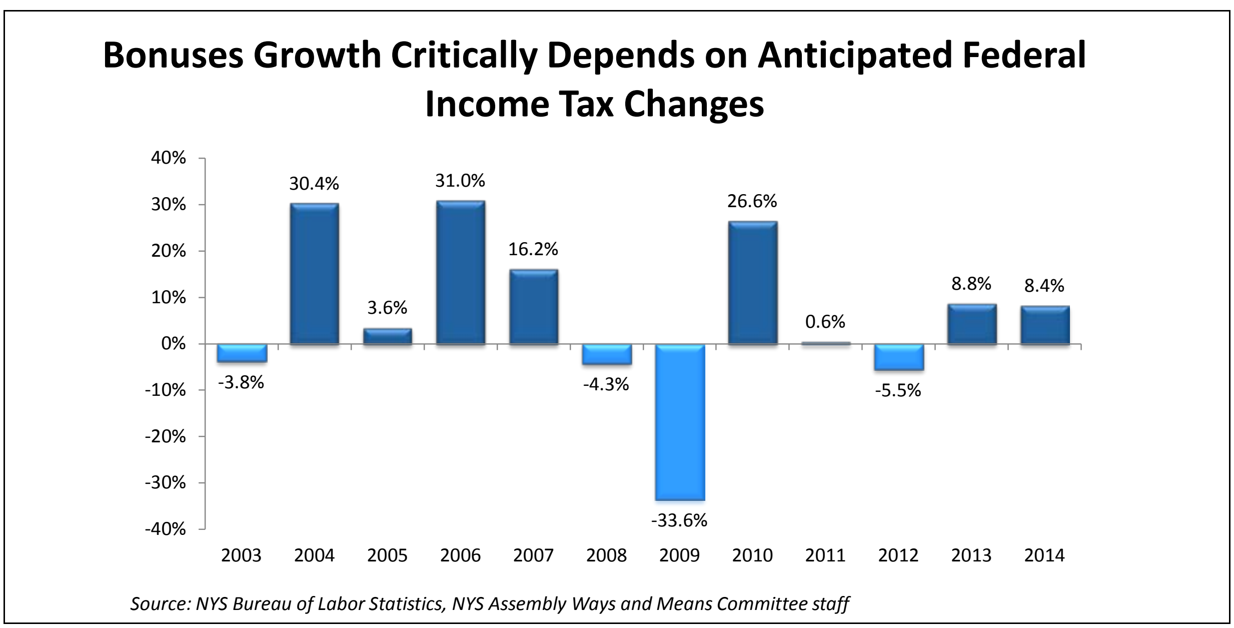


Figure 18

Capital gains activity is an important component in determining the State's personal income tax liability. 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 will increase by 52.3 percent in 2012, followed by a decline of 33.8 percent in 2011, as a result of the higher tax rates on capital gains for upper income households enacted at the Federal level in December 2012.

Risks to the Forecast

The U.S. and State economic outlook is premised on certain fundamental assumptions related to consumer and business behavior as well as the expected outlook for fiscal and monetary policies as well as the outlook on the international geopolitical scene. In addition to these “known” parameters that economists can quantify, the economic outlook depends on a variety of “unknown” and not-quantifiable factors that could affect economic performance.

The Committee staff’s economic forecasts are premised on the current accommodative monetary policy as well as the expectation that negotiations at the Federal level will avoid sharp spending decreases that will become effective March 1st. Regime uncertainty has been one of the key factors restraining business and consumer confidence in the nation. Irrespective of the precise make-up of any fiscal deal, some fiscal permanency on the part of business investors is expected to provide the security and planning confidence needed for long-term investment projects.

The international scene remains a key question mark for all forecasters. The European sovereign debt crisis seems to be under control, but could be disruptive based on a variety of scenarios the involve developments in peripheral indebted Euro-zone nations, as well as the political climate in Germany, France and the U.K. As of the end of 2012, the Euro-zone remained a source of financial and economic uncertainty. GDP declined by 0.3 percent in the Euro-zone during the third quarter of 2012, the fourth consecutive quarterly decline, while Japanese final output also declined in the third quarter of 2012. Excessive international growth weakness will restrain U.S. export growth, thus, adding elements of risk to the staff’s overall U.S. GDP outlook.

The ever-present Middle-East dynamics as well as renewed threats at the Korean peninsula provide additional layers of forecasting risk as it relates to national security and energy prices.

Tax Analysis

Forecast Summary

SFY 2012-13 Tax Revenue Estimates

The slow pace of the economic recovery combined with the recently enacted tax law changes that lowered personal income tax rates restrained the pace of receipts growth during the first few months of the current fiscal year, but receipts have accelerated since October 2012 with especially strong growth in January 2013.

The NYS Assembly Ways and Means Committee staff's All Funds tax revenue estimate for State Fiscal Year (SFY) 2012-13 is $66.0 billion, representing an increase of 2.7 percent or $1.7 billion over the prior year. Including miscellaneous receipts and lottery, the total is $90.9 billion, an increase of $2.8 billion or 3.2 percent.

The Assembly Ways and Means Committee staff's All Funds tax revenue estimate is $92 million above the Executive's estimate. In terms of overall State tax revenues, the largest difference between the Committee staff estimates and the Division of Budget estimate is in the personal income tax, which is estimated to be $129 million above Executive estimates.

Table 8

SFY 2012-13 All Funds Forecast Summary ($ in Millions)

	2011-12 Actual	2012-13 Estimate	Change	Percent Growth	Diff. Exec.
Personal Income Tax	$38,769	$40,254	$1,485	3.8%	$129
User Taxes	14,570	14,627	57	0.4%	(3)
Business Taxes	7,877	8,150	273	3.5%	(31)
Other	3,081	2,983	(98)	-3.2%	(3)
Total Tax Collections	**64,298**	**66,015**	**1,716**	**2.7%**	**92**
All Funds Misc Rpts	21,007	21,886	879	4.2%	(25)
Lottery	2,829	3,080	251	8.9%	6
Total w/Misc Rpts & Lottery	**$88,134**	**$90,981**	**$2,846**	**3.2%**	**$73**

The PIT tax law changes enacted in 2009 as well as the December 2011 Tax Reform continue to provide substantial support to the underlying revenue collections. For example, absent the December 2011 reform, SFY 2012-13 PIT tax revenues would have been lower by $1.9 billion whereas the combined 2009 PIT surcharge and 2011 PIT Tax Reform accounts for $2.7 billion in 2012-13. The most significant of the December 2011 tax actions were the PIT reform ($1.9 billion in additional tax receipts for SFY 2012-13) and MTA payroll tax (loss of $310 million in receipts for SFY 2012-13 via a reduction in the tax base, and lower rates for certain payrolls).

Growth in collections is expected to slightly accelerate as the year progresses, premised on a sustained recovery. Tax collections are expected to decrease by 0.5 percent over the last two months of the fiscal year. PIT collections, the largest component of tax receipts, will need negative growth of 1.8 percent to reach the Ways and Means Committee staff SFY 2012-13 estimate, while the Executive's estimate will require negative growth of 4.4 percent for the rest of the fiscal year.

Personal Income Taxes

The NYS Assembly Ways and Means Committee staff estimates that PIT receipts will total $40.3 billion in SFY 2012-13, representing growth of 3.8 percent or $1.5 billion over last year. Gross receipts are expected to increase by 3.2 percent or $1.5 billion over SFY 2011-12, driven by growth in withholding collections, vouchers and delinquency collections. Withholding is estimated to increase by $792 million or 2.5 percent.

Further enhancing net receipts, total refunds are anticipated to decrease 0.2 percent or $18 million, primarily due to the anticipated decrease in the State/City offsets adjustment and prior year refunds with offsetting increase in previous year refunds.

Overall, net personal income taxes have totaled $35.4 billion year-to-date, an increase of 4.7 percent, and are estimated to decrease by 1.8 percent to reach the 2012-13 level of anticipated collections. Receipts will have to decrease by 4.4 percent to reach the Executive's estimates.

User Taxes

User taxes are estimated to total $14.6 billion in SFY 2012-13, an increase of 0.4 percent or $57 million. Sales tax revenue is estimated to increase by $134 million or 1.1 percent, reflecting the continuing, albeit sluggish, economic recovery. Sales tax growth is hindered by the return of the full exemption of sales tax on clothing for purchases of less than $110, estimated to cost $330 million (assuming full exemption). In addition, uncertainty remains as to the impact of Hurricane Sandy on sales tax receipts.

Through the first ten months of the fiscal year, sales tax revenues are up 0.8 percent. Collections over the last two months of the year are expected to increase by 2.9 percent.

Business Taxes

Through the first ten months of the fiscal year, business taxes have grown 4.4 percent over the prior year, and growth of 1.3 percent is expected in the last two months of the fiscal year. Corporate tax collections have experienced declines; however, bank, utility, and insurance tax collections have registered strong growth rates of 34.3 percent, 10.0 percent, and 2.5 percent, respectively, year-to-date through January 2013.

Business taxes are estimated to increase by 3.5 percent or $273 million in SFY 2012-13 over SFY 2011-12. Corporate franchise taxes are estimated to decline by $244 million or 7.7 percent, while bank and utility tax collections are expected to register the strongest gains of $376 million and $57 million, respectively. The Committee staff estimate accepts the Executive's audit collections assumptions as well as the impact of recent tax law changes.

Other Taxes

Through January, real estate transfer tax (RETT) receipts are up 23.1 percent or $123 million over the same year-to-date period in SFY 2011-12, as the real estate market in New York continues to show signs of a sustained recovery with home prices having recovered from the declines experienced in 2007 and 2008. RETT collections are estimated to finish SFY 2012-13 with growth of 25.3 percent or $154 million over SFY 2011-12. MTA payroll tax collections are estimated to register fiscal year growth of negative 16.0 percent, a result of the December 2011 Tax Reform.

Estate and gift taxes are at $890 million year-to-date through January, down 4.7 percent through the first ten months of the year. With an expected 7.1 percent increase in the next two months, estate and gift tax revenues are expected to decline by 3.1 percent to $1.0 billion for the full fiscal year. Overall, other tax collections are estimated to decrease 3.2 percent or $98 million from SFY 2011-12.

Lottery

Through the first ten months of SFY 2012-13, total lottery revenues are up $269 million or 14.0 percent to $2.2 billion. Year-end receipts are expected to total $3.1 billion, $6 million above the Executive's estimate.

SFY 2013-14 Forecast

Key economic indicators, such as the real Gross Domestic Product and New York State employment and wage growth, point to an ongoing but slow and below trend recovery. The Committee staff is now predicting anemic GDP growth of 1.9 percent in 2013, below the 2.2 percent growth estimated for 2012. In addition, job growth is expected to remain weak in 2013, compared to historical recovery trends, with acceleration in job gains not expected until 2014. In conjunction with the December 2011 personal income tax reforms, the Committee

Staff forecasts All Funds tax receipts to total $69.5 billion in SFY 2013-14 or 5.3 percent growth, a gain of $3.5 billion over SFY 2012-13.

Table 9

SFY 2013-14 Forecast Summary
($ in Millions)

	2012-13 Estimate	2013-14 Forecast	Change	Percent Growth	Diff. Exec.
Personal Income Tax	$40,254	42,610	$2,356	5.9%	189
User Taxes	14,627	15,189	562	3.8%	22
Business Taxes	8,150	8,622	472	5.8%	162
Other	2,983	3,122	139	4.7%	64
Total w/Payroll Tax	**66,015**	**69,543**	**3,528**	**5.3%**	**437**
All Funds Misc Rpts	21,886	20,764	(1,122)	-5.1%	(3)
Lottery	3,080	3,172	92	3.0%	49
Total w/Misc Rpts & Lottery	**$90,981**	**93,479**	**2,498**	**2.7%**	**$484**

The growth is attributed primarily to PIT receipts that are expected to be $2.4 billion above the SFY 2012-13 estimates. The Committee staff PIT forecast is $189 million above the Executive's forecast. Overall, the Committee's forecast is $484 million above the Executive's forecast, inclusive of miscellaneous receipts and lottery.

Personal Income Taxes

Overall, personal income taxes, the largest component of tax collections, are forecast to total $42.6 billion, which is $2.4 billion or 5.9 percent above the SFY 2012-13 estimates. Total New York State wages growth is expected to accelerate from 2.2 percent growth in 2012 to 4.2 percent in calendar year 2013, whereas capital gains are expected to decline by 33.8 percent. The critical bonus component of wages is expected to increase by 8.8 percent in SFY 2013-14, following growth of 5.3 percent in SFY 2012-13.

User Taxes

All Funds user taxes are forecast to total $15.2 billion, or 3.8 percent above the current fiscal year estimates. This forecast reflects moderate economic recovery with consumer spending growth of 1.9 percent in 2013, same as in 2012, followed by growth of 2.5 percent in 2014.

Business Taxes

Business taxes are forecast to total $8.6 billion in SFY 2013-14, an increase of 5.8 percent from the current year closeout on an All Funds basis. Corporate tax receipts are forecast to register a gain of $461 million with smaller changes in other business taxes over the prior year.

Other Taxes

Other taxes, which consist primarily of estate tax, real estate transfer taxes, and the MTA payroll tax, are forecast to increase by 4.7 percent in SFY 2013-14, to a level of $3.1 billion. The growth in other taxes reflects strong growth in the estate and gift tax combined with an expected 7.3 percent growth in the MTA payroll tax reflecting the lower 2012-13 base due to the December 2011 Tax Reform that reduced the tax base.

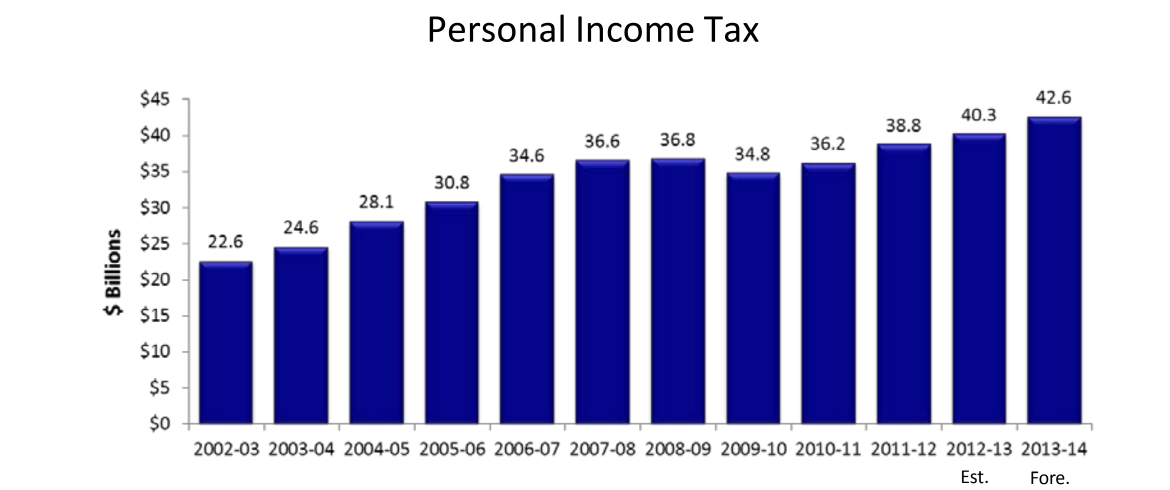
Lottery

Lottery receipts are forecast to increase 3.0 percent or $92 million in SFY 2013-14 to $3.2 billion.

Personal Income Tax

Table 10

Personal Income Tax Collections Forecasts by State Fiscal Year ($ in Millions)	2012-13 WAM Estimate	Percent Growth	Diff. Exec	2013-14 WAM Forecast	Percent Growth	Diff. Exec.
Personal Income Tax	**$40,254**	**3.8%**	**$129**	**$42,610**	**5.9%**	**$189**
Gross Receipts	**47,497**	**3.2%**	**146**	**50,071**	**5.4%**	**173**
Withholding	31,991	2.5%	173	33,683	5.3%	217
Estimated Payments	12,159	4.6%	(30)	12,940	6.4%	(18)
Vouchers	8,969	10.8%	(25)	9,009	0.4%	91
IT 370s	3,190	-9.7%	(5)	3,931	23.2%	(110)
Final Payments	2,184	3.1%	12	2,243	2.7%	(23)
Delinquencies	1,164	7.2%	(10)	1,205	3.5%	(4)
Total Refunds	**7,243**	**-0.2%**	**17**	**7,461**	**3.0%**	**(17)**
Prior Year Refunds	4,572	-2.6%	(13)	4,981	8.9%	(48)
Current Refunds	1,750	0.0%	-	1,750	0.0%	0
Previous Refunds	642	41.9%	19	507	-21.0%	31
State/City Offsets	279	-23.8%	11	223	-20.1%	0
Collections	**40,254**	**3.8%**	**129**	**42,610**	**5.9%**	**189**
Transfers to STAR	(3,276)	1.3%	**-**	(3,419)	4.4%	-
Transfers to DRRF/RBTF	(10,032)	3.5%	-	(10,605)	5.7%	-
General Fund PIT Collections	**$26,947**	**4.3%**	**$129**	**$28,585**	**6.1%**	**$189**



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

Figure 19

Article 22 of the Tax Law imposes a tax on the New York income of individuals, estates and trusts. Personal Income Tax (PIT) receipts contribute over one-half of all tax collections deposited into the General Fund. PIT receipts are received through employee withholdings, estimated tax payments, payments accompanying tax returns, late payments, and through audits and assessments. Withholding is the single largest component, comprising roughly 80 percent of gross PIT receipts.

New York's definition of income closely follows Federal rules, which include wages, salaries, capital gains, unemployment compensation, and interest and dividend income. These components equal the federal adjusted gross income. New York Adjusted Gross Income (NYAGI) is calculated starting with the Federal AGI as a base and then modified by certain subtractions or additions as permitted or required by the State. Additions include tax-exempt bonds issued outside of New York. While social security benefits and pension and annuity income are generally excluded. A taxpayer's AGI is then reduced by subtracting the New York standard deduction, which varies according to the taxpayer's filing status, or New York itemized deductions.

Taxpayers who itemized deductions on their Federal returns may also itemize on their New York State returns if the aggregate of such deductions, minus state and local income taxes and certain other modifications, exceed the New York standard deduction. However, the availability of itemized deductions is limited for certain high income taxpayers.

The New York standard deduction or itemized deductions, in addition to exemptions claimed on New York 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.

Net Collections

Compared to the prior fiscal year, net collections have increased by 4.7 percent through January, with gross receipts increasing by 3.9 percent. Refunds have declined by 0.7 percent.

Historically, approximately 97 percent of revenues from extension payments are accounted for in April, and roughly 99.3 percent of these revenues will be collected through the first half of the fiscal year. Through January, extension payments are down 9.7 percent compared to the prior year-to-date collections. This equates to approximately $340 million less in tax revenues.

Table 11

Net Collections ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$35,361	4.7%	$40,254	3.8%	$40,126	$129
2013-14			$42,610	5.9%	$42,421	$189

<u>SFY 2012-13</u>

The Committee staff estimates that All Funds personal income tax collections will total $40.3 billion in SFY 2012-13. This equates to an increase of $1.5 billion or 3.8 percent above All Funds collections in SFY 2011-12. Gross receipts are expected to increase by 3.2 percent. An estimated decline of 0.2 percent in refunds will help to support overall net collections growth. The Committee staff closeout is $129 million above the Executive Budget estimate.

<u>SFY 2013-14</u>

PIT collections are forecast to total $42.6 billion, an increase of $2.4 billion, or 5.9 percent, over the staff's SFY 2012-13 estimate. Gross receipts are forecast to increase by $2.6 billion or 5.4 percent, offset by an increase of $218 million or 3.0 percent in refunds. Of these revenues, $1.8 billion can be attributed to the tax reform enacted in December 2011. Adjusting for the impact of PIT reform, baseline collections are projected to increase 8.7 percent. The Committee staff forecast is $189 million above the Executive forecast.

Withholding

Withholding has increased by 3.5 percent over last year on a cumulative basis through January. Withholding growth was flat through the first quarter of the State fiscal year, and declined 0.4 percent in the second quarter. However, October through December collections increased significantly over the same period in 2011, with withholding increasing $247 million, or 3.3 percent.

Table 12

Withholding ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$25,690	3.5%	$31,991	2.5%	$31,818	$173
2013-14			$33,683	5.3%	$33,466	$217

SFY 2012-13

The Ways and Means Committee staff estimates 3.1 percent total State Fiscal Year wage growth. Due to the uncertainty surrounding the possible effect from the "fiscal cliff," bonus payouts are estimated to have shifted from the first quarter of 2013 in the fourth quarter of 2012.

Withholding collections through January were up by 3.5 percent. Ways and Means committee staff expects SFY 2012-13 to finish with $32.0 billion in withholding collections, an increase of 2.5 percent above the prior fiscal year, with a decline of 1.3 percent growth needed over the final two months of the year. The Committee estimate is $173 million above the Executive.

SFY 2013-14

The Ways and Means Committee Staff projects withholding collections of $33.7 billion in SFY 2013-14, an increase of 5.3 percent over the prior fiscal year. The withholding forecast is driven by a projected 4.5 percent increase in total State wages, with variable wages increasing 8.8 percent.

The Committee forecast is $217 million above the Executive.

Quarterly Estimated Payments (Vouchers)

Vouchers have shown strong growth throughout the year, increasing by 11.1 percent through the first ten months of the fiscal year.

Table 13

Quarterly Estimated Payments ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$8,862	11.1%	$8,969	10.8%	$8,994	($25)
2013-14			$9,009	0.4%	$8,918	$91

SFY 2012-13

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

The Ways and Means Committee staff estimates that voucher collections for SFY 2012-13 will total $9.0 billion, which represents an increase of 10.8 percent or $872 million over SFY 2011-12. A decline of 9.7 percent will be needed over the remaining two months of the fiscal year.

Included in this forecast is revenue associated with an expected acceleration of capital gains realizations in the fourth quarter of calendar year 2012 in anticipation of federal capital gains tax rate increases in 2013. The Ways and Means Committee staff estimate capital gains growth of 52.3 percent in 2012, followed by a decline of 33.8 percent in 2013.

An estimated $1.4 billion of SFY 2012-13 vouchers collections are associated with the new PIT reform. This is approximately $506 million less than what was generated under the temporary surcharge in SFY 2011-12. As a result, baseline vouchers collections are estimated to grow by 22.2 percent.

The closeout also includes an additional $125 million from credit deferrals. Part Y of Chapter 57 of the Laws of 2010 requires business taxpayers to defer the use and refund of virtually all tax credits if they exceed $2 million in aggregate. The film tax credit was the largest credit not included, since it was already subject to delay depending on the size of the credit. This impacts

PIT filers who are members of S-corporations that are subject to the deferral. The deferral is required for tax years beginning on or after January 1, 2010 and before January 1, 2013.

The Committee estimate is $25 million below the Executive.

SFY 2013-14

The Ways and Means Committee staff forecasts voucher collections to total $9.0 billion in SFY 2013-14, which equates to an increase of $40 million or 0.4 percent over the SFY 2012-13 closeout.

The December 2011 PIT reform is projected to generate an additional $1.2 billion through SFY 2013-14. Absent this impact, baseline voucher collections are forecasted to increase by 3.4 percent.

The Committee forecast is $91 million above the Executive.

Refunds

Through January, prior year refunds have declined by approximately 2.7 percent on a cumulative basis. Previous year refunds finished January with 45.0 percent cumulative year-to-date growth.

Table 14

Prior Year Refunds ($ in Millions)

	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$4,489	-2.7%	$4,572	-2.6%	$4,585	($13)
2013-14			$4,981	8.9%	$5,029	($48)

Table 15

Previous Year Refunds ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$546	45.0%	$642	41.9%	$623	$19
2013-14			$507	-21.0%	$476	$31

SFY 2012-13

The Ways and Means Committee staff anticipates that SFY 2012-13 will finish with $4.6 billion in prior year refunds and $642 million in previous refund distributions. This is equivalent to a decline of 2.6 percent in prior year refunds for the State Fiscal Year and will require 5.1 percent growth over the remaining two months. The Executive's estimate for prior year refunds is $13 million below the Committee's closeout.

The prior year refunds closeout is also adjusted by $2.9 billion in a credit carryover assumption. Taxpayers may elect to delay their refund payments and receive a credit for the following year. The PIT closeout assumes a five percent annual increase in this credit assumption.

The previous year refund closeout represents a 41.9 percent increase relative to the last fiscal year, and previous refunds in the last two months of the State Fiscal Year are projected to increase by 26.4 percent to meet the closeout.

SFY 2013-14

The Ways and Means Committee staff projects a prior year refund total of $5.0 billion for SFY 2013-14, an increase of 8.9 percent over SFY 2012-13 estimates. Prior year refunds are typically inversely related to the refunds paid from the year before. Therefore, strong growth in SFY 2013-14 is anticipated in response to significant declines in SFY 2012-13.

Previous year refunds are forecast to decrease $135 million or 21 percent, totaling $507 million in SFY 2013-14.

Committee staff total refunds are $17 million below the Executive forecast.

Fund Distribution

Table 16

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	$26,947	$3,276	$10,032	$0	$40,254
2013-14	$28,585	$3,419	$10,605	$0	$42,610

The Committee staff estimates General Fund personal income tax receipts of $26.9 billion in SFY 2012-13, representing growth of 4.3 percent over the prior year. The estimate is $129 million over the Executive. In SFY 2013-14, General Fund collections are forecast to total $28.6 billion.

A statutory amount of 25 percent of net personal income tax collections is allocated toward the Revenue Bond Tax Fund (RBTF). The estimated contribution for SFY 2012-13 is $10.032 billion while the Committee staff's SFY 2013-14 RBTF forecast is $10.6 billion.

The STAR Fund consists of revenue that is used to reimburse school districts for state-provided school property tax exemptions, as well as New York City personal income tax rate reductions, resulting from the School Tax Relief program. The Executive estimates a SFY 2012-13 STAR Fund total of $3.3 billion, which equates to an increase of 1.3 percent compared to SFY 2011-12. The Executive's SFY 2013-14 STAR Fund amount is forecast to increase 4.4 percent, for a total of $3.4 billion.

Adjusted Gross Income

Income and Liability

NYSAGI grew rapidly following the 2001 recession increasing by a total of 57.5 percent between 2002 and 2007. Income in New York State, as defined by New York State Adjusted Gross Income (NYSAGI), reached a historical peak in 2007, totaling $724.6 billion. The increase was highlighted by a rise in non-wage income, especially capital gains, which increased from 19.8 percent of total NYSAGI in 2002 to 33.1 percent of total NYSAGI in 2007, growing by a total of $148.3 billion or 262.5 percent.

Table 17

Components of AGI ($ in Millions)

	Actual		Estimate		Forecast	
	2009	2010	2011	2012	2013	2014
NYSAGI						
Amount	$596,471	$638,855	$664,703	$705,075	$707,046	$756,261
Percent Change	-9.9%	7.1%	4.0%	6.1%	0.3%	7.0%
Wages						
Amount	$463,939	$482,433	$500,501	$511,695	$533,619	$559,562
Percent Change	-5.9%	4.0%	3.7%	2.2%	4.3%	4.9%
Capital Gains						
Amount	$29,689	$44,669	$47,810	$72,844	$48,255	$65,145
Percent Change	-44.4%	50.5%	7.0%	52.4%	-33.8%	35.0%
Interest, Dividends and Pensions						
Amount	$61,524	$65,783	$68,822	$71,205	$73,235	$76,343
Percent Change	-12.5%	6.9%	4.6%	3.5%	2.9%	4.2%
Business and Partnership Income						
Amount	$71,447	$74,368	$76,902	$79,003	$82,687	$87,742
Percent Change	-2.9%	4.1%	3.4%	2.7%	4.7%	6.1%
Other Income						
Amount	($30,128)	($28,397)	($29,332)	($29,671)	($30,750)	($32,531)
Percent Change	7.3%	-5.7%	3.3%	1.2%	3.6%	5.8%

Following the peak in 2007, NYSAGI declined for two consecutive years as a result of the Great Recession. While wages declined between 2007 and 2009, losses in capital gains and property income represented the lion's share of the negative NYSAGI growth. Capital gains, in particular, fell by nearly $87 billion over the two-year period.

AGI growth is projected to slow in 2013, largely as a result of a capital gains shift in anticipation of increased federal tax rates in 2013. Capital gains are forecast to decrease by 33.8 percent in 2013, or approximately $24.5 billion, slowing the rate of growth in SFY 2013-14 vouchers' collections.

Underlying Economic Conditions

The Committee staff's SFY 2012-13 withholding estimate is driven by estimated wage growth of 3.1 percent. Through the first half of the State fiscal year, withholding collections growth was flat compared to the prior year, with 0.0 percent growth and a decline of 0.4 percent in the first and second quarters, respectively. Over this time, the pace of the economic recovery was significantly slower than what had been experienced during previous recoveries. As GDP increased by less than two percent for the first half of 2012, total wages grew by an estimated average of 1.3 percent.

During the month of December, taxpayers waited as Congress deliberated over the approaching expiration of the Bush tax cuts, which had previously been extended for two years under the "Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010." In light of the uncertainty surrounding the looming "fiscal cliff," taxpayers sought to take advantage of incentives in the current tax law. This resulted in certain economic activity being shifted from 2013 into 2012. This includes bonus compensation which is largely reflected in variable wages.

Since variable wages are largely earned by high income taxpayers, they are typically withheld at a higher average rate than base wages and are therefore more important for collections on a dollar-to-dollar basis. The share of variable wages, relative to total wages, in New York has been trending upward since the mid-1970s. Even in 2009, after massive declines in financial sector bonus payments, the ratio of variable wages to total wages exceeded that of all years prior to 2001. This increased share of variable wages or "bonuses" has made wages, and therefore revenue, more difficult to predict. Compounded by the particularly elastic response of withholding to variable wages, holding tax law constant, this trend presents significant risks to the forecast.

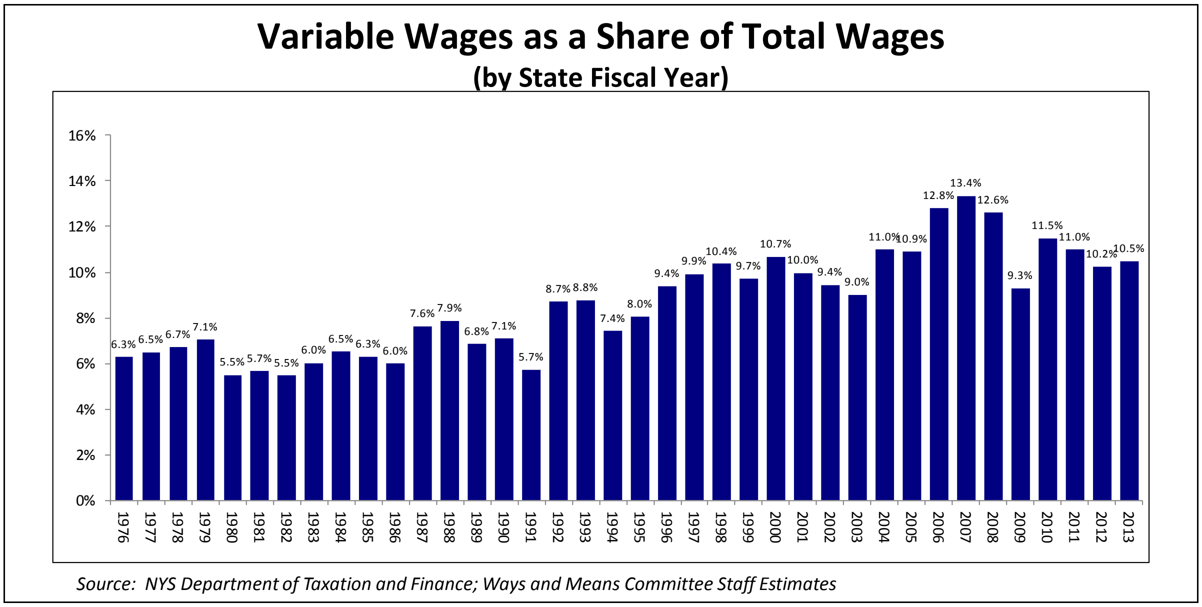


Figure 20

Analysis of the fourth quarter of the state fiscal year, which has historically accounted for the majority of variable wage income, reveals the influence of this increasing trend. Not only has the share of "bonus quarter" withholding to the overall total increased over the past three decades, but the volatility has increased significantly over the course of the last ten years, as evidenced by the standard deviation of the average growth.

Table 18

Withholding in the Last Quarter of the SFY (Months of January, February,and March)		
SFY Range	Average 4th Quarter Share of Total	Standard Deviation of Average Growth
1981-1990	27.9%	5.1%
1991-2000	29.4%	6.5%
2001-2010	32.7%	12.8%

However, as taxpayers were looking to take advantage of lower tax rates, a sizable portion of variable wages were shifted from 2013 into 2012. The Committee staff estimates that variable wages increased by 21.4 percent in the fourth quarter of 2012. This presents a level of uncertainty to the withholding closeout, as expected cash flows must be adjusted accordingly. While the first week of January 2013 saw two record days of reported withholding collection, most of these revenues were tied to wages paid in calendar year 2012. Whether strong withholding gains can persist through the end of the fiscal year is uncertain. For the fourth quarter of the State fiscal year, total wages are estimated to increase by 4.2 percent, with variable wages increasing by 8.2 percent.

An additional uncertainty to the forecast stems from the effect of the fiscal cliff on the timing of capital gains. During calendar year 2012, the Committee staff estimates capital gains of $72.8 billion, an increase of 52.3 percent over the prior fiscal year. Approximately $11.3 billion of this total can be attributed to a shift from 2013 into 2012. The ensuing forecast for 2013 is therefore significantly less. Capital gains are forecast to amount to only $48.2 billion in 2013, a decrease of 33.8 percent over 2012 estimates. Capital gains serve as one of the two key exogenous variables of the voucher equation within the voucher and settlement forecast model, along with property income. Property income, which is defined by rental, interest, and dividend income, is forecast to increase by 6.0 percent in SFY 2012-13.

PIT Surcharge and 2011 Tax Reform

The three-year personal income tax surcharge, enacted as part of the 2009 budget, added two additional personal income tax brackets to the previously existing tax tables for all filer types. Taxpayers with taxable incomes above $300,000 but below $500,000 were subject to a new rate of 7.85 percent, whereas taxpayers whose taxable incomes totaled more than $500,000 were subject to a rate of 8.97 percent. The surcharge applied to tax years 2009 through 2011 and officially expired after December 31, 2011. In SFY 2011-12, the temporary surcharge was valued at $3.8 billion on an All-Funds basis. In SFY 2010-11, the surcharge resulted in an estimated $4.8 billion in additional All-Funds revenues.

Figure 21 depicts net fiscal year PIT receipts along with the amount generated by the tax surcharge, PIT reform, and itemized deduction limitations. The timing of the temporary surcharge proved to be vital to the State's fiscal health, as it helped to stabilize revenues in the midst of an economic recession and subsequent weak recovery. As can be seen in Figure 26, baseline receipts performed much worse in SFY 2009-10 than actual collections indicate. Absent the tax surcharge, revenues would have declined by approximately $5.8 billion or 15.4 percent. This decline was mitigated due to an additional $3.6 billion from the temporary surcharge, with overall receipts declining by only $2.1 billion or 5.7 percent.

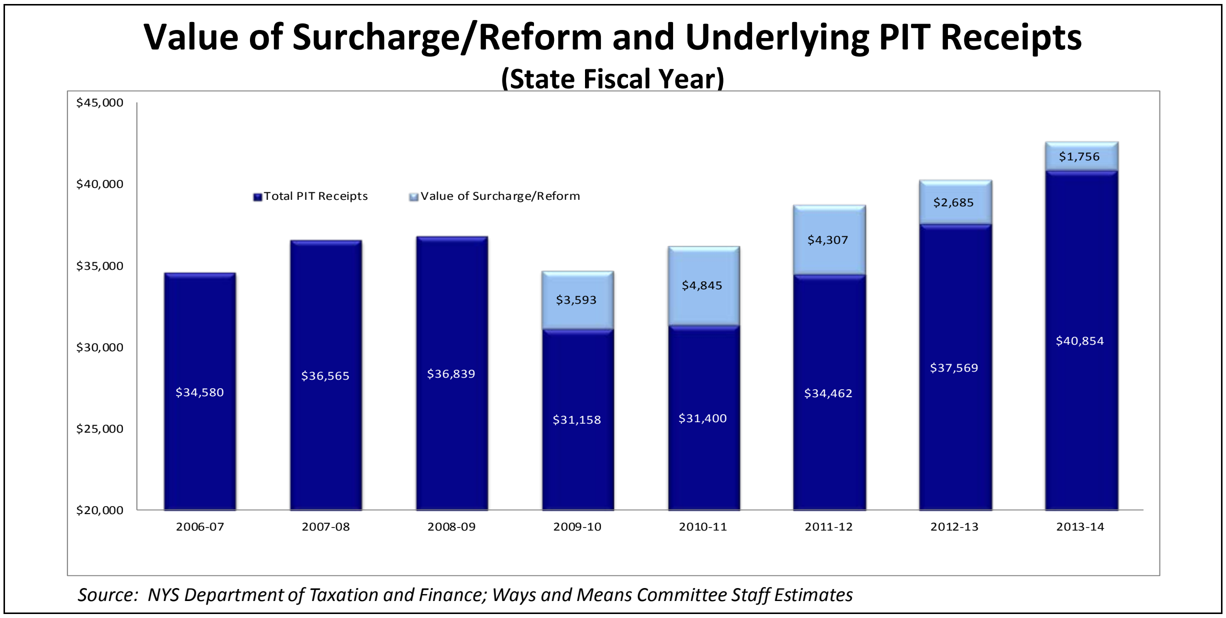


Figure 21

The following year, SFY 2010-11, revenue collections increased by 4.3 percent, with an estimated $4.8 billion attributed to the surcharge. Absent the impact of the surcharge, revenues would have remained stagnant through SFY 2010-11, with growth of only 0.8 percent reflective of the lingering effects of the recession on the State's economy.

In December 2011, the State faced its own fiscal cliff as the temporary surcharge was scheduled to expire effective January 1, 2012. As an alternative to an extension of the surcharge, the State opted for a three-year personal income tax reform which added new brackets to make the tax more progressive as well as provide significant tax relief for middle income households, and included a CPI-adjustment of the brackets and standard deduction amounts for 2013 and 2014 to counter the effects of inflation. A new tax rate of 8.8 percent was established under this legislation. For single filers, this rate is applied to incomes totaling $1 million or more. For head of household and joint filers, the rate is effective on incomes at or above $1.5 million and $2 million, respectively.

As a result of lowering the tax rates for a majority of State income taxpayers, the fiscal impact of the reform is much less than what was provided under the temporary surcharge. The reform is expected to generate $1.9 billion in SFY 2012-13 in All Funds tax revenues relative to 2008 law (prior to the surcharge). Combined with an additional $819 million in settlement payments on 2011 liabilities resulting from the surcharge, PIT receipts are estimated to increase by 3.8 percent or $1.5 billion. However, when adjusting for net benefits provided by the surcharge and reform, baseline collections are estimated to increase by 9.0 percent, or $3.1 billion, which is consistent with Committee staff's estimated growth of 6.1 percent in NYSAGI.

Had the surcharge been allowed to expire without any tax reform, tax collections would have declined 1.0 percent compared to the prior fiscal year. Assuming that the 2009 surcharge tax rates had continued for SFY 2012-13, PIT receipts would have been higher by $2.6 billion with underlying growth at 9.1 percent. After adjusting for the impacts of the tax surcharge and reform, PIT baseline collections are estimated to increase 9.0 percent in SFY 2012-13.

Estimating underlying growth is significantly affected by the tax surcharge. This poses a significant risk to forecasting PIT receipts. It also highlights the overwhelming effect of the State's reliance on revenues from a limited and volatile source of high income earners, which poses its own significant risks to forecasting PIT receipts.

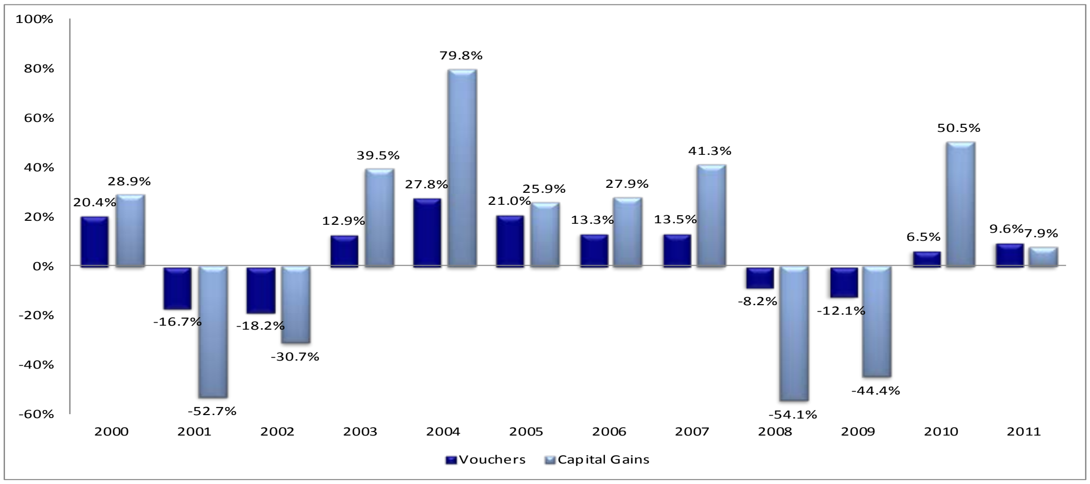
Since 1994, there has been a clear trend of the top ten percent of income earners accumulating an increasing share of overall PIT liabilities. The deviations from the trend appear to be directly linked to the two recessions that took place in the 2000s.

While the percentage of liability accrued by New York's top income earners serves to highlight the dependency on these taxpayers for revenue, the progressive structure of the tax brackets serves to exaggerate the effect of changes in income for high-income taxpayers. This is particularly true for the effects of capital gains on tax revenues.

Figure 22 highlights the relationship between voucher collections realized in a given fiscal year and capital gains in a given calendar year, with fiscal years identified by the calendar year of which they are primarily composed. For example, SFY 2000-01 voucher collections were attributable to net capital gains during the 2000 tax year. As mentioned previously, capital gains serve as a key exogenous variable within the voucher forecasting model. Figure 22 demonstrates that voucher collections have grown in parallel with capital gains in every year. The elasticity, however, varies significantly, due to the influence of tax law changes, the highly-variable levels of capital gains from year to year, and the effect of other non-wage components of income.

Capital Gains as a Driver of Estimated Payments

(Percent Change – Calendar Years)



Source: NYS Department of Taxation and Finance; Ways and Means Committee Staff Estimates

Figure 22

Executive Budget Proposals

- **Establish the New York Innovation Hot Spots Program:** The Executive proposes to create "innovative hot spots," tax-free zones affiliated with higher education incubators or non-profit incubators associated with universities or colleges. Individuals receiving income from sole proprietorships, partnerships, limited liability companies, or New York subchapter S corporations that qualify under these innovation hot spots will be allowed a deduction for five taxable years for the amount of income included in their federal adjusted income. The credit is only applicable to earned income attributable to the innovation hot spot. The personal income tax benefit would also be applicable to the New York City personal income tax.

- **Extend the High Income Charitable Contribution Deduction Limitation:** The Executive proposes to extend for three years the existing limitation on charitable deductions for New York State and New York City taxpayers New York State adjusted gross incomes (NYSAGI) are more than $10 million. The current limitation is set at 25 percent of any charitable contribution deduction allowed under the Internal Revenue Code. This limitation is scheduled to return to 50 percent of charitable contributions for taxable years beginning on or after January 1, 2013. The Executive estimates that the extension will provide the State with an additional $70 million in SFY 2013-14 and $140 million in SFY 2014-15.

- **Close Royalty Income Loophole:** The Executive proposes to amend the royalty expense add-back requirements in the Tax Law by eliminating the income exclusion provisions in these requirements.

- **Make Tax Modernization Provisions Permanent:** Current tax modernization provisions were enacted in 2011 and extended for one year in 2012. These provisions include mandatory e-filing and e-payment for preparers and taxpayers, sales tax payment requirements, and segregated accounts for non-complying vendors. These provisions are currently set to expire December 31, 2013. The Executive proposes to make these provisions permanent and estimates that this will provide the State with an additional $6 million in SFY 2013-14 and $22 million annually thereafter.

- **Charge NY Electric Vehicle Recharging Equipment Credit:** The Executive proposes to establish a nonrefundable tax credit of 50 percent of taxpayer costs of up to $5,000 for the installation of electric vehicle recharging property. The Executive estimates that this credit will cost the State $1 million annually beginning in SFY 2014-15.

- **Suspend Delinquent Taxpayers' Driver's Licenses:** The Executive proposes to authorize the Department of Taxation and Finance and the Department of Motor Vehicles to suspend a taxpayer's license when that taxpayer owes more than $10,000 in tax liabilities. The Executive estimates that this bill would provide $15 million in revenues in SFY 2013-14.

- **Warrantless Wage Garnishment:** The Executive proposes to authorize the Commissioner of Taxation and Finance to serve income executions (wage garnishments) on individual debtors without the necessity of filing a warrant. This bill is estimated by the Executive to generate $10 million in revenues annually.

- **Increase the Minimum Wage:** The Executive proposes to increase the minimum wage from $7.25 to $8.75 per hour. The new minimum wage requirement would take effect July 1, 2013. The Executive does not anticipate any fiscal impact from this proposal in SFY 2013-14. However, the Executive does project a $29 million decline in Personal Income Tax revenues in SFY 2014-15.

- **Historic Homeownership Rehabilitation Credit:** Extends the $50,000 credit limitation as well as the refundability provisions for taxpayers with income less than $60,000 through January 1, 2020.

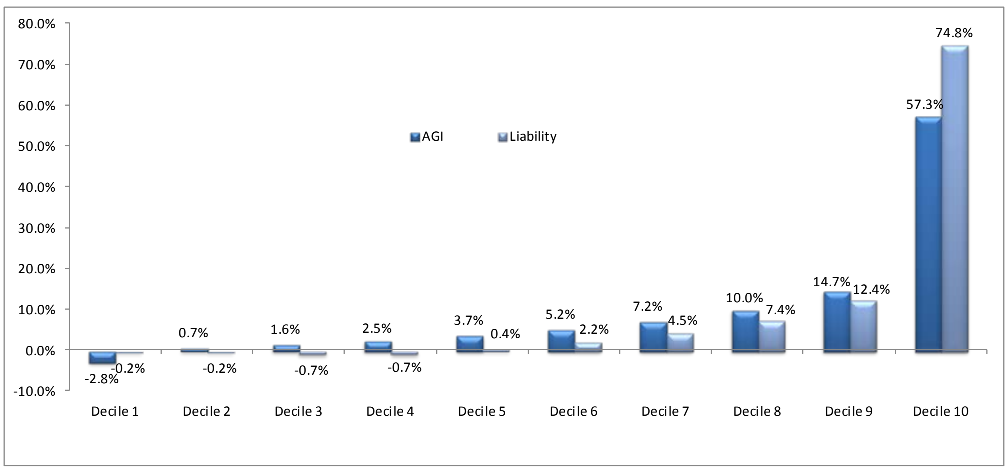
- **Historic Commercial Rehabilitation Credit:** Extends and enhances the existing credit through 2019.

Who Pays the NYS Personal Income Tax?

State Wide Distribution of Liability and Adjusted Gross Income

The State's personal income tax has a progressive structure, meaning higher income tax payers pay a higher proportion in taxes. According to 2010 data from the Department of Taxation and Finance, latest available, the top 10 percent of New York taxpayers earned 57.3 percent of income and paid 74.8 percent of total liability, while the bottom four deciles were net recipients of income taxes.

NY Adjusted Gross Income and Tax Liability by Decile - 2010



Source: NYS Department of Taxation and Finance; Ways and Means Committee Staff Estimates

Figure 23

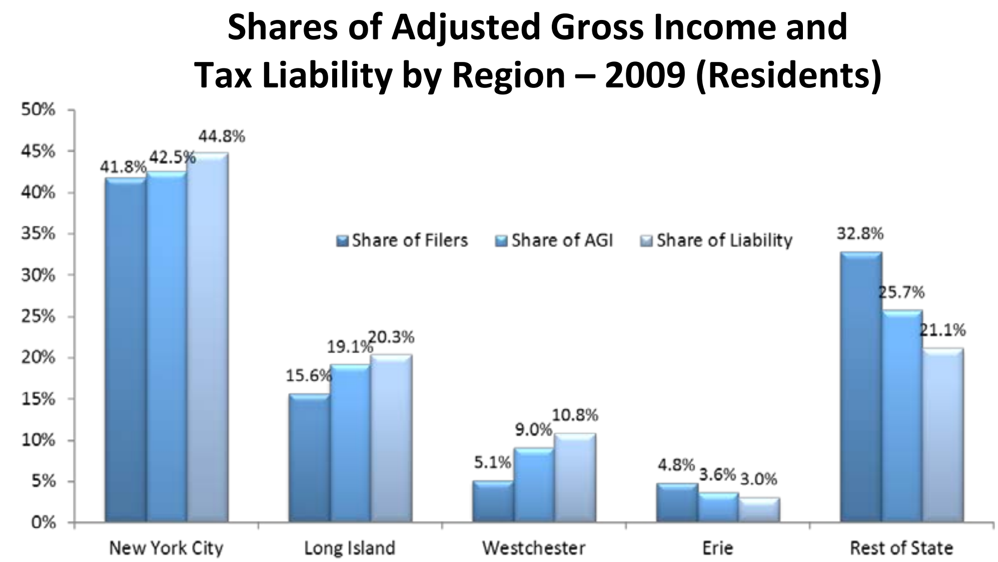
One should note that the progressivity of the personal income tax is mitigated when incorporating assumptions regarding the incidence of the sales and property taxes that tend to exhibit a more proportional or even regressive tax structure. For example, when incorporating sales and excise taxes as well as property taxes, the top one percent of income earners has an effective tax rate (ratio of taxes paid over income) of 9.4 percent compared to a rate of 12 percent for the middle 20 percent and 9.6 percent for the bottom 20 percent of income earners.[1]

A Regional View of Liability and Adjusted Gross Income

The chart below provides an overview of the shares of filers, AGI and personal income tax liability for key regions in the State as of 2009 (latest available). As expected, New York City and Long Island account for the largest shares of AGI and liability. New York City residents account

[1] "*Who Pays? A distributional analysis of the tax systems in all 50 states*", Institute on Taxation & Economic Policy, November 2009.

for 41.8 percent of filers and almost 45 percent of residents' total liability, while Long Island residents account for 20.3 percent of liability. Westchester and Erie counties combine for an additional 13.8 percent in liability with 9.8 percent of the filers and 12.6 percent in AGI. The rest of the State accounts for 21.1 percent in liability compared to 32.8 percent of filers and 25.7 percent of AGI.



Source: NYS Department of Taxation and Finance; Ways and Means Committee Staff Estimates

Figure 24

Recent NYS Personal Income Tax Changes

Table 19

Levels of Income at which the Top Tax Rate Applies				
		Taxable Income in Excess Of:		
Tax Year	**Top Rate**	**Married filing Jointly**	**Single**	**Head of Household**
1989-1994	7.875	$26,000	$13,000	$17,000
1995	7.59375	$25,000	$12,500	$19,000
1996	7.125	$26,000	$13,000	$17,000
1997-2002	6.85	$40,000	$20,000	$30,000
2003-2005	7.7	$500,000	$500,000	$500,000
2006-2008	6.85	$40,000	$20,000	$30,000
2009-2011	8.97	$500,000	$500,000	$500,000
2012	8.82	$2,000,000	$1,000,000	$1,500,000

Since the mid-1980s there has been a consistent pattern of progressive reductions in tax rates and surcharges. The recession of the early 2000s, combined with the impact of the September 11, 2001 terrorist attacks on the financial industry in New York, led to legislation that temporarily imposed higher income tax rates on incomes over $500,000 for the period 2003 to 2005. The Great Recession and the sizeable deficits that the State incurred led to a second round of temporary surcharges effective for tax years 2009, 2010, and 2011. What follows is a brief summary of the major changes in the Personal Income Tax.

1987: Reduced the top rate from nine percent on earned income and 13 percent on unearned income to seven percent on all income and increased standard deduction amounts. The reductions were implemented over a five-year period.

1990-1994: Delayed the final two years of the 1987 legislation that would have reduced the top rate from 7.87 percent to 7.59 percent and then to 6.85 percent.

1991: Enacted the "supplemental tax" to recapture the value of marginal tax rates below the top rate.

1995: Legislation was enacted that reduced the top tax rate from 7.875 percent to 6.85 percent by 1997.

2003-2005: Temporary tax surcharge created two new tax brackets applicable to taxpayers with incomes over $150,000 and over $500,000, with rates of 7.375 percent and 7.7 percent, respectively; the surcharge was in effect from 2003 through 2005.

2009-2011: The Great Recession and the prospect of unprecedented deficits led to the enactment of legislation that created two new brackets as follows:

- Single Filers:
    - 7.85 percent on incomes between $200,000 and $500,000
    - 8.97 percent on incomes over $500,000
- Married filing Jointly:
    - 7.85 percent on incomes between $300,000 and $500,000
    - 8.97 percent on incomes over $500,000
- Head of Household:
    - 7.85 percent on incomes between $250,000 and $500,000
    - 8.97 percent on incomes over $500,000

In addition, the legislation increased the Itemized Deduction Limitation from 50 percent to 100 percent for taxpayers with over $1 million in adjusted gross income, excluding deductions on charitable contributions.

2010: Legislation imposed further restrictions to itemized deductions limiting from 50 percent to 25 percent of Federal charitable contributions deductions on taxpayers whose NYAGI is over $10 million.

2011: The December 2011 Tax Reform enacted a three-year personal income tax (PIT) reform which added new brackets to make the PIT more progressive, while reducing tax rates for middle-class households, and included inflation-adjustment of the brackets and standard deduction amounts for 2013 and 2014 to counter the effects of inflation. In particular:

- Single Filers:
  - 6.85 percent on incomes between $200,000 and $1,000,000
  - 8.82 percent on incomes over $1,000,000
- Married filing Jointly
  - 6.85 percent on incomes between $300,000 and $2,000,000
  - 8.82 percent on incomes over $2,000,000
- Head of Household
  - 6.85 percent on incomes between $250,000 and $1,500,000
  - 8.82 percent on incomes over $1,500,000.

Interaction of Federal and New York State Tax Code – Implications for NYS Taxpayers

In December 2012, the NYS Comptroller released a comprehensive report that while focused on the, at the time, impending "Fiscal Cliff", provides several key insights as to the potential effects on NYS taxpayers of actions initiated at the Federal level:[2]

- Tax increases at the Federal level immediately reduce discretionary income, and thus potential sales and other user tax receipts, especially the two percentage points increase in the payroll tax from 4.2 percent to 6.2 percent which is estimated to cost NYS taxpayers $7.7 billion in lost discretionary income in 2014;
- Enacted tax increases due to the higher top marginal tax rate and the new higher rates for capital gains and dividends is also expected to reduce discretionary income by approximately $4.6 billion in 2014;
- However, the preservation of the Child and Earned Income tax credits provide approximately $3.0 billion in income to eligible taxpayers;
- To the extent that any tax reform (see more below) includes the elimination of the exemption of interest payments from bonds issues by state and local governments, the cost of such debt will increase for New York, thus, making harder the ability to fund infrastructure projects. The significance of such legislation for New York becomes more apparent when considering that "in 2011, New York issuers ranked first nationally for long-term bond sales, with a total of $39.3 billion."

Recent Federal Actions Related to the Personal Income Tax

New York's definition of personal income for tax purposes is premised on the Federal definition and follows, with adjustments, the basic structure of the Federal tax code. Therefore, any tax law changes at the Federal level have important implications for State taxpayers. The following table provides a brief overview of key rate changes since the early 1990s for married taxpayers filing joint returns.

[2] "*Impact of the "Fiscal Cliff" on New York State*", New York State Comptroller, December 2012.

Table 20

Federal Personal Income Tax Marginal Rates	
Year	**Available Tax Rates**
1991	15%, 28%, 31%
1993	15%, 28%, 31%, 36%, 39.6%
2003	10%, 15%, 25%, 28%, 33%, 35%
2013	10%, 15%, 25%, 28%, 33%, 35%, 39.6%

Following the major tax reform of 1986 that broadened the tax base and lower rates from a top rate of 50 percent to 28 percent by 1988, the Federal tax code expanded the number of brackets and available rates. The top rate reached 39.6 percent in 1993 and stayed at that level through 2000 when the Bush tax cuts were enacted with the top rate falling to 35 percent by 2003.

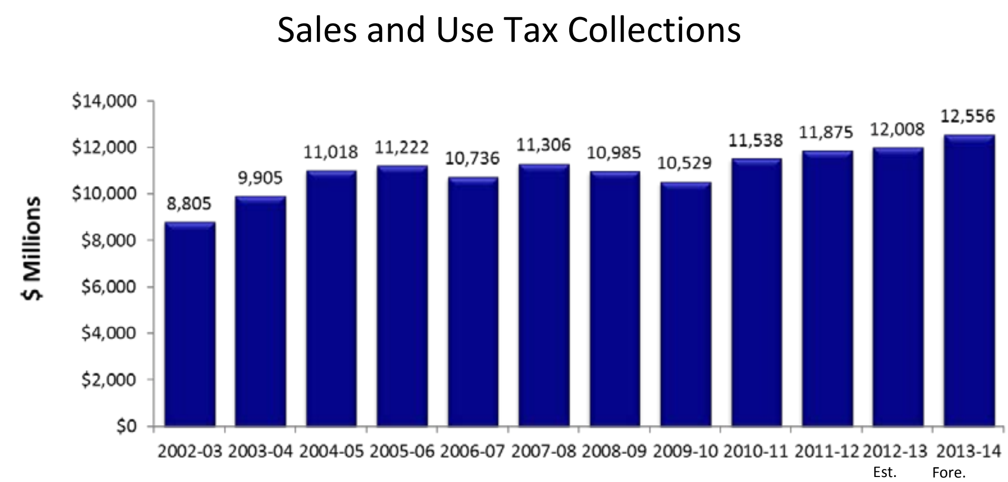
The December 2012 legislative agreement with the Administration added an additional bracket of 39.6 percent for incomes over $450,000. In addition, taxable income thresholds will be indexed for inflation after 2013.

Sales and User Taxes

Table 21

User Tax Collections Forecasts by State Fiscal Year ($ in Millions)	SFY 2012-13	Growth	Diff. Exec.	SFY 2013-14	Growth	Diff. Exec.
User Taxes and Fees	**$14,627**	**0.4%**	**(3)**	**$15,189**	**3.8%**	**22**
Sales and Use Tax	12,008	1.1%	14	12,556	4.6%	23
Motor Fuel Tax	490	-2.4%	(1)	499	1.8%	(2)
Cigarette Tax	1,546	-5.3%	(15)	1,535	-0.7%	(0)
Highway Use	146	10.7%	5	144	-1.6%	4
Alcoholic Beverage Tax	242	1.6%	(7)	244	0.8%	(5)
Auto Rental Tax	108	3.6%	(1)	116	7.7%	2
Taxi Surcharge	88	1.4%	2	96	9.1%	0

Sales Tax



Source: NYS Comptroller; Ways and Means Committee Staff estimates

Figure 25

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, 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 taxes are generally paid to and collected by the vendor at the time of purchase. Vendors remit sales tax collections annually, quarterly or monthly depending upon their level of taxable sales. Some vendors are required to remit their sales tax liability electronically to the State.

All funds sales tax collections are deposited into the General Fund and the Local Government Assistance Tax Fund (LGATF) and the Mass Transportation Operating Assistance Fund (MTOAF). In 1981, the MTOAF was created to help finance the State's public transportation system. A portion of revenue is derived from a separate sales tax rate of three-eighths of one percent that is imposed in the Metropolitan Commuter Transportation District (MCTD). The MCTD encompasses all of the counties served by the Metropolitan Transportation Authority, namely: counties in the City of New York - Manhattan, Bronx, Queens, Kings and Richmond - and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.

Receipts from one percentage point of the four percent State sales tax are 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.

Table 22

Sales Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$9,993	0.8%	$12,008	1.1%	$11,994	$14
2013-14			$12,556	4.6%	$12,533	$23

Current Trends

Through January, All Funds sales tax receipts increased 0.8 percent or $76 million over the previous fiscal year. Cumulative collection growth for the first five months of SFY 2012-13 were negative, but September grew by $62 million or 5.3 percent, which brought cumulative collections into positive territory. Since September collections have been mixed, but cumulative growth has remained positive. However, this is discounting the impact of statutory changes on the flow of revenues.

Once the impact of tax law adjustments are taken into account, year-to-date growth in sales tax collections becomes 3.1 percent, which is more consistent with national and state economic growth trends. For the first nine months of the fiscal year, national personal consumption of durable goods grew at 7.8 percent, nondurable goods grew at a more modest 1.1 percent, and total personal consumption expenditures, a variable which includes mostly nontaxable purchases under New York Sales tax law, has grown 1.9 percent.

SFY 2012-13

Ways and Means Committee staff estimates Sales Tax revenues to be $12.0 billion in SFY 2012-13, a 1.1 percent increase over SFY 2011-12. There are a few significant law changes that impact collections this fiscal year. The sales tax cap on motor and diesel fuel will have a net cost to the State of $163 million, and the expiration of the suspension of the clothing exemption will reduce State revenues by an additional $210 million this fiscal year. Factoring these changes into the Committee's expectations for this fiscal year produces underlying growth of 3.8 percent. This is slightly higher than expectations for New York personal income growth for the year of 3.4 percent.

Growth of 2.9 percent is expected in the remaining months of the fiscal year. The Executive estimates SFY 2012-13 Sales tax receipts to be $12.0 billion, a 1.0 percent increase over the previous year, or $14 million below Committee estimates.

SFY 2013-14

Ways and Means Committee staff forecasts that SFY 2013-14 Sales tax collections will be $12.6 billion, a 4.6 percent increase over SFY 2012-13 estimates.

The Executive is predicting growth of 4.5 percent or $12.5 billion, $23 million below Committee estimates.

Fund Distribution

Table 23

Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	8,440	756	2,812	-	12,008
2013-14	8,818	798	2,940	-	12,556

Underlying Economic Fundamentals

Sales tax collection trends are premised on the behavior of few key economic variables. As expected, disposable personal income is the most significant underlying economic variable reflecting the purchasing power available to consumers and businesses after taxes. The precise household propensity to consumer critically depends on available income with higher income households consuming, on average, a smaller proportion of their income, compared to lower income households. However, higher income households also exhibit higher variability in purchasing behavior across goods and services. In addition, transitory vs. permanent changes to income, as well as liquidity constraints, have different effects on consumption patterns, with transitory income changes having a smaller impact on consumption given that the propensity to consume out of current income is expected to be lower. In SFY 2013-14, New York personal income is expected to increase by 3.9 percent following growth of 3.4 percent in SFY 2012-13.

The interest rate for used automobile and truck loans is another significant driver of sales tax receipts. Interest rates have long been recognized as a critical factor in the allocation of resources especially for durable goods, or goods whose consumption is expected to last for several years. The significant capital required to acquire such goods is more sensitive to interest rate changes, therefore, it helps explain the behavior of sales tax receipts from the sale of automobiles and related products. In SFY 2013-14, the Ways and Means Committee staff expects used car interest rates to reach 6.398 percent up from 6.079 percent in the prior fiscal year, therefore, exerting downward pressure on collections.

Equity market trends and overall wealth have a significant effect on consumption, and, thus, sales tax receipts. Economists identify the "wealth effect" as the relationship between the changes in value of equities and changes in consumer spending. In general, "…in the year after a change in stock market values, consumer spending is likely to rise by between one and two cents for each dollar increase in the value of corporate stock."[3] The Ways and Means Committee staff expects the S&P 500 to increase 9.0 percent in 2013 followed by growth of 5.7 percent in 2014.

New York Taxable Sales, SFYs 1999-00 to 2011-12

Examining the components of taxable sales in New York State for the past 12 years provides insights into legislative changes to the taxable base and the structure and dynamics of the State economy.

The two most prominent statutory changes to the sales tax base in the past decade have been to gasoline and clothing. The sales tax on clothing has seen the most significant statutory changes. On March 1, 2000 items of clothing and footwear costing less than $110 per item were exempt from the State sales tax, resulting in a drop in the taxable base. The clothing tax base rose again on June 1, 2003 when the exemption was repealed. Taxable clothing sales peaked in SFY 2003-04, as in the following year the State enacted two week-long sales tax holidays for items under $110. On April 1, 2006, the State reinstated the clothing and footwear sales tax exemption for items less than $110 and taxable sales on these goods bottomed out in SFY 2007-08. In the midst of the Great Recession, with State revenues steeply declining, the State suspended the clothing tax expenditure, from October 1, 2010 to April 1, 2012. While there is movement in the clothing taxable base attributable to general economic activity, clothing is a relatively inelastic good; people will purchase necessary items in any economic climate while discretionary purchases play a less significant role. Changes in the taxable base over the last few years are almost completely driven by statutory changes.

In addition, one of the more notable growth sectors of the NYS economy has been food services. Consumers are consistently spending more nominal dollars on food establishments over time even though this is a discretionary activity with evidence of a high elasticity in relation to changes in personal income.

Interpretation of Taxable Sales

New York State's economy is one of the most dynamic and diverse in the world. The task of following and interpreting the constant, sometimes imperceptible, changes in the structure of

[3] "*Stock market wealth and consumption*", James M. Poterba, Journal of Economic Perspectives, Spring 2000, pp. 99-118.

the economy, as evidenced in taxable sales, is made even harder due to legislative changes that affect the tax base.

Table 24 provides a summary overview of taxable sales' growth during the period SFY 1999-00 to 2010-11 for major NYS industries. Comparing each industrial sector's growth against the total taxable sales growth rate of 28.5 percent provides insights into which sectors experienced faster economic growth over the last decade.

Table 24

NYS Taxable Sales Growth by Industry, FY 1999-00 to 2010-11	
Sporting Goods, Hobby, Book and Music Sto	-7.1%
Gasoline Stations	-2.7%
Electronics and Appliances	9.6%
Clothing (excluding local sales)	9.8%
Manufacturing	11.1%
Motor Vehicles and Parts	13.8%
Furniture and Home Furnishings	17.6%
Retail Trade Total	21.2%
Wholesale Trade	24.2%
Information	27.6%
Total Growth in Taxable Sales	**28.5%**
Building Materials and Garden Equipment	28.7%
Ag., Mining, Trans., FIRE, Educ., Govt.	28.7%
All Other Services	32.9%
Construction	39.1%
Administrative/Support Services	41.0%
Miscellaneous Retail	41.9%
Arts, Entertainment, and Recreation	43.4%
Repair and Maintenance	43.4%
Other Services Total	44.1%
Health and Personal Care	44.3%
Personal and Laundry Services	48.3%
Food and Beverage	51.3%
Accommodation	52.4%
Professional,Scientific, and Technical	52.7%
Utilities (excluding residential energy)	53.4%
Health Care	72.3%
Accommodation and Food Services	76.3%
Food Services	85.8%
Nonstore Retail: E-Commerce	111.1%

Source: Department of Taxation and Finance, Ways and Means Committee staff.

However, one needs to be cognizant of the various tax law changes that have affected the underlying tax base. For example, tax receipts at gasoline stations declined by 2.7 percent during this period, but this is primarily due to the enactment of the gasoline sales tax cap in 2006, which is estimated to have reduced receipts by $160 million in revenues in 2012.

Manufacturing taxable sales have increased 11.1 percent over the relevant period, less than half the growth of total taxable sales.

The large increases in health care, food services, accommodations, and e-commerce sales speak to the overall industrial shift in the State as also evidenced in employment trends. It is of interest that while most food purchased is not subject to sales tax, food and drinks that are considered not healthy - like candy and soda - are taxable. However, bottled water and prepared foods are also taxable. Total taxable sales of food and beverages have grown by 22.8 percentage points greater than total taxable sales. However, food services - like catering and restaurants - have grown by 57.3 percentage points faster than total sales. These trends reveal changing patterns of food consumption over the last decade.

Table 25

Percentage of Total Taxable Sales Difference, Rest of State over NYC	
Accommodation and Food Services	-7.7%
Accommodation	-4.1%
Food Services	-3.5%
Information	-3.5%
Professional,Scientific, and Technical	-2.8%
Health Care	0.0%
Manufacturing	0.1%
Gasoline Stations	2.6%
Building Materials and Garden Equipment	3.5%
General Merchandise	4.6%
Motor Vehicles and Parts	10.3%
Total Retail Trade	20.2%

The NYC economy's structural differences when compared to the rest of the State are reflected in taxable sales. Health care is an inelastic good and it comprises an equal share of the tax base in NYC and the rest of the state. Accommodation and food services compose 7.7 percent less of the economy outside of NYC, a reflection of the influence of national and international tourism on the City's economy. Outside of NYC, the sales tax base shows consumers devoting a greater share of their total purchases on motor vehicles on gasoline, reflective of the geographical differences in economic development and industry concentration. Outside of NYC, total taxable sales for informational scientific and professional services is lower, but this may also be a reflection of the economies of scale realized in NYC as it is able to attract business from across the globe.

Executive Budget Proposals

- **Make Technical Amendments to the Tax Classification of Uncompressed Natural Gas:** Currently, compressed natural gas is exempt from sales tax when it is sold for use in the combustion engines of vehicles. However, when natural gas is purchased and then compressed by the consumer for use in the engines of vehicles, it is taxable. This legislation conforms the tax treatment of natural gas according to the end use by the consumer. This will minimally reduce tax revenues.

- **Reform Industrial Development Agencies Authority over State Sales Tax Exemptions:** Currently IDAs have blanket authority to provide State sales tax exemptions to projects in their jurisdiction. This legislation would ensure that any tax exemptions granted by local IDAs conform to State economic development goals, and it would ensure that any State sales tax paid by a beneficiary of a PILOT agreement would return to the State. This proposal would increase revenues by $7 million in SFY 2013-14 and $14 million in SFY 2014-15.

- **Establish the New York Innovation Hot Spot Program:** This new program would allow promising early stage businesses to develop in an area associated with and supported by a university focused on fostering innovation. Businesses would only pay nominal franchise taxes, but if formed as an S-corp all income would be deducted from owner's returns. Additionally, the innovative businesses would not pay sales tax. Tax benefits would last for five years. The Executive doesn't expect any reduction in tax revenues until SFY 2017-18.

- **Make Tax Modernization Provisions Permanent:** In 2011 and 2012, the Legislature, in coordination with the Executive, established two programs to increase efficiency and compliance with the tax law. Measures were taken to increase the number of people filing taxes electronically and for businesses to file sales taxes they collect from consumers more frequently and directly. This proposal will increase revenues by $6 million in SFY 2013-14 and by $22 million in SFY 2014-15.

- **Expand the Sales Tax Registration Clearance Process:** This proposal will increase the ability of the Department of Taxation and Finance to ensure that entities applying to collect sales taxes from consumers have not previously committed tax fraud or owe the State fixed and final tax liabilities. This will increase revenues by $1 million annually beginning in the next fiscal year.

- **Suspend Delinquent Taxpayer's Driver's Licenses:** This proposal will allow the Department of Taxation and Finance to restrict the non-work related driving abilities of individuals which owe the State fixed and final tax liabilities. This will increase revenues by $26 million in SFY 2013-14 and $6 million annually thereafter.

- **Provide Local Autonomy for Sales Tax Rates:** Currently, the State has the sole authority to extend, modify or change sales tax rates for cities and counties. This proposal would allow localities to extend current rates and distributions without State approval. This would not impact State revenues.

- **Establish Taste-NY Facilities:** This proposal would allow businesses to enter into agreements with the State or State Authorities to establish stores that would sell predominately merchandise valued at less than $200 as well as New York sourced tangible personal property; ordinarily taxable food and beverages would be sold free from sales tax. The Executive expects this to minimally reduce State revenues.

Auto Rental Tax

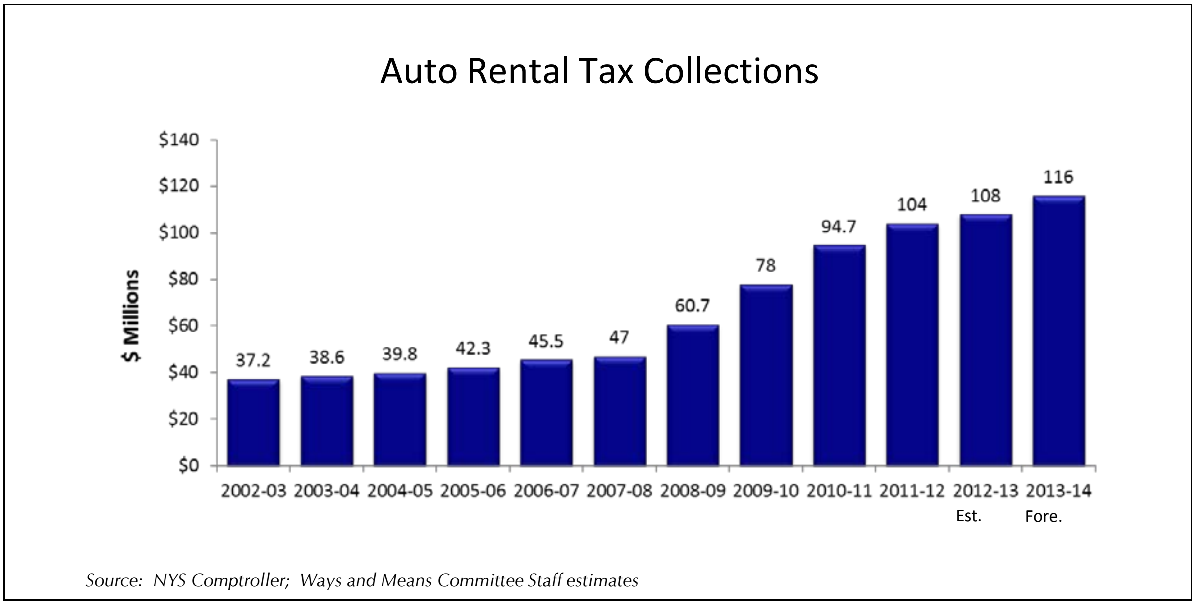


Figure 26

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 Your State from its inception on June 1, 1990 until June 1, 2009; June 1, 2009 the rate increased to six percent statewide. Additionally, on June 1, 2009 a five percent supplemental 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 supplemental five percent MCTD Auto Rental tax is dedicated to the Mass Transportation Operating Assistance Fund (MTOAF).

Table 26

Auto Rental Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$86	2.7%	$108	3.6%	$109	($1)
2013-14			$116	7.7%	$114	$2

Current Trends

Collections through January total $86 million, for growth of 2.7 percent over the same period in SFY 2011-12.

SFY 2012-13

The Committee staff estimates Auto Rental Tax collections to be $108 million in SFY 2012-13, an increase of $4 million or 3.6 percent. The Committee staff expects $67.4 million from the six percent statewide auto rental tax, and $40.1 million from the five percent auto rental tax effective in the MCTD region.

The Executive estimates SFY 2012-13 All Funds Auto Rental Tax collections to be $109 million or $1 million more than the Committee's estimate.

SFY 2013-14

Ways and Means Committee staff forecasts collections of $116 million for the Auto Rental Tax in SFY 2013-14 on an All Funds basis, of which $72 million is expected from the statewide tax, and $44 million from the MTA tax. This is growth of 7.7 percent over SFY 2012-13 estimates. The Executive forecasts 4.6 percent growth for collections of $114 million. The Committee staff forecast is $2 million above the Executive.

Fund Distribution

Table 27

Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	-	41	-	67	108
2013-14	-	44	-	72	116

Underlying Economic Conditions

Auto Rental Tax collections follow patterns of general spending on leisure and business travel. Slow yet stable growth trends in the national and state economy account for the measured growth in Auto Rental Tax collections.

Executive Budget Proposals

The Executive has proposed no actions impacting the Auto Rental Tax.

Motor Fuel Tax

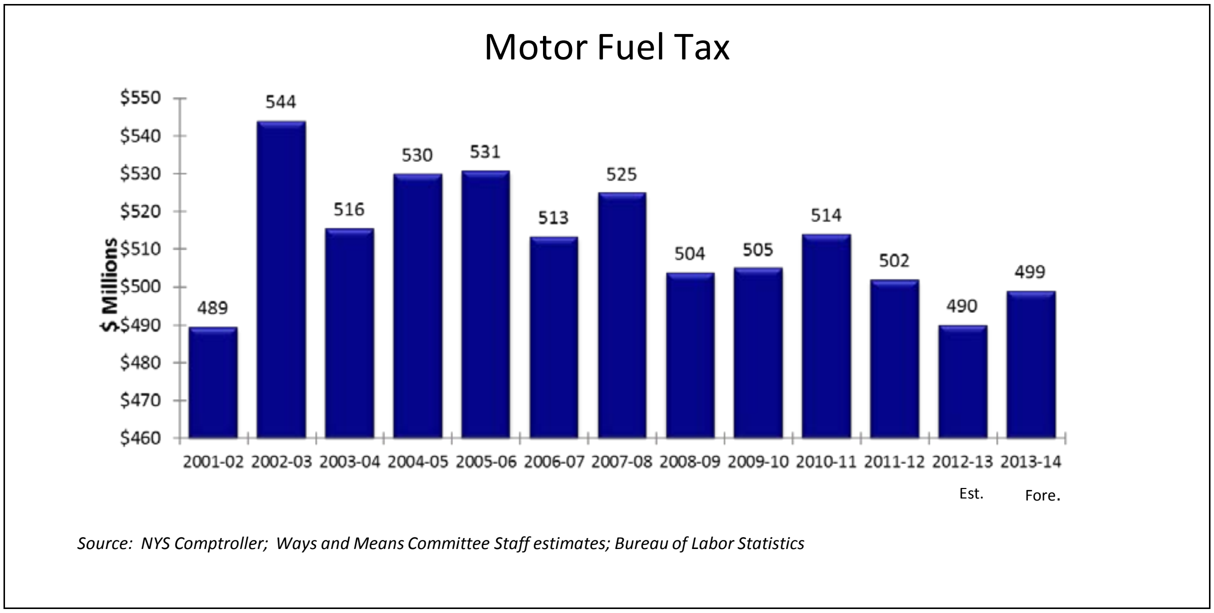


Figure 27

Article 12-A of the Tax Law imposes an eight cents per gallon tax on diesel fuel upon the first non-exempt sale in New York. Motor fuel, gasoline, is taxed at the same eight cents per gallon upon importation or production within New York State. The tax has three components: regular tax of four cents per gallon; additional tax of three cents per gallon; and supplemental tax of one cent per gallon. Motor fuel 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).

Table 28

Motor Fuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$412	-2.4%	$490	-2.4%	$490	($1)
2013-14			$499	1.8%	$500	($2)

Current Trends

Collections through January total $412 million, a 2.4 percent decrease over the same period in SFY 2011-12.

SFY 2012-13

The Ways and Means staff estimates that Motor Fuel tax collections will reach $490 million in SFY 2012-13, reflecting a decline of 2.4 percent. Gasoline consumption is expected to decrease 1.0 percent this fiscal year while diesel consumption is expected to increase 1.3 percent. In the remainder of the fiscal year, motor fuel tax collections are expected to decrease another 2.8 percent over last year's final two months.

The Executive forecasts an annual decrease of 2.3 percent for Motor Fuel Tax receipts for a SFY 2012-13 total of $490 million.

SFY 2013-14

The Ways and Means Committee staff forecast of $499 million for growth of 1.8 percent is $2 million below the Executive's forecast of $500 million.

Fund Distribution

Table 29

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	-	103	-	387	490
2013-14		105	-	394	499

Underlying Economic Conditions

Motor Fuel taxes are generally very stable. The fluctuations can be explained by changes in consumption in gasoline and diesel fuel. Consumption of diesel fuel is estimated as a function of economic activity. As the economy expands the demand for shipping expands, increasing the consumption of diesel fuel. The variation in gasoline consumption is estimated based on the disposable income of consumers as well the price of gas. National gasoline CPI, used as an indicator of gasoline prices, is expected to increase 4.5 percent, resulting in weakened demand for motor fuels.

Executive Budget Proposals

- **Taxation of Diesel Motor Fuel:** Amendments to the taxation of diesel motor fuel to reflect recent changes in industry practice.

Highway Use Tax

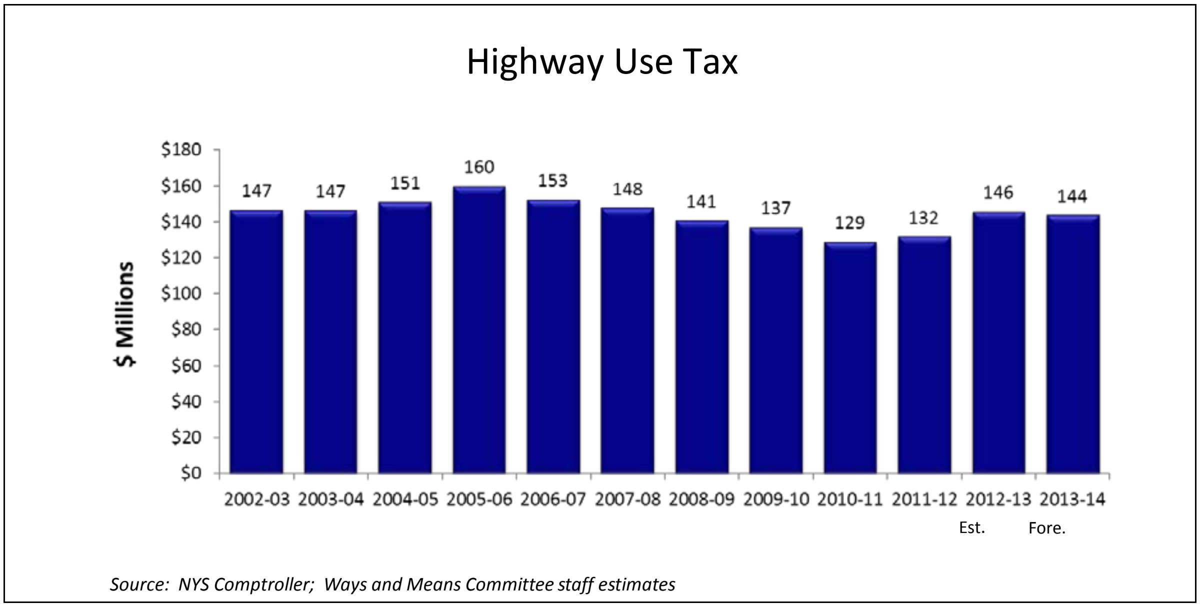


Figure 28

Articles 21 and 21-A of the Tax Law impose a Highway Use Tax (HUT) for the privilege of operating a commercial vehicle on public highways. Revenues are derived from three sources: the truck mileage tax (TMT), highway use permits fees, and the fuel use tax.

The truck mileage tax is levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds, or an unloaded weight over 8,000 pounds for trucks and 4,000 pounds for tractors. The tax is calculated by multiplying the number of miles operated on New York State public highways by the appropriate graduated rate. Rates are indexed according to the gross, laden or unladen weight. In addition, a supplemental tax equal to the base truck mileage tax was imposed prior to January 1, 1999. The rate was reduced in 1999 and again in 2001 to its current rate, 40 percent of the TMT.

Highway use permits are mandatory for owners of vehicles subject to HUT. The permits are triennial at a cost of $15 for an initial permit and $15 for reregistration. Beginning January 1, 2013, vehicles subject to HUT are required to display a decal, costing $4, representing the ownership of a highway use permit.

The fuel use tax applies to commercial vehicles that purchase fuel outside New York State but consume the fuel while traveling on New York highways. The International Fuel Tax Agreement (IFTA) is used to simplify fuel use reporting for motor carriers. A carrier will report and pay its home jurisdiction all fuel taxes owed to IFTA members; the IFTA then distributes the payments to its members' jurisdictions. 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, 4.0 percent; and the lowest county sales tax rate at the time, currently 3.0 percent. The sales tax rates are applied to the capped price of $2 per gallon. All HUT receipts are earmarked to the Dedicated Highway and Bridge Trust Fund.

Table 30

Highway Use Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$127	9.8%	$146	10.7%	$141	$5
2013-14			$144	-1.6%	$140	$4

Current Trends

Through January, HUT collections have increased 9.8 percent to $127 million.

SFY 2012-13

Collections for SFY 2012-13 are estimated to be $146 million, a 10.7 percent growth over the prior fiscal year. This estimate is based on year-to-date collections, tax law changes and the collection patterns over the last five years. Of the expected increase $8 million is associated with SFY 2012-13 being a re-registration year and another $4 million is expected due to the ability of the State to effectively enforce collections through the use of decals that truckers must affix to their vehicles.

The Executive expects $141 million in HUT collections in SFY 2012-13, $5 million below the committee staff estimate.

SFY 2013-14

The Ways and Means Committee forecasts Highway Use Tax collections will decrease 1.6 percent to $144 million in SFY 2013-14. The decrease can be primarily attributed to SFY 2013-14 not being a renewal year. This forecast is $4 million above the Executive's forecast of $140 million.

Fund Distribution

Table 31

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	-	-	-	146	146
2013-14	-	-	-	144	144

Underlying Economic Conditions

The Committee Staff's forecast reflects recent trends in HUT collections. Variations in HUT collections are largely driven by changes in trend and seasonal patterns. However, quarterly fluctuations are also partly affected by the strength of the national economy. Gross Domestic Product is forecasted to increase by only 1.9 percent in calendar year 2013, which aligns with the Committee staff's flat underlying growth rate.

Executive Budget Proposals

- **Farming Exemption from Highway Use Tax:** Updates the farming exemption to include persons relate to the farmer, related corporate and partnership entities and other similarly related entities.

Cigarette and Tobacco Taxes

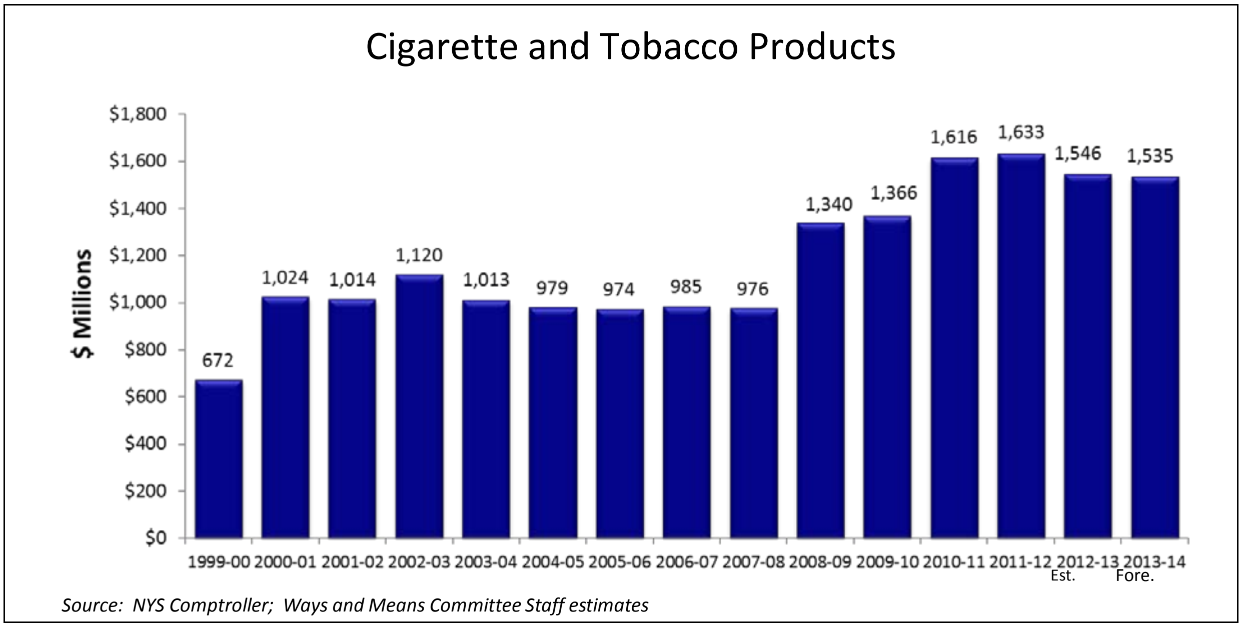


Figure 29

The cigarette excise tax of New York State has been imposed by Article 20 of the tax law since 1939. The rate is currently $4.35 for a package of 20 cigarettes.

The Commissioner of Taxation is authorized to make provisions for the sale of stamps and may license agents to sell stamps for the payment of tax on cigarettes. The agent may retain some of the revenues from the sale as commission according to guidelines established by the Tax Commissioner. The Commissioner is also authorized to prescribe a schedule of commissions, not exceeding five percent, to agents for buying and affixing stamps. The schedule shall be uniform with respect to the different types of stamps used, and may be on a graduated scale with respect to the number of stamps purchased.

The State also imposes a tax on tobacco products at a rate of 75 percent of the wholesale price of cigars and tobacco products other than little cigars and snuff. Little cigars are taxed at the same rate as cigarettes, $4.35 for a package of 20. One package of snuff which weighs an ounce or less is taxed at $2 per container, for packages weighing more than one ounce a proportional amount is levied on the snuff in excess of one ounce.

Currently, 76 percent of cigarette and tobacco taxes are distributed to HCRA.

Table 32

Cigarette and Tobacco Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$1,348	-5.3%	$1,546	-5.3%	$1,561	($15)
2013-14			$1,535	-0.7%	$1,535	($0)

Current Trends

Year-to-date through January cigarette and tobacco products tax collections are $1.3 billion, a decline of 5.3 percent or $76 million below the same period in SFY 2011-12. This decline in collections is directly linked to a 5.6 percent decline in consumption year-to-date. The decline is likely attributed to declines in the smoking population and tax avoidance, either through purchasing non-taxed Native American brand cigarettes or purchasing cigarettes outside New York State or perhaps purchasing bootlegged cigarettes.

SFY 2012-13

The Committee Staff estimates SFY 2012-13 collections for Cigarette and Tobacco collections to be $1.546 billion. This estimate is based on year-to-date collections and historical collection patterns. The Committee staff estimate is $15 million below the estimate in the Executive's 2013-14 Budget.

SFY 2013-14

The Committee Staff's Cigarette and Tobacco forecast for SFY 2013-14 is $1.5 billion, for a slight decrease of 0.7 percent from SFY 2012-13 estimates. The Executive's Budget forecasts a decline of 1.7 percent, for collections of $1.5 billion.

Fund Distribution

Table 33

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	444	1,102	-	-	1,546
2013-14	441	1,094	-	-	1,535

Cigarette Consumption

Consumption has declined every year since 1996; however, the impact of these declines on revenue collections was always offset by a tax rate increase until recently. Every rate increase has resulted in double-digit declines in consumption, but also in double-digit increases in collections growth.

Despite the fact that it has been over two years since the last rate increase, SFY 2012-13 has seen three months of double-digit declines in consumption, with no corresponding increase in the tax rate to make up for the decline in revenue; in fact, September saw a decline in revenue of 18.9 percent. This pattern of decreasing consumption, without an accompanying rate increase, is likely to result in the significant decline in cigarette and tobacco tax collections in both SFY 2012-13 and SFY 2013-14.

Executive Budget Proposals

- **Increase the Civil Penalty for Possessing Unstamped Cigarettes:** Currently, anyone possessing more than 5 cartons of unstamped cigarettes is fined $150 per carton in excess of 5 cartons. This penalty was fixed in 2000 and has not changed since. The Executive is proposing to increase the fine to $600 per carton in excess of 5 cartons of unstamped cigarettes. This proposal is estimated to generate $9 million in SFY 2013-14 and $12 million annually thereafter if enacted.

- **Expand the Cigarette and Tobacco Retailer Registration Clearance Process:** This proposal would increase the Department of Taxation and Finance's ability to research a cigarette and tobacco retailer's criminal and tax fraud history and refuse to issue a retail license if they owe the State any fixed and final tax liabilities, or have committed criminal or tax crimes in the past. If enacted, it is expected that this proposal will generate $1 million in revenue in SFY 2013-14 and annually thereafter.

Alcoholic Beverage Control License Fees

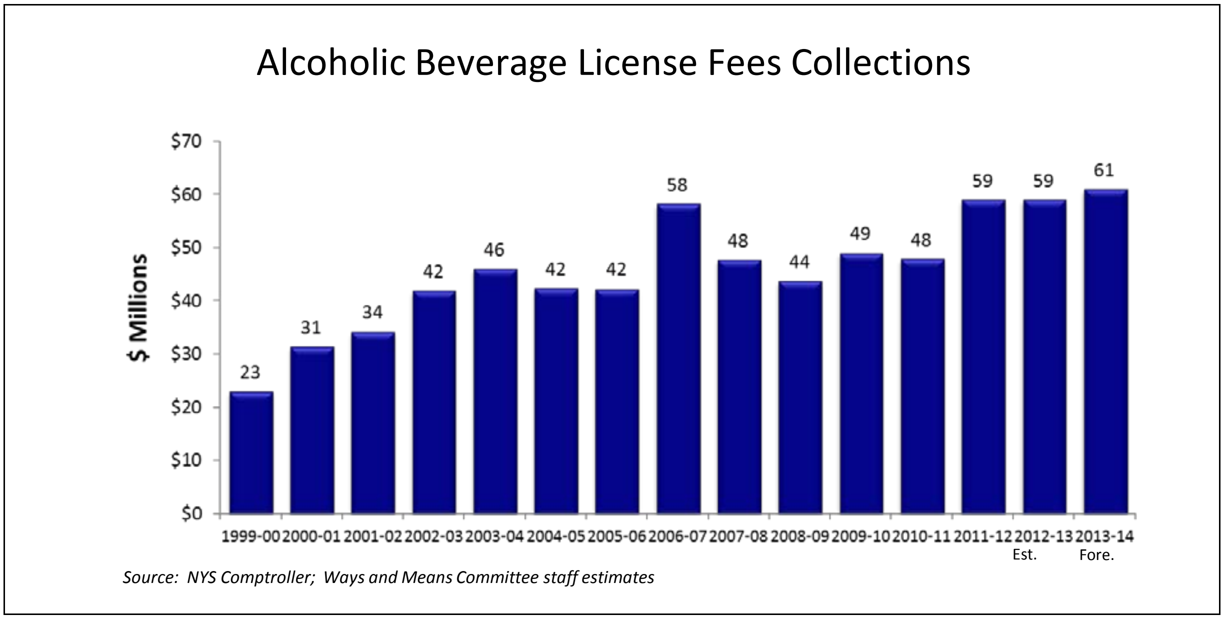


Figure 30

Articles 4, 4-A, 5 and 6 of the Alcoholic Beverage Control Law impose fees for licenses on distillers, brewers, distributors, wholesalers, retailers, and others who sell alcoholic beverages in New York State. The Division of Alcoholic Beverages administers these laws.

License fees vary according to three major factors:

a) the type of license which is issued to distillers, wholesalers, retailers, distributors, brewers, and vendors;
b) for retail licenses, the population of the establishment's location; and,
c) the class of beverage for which the license is issued.

The most expensive licenses are for distributors, which can cost over $20,000 a year. There are approximately 48,000 retail outlets in the State and in the most densely populated areas vendors are charged $1,700 annually.

Table 34

Alcoholic Beverage Control License Fees ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$50	1.2%	$59	-0.2%	$56	$3
2013-14			$61	3.4%	$54	$7

Current Trends

Year-to-date, Alcoholic Beverage License Fees collections are $50 million, an increase of 1.2 percent.

SFY 2012-13

Ways And Means Committee staff estimates revenues from Alcoholic Beverage Control License Fees will be $59 million in SFY 2012-13, for flat growth over the previous year. The Executive Budget estimates collections of $56 million for the fiscal year, $3 million below Committee estimates.

SFY 2013-14

For SFY 2013-14, Ways And Means Committee staff forecasts collections of $61 million, an increase of 3.4 percent. The Executive Budget forecasts a decline of 3.6 percent or $2 million for collections of $54 million.

No measures enacted in the SFY 2012-13 Budget are expected to affect SFY 2012-13 or SFY 2013-14 collections, and the Executive did not propose any changes to these fees in the SFY 2013-14 Budget.

One development that may impact collections is the creation of a new license for farm brewers, enacted in July 2012 and effective beginning in January 2013. This new license authorizes farms manufacturing, storing, and selling New York State-labeled beer to engage in a variety of activities, including:

- selling such beer to distilleries, wineries, and other farm breweries;
- conducting tastings; and,
- selling such beer at retail for off-premises consumption at fairs, farmers markets, restaurants, and hotels.

"New York State-labeled beer", according to the bill, has requirements for a certain percentage of its ingredients to be grown in New York State. The required percentage increases every five years until 2024, at which point a beer would need to have 90 percent of its ingredients grown in New York to be classified as "New York State-labeled beer", and for the brewer to receive the benefits of the new farm brewer's license.[4]

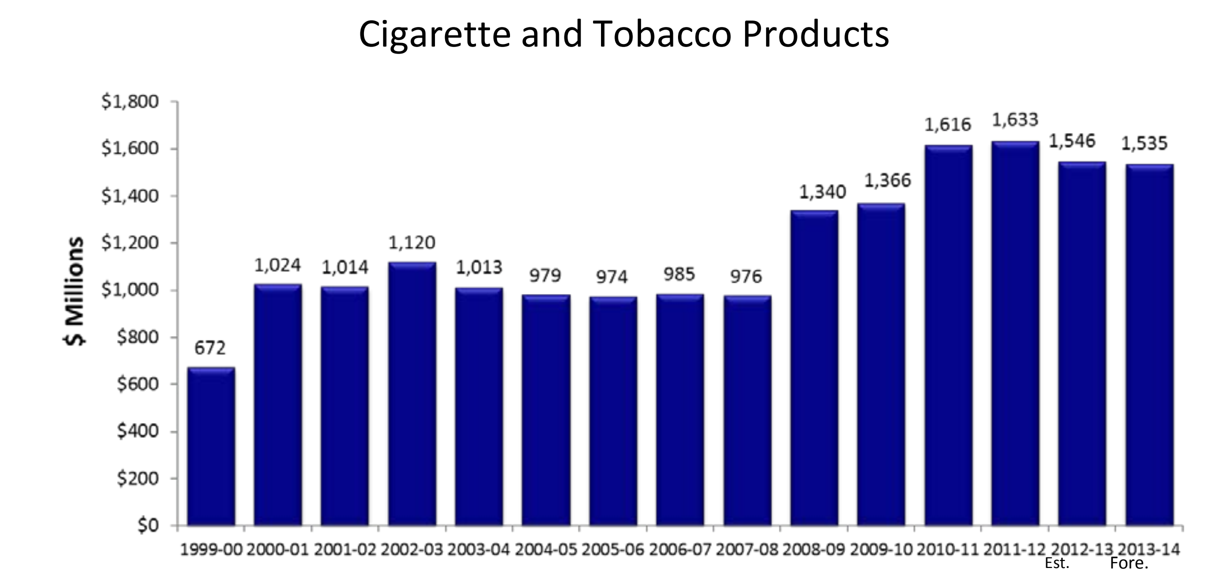
The new license is accompanied by three fees:

a) a one-time application fee of $100;
b) an annual fee of $320, consistent with current brewer's license (renamed a "license to manufacture beer") for annual production of less than 60,000 barrels; and,
c) a bi-annual renewal fee of $100.[5]

At this point, it is undetermined how many farm brewers will apply for this license, therefore the fiscal impact on collections of ABC License Fees is unknown, but it is believed to be minimal.

[4] See Assembly bill A.10694 (Magee), signed Ch. 109, 18 July 2012.
[5] Ibid.

Alcoholic Beverage Tax



Source: NYS Comptroller; Ways and Means Committee Staff estimates

Figure 31

New York State imposes tax on all alcoholic beverages sold in the state under Article 18 of the tax law. The tax rate is dependent upon the percentage of alcohol in the beverage. The tax is imposed on the distributor or non-commercial importer of alcoholic beverages.

Table 35

Alcoholic Beverage	$ Rate Per Gallon	$ Rate Per Liter
Beer	0.14	
Still Wine	0.30	
Artificially Carbonated Sparking Wine	0.30	
Natural Sparking Wine	0.30	
Cider containng more than 3.2% Alcohol	0.0379	
Liquor: not more than 2% Alcohol		0.01
Liquor: not more than 24% Alcohol		0.67
Liquor or Wine: more than 24% Alcohol		1.70

The State administers the New York City tax on beer and liquor, which is imposed at a rate of $0.12/gallon of beer and $0.264/liter of liquor. The State is reimbursed by the City for expenses accrued in the administration of the tax.

Table 36

Alcoholic Beverage Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$210	1.6%	$242	1.6%	$249	($7)
2013-14			$244	0.8%	$249	($5)

Current Trends

Year-to-date through January, Alcoholic Beverage Tax collections have increased 1.6 percent or $3 million on an All Funds basis, for collections of $210 million.

SFY 2012-13

Ways and Means Committee staff estimates SFY 2012-13 Alcoholic Beverage Tax collections to be $242 million, a 1.6 percent or $4 million growth over SFY 2011-12. Growth of 1.6 percent is expected in the remaining two months of the fiscal year. The Executive's Budget estimates SFY 2012-13 Alcoholic Beverage Tax revenues to be $249 million, an increase of 4.4 percent over last year. This estimate would require growth of 22.8 percent in the remaining two months of the fiscal year.

SFY 2013-14

Ways and Means Committee staff forecasts Alcoholic Beverage Tax collections to be $244 million in SFY 2013-14 for growth of 0.8 percent over the 2012-13 estimate. The Executive's Budget forecasts growth in SFY 2013-14 of 0.1 percent for collections of $249 million, $5 million over Committee estimates.

No enacted measures are expected to affect SFY 2012-13 or SFY 2013-14 Alcoholic Beverage Tax collections. The Executive is not proposing any legislative changes that would impact Alcoholic Beverage revenues.

Business Taxes

Table 37

Business Taxes Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2012-13	Growth	Diff. Exec.	SFY 2013-14	Growth	Diff. Exec.
Business Taxes	**$8,150**	**3.5%**	**(31)**	**$8,622**	**5.8%**	**162**
Corporate Franchise	2,932	-7.7%	(14)	3,393	15.7%	83
Utility Tax	854	7.2%	15	872	2.1%	61
Insurance Tax	1,457	3.1%	9	1,507	3.4%	(24)
Bank Tax	1,768	27.0%	(55)	1,649	-6.7%	31
Petroleum Business Tax	1,139	3.6%	14	1,201	5.4%	11

Corporate Franchise Tax

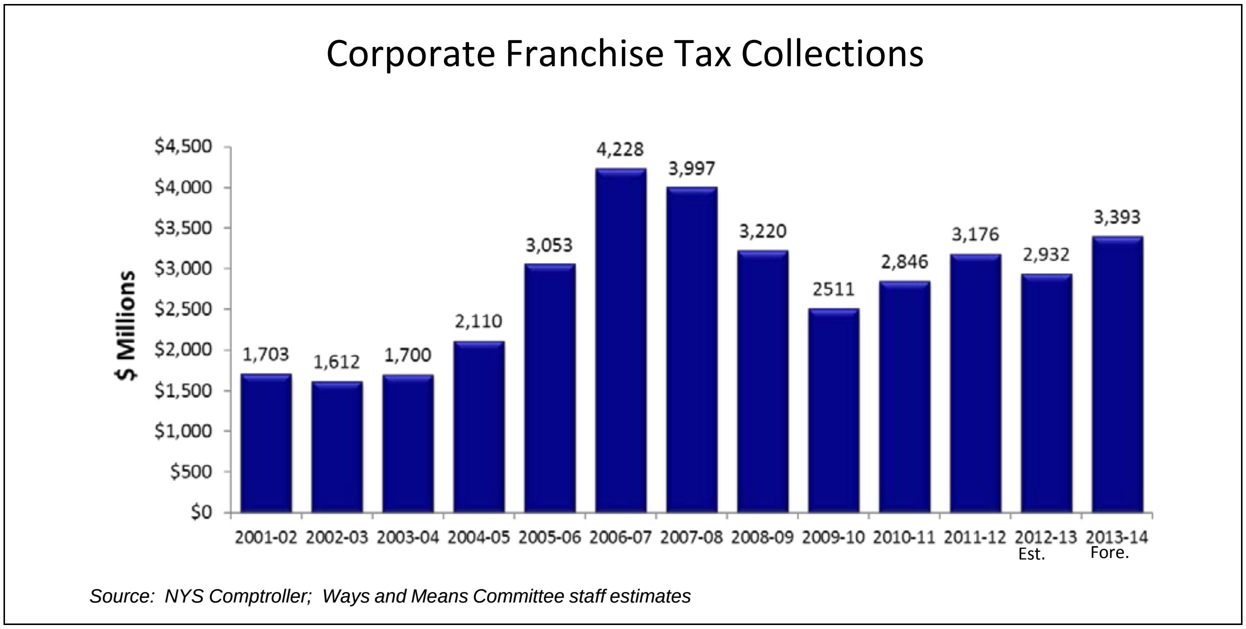


Figure 32

Article 9-A 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 imposed in 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 $10,000,000;
    - an alternative minimum tax of 1.5 percent of entire net income; and,
    - 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.

Table 38

Corporate Franchise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$2,052	-9.4%	$2,932	-7.7%	$2,946	($14)
2013-14			$3,393	15.7%	$3,310	$83

Current Trends

All Fund cumulative collections through January are $2.1 billion, down 9.4 percent or $213 million below prior year collections. Audit collections are down $289 million, or 33.4 percent, compared to the previous fiscal year, which is a significant factor in explaining the decline in growth over the previous fiscal year.

Refunds for the first ten months of this fiscal year were $586 million, a decline of $69 million compared to the previous year. Cumulative refunds are 28.5 percent of All Funds collections, above last year's final ratio of 24.9 percent.

Total prior year adjustments have decreased by $30 million or 2.1 percent to total negative $1.4 billion this fiscal year. This is a sign that business is slightly stronger than last year.

SFY 2012-13

Ways and Means Committee staff expects SFY 2012-13 corporate franchise tax collections to reach $2.9 billion, a decrease of 7.7 percent over the previous fiscal year. To reach this level of collections, remaining growth needed compared to the previous fiscal year is negative 3.4 percent.

The Executive is projecting collections for this fiscal year of $2.9 billion, a decrease of 7.3 percent. Collections would have to decrease by 1.9 percent for the remainder of the year for the Executive to reach this estimate.

SFY 2013-14

In fiscal year 2013-14, Ways and Means Committee staff expects corporate tax receipts to increase by 15.7 percent or $461 million to $3.4 billion. The Ways and Means Committee staff SFY 2012-13 forecast is $83 million higher than the Executive's forecast of $3.3 billion.

Underlying Economic Fundamentals

Since the 21.8 percent decline in U.S. profits in 2008, corporate profits have recovered. Corporate profits are estimated to have increased by 15 percent in 2012, and are forecast to increase by 3.9 percent in 2013 and 3.0 percent in 2014.

While the continuing economic recovery has supported underlying corporate profits growth, corporate tax collections do not necessarily follow contemporaneously the growth in profits. Collections related to audit activity and the carryover of losses over years significantly affects fiscal year collections. The projected 7.7 percent decline in receipts for SFY 2012-13 is due to audit collections that are considerably lower this fiscal year compared to the prior year. Excluding audits, the underlying collections reveal a robust growth of 5.4 percent for SFY 2012-13.

Fund Distribution

Table 39

Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	2,558	374	-	-	2,932
2013-14	2,953	440	-	-	3,393

All corporate franchise tax receipts are deposited into the General Fund except for the MCTD surcharge, which is deposited into the MTOAF Special Revenue Fund.

In SFY 2012-13, the Committee expects General Fund receipts to decrease 6.1 percent or $166 million over the last fiscal year.

In SFY 2013-14, the Committee staff expects growth of 15.4 percent in the General Fund. The General Fund is expected to rise by $395 million to $3.0 billion.

Audits

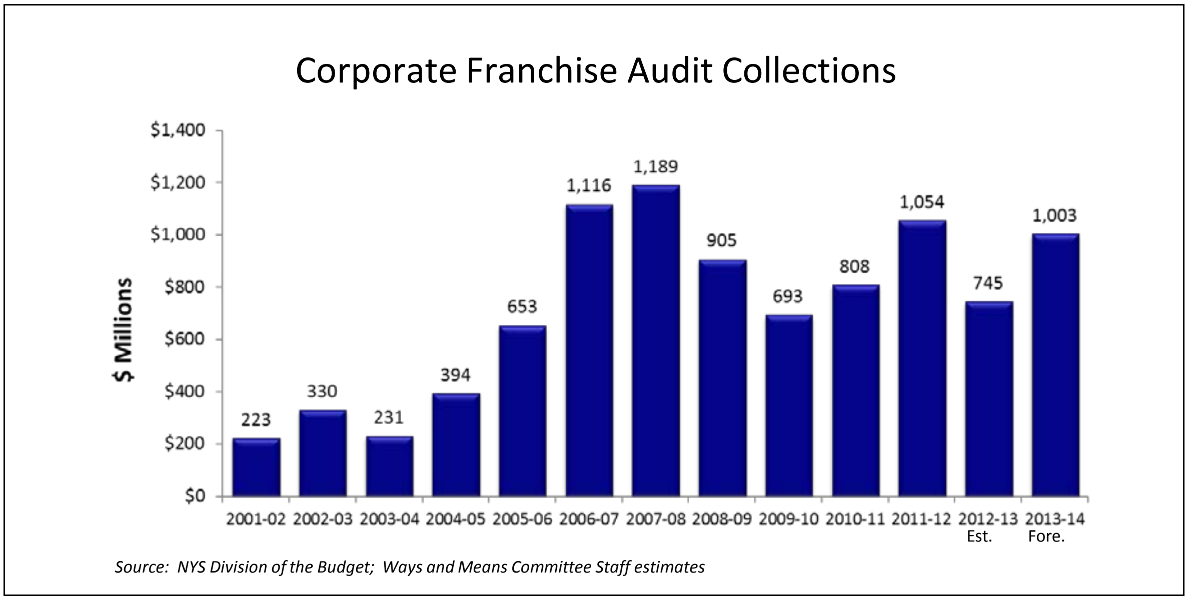


Figure 33

The above chart reviews audit collections for the period SFY 2001-02 to SFY 2011-12. Audit collections through January are $577 million. This is down $289 million or 33.4 percent compared to the previous fiscal year, which can account for the decline in growth over the previous fiscal year. Excluding audits, All Funds grew 5.4 percent or $76 million compared to the previous fiscal year.

The large decline in audits this year of $289 million accounts for the majority of the decline in All Funds receipts of $213 million.

Audits are expected to rise to $1.0 billion in SFY 2013-14.

Table 40

Impact of Tax Law Changes for SFY 2012-13 ($ in Millions)	
Article 9-A	
Excelsior	(25)
Empire Zones	17
Film Production	(68)
Brownfields	(150)
Refund Delay 2010-12	(100)
Credit Deferral	71
Manufacturing Rate Cut	(25)
Youth Tax Credit	(20)
Total	(300)

Executive Budget Proposals

- Establish the New York Innovation Hot Spots Program which creates tax-free zones for innovative sector businesses affiliated with higher education incubators or non-profit incubators associated with universities or colleges.
- Enhance the New York Film Production Credit and extend for five years.
- Extend the MTA surcharge for an additional five years.
- Close loopholes on Royalty Income.
- The Executive proposes enhancing and extending the Historical commercial Property Rehabilitation Credit for five years.
- The Executive proposes to create a credit through December 31, 2017 for the installation of *electric vehicle* recharging property.

Bank Tax

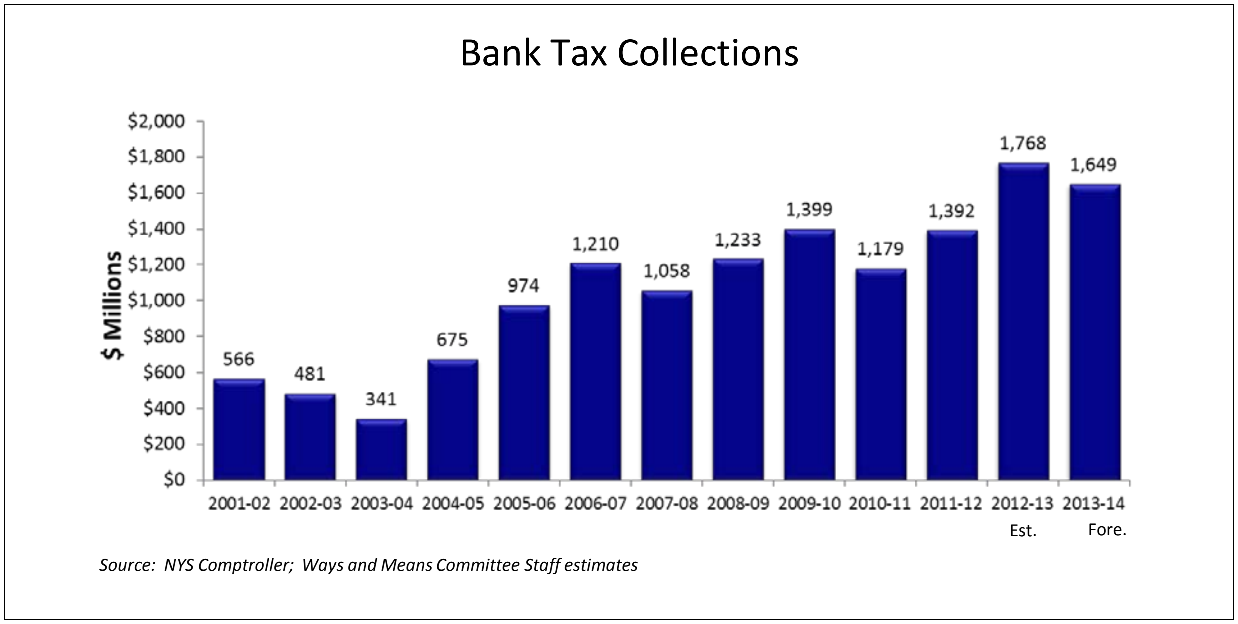


Figure 34

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 entire net income allocated to New York;
- a variable tax that ranges from 1/10 to 1/50 of a mill of assets allocated to New York; or,
- a fixed minimum of $250.

If a corporation has business attributable to the Metropolitan Commuter Transportation District, they pay a 17 percent surcharge on their liability inside the MCTD, which is distributed to the Metropolitan Transportation Authority.

Table 41

Bank Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$1,341	34.3%	$1,768	27.0%	$1,823	($55)
2013-14			$1,649	-6.7%	$1,618	$31

Current Trends

Through January, bank tax collections are up $343 million or 34.3 percent from last fiscal year to $1.3 billion. Quarterly growth rates have varied from negative 4.4 percent in the first fiscal quarter, to positive 101.0 percent growth in the second fiscal quarter, to positive 36.0 percent in the third fiscal quarter of 2012-13.

Prior year adjustments are downward adjustments a taxpayer makes to prior year liabilities due to losses or shortfalls. Through January 2013, prior year adjustments totaled negative $412 million, which is 30.7 percent of All Funds collections. This ratio is down from 37.5 percent of All Funds through January of the prior year.

Refunds are given due to overpayments on the part of the taxpayer. Cumulative refunds for bank collections through January are $139 million. Refunds are up $17 million from the prior year's collections through January of $122 million.

SFY 2012-13

Ways and Means staff expects Bank collections to be $1.8 billion this fiscal year, an increase of $376 million or 27.0 percent from last year. This is $55 million less than the Executive estimate for this fiscal year. To meet the Ways and Means Committee estimate, bank collections will have to grow 8.5 percent over the remainder of the year.

The Executive estimate is $1.8 billion for SFY 2012-13, or a 31.0 percent increase from the prior year. Growth needed would have to be 22.5 percent over the remainder of the fiscal year to meet the Executive estimates. The Executive currently expects bank audits in 2012-13 to be $382 million, $257 million more than last fiscal year.

SFY 2013-14

Ways and Means Committee staff expects bank collections to be $1.7 billion in SFY 2013-14, a decrease of $119 million or negative 6.7 percent. The Committee staff is forecasting $31 million more in total receipts than the Executive.

The Committee staff's forecast of continuing strong collection levels is premised on banks continuing borrowing at record low rates from the Federal Reserve, while investing in low risk assets.

Underlying Economic Fundamentals

Overall banking performance has improved. Third quarter (July-Sept.) net incomes of $37.6 billion were the highest in six years. The industry return on assets rose to 1.06 percent compared to 1.03 percent last year. Loan balances increased five out of the last six quarters.[6] The largest lenders reported profits over four quarters through June 2012 higher than in any year since the 2006 peak.[7]

Loan loss provisions are an expense that banks take to cover for possible loan losses and charge-offs. A key indicator of the overall health of the banking industry is the ratio of loss allowances as a percentage of total loans. This ratio reached a high of 3.5 percent in March of 2010 and since then it has steadily dropped for ten consecutive quarters, to a level of 2.20 percent as of September 2012.[8] The above statistics indicate a strong and steady comeback in the banking industry since the dramatic lows during and soon after the Great Recession.

Fund Distribution

Table 42

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	1,476	292	-	-	1,768
2013-14	1,392	257	-	-	1,649

All bank tax receipts are deposited into the General Fund except for the MCTD surcharge, which is deposited into the Metropolitan Transportation Operating Assistance Fund.

[6] *FDIC. "Quarterly Banking Profile: Third Quarter". September, 2012.* http://www2.fdic.gov/qbp/2012sep/qbp.pdf
[7] Abelson, M. *"No Joy on Wall Street as Biggest Banks Earn $63 Billion."* Bloomberg. October 3, 2012. http://www.bloomberg.com/news/2012-10-03/no-joy-on-wall-street-as-biggest-banks-earn-63-billion.html
[8] Standard & Poor's, Industry Survey on Banking, January 2013.

In SFY 2012-13, the Committee staff expects General Fund receipts to increase 27.0 percent or $313 million over the last fiscal year. In SFY 2013-14 the Committee expects a decrease of 5.7 percent in the General Fund to $1.4 billion.

Audits

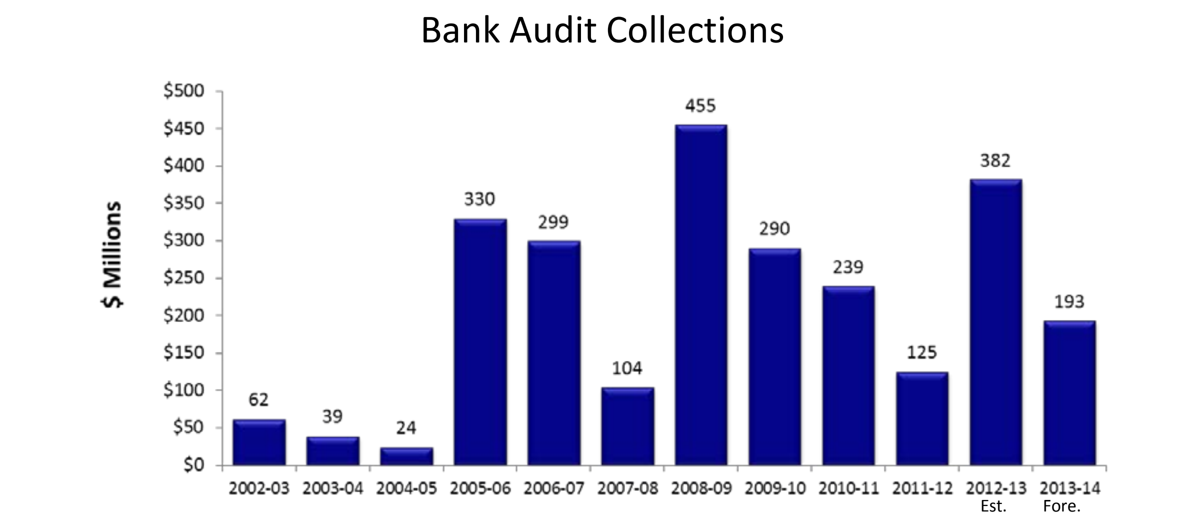


Figure 35

Most of the extraordinarily high growth in collections this year can be attributed to audit collections. Cumulative audit collections are up $260 million or 214.0 percent and total $382 million through January 2013.

When excluding audits from collections, the underlying growth is a more modest 9.4 percent increase in collections, or $83 million.

Executive's Budget Proposals

- The Executive proposes enhancing and extending the Historic Commercial Property Rehabilitation Credit for five years.
- The Executive proposes extending the MTA Business Tax Surcharge for five years through 2018.

Insurance Tax

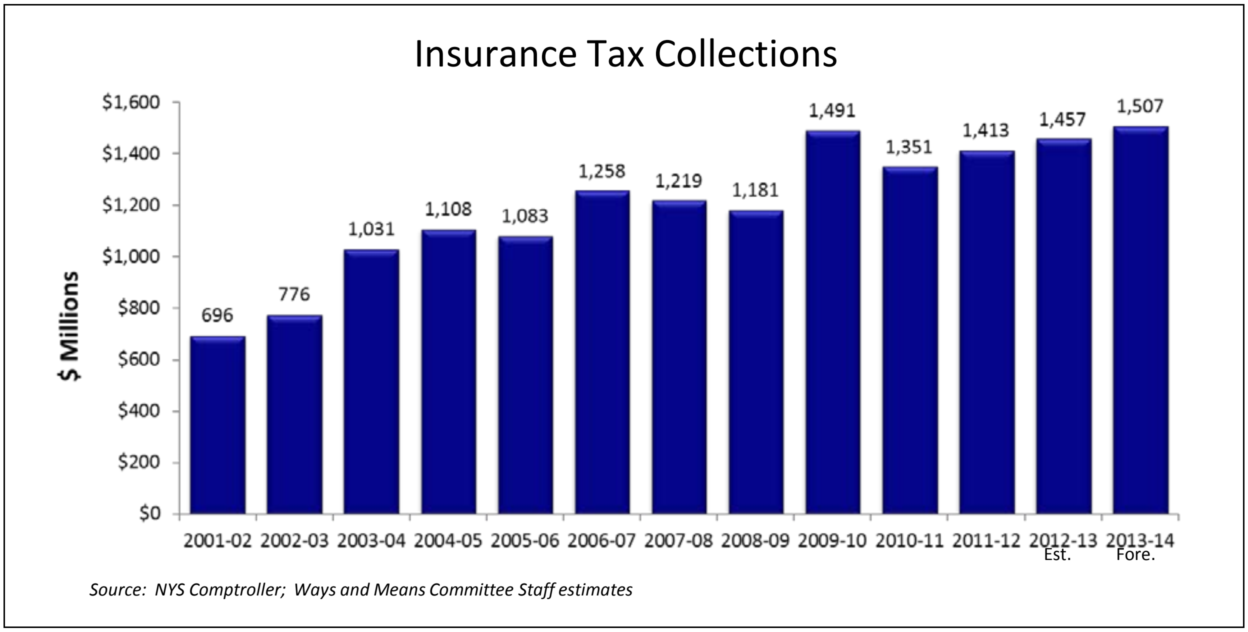


Figure 36

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 an income and/or a premium tax 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. The calculation of the tax liability 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 Insurers – Insurance Calculation

1. 7.1 percent on allocated entire net income;
2. 0.16 percent on allocated business and investment capital;
3. 9.0 percent on statutory allocated income and salaries; or,

4. $250.
5. Plus 0.08 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 insurers; or,
2. 2.0 percent of premiums written on risks assigned to New York State for Property and Casualty insurers.

If a corporation has business attributable to the Metropolitan Commuter Transportation District, they pay a 17 percent surcharge on their liability inside the MCTD, which is distributed to the Metropolitan Transportation Authority.

Table 43

Insurance Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$884	2.5%	$1,457	3.1%	$1,448	$9
2013-14			$1,507	3.4%	$1,531	($24)

Current Trends

Year-to-date collections through January are $884 million, an increase of $21 million or 2.5 percent compared to the prior fiscal year.

Quarterly collections have exhibited some volatility this fiscal year. First fiscal year quarter collections were down 5.0 percent compared to the first quarter of the last fiscal year. Collections for the second quarter of the fiscal year increased 1.1 percent compared to the second quarter of the last fiscal year. Collections for the third quarter of the fiscal year increased by 15.0 percent compared to the third quarter or the last fiscal year.

Refunds have a marginal impact on collections, totaling $58 million through January, or 6.6 percent of All Funds collections. This represents an increase from the 2.2 percent growth of last year.

SFY 2012-13

The Committee staff expects collections to equal $1.457 billion in 2012-13, $9 million above the Executive's estimate, 3.1 percent over the previous fiscal year. Remaining collections would have to increase 4.1 percent to meet this estimate.

The Executive estimate for 2012-13 is $1.448 billion, or a 2.5 percent increase from the prior year. Collections would have to increase by 2.5 percent over the remainder of the fiscal year to meet the Executive estimates.

The Executive expected Article 33 audits to bring in $32 million total this fiscal year, $11 million more than the previous fiscal year's collections. The State has collected $32 million in audits through January.

The Committee expects New York State taxable insurance premiums to increase at 1.1 percent in this fiscal year.

SFY 2013-14

Ways and Means expects insurance collections to be $1.507 billion in 2013-14, an increase of $50 million or 3.4 percent from the previous fiscal year. The Executive is expecting collections to total $1.531 billion in 2013-14, an increase of 5.7 percent. This estimate is $24 million more than Committee staff forecast for 2013-14.

The staff expects insurance premiums to increase by 1.6 percent in SFY 2013-14.

Underlying Economic Fundamentals

The magnitude of the impact of Superstorm Sandy is still uncertain. Insurance rates for customers are expected to rise only slightly, since these risks are theoretically included in the premiums that customers currently pay. Nonetheless, rates tend to rise after such events.[9]

Through the first three quarters of 2012, insurers built up a record policy holder surplus of $583.5 billion. During the first three quarters of 2012, total U.S. claims payouts due to catastrophic events declined by over 50 percent to $16.2 billion, over the same period in 2011.[10]

---

[9] Ryan, Joe. "SANDY: WARNING ON ISURANCE." Newsday. 9 November 2012. http://www.newsday.com/business/experts-sandy-may-raise-insurance-rates-1.4203457

[10] "*U.S. Insurers Had the Capital and Personnel to Respond to Sandy; Forum Panelists Agree Natural Disasters Have Grown in Frequency, Severity*", Insurance Information Institute, January 18, 2013.

While this figure is reflective of the performance of the insurance industry prior to Superstorm Sandy, it is still indicative of the underlying strength of the industry when considering the effects of Sandy. The Insurance Information Institute estimates that Superstorm Sandy caused between $20 billion and $25 billion in damages.

Fund Distribution

Table 44

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	1,299	158	-	-	1,457
2013-14	1,342	164	-	-	1,507

All insurance tax receipts are deposited into the General Fund expect for the MCTD surcharge, which is deposited into the Metropolitan Transportation Operating Assistance Fund.

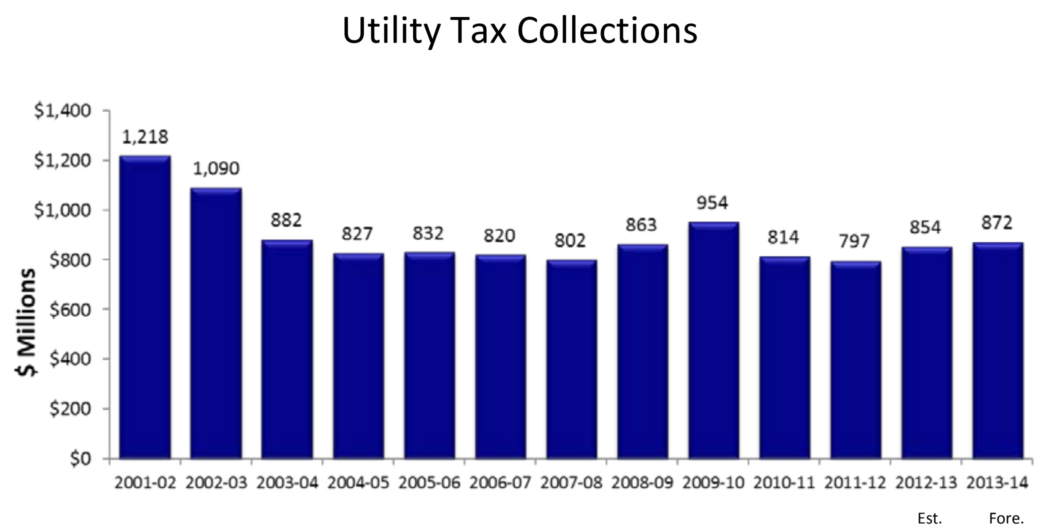
In SFY 2012-13, the Committee projects General Fund receipts to reach $1.299 billion.

In SFY 2013-14 the Committee staff projects the General Fund to increase $43 million to $1.342 billion.

Executive Budget Proposals

- The Executive proposes enhancing and extending the Historical commercial Property Rehabilitation Credit for five years.
- The Executive proposes extending the MTA Business Tax surcharge for five years through 2018 which would preserve current revenue for SFY 2013-14.

Corporate Utility Tax



Source: NYS Comptroller; Ways and Means Committee Staff estimates

Figure 37

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.

Tax Law Section 183 imposes tax on transportation and transmission companies. They pay the highest tax after determining their liability under these 3 methods:

1. $75;
2. mills per dollar of net value of issued capital stock; or,
3. if dividends paid on the par value of any stock during any calendar year amount to six percent or more, 0.375 million for each one percent of dividends paid, computed at par value of the stock.

Tax Law Section 184 taxes the same companies taxed under Tax Law Section 183, with a 0.375 percent tax on gross receipts within New York State.

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

Tax Law Section 186-e imposes a 2.5 percent excise tax on the gross receipts from the sale of interstate and intrastate telecommunication services.

Companies subject to the supervision of the Public Service Commission are required to pay Section 186-e, the telecommunication services tax and section 186-a, a tax on their non-telecommunications receipts.

Additionally, companies with business attributable to the Metropolitan Commuter Transportation District (MCTD) pay a 17 percent surcharge on a company's liability attributable to the MCTD.

Table 45

Utility Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$546	10.0%	$854	7.2%	$839	$15
2013-14			$872	2.1%	$811	$61

Current Trends

Through January, cumulative Utility tax collections have increased $49 million or 10.0 percent to $546 million.

In the first quarter of the State Fiscal Year, collections were up $58 million or 51.5 percent. In the second SFY quarter, collections were down $18 million or 9.1 percent. In the third SFY quarter, collections were up $6 million, or 3.6 percent.

Audit collections for Utilities are up $32 million or 120.7 percent. Excluding audits, All Funds collections are up 3.7 percent or $17 million.

Collections for the gross receipts tax on transportation and telecommunication transmission companies, section 184, were $30 million through January, a decrease of $5 million or 14.3 percent from the same time period last fiscal year.

Utility tax refunds through January total $9 million, which is $25 million less than the previous fiscal year. The Executive is also expecting a $30 million refund to be claimed by a company before the end of SFY 2013-14.

The tax on telecommunications services, the largest component of the Article 9 corporation and utilities tax, has collected $273 million through January, an increase of 13.9 percent or

$33 million since last fiscal year. This is indicative of the reason behind the increase in All Funds collections.

SFY 2012-13

Ways and Means Committee staff expects collections for 2012-13 to be $854 million, an increase of 7.2 percent or $57 million from the previous fiscal year. This is $15 million above the Executive. Committee staff expects collections for the remainder of the year to be 2.7 percent higher than the last fiscal year. Collections would have to decline by 2.3 percent compared to the previous fiscal year to meet the Executive estimates.

Last fiscal year audit collections for Article 9 taxes were $27 million through January. The Executive expects audit collections to be $60 million this fiscal year, $30 million more than last fiscal year. Through January, the State has collected $59 million in audits.

SFY 2013-14

The Ways and Means Committee staff expects utility tax collections to increase by $18 million or 2.1 percent to a level of $872 million in SFY 2013-14. The Executive forecast of $811 million for the next fiscal year, is $61 million below the Committee estimates.

The Executive is expecting a large telecommunication company refund of $30 million in SFY 2013-14.

The utility tax relies heavily on the consumption of telecommunications services. The Committee staff expects telecommunications services to decrease 0.5 percent in SFY 2013-14.

Fund Distribution

Table 46

Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	667	173	-	14	854
2013-14	681	176	-	15	872

Eighty percent of the tax receipts from tax sections 183 and 184 are deposited into the Mass Transportation Operating Assistance Fund (MTOAF) and the remainder is deposited into the Dedicated Highway Bridge and Trust Fund (DHBTF).

The Metropolitan Commuter Transportation District (MCTD) surcharge of 17 percent on a company's liability attributable to the MCTD is deposited into the MTOAF.

For SFY 2012-13, the Committee staff expects General Funds to grow by 8.1 percent to $667 million. The Committee staff expects Special Revenue Funds for SFY 2012-13 to grow by 3.6 percent to $173 million, while Capital Projects Funds are estimated to grow by 9.6 percent to $14 million total.

For SFY 2013-14, the Committee staff expects General Funds to grow by 2.1 percent to $681 million. The Committee staff expects Special Revenue Funds for SFY 2013-14 to grow by 1.9 percent to $176 million, while Capital Projects Funds are forecast to be $15 million.

In 1998, the Federal government passed the Internet Tax Freedom Act (ITFA), and Congress subsequently extended its provisions until 2014. This legislation exempts "internet access" from taxation by the federal, state and local governments, regardless if it is imposed upon the consumer or provider of internet access. ITFA does not prohibit states and localities from imposing fees or taxes upon net income, capital stock, net worth, or property value of internet access providing companies. Because New York State's Article 9 Corporate and Utilities tax imposes a gross receipts tax upon the business providing internet access, all revenue generated by companies from providing internet access is not taxable.

Underlying Economic Fundamentals

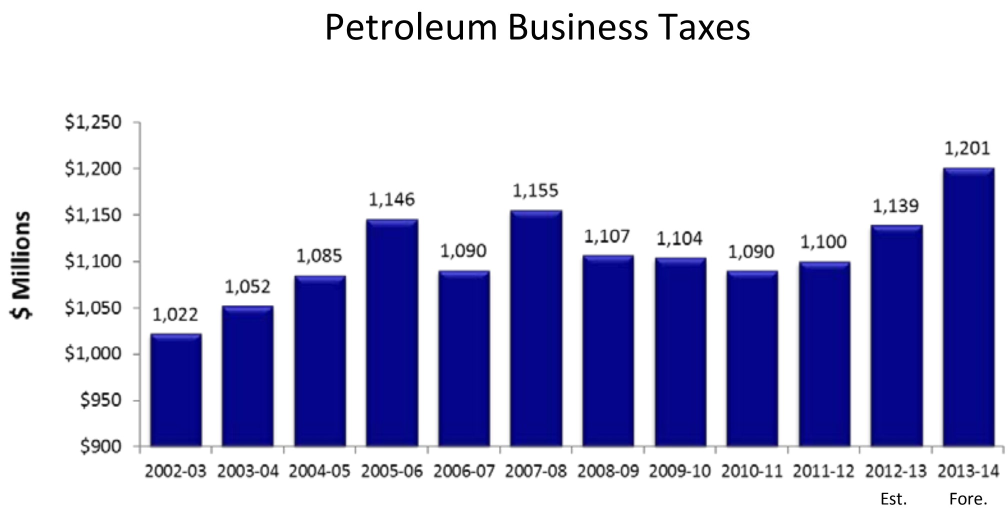
A key indicator of the health of the wireless industry is the wireless "penetration rate", defined as subscribers' as a percentage of the total number of potential customers. This rate has experienced steady increases since the early 2000's and stood at 101.0 percent as of June 2012, as multiple devices are owned by the potential customer base. Overall, wireless industry growth is expected to continue due to the continuing advancement in wireless technologies and products.[11] Wireless communications provide a substantial part of Utility tax collections for New York State and as the industry is expected to continue growing, it provides support to steady underlying growth in Utility tax receipts.

Executive Budget Proposals

- Extend the Utility Assessment on electric, gas, water, and steam utilities for five years.
- Extend the MTA Business Tax Surcharge for five years.
- The Executive proposes to create a credit through December 31, 2017 for *electric vehicle* recharging property.

[11] Standard & Poor's, Industry Survey on Wireless Telecommunications, January 2013.

Petroleum Business Tax



Source: NYS Comptroller; Ways and Means Committee staff estimates

Figure 38

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 of New York State, but consume within the State.

PBT rates are subject to annual adjustments on the first of January each year to reflect the change in the Producer Price Index (PPI) for refined petroleum products for the twelve months ending August 31 of the immediately preceding year. The Petroleum PPI is published by the Bureau of Labor Statistics. The rates of tax are rounded to the nearest tenth of one cent and limited to a five percent annual change.

PBT consists of a base tax, a supplemental tax, and a tax on carriers. All revenues from the base tax are dedicated as follows: 19.7 percent to the Mass Transportation Operating Assistance Fund; and 80.3 percent to the Dedicated Funds Pool. The supplemental tax and the tax on carriers are deposited entirely into the Dedicated Funds Pool. The Dedicated Funds Pool is split between the Dedicated Mass Transportation Trust Fund, 37 percent, and the Dedicated Highway and Bridge Trust Fund, 63 percent.

Table 47

Petroleum Business Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$957	4.6%	$1,139	3.6%	$1,125	$14
2013-14			$1,201	5.4%	$1,190	$11

Current Trends

Through January, PBT collections have increased 4.6 percent totaling $957 million.

SFY 2012-13

The Ways and Means staff estimates that SFY 2012-13 PBT receipts will total $1.139 billion, an increase of $39 million or 3.6 percent. In the remaining two months of the fiscal year, receipts are estimated to decrease 1.4 percent over the same period last year.

The Executive estimates an annual increase of 2.3 percent for PBT with receipts reaching $1.125 billion in SFY 2012-13, or $14 below Committee staff estimates.

SFY 2013-14

Ways and Means Committee staff forecasts that PBT receipts will total $1.201 billion in SFY 2013-14, representing an increase of 5.4 percent, or $62 million.

The Ways and Means Committee forecast is $11 million above the Executive's forecast.

Fund Distribution

Table 48

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	-	507	-	632	1,139
2013-14	-	535	-	666	1,201

Underlying Economic Conditions

PBT collections are driven primarily by gasoline and diesel receipts, which comprise approximately 96 percent of total PBT receipts. It should be noted that PBT collections have been extremely steady over time. PBT revenues have varied by less than $100 million or 10 percent from the average over the last eleven years. Likewise, annual collections have not grown by more than six percent or declined by more than five percent.

Executive Budget Proposals

- The Executive proposes to equalize fuel tax treatment for volunteer emergency vehicles by adding volunteer emergency squads to the list of businesses qualified to claim reimbursement of PBT for fuel used in emergency vehicles. The fiscal impact of this proposal is expected to be minimal.

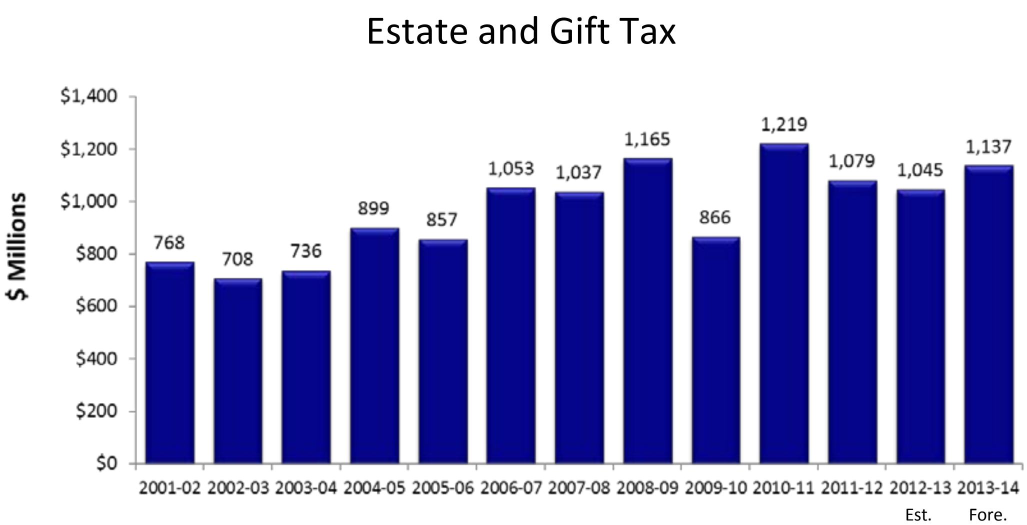
- Amendments to the taxation of diesel motor fuel to reflect changes in industry practice.

Other Taxes

Table 49

Other Taxes Forecasts by State Fiscal Year ($ in Millions)	SFY 2012-13	Growth	Diff. Exec.	SFY 2013-14	Growth	Diff. Exec.
Other	**$2,983**	**-3.2%**	**(3)**	**$3,122**	**4.7%**	**64**
Estate and Gift	1,045	-3.2%	0	1,137	8.8%	2
Real Estate Transfer	764	25.3%	9	726	-5.0%	41
Pari Mutuel	18	3.5%	(1)	18	2.3%	(0)
Payroll Tax	1,155	-16.0%	(12)	1,239	7.3%	20

Estate Tax



Source: NYS Comptroller; Ways and Means Committee Staff estimates

Figure 39

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. The tax applies to New York residents and nonresidents who own real estate or tangible personal property located in New York. All of the receipts from this tax are deposited into the General Fund. Estate taxes must be filed and payments made within nine months of the decedent's death.

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 paralleled State law to the unified credit provisions specified in Federal Law but capped the maximum credit at one million dollars. However, the Federal "Economic Growth and Tax Relief Reconciliation Act of 2001" repealed the credit for state estate taxes. 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 credit as it existed in 1998. Therefore New York is not affected by the "2012 Federal Taxpayer Relief Act", passed in 2013 to avoid the 'fiscal cliff', which made permanent the Federal estate tax exemption of $5 million while indexing said exemption to inflation.

Table 50

Estate and Gift Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$890	-4.7%	$1,045	-3.2%	$1,045	$0
2013-14			$1,137	8.8%	$1,135	$2

Current Trends

Estate and Gift Tax receipts through January have totaled $890 million, a decline of 4.7 percent over the same period in SFY 2011-12.

SFY 2012-13

The Committee staff projects receipts will total $1.045 billion in SFY 2012-13 which is 3.2 percent or $34 million less than total collections for SFY 2011-12. The Committee staff's SFY 2012-13 projection calls for an increase in Estate and Gift tax receipts of 7.1 percent over the last two months of the year.

The Committee staff's SFY 2012-13 estimate mirrors the Executive's SFY 2013-14 Budget estimate.

SFY 2013-14

The Committee staff's year-over-year growth in Estate and Gift tax collections for SFY 2013-14 is 8.8 percent or $92 million for a total of $1.137 billion.

The Committee staff's forecast for SFY 2013-14 is $2 million above the Executive's Budget projection of $1.135 billion.

Fund Distribution

Table 51

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	1,045	-	-	-	1,045
2013-14	1,137	-	-	-	1,137

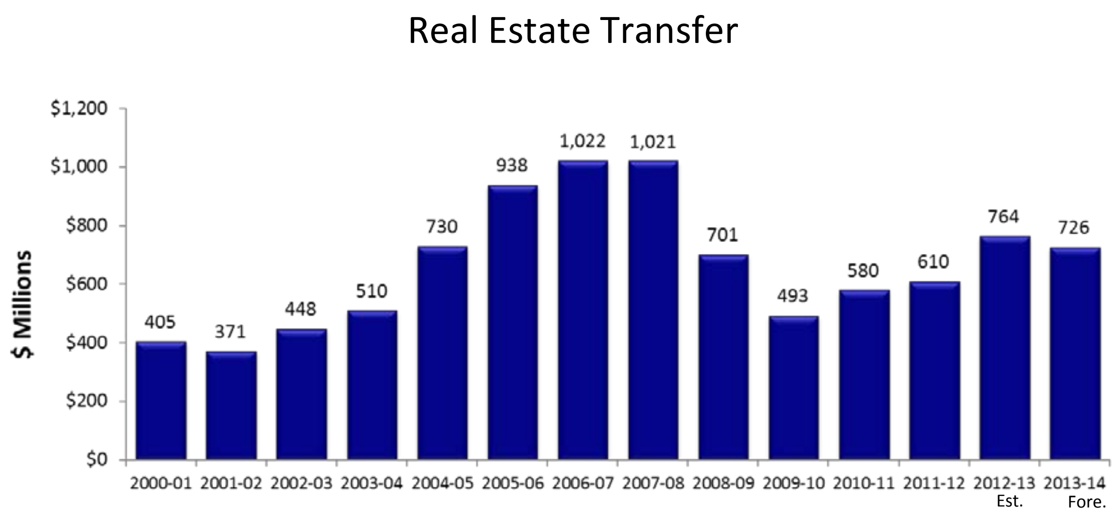
Underlying Economic Conditions

The Ways and Means Committee staff model for forecasting Estate Tax revenues depends on the value of the S&P 500. Since most taxable estates have significant stock holdings, this variable serves as a proxy for the overall value of estates. As the value of the stock market fell in SFY 2008-09, estate tax collections followed suit. Likewise, as the market began to recover so did collections. The S&P 500 finished calendar year 2012 with 8.7 percent average growth. The Committee staff forecasts growth of 9.0 percent for 2013 followed by expected growth of 5.7 percent in 2014. Significant risks to Estate Tax collections include the uncertainty of, and dependence on, the passing of very wealthy individuals. Since these events are not directly related to any economic trends, our model utilizes qualitative variable to account for collections stemming from abnormally large estates.

Executive Budget Proposals

The Executive has proposed no actions impacting the Estate Tax.

Real Estate Transfer Tax (RETT)



Source: NYS Comptroller; Ways and Means Committee Staff estimates

Figure 40

Article 31 of 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 interest 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 additional one percent mansion tax, where applicable. The tax is collected at the local level. All payments are due to the recording agent within 15 days of transfer. The transfer of funds to the State Tax Commissioner is dependent upon the liability; counties with more than $1.2 million in liability during the previous calendar year must submit payment twice a month (10th and 25th), all other counties must remit receipts by the 10th of the following month following the receipt of the RETT payment.

Table 52

Real Estate Transfer Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$657	23.1%	$764	25.3%	$755	$9
2013-14			$726	-5.0%	$685	$41

Current Trends

Through January, Real Estate Transfer Tax collections have increased 23.1 percent or $123 million to a total of $657 million.

SFY 2012-13

The Committee staff anticipates RETT receipts will total $764 million in SFY 2012-13. The Executive's estimates RETT receipts will total $755 million, or $9 million below Committee staff estimates. The Committee staff's closeout estimate is based on year-to-date collections and collection patterns over the past ten years.

Some analysts have speculated that Superstorm Sandy may slow New York's housing recovery as lenders become more hesitant to loan and raise eligibility standards, while others believe that the market may become tighter due to the lack of market inventory, thus, the number of sales may be lower but prices may be higher. Nonetheless, as the real estate market is generally slow in New York during the winter months, the effects of Superstorm Sandy may not be fully realized until the spring of 2013 or beyond.

Monthly RETT collections have been relatively inconsistent through SFY 2012-13, with a significant increase in the months of December and January. One can discern a seasonal trend with collections increasing during the months of June, July, and August, as expected. In comparison to the prior year, the months of December 2012 and January 2013 witnessed the largest growth rates of 50 and 125 percent or $24 million and $56 million, respectively.

SFY 2013-14

The Committee projects RETT receipts will total $726 million in SFY 2013-14 for a year-over-year growth of negative 5.0 percent. The staff's projection is $41 million above the Executive's forecast. The expected decline is not a reflection of any underlying weakness in housing fundamentals but a result of unexpectedly high collections in the last quarter of SFY 2012-13.

The SFY 2013-14 projections are not without significant risk. There are two majors concerns: a) uncertainty over federal action related to tax and spending policies has led economists to fear over another recession which will erode the modest growth that we have seen over the past few years, especially in the housing market; and, b) uncertainty over the effect of Superstorm Sandy. While there is considerable confidence that the areas affected by Superstorm Sandy will rebuild, there is concern over the time-line as well as the revenue and spending implications for the State which may not occur until the later part of SFY 2013-14. Nonetheless, in the short-term, the reduced housing inventory may actually cause home prices to increase.

Additionally, with homeowners less burdened by negative equity, and with home values on the rise, analysts expect a gradual return to a normal housing environment.[12] U.S. home values ended 2012 up by 5.9 percent over the year end of 2011, showing four consecutive quarters of appreciation.

Real Estate Investment Trust (REIT) receipts and commercial activity is projected to increase in SFY 2013-14 as investor confidence in NYC real estate properties increases and price increases remain relatively low. Continued diversification in the NYC commercial market and new demand for office properties is expected to positively impact receipts in SFY 2013-14.

Fund Distribution

Table 53

Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13		-	645	119	764
2013-14	-	-	607	119	726

The 2010-11 Budget decreased the share of RETT revenue that is to be deposited into the Environmental Protection Fund from $199.3 million to $119.1 million. The remaining share is to be deposited into Clean Water/Clean Air Fund (CW/CA) for Debt Service. When the CW/CA obligation is paid, the excess revenue is transferred to the General Fund. The General Fund will not receive deposits from real estate transfer tax receipts directly in SFY 2012-13 or SFY 2013-14.

Underlying Economic Conditions

New York City and Long Island's real estate markets heavily contribute to the recovery of New York's real estate transfer tax receipts. Historically, New York City accounts for over 50 percent while Long Island accounts for around 15 percent of all real estate transfer tax receipts. Thus, any true recovery in RETT revenue receipts will rely heavily on these two geographical areas.

Key components of New York City's real estate transfer tax receipts are commercial properties and high-end co-op and condominiums in Manhattan. New York City's commercial realty market has been slow to recover from Superstorm Sandy, with a number of buildings within the areas flooded, particularly in lower Manhattan, being out of service through the end of the year. Monthly data shows that leasing and sales across Manhattan appeared to slow in November however increased significantly during the month of December. Vacancy rates have

[12] Humphries, Stan. Zillow, "US Home Values Expected to End 2012 Up more than $1.3 Trillion" 19 Dec. 2012, www.zillow.com (retrieved 17 Jan 2013).

been consistent over time, while asking rents have grown slightly, driven by slight gains in Midtown South. Strong demand from the new media and advertising sectors, and some pickup from legal services, have served to offset weak demand from the financial sector.[13]

The Manhattan commercial sales market has shown significant year-over-year growth in the fourth quarter. The cooperative housing market saw growth of 56.4 percent over the prior calendar year fourth quarter, from 996 sales to 1,558 sales. The unusually low year ago result appeared to be an outlier; still activity has been higher throughout 2012 than it was in 2011.[14] Compared to the co-op market the condo market has been host to modest year-over-year growth. The number of sales grew 2.5 percent over the prior calendar year fourth quarter, from 1,015 sales to 1,040 sales. However, during this same period listing inventory fell significantly 36.9 percent to 2,133 over the same period. As a result, the market pace accelerated, as evidenced by the drop in the monthly absorption rate from 10 months for the same period last year to 6.2 months.[15] The number of luxury unit sales (average price over four million) in Manhattan grew 29 percent over the prior calendar year fourth quarter, from 201 sales to 260.

The residential real estate market in Long Island has experienced year-over-year growth. The number of real estate sales in Long Island grew at 7.5 percent over the prior calendar year fourth quarter, from 4,222 sales to 4,540 sales. Notably, the increase in year-over-year sales appears to be driven by condominium sales, where the increase in signed contracts outpaced closed sales, reflective of the year-end uptick.[16]

---

13 Federal Reserve Board, Beige, (16 Jan. 2013) Summary Second District, Book, http://www.federalreserve.gov/monetarypolicy/beigebook/files/Beigebook_20130116.pdf (retrieved 26 Jan. 2013).

14 Prudential Douglas Elliman Real Estate, (2012), Quarterly Survey of Manhattan Co-op & Condo Sales, http://www.federalreserve.gov/monetarypolicy/beigebook/files/Beigebook_20130116.pdf, (retrieved 26 Jan. 2013).

15 Ibid.

16 Prudential Douglas Elliman Real Estate, (2012), Quarterly Survey of Long Island Residential Sales, http://www.federalreserve.gov/monetarypolicy/beigebook/files/Beigebook_20130116.pdf, (retrieved 26 Jan. 2013).

Pari-mutuel

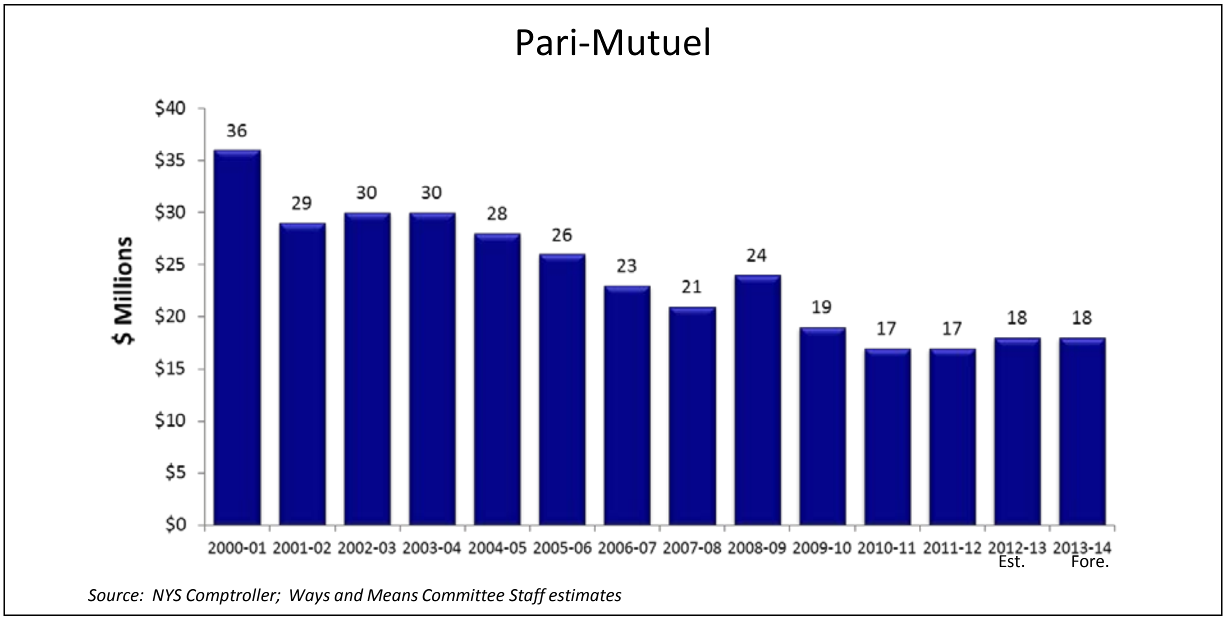


Figure 41

The Racing, Pari-Mutuel Wagering and Breeding Law impose 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 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.

Table 54

Pari-Mutuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$15	3.4%	$18	3.5%	$18	($1)
2013-14			$18	2.3%	$18	($0)

Current Trends

Through January, pari-mutuel tax receipts have increased by 3.4 percent for a total of $15 million.

SFY 2012-13

The Committee staff's estimates Pari-mutuel receipts will total $18 million in SFY 2012-13. The Executive's Budget also estimates Pari-mutuel receipts will total $18 million in SFY 2012-13.

In the 2012 Revenue Report projections, the staff estimated Pari-Mutuel receipts would total $17 million in SFY 2012-13; however given the inception and continued success of Aqueduct in October of 2011, the racino has provided additional activity in horse racing.

SFY 2013-14

The Committee staff forecast for SFY 2013-14 is $18 million, representing no growth from SFY 2012-13. The Committee's forecast mirrors the Executive's forecast for SFY 2013-14. The lack of growth is largely representative of an industry that has relatively stabilized after continued declines in revenue throughout the years.

Fund Distribution

Table 55

Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	18	-	-	-	18
2013-14	18	-		-	18

Pari-mutuel receipts have steadily decreased over the past 20 years. Through January of 2013 however, receipts of pari-mutuel for SFY 2012-13 have increased 3.4 percent over SFY 2011-12. This year-over-year increase is largely attributable to the inception of the Resorts World at Aqueduct racino in October 2011 which provided patrons with access to additional horse racing activity. On a larger scale however, the overall decline in pari-mutuel gambling is believed to be related to increased competition from other forms of gambling (e.g. traditional lottery has continued to be marketed, the large success of Video Lottery Terminals (VLT), as well as out of state casinos siphoning business from NYS racinos). Originally there was concern that the closure of NYC's OTB in December of 2010 would negatively impact pari-mutuel receipts. However this did not occur as New York Racing Authority (NYRA) was successful in marketing other venues; notably Resorts World was able to assume many of New York City's OTB patrons.[17]

In September of 2010, the Genting Corporation acquired the rights to operate VLTs at Resorts World at Aqueduct. VLT operations at Resorts World first became operational in October of 2011; there was speculation that VLT operations at the racino would lure horse racing enthusiasts and their entertainment dollars to the VLTs instead of wagering on horses however it appears that the racing industry was not adversely impacted by the VLTs.

The projection in regard to the lack of year-over-year growth between SFY 2012-13 and SFY 2013-14 is primarily the result of an industry that has managed to stabilize after being witness to continued declines. Proposed legislation in the SFY 2013-14 Executive Budget, with regard to the effectuation of casino gaming in NYS, will pose a challenge to the retention of patronage at facilities providing horse racing activity.

Executive Budget Proposal

- The Executive's SFY 2013-14 Budget proposes to make the current disbursement of simulcasting revenue permanent which would otherwise expire in SFY 2013 and result in a tax increase on winnings.

- The Executive's SFY 2013-14 Budget proposed to redirect a portion of the purse money to fund costs associated with recommendations by the Task Force on Racehorse Health and Safety report. This would provide computerization of testing facilities, hiring of an equine medical director, regulatory veterinarians, increasing efficiency of the drug testing program and utilization of newly released advanced testing equipment. As well as the initiation of necropsies to be performed at veterinary diagnostic laboratories.

[17] Coglianese, Adam, Thoroughbred Times (28 April 2011), http://www.thoroughbredtimes.com/national-news/2011/04/28/aqueduct-handle.aspx, (retrieved 28 Jan. 2012).

MTA Payroll Tax

Article 23 of the Tax Law levies a payroll tax percent on all employers, including the self-employed, within the Metropolitan Commuter Transportation District (MCTD). The MCTD includes New York City as well as 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). Exemptions to the MTA Payroll Tax include: an employer that is an agency or instrumentality of the United States; the United Nations; an interstate or international agency or public corporation; all elementary and secondary schools, effective April 2012; and proprietors earning $50,000 or less, effective January 2012, formerly $10,000 or less.

Upon enactment in 2009, the payroll tax levy was 0.34 percent on all employers. In December 2011, a progressive rate structure was enacted which provided tax relief. Quarterly payrolls under $312,500 are exempt, $312,500 to $375,000 are taxed at 0.11 percent, $375,000 to $437,500 are taxed at 0.23 percent, and quarterly payrolls over $437,500 are taxed at 0.34 percent. Firms with payrolls under contract from Professional Employer Organizations (PEOs) pay the MTA Payroll Tax through the PEO based on the size of their payroll and not the size of the PEOs payroll.

Table 56

Metropolitan Commuter Transportation Mobility Tax ($ in Millions)

	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$988	-11.8%	$1,155	-16.0%	$1,167	($12)
2013-14			$1,239	7.3%	$1,219	$20

Current Trends

Through January tax collections have totaled $988 million, a decrease of 11.8 percent over the same period in SFY 2011-12.

SFY 2012-13

The Ways and Means Committee Staff estimate for the MTA Payroll Tax is $1.155 billion, a decline of $221 million or 16.0 percent. This estimate is $12 million less than the Executive's estimate.

SFY 2013-14

The Ways and Means Committee Staff expects SFY 2013-14 MTA Payroll Tax collections to be $1.239 billion, a 7.3 percent increase.

The Executive estimates SFY 2013-14 collections to be $1.219 billion, $20 million below Committee staff estimates.

Fund Distribution

Table 57

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	-	1,157	-	-	1,157
2013-14	-	1,157	-	-	1,157

Underlying Economic Conditions

The Committee expects the December 2011 legislation to have a negative $310 million impact on revenues for each of the current and upcoming fiscal year. The Committee also expects New York State wages and New York State proprietor income to grow by 3.1 percent and 2.9 percent in SFY 2012-13, respectively. For SFY 2013-14, the forecasted growth in wages is 4.5 percent and the forecasted growth in proprietor's income is 5.2 percent. As income grows in the MTCD, collections of the MTA Payroll Tax are also expected to grow.

Executive Budget Proposals

The Executive Budget includes no new proposals for the MTA Payroll Tax.

Lottery

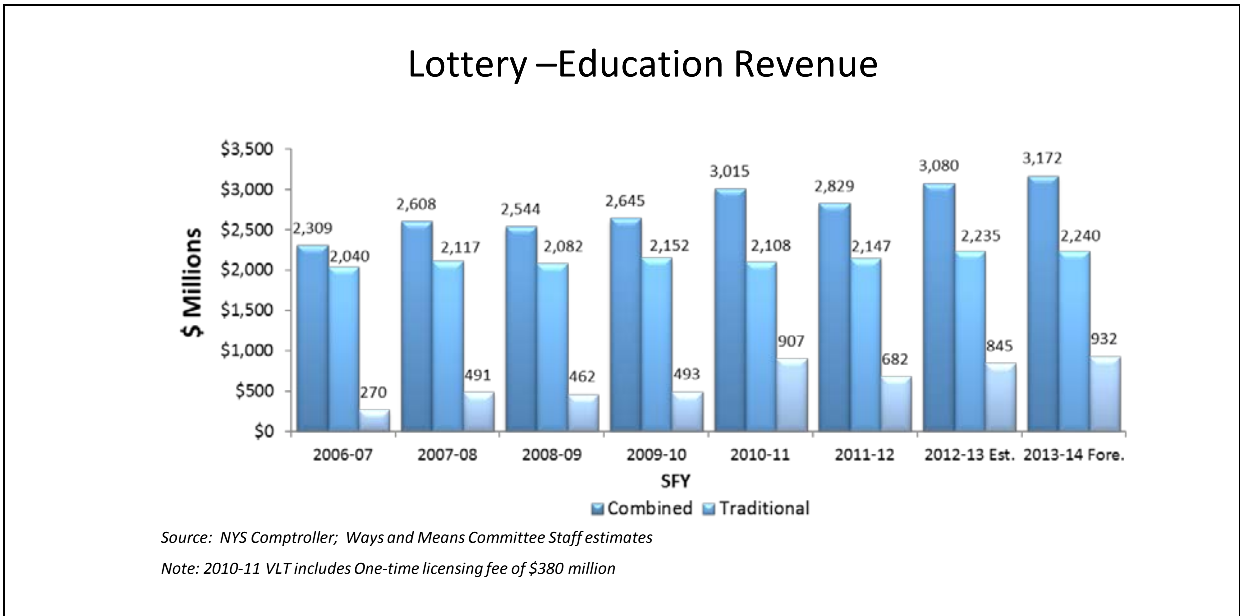


Figure 42

The New York State Lottery was established via Constitutional Amendment in 1976 for the express purpose of raising revenues for education. A percentage of sales from each game are dedicated to fund education, where most games dedicate between 10 and 45 percent of sales to education. Fifteen percent of revenue from traditional lottery sales is placed into a special revenue account to cover the administrative costs of the Division of Lottery; any unused administrative aid is deposited into the Lottery Education Fund.

Table 58

Lottery ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2012-13	$2,196	14.0%	$3,080	8.9%	$3,074	$6
2013-14			$3,172	3.0%	$3,123	$49

Current Trends

Through January, combined Lottery (Traditional and VLTs) revenue has increased by $269 million or 14.0 percent when compared to the same period in SFY 2011-12. The increase is primarily due to profits received from Resort World racino which opened in late October of 2011; the remainder is primarily from the multi-state lottery games, Power-ball and Mega-Millions as well as scratch-off games.

SFY 2012-13

The Committee staff estimates Lottery receipts will total $3.080 billion for an increase of 8.9 percent or $251 million over SFY 2011-12. The staff's estimate is $6 million above the Executive's estimate.

The Committee staff estimates traditional lottery receipts will total $2.235 billion for an increase of 4.1 percent over SFY 2011-12. While the committee staff estimates Video Lottery Terminal receipts will total $845 million for an increase of 23.9 percent. The significant increase in VLT receipts can be attributed to the continued success of Resort World at Aqueduct. As for the year-over-year growth in traditional lottery games, the staff anticipates continued growth in the multi-state lotteries, scratch-offs and Quick Draw while revenue from the other traditional lottery games (e.g. Take 5, Sweet Millions, etc.) are expected to remain flat.

Thus far in SFY 2012-13 Resort World at Aqueduct collects approximately $24 million in revenue each month in special revenue funds that are dedicated to educational funding. Resort World at Aqueducts' large growth over SFY2012-13 can partly be attributable to the siphoning of patrons that has led to the partial cannibalization of business at Empire City at Yonkers. When compared to SFY 2011-12 the Empire City at Yonkers is experiencing a year-to-date loss in education revenue of $37.9 million, a decline of 15.7 percent.

Traditional lottery games continue to struggle; Mega Millions, Powerball, and Quick Draw as well as scratch off games are the only traditional lottery games to witness year-to-date growth over SFY 2011-12. Collectively, Mega Millions, Powerball and Quick Draw combine for year-over-year growth of 28.6 percent. This large year-over-year growth is mostly attributable to the record breaking jackpot Powerball experienced in early SFY 2012-13.

SFY 2013-14

The Committee staff projects the combined total in Lottery revenue will be $3.172 billion, representing growth of 3.0 percent or $92 million over SFY 2012-13. The staff's estimate is $49 million above the Executive's estimate. The staff anticipates that traditional lottery revenue receipts will total $2.240 billion, an increase of 0.2 percent over SFY 2012-13. The staff anticipates that Video Lottery Terminal receipts will total $932 million, an increase of 10.3 percent over SFY 2012-13.

Video Lottery Terminal (VLT) revenue at Empire City at Yonkers is likely to decline further and there is no evidence that they will be able to recapture the patrons that are seeking other venues in which to spend their entertainment dollars. Since December of 2012 Resort World at Aqueduct VLT profits to education have held steadily, at approximately $25 million monthly, illustrating that growth rate has leveled off since its inception in October 2011.

A point of caution in predicting out-year VLT revenue is the possibility that Empire City at Yonkers and Resorts World at Aqueduct, two of New York's largest racinos, may be reluctant to market themselves and/or expand until they have a firm handle on the pending legislation regarding the legalization of casino gaming in NYS.

Overall, growth in Lottery receipts is premised on VLT receipts as Traditional Lottery games (lotto, take 5, Pick 4, etc.) have been flat or declining while receipts from the multi-state (Mega-million and Powerball) games have been mixed. However, the growth in VLT revenue may be short-lived if competition from other sources, namely full-fledged gaming, continues to expand. In 2012 the State Legislature took the first step to legalize gambling, albeit on a limited scale, by passing a Constitutional Amendment to legalize seven casinos in New York; if the initiative passes in 2013 the proposal will then be put to the citizens of New York to adopt or reject. If adopted, full-fledged casino gambling will likely siphon entertainment dollars from lottery.

Executive Budget Proposals

- The Executive's SFY 2013-14 Budget proposes to authorize the development of up to three casinos, but among other things exclude development of casinos in downstate New York. The proposal would also establish an Office of Gambling Regulation within the Gaming Commission and would provide for gambling regulation, selection of casino developers and local governmental and community support where a facility is to be located.

- The Executive's SFY 2013-14 Budget proposes to eliminate restrictions of QuickDraw in order to increase revenue earned for aid to education. The proposed bill would eliminate specific clauses that target the minimum square footage a facility must be, eliminate the minimum age requirement of 21 that a patron must be to partake in Quick Draw games at an establishment providing alcoholic beverages.

- The Executive's SFY 2013-14 Budget proposes to extend the Monticello Casino and Raceway video lottery terminal NMI shares. The favorable share distribution for Monticello raceway is structured to account for the fact that Monticello does not receive capital award funding. This proposal extends the current distribution share for an additional year.

- The Executive's SFY 2013-14 Budget proposes to make the current disbursement of simulcasting revenue permanent which would otherwise expire in SFY 2013 and result in a tax increase on winnings.

- The Executive's SFY 2013-14 Budget redirects a portion of purse money to fund costs associated with recommendations by the Task Force on Racehorse Health and Safety report.

- The Executive's SFY 2013-14 Budget proposes to create a new account to finance an administration program in the New York State Gaming Commission.

Miscellaneous Receipts

Miscellaneous Receipts – General Fund

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

Miscellaneous Receipts are estimated to total $3.1 billion in SFY 2013-14, a $623 million decrease from SFY 2012-13, a result of the following major decreases: $83 million in licenses and fees, $65 million in Abandoned Property, $73 million in Motor Vehicle Fees, $2 million in ABC License Fees, as well as $400 million in other transactions. There was no change in reimbursements or investment income.

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.

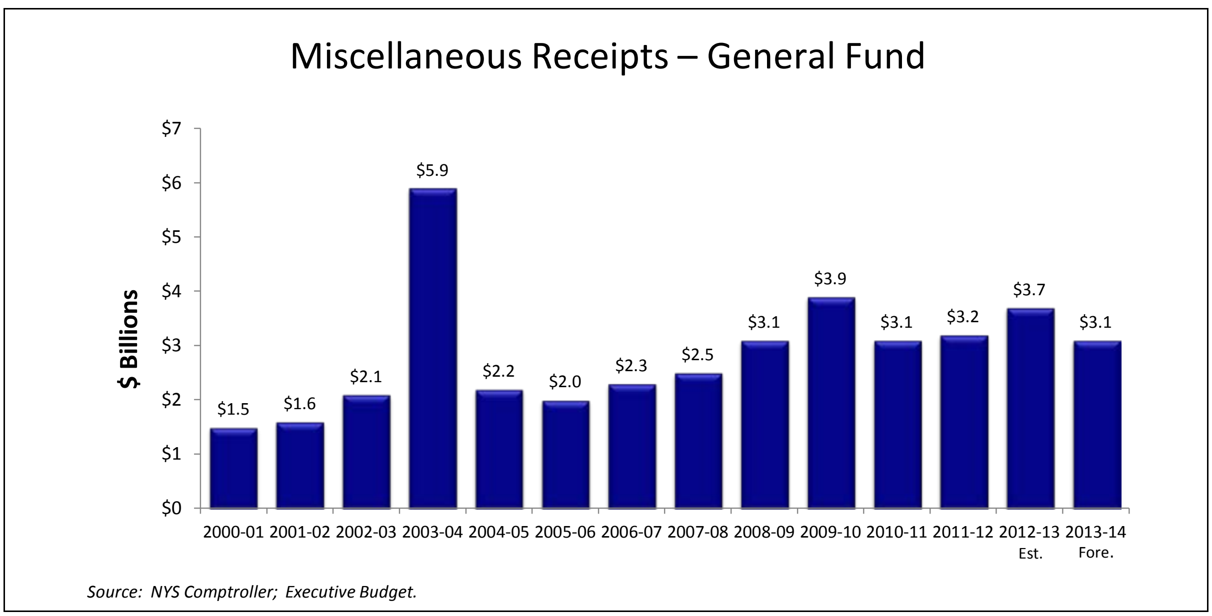
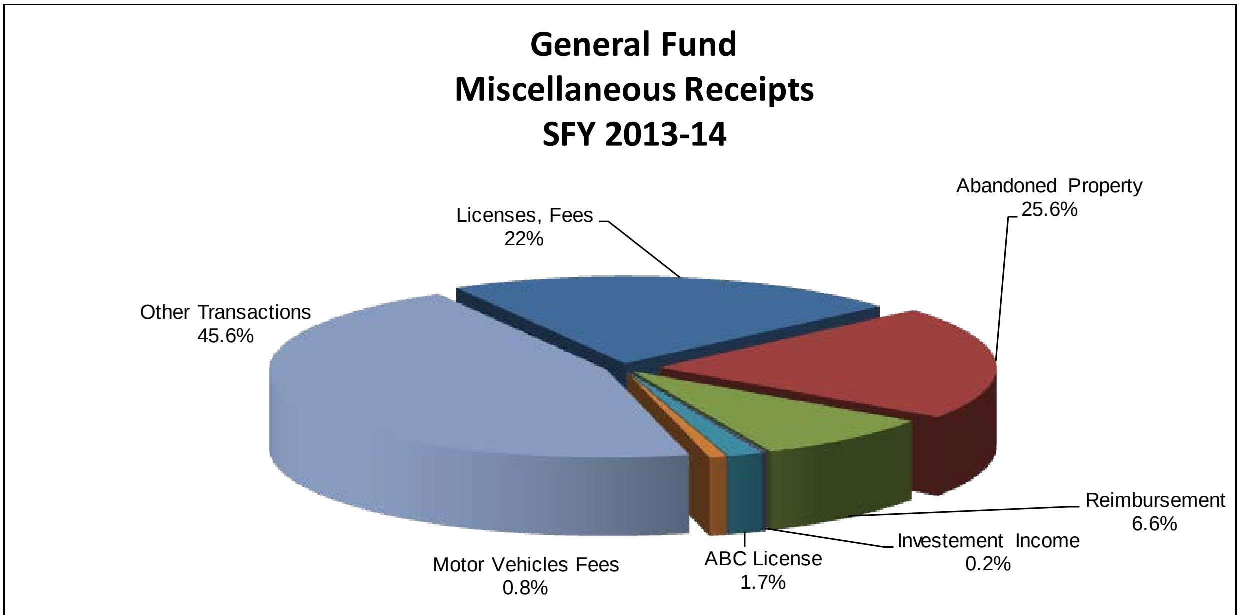


Figure 43

Table 59

Miscellaneous Receipts - General Fund ($ in Millions)					
	2011-12 Actual	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Licenses, Fees	$654	$763	$681	($83)	(10.8%)
Abandoned Property	757	715	650	-65	(9.1%)
Reimbursements	239	272	272	0	-
Investement Income	5	5	5	0	-
ABC License	59	56	54	-2	(3.6%)
Motor Vehicles Fees	111	99	26	-73	(73.4%)
Other Transactions	1,337	1,815	1,414	-400	(22.1%)
Total	**$3,161**	**$3,724**	**$3,102**	**($623)**	**(16.7%)**



Source: Executive Budget.

Figure 44

Miscellaneous Receipts – All Funds

In the Executive's SFY 2013-14 Budget, All Funds Special Revenue receipts are estimated to total $23.9 billion, the distribution is as follows: General Fund - $3.1 billion, Special Revenue Fund - $16 billion, Debt Service - $517 million, and Capital Projects $4.3 billion. The Executive's estimated miscellaneous receipts for SFY 2013-14 represents a decrease of 4.5 percent or $1.1 billion in revenue over SFY 2012-13; the Committee Staff's estimate for SFY 2013-14 All Funds mirrors the Executive's SFY 2013-14 Budget estimate.

Miscellaneous Receipts – Special Revenue Funds

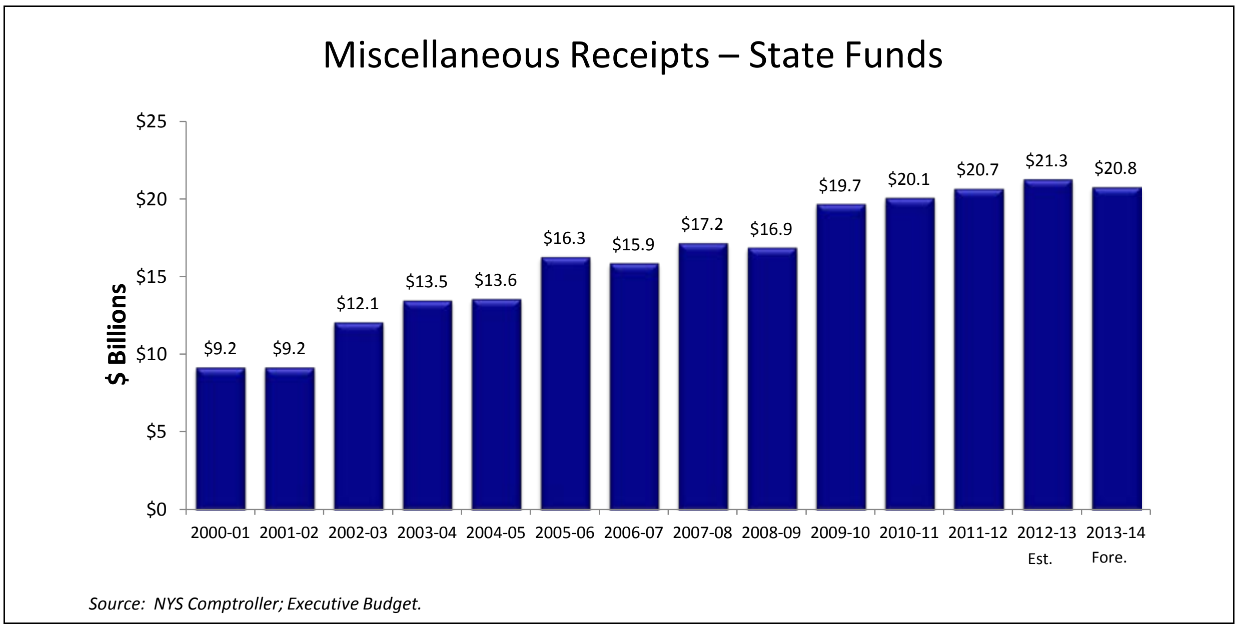


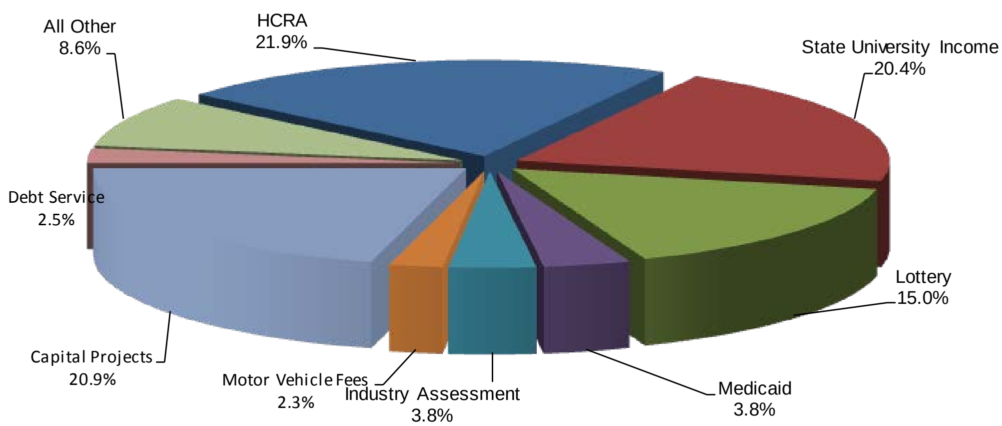
Figure 45

Table 60

Miscellaneous Receipts - State Funds ($ in Millions)					
	2011-12 Actual	2012-13 Estimated	2013-14 Projected	Change	Percent Change
HCRA	$4,155	$4,325	$4,550	$225	5.2%
State University Income	3,828	4,041	4,239	198	4.9%
Lottery	2,975	3,238	3,292	54	1.7%
Medicaid	827	794	785	(9)	(1.1%)
Industry Assessment	772	756	784	28	3.7%
Motor Vehicle Fees	496	482	481	(1)	(0.2%)
Capital Projects	4,153	4,366	4,346	(20)	(0.5%)
Debt Service	955	996	517	(479)	(48.1%)
All Other	2,512	2,293	1,794	(499)	(21.8%)
Total	**$20,673**	**$21,291**	**$20,788**	**($503)**	**(2.4%)**

Source: Executive Budget.

State Funds
Miscellaneous Receipts
SFY 2013-14



Source: Executive Budget.

Figure 46

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

The Executive estimates Miscellaneous Receipts in State Funds of $20.8 billion in SFY 2013-14, a decrease of $497 million or 2.3 percent from SFY 2012-13. The change in Miscellaneous Receipts is primarily related to decreases in Debt Service of $479 million, All Other Transactions of $448 million, Capital Projects of $65 million, Medicaid of $9 million, and Motor Vehicle Fees of $1 million. Increases are projected in HRCA of $225 million, State University Income of $198 million, Lottery of $54 million, and Industry Assessment of $28 million.

HCRA

HCRA is estimated to receive $4.6 billion, an increase of $225 million or 5.2 percent over SFY 2012-13. Receipts comprising HCRA are surcharges, assessments on hospitals and certain insurance providers, conversion proceeds and other taxes. The following are receipts to HCRA in SFY 2013-14: $3.1 billion in Surcharges, an decrease of $37 million; $1 billion in Covered Lives assessments, an increase of $5,000; $394 million in Hospital Assessments, an increase of $21 million; $250 million in Conversion Proceeds; and $54 million in Other receipts, a decrease of $1 million.

State University Income

Receipts in the State University Income fund are projected at $4.2 billion, an increase of $198 million over SFY 2012-13. Receipts into the State University Income fund are from the operation of SUNY from tuition, patient revenue and user fees. Tuition is estimated at $1.5 billion, a $73 million increase from previous year. Patient revenues from SUNY's teaching hospitals at Brooklyn, Stony Brook and Syracuse and from the Long Island Veterans' Home contribute receipts estimated of $1.8 billion, an increase of $109 million for SFY 2012-13. User fees from a variety of sources at SUNY, interest earnings and fringe benefits are estimated to $664 million, an increase of $14 million in SFY 2013-14.

Medicaid

Provider Assessments on nursing homes, hospital and home care providers contribute revenues to support Medicaid. The Provider Assessments are estimated to total $785 million, a decrease of $9 million from SFY 2012-13. Receipts are supported from a partially reimbursable 5.5 percent assessment, 9 percent on nursing homes revenues and a 0.75 percent assessment on hospital and home care revenues.

Motor Vehicles Fees

Motor vehicles fees are fees, licenses, and registration revenues from motor vehicles, motorcycles, trailers, semi-trailers, buses, and other types of vehicles operating and registered with the Department of Motor Vehicles. Motor Vehicles fees are estimated to total $481 million, a slight decrease of $1 million from SFY 2012-13.

Capital Projects

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

The Executive estimates $4.3 billion in capital projects receipts, including receipts from public authority bond proceeds, a decrease of $20 million.

Debt Service

Miscellaneous receipts are one of the sources of receipts that support the Debt Service fund. Miscellaneous receipts in the Debt Service fund are comprised of Mental Hygiene service providers that receive payments from Medicare and insurance companies; dormitory room rental fees and associated fees from SUNY students; and from patient care revenues of hospitals and certain veteran's homes from payments of Medicaid, Medicare, insurance and individuals. Miscellaneous receipts in debt service is $517 million, a decrease of $479 million from SFY 2012-13.

Industry Assessment and All Other

Receipts comprising Industry Assessments and All Other are from reimbursements of regulated industries to fund the administrative costs of the State agencies. Receipts may consist of fees, licenses and assessments.

Federal Funds

Federal funding accounts for 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 $48.8 billion in SFY 2013-14, an increase of $4.7 billion from SFY 2013-14. This increase is primarily due to extraordinary federal aid for Superstorm Sandy and the Affordable Care Act.

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 $28.5 billion in SFY 2013-14. Other programs include Welfare, Food and Nutrition Services, and Supplementary Educational Services.

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 $2.2 billion in SFY 2013-14.

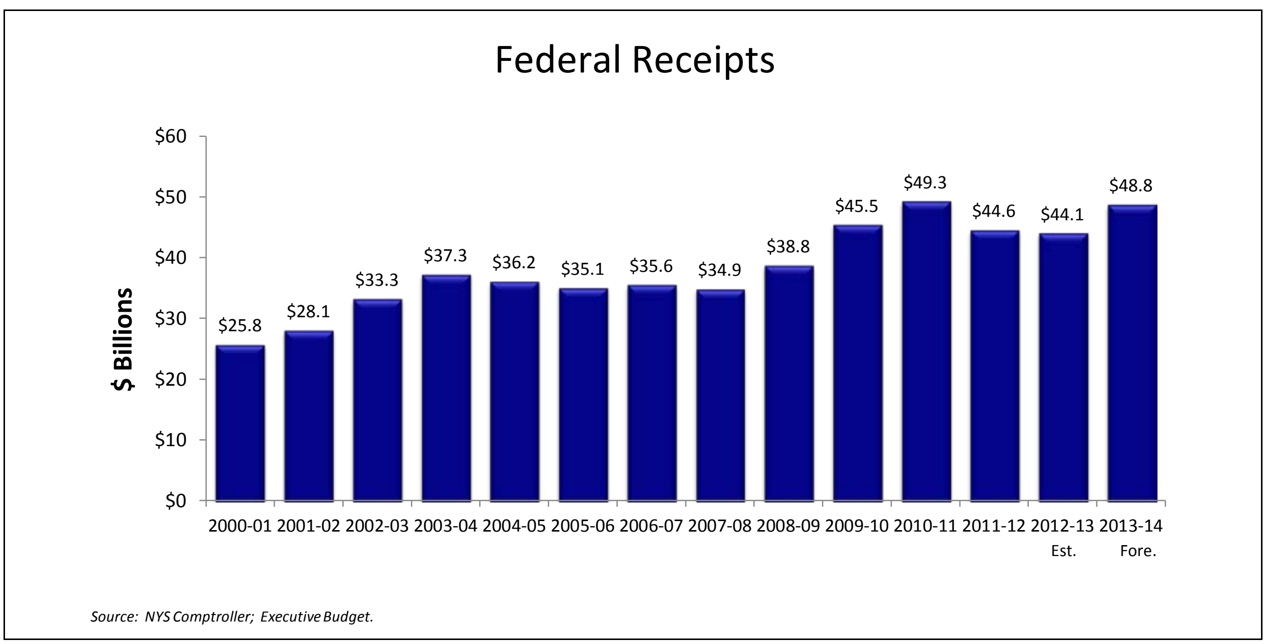


Figure 47

Table 61

Federal Funds ($ in Millions)	2011-12 Actual	2012-13 Estimate	2013-14 Executive	Change	Percent Change
Special Revenue	**$42,355**	**$41,797**	**$46,496**	**$4,699**	**11.2%**
Medicaid	28,195	27,175	28,544	1,369	5.0%
Welfare	2,520	2,577	2,577	0	-
All Other	11,640	12,045	15,375	3,330	27.6%
General Fund	**$60**	**$60**	**$2**	**($58)**	**-96.7%**
Capital Projects	**$2,115**	**$2,195**	**$2,221**	**$26**	**1.2%**
Debt Service	**$80**	**$79**	**$79**	**$0**	**-**
Total All Funds	**$44,610**	**$44,131**	**$48,798**	**$4,667**	**10.6%**

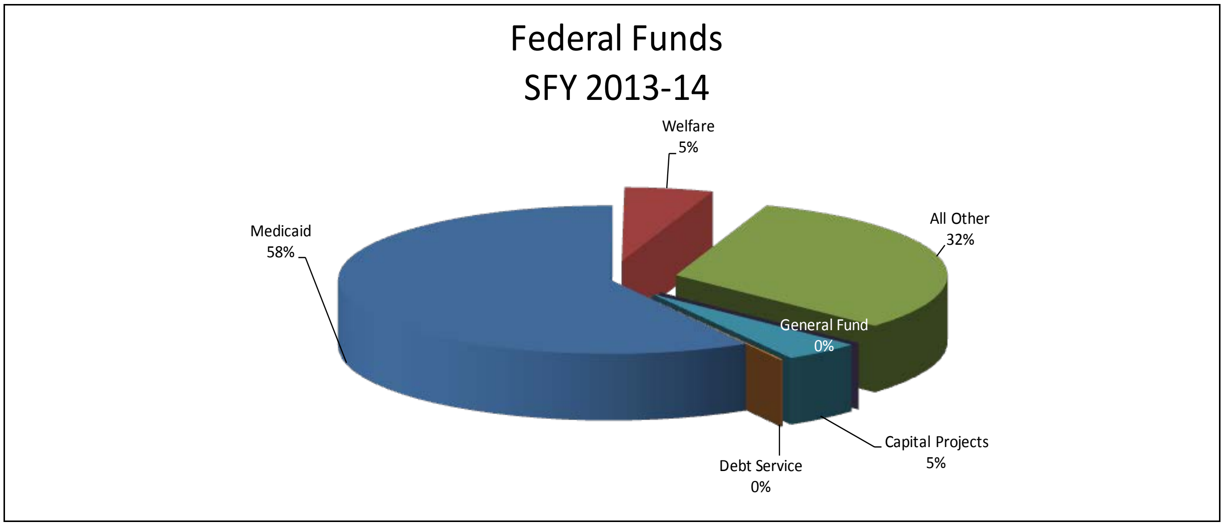


Figure 48

Executive Tax Revenue Proposals

The Executive Budget provides for $139 million in revenue provisions for SFY 2013-14.

- ***MTA Surcharge***: extends through December 31, 2018 the 17 percent business tax surcharge for businesses operating in the Metropolitan Commuter Transportation District (MCTD). No fiscal impact;

- ***Film Credit***: extends through 2019 and enhances the film production credit. The post-production credit allocation is enhanced to $25 million from $7 million effective in 2015. Fiscal impact 2013-14: $0, and ($181) million when fully effective;

- ***Innovation Hot-Spots***: creation over two years of 10 tax-free zones affiliated with higher education incubators or non-profit incubators associated with universities or colleges. No fiscal impact;

- ***Charitable Deduction***: extends through the end of 2015 the 25 percent limitation of itemized charitable contribution deductions for taxpayers with income over $10 million. Fiscal impact 2013-14: $70 million, and $140 million when fully effective;

- ***Royalty Income***: amends the royalty expense add-back requirements by eliminating the income exclusion provisions in these requirements. Fiscal impact 2013-14: $0, and $28 million when fully effective;

- ***Historic Rehabilitation Credit***: extends and enhances the credit - by making it refundable effective in 2015 - through 2019. Fiscal impact 2013-14: $0, and ($40) million when fully effective;

- ***Charge NY Electric Vehicle Recharging Equipment Credit***: allows for a non-refundable tax credit equal to the lesser of $5,000 or 50 percent of the cost of installation of an electric vehicle recharging property. Fiscal impact 2013-14: $0, and ($3) million when fully effective;

- ***Make Tax Modernization Permanent***: makes permanent the tax modernization provisions related to electronic filing and payment mandates. Fiscal impact 2013-14: $6 million, and $22 million when fully effective;

- ***Tax Free Sales at Taste-NY Facilities***: exempts from sales tax NYS products, including alcohol, when the sale is made at a Taste-NY facility. No fiscal impact;

- ***Industrial Development Authority (IDA) Reform***: reforms current practices of providing financial assistance with respect to State sales tax and use tax benefits by requiring State approval of such benefits. Fiscal impact 2013-14: $7 million, and $13 million when fully effective;

- ***Uncompressed Natural Gas***: technical amendments that allow for sales tax exemption when purchasing uncompressed natural gas that is then converted to compressed for future use. No fiscal impact;

- ***Tax Treatment of Fuel Used by Volunteer Ambulance and Fire Departments***: equalize tax treatment by exempting from the Petroleum Business Tax fuel used by volunteer ambulance and fire department and companies. No fiscal impact;

- ***Certificates of Authority – Sales Tax***: enhances and makes stricter the criteria for revoking Certificates of Authority and enhances the penalties involved. Fiscal impact 2013-14: $1 million, and $1 million thereafter;

- ***Cigarette Retailer Registration Clearance Process***: refuses a Certificate of Registration – necessary to sell cigarettes and tobacco – to retail dealers that have certain tax liabilities or have been convicted of a tax crime within one year of applying or renewing their registration. Fiscal impact 2013-14: $1 million, and $1 million thereafter;

- ***Civil Penalties for Possessing Unstamped Cigarettes***: increases penalty for possessing or controlling unstamped or unlawfully stamped cigarettes from a maximum $150 to $600. Fiscal impact 2013-14: $9 million, and $12 million thereafter;

- ***Suspend Delinquent Taxpayers' Driver's License***: suspends license of taxpayer when that taxpayer owes more than $10,000 in delinquent tax liabilities. Fiscal impact 2013-14: $26 million and $6 million thereafter;

- ***Wage Garnishment***: amends wage garnishment by authorizing the Tax Department to serve income executions (wage garnishment) without the necessity of filing a warrant. Fiscal impact 2013-14: $10 million, and $10 million thereafter;

- ***Local Governments Sales Tax***: allows local governments to extend existing sales tax rate without State approval. No fiscal impact;

- ***Quick Draw Restrictions***: eliminates the restrictions on sale of Quick Draw tickets such as age restrictions and the larger than 2,500 square feet facility size. Fiscal impact 2013-14: $12 million, and $24 million thereafter;

- **Monticello Casino and Raceway VLT distribution rates**: extends for one year the current distribution of the VLT revenues at Monticello. Fiscal impact 2013-14: ($3) million, and zero thereafter;

- ***Make Permanent Certain Tax Rates and Authorization for Account Wagering***: makes permanent various provisions of the Racing, Pari-Mutuel Wagering and Breeding Law. No fiscal impact;

- ***Historic Homeownership Rehabilitation Credit***: extends the $50,000 credit limitation as well as the refundability provisions for taxpayers with income less than $60,000 through January 1, 2020. Fiscal impact 2013-14: $0, and ($2) million when fully effective;

- ***Taxation of Diesel Motor Fuel***: amendments to the taxation of diesel motor fuel to reflect recent changes in industry practice. No fiscal impact; and,

- ***Farming Exemption of Highway Use Tax***: updates the farming exemption of the Highway Use tax to include persons related to the farmer, related corporate and partnership entities and other similar related entities. No fiscal impact.

Transportation Funds

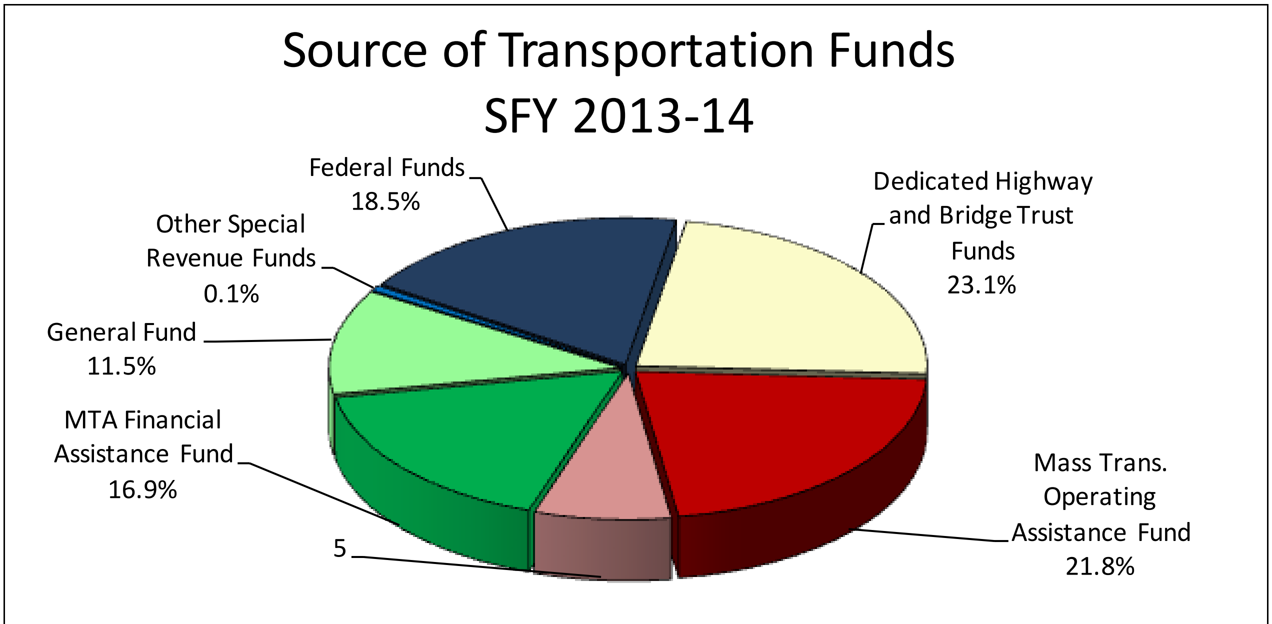
Earmarked or dedicated revenues are an integral part of transportation financing. The long term nature of construction projects and the constant need for maintenance and safety repair require a long term funding commitment.

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 $8.6 billion in SFY 2012-13 and $9.1 billion in SFY 2013-14. Non-federal Special Revenue Receipts dedicated for transportation purposes are $7.0 billion in SFY 2012-13 and $7.4 billion in SFY 2013-14. Federal receipts for transportation purposes are estimated to be $1.6 billion in SFY 2012-13 and $1.7 billion in SFY 2013-14.

Table 62

Source of Transportation Funds ($ in Millions)	2011-12 Actual	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Dedicated Highway and Bridge Trust Funds	$2,030	$2,029	$2,095	$66	3.3%
Mass Trans. Operating Assistance Fund	$1,883	$1,889	$1,978	$89	4.7%
Dedicated Mass Transportation Trust Fund	$659	$661	$686	$25	3.8%
MTA Financial Assistance Fund	$1,688	$1,468	$1,539	$71	4.8%
General Fund	$628	$945	$1,046	$101	10.7%
Other Special Revenue Funds	$30	$47	$52	$5	10.7%
Federal Funds	$1,494	$1,578	$1,684	$106	6.7%
Total Transportation Receipts	**$8,413**	**$8,616**	**$9,079**	**$463**	**5.4%**



Source: Ways and Means Committee Staff.

Figure 49

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 during challenging fiscal times. 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, Rockland, 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 surcharges 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.

Table 63

Mass Transportation Operating Assistance Fund
($ in Millions)

	2011-12 Actual	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Business Tax Surcharges					
Corporation Franchise Tax	$452	$374	$440	$66	17.6%
Corporation and Utilities Tax	$114	$117	$118	$1	0.9%
Insurance Tax	$157	$158	$164	$6	3.8%
Bank Tax	$229	$292	$257	($35)	(12.0%)
Other					
Sales and Use Tax	$749	$756	$798	$42	5.6%
Petroleum Business Tax	$129	$136	$143	$7	5.1%
Corporation and Utilities - Sections 183 &184	$53	$56	$58	$2	3.6%
Total Receipts	**$1,883**	**$1,889**	**$1,978**	**$89**	**4.7%**

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 Ways and Means Committee Staff estimates that $1.9 billion in SFY 2012-13 and $2 billion in SFY 2013-14 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 and 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 and 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 pledged to support the debt service on DHBTF Bonds with debt service coverage of two times the revenues to support debt service costs.

Table 64

Dedicated Mass Transportation Trust Fund
($ in Millions)

	2011-12 Actual	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Petroleum Business Tax (PBT)	$359	$372	$392	$20	5.4%
Motor Fuel Tax	$105	$103	$105	$2	1.9%
Motor Vehicle Fees	$195	$186	$189	$3	1.6%
Total Receipts	**$659**	**$661**	**$686**	**$25**	**3.8%**

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 $661 million in SFY 2012-13, and $686 million in SFY 2013-14. 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 and operating expenses incurred by mass transit operating agencies.

The Dedicated Highway and Bridge Trust Funds (DHBTF) receive 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.

Table 65

Dedicated Highway and Bridge Trust Fund
($ in Millions)

	2011-12 Actual	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Petroleum Business Taxes	$612	$632	$666	$34	5.4%
Motor Fuel Tax	$396	$387	$394	$7	1.8%
Motor Vehicle Fees	$812	$783	$805	$22	2.8%
Highway Use Tax	$132	$146	$144	($2)	(1.4%)
Transmission Tax	$13	$14	$14	-	-
Auto Rental Tax	$65	$67	$72	$5	7.5%
Total Receipts	**$2,030**	**$2,029**	**$2,095**	**$66**	**3.3%**

This Fund is expected to receive $2 billion in SFY 2012-13 and $2.1 billion SFY 2013-14.

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.

Table 66

MTA Financial Assistance Fund
($ in Millions)

	2011-12 Actual	2012-13 Estimated	2013-14 Projected	Change	Percent Change
MCTD Payroll Tax	$1,376	$1,155	$1,239	$84	7.3%
Motor Vehicle Fees	$186	$177	$180	$3	1.7%
Auto Rental Tax	$39	$41	$44	$3	7.3%
Taxicab Surcharge	$87	$88	$96	$8	9.1%
Total Receipts	**$1,688**	**$1,461**	**$1,559**	**$98**	**6.7%**
General Fund Transfers	22.4	279.4	331.7	$52	19%
Total Receipts and Transfers	**$1,710**	**$1,740**	**$1,890.7**	**$150**	**9%**

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.

The MTA Financial Assistance Fund is estimated to receive $1.7 billion in SFY 2012-13 and $1.9 billion in SFY 2013-14. The General Fund is estimated to support the MTA Financial Assistance Fund of $332 million in SFY 2013-14, an increase of $52 million for the prior year primarily due to set a state commitment to support the loss in revenues from the MCTD payroll tax.

Table 67

Use of Transportation Funds ($ in Millions)				
	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Highway, Bridge, & Other Transit	$4,253	$4,386	$133	3.1%
MTA	$4,214	$4,425	$211	5.0%
Motor Vehicles	$296	$323	$27	9.1%
Thruway Authority	$2	$26	$24	1333.3%
Total Disbursements	**$8,765**	**$9,160**	**$395**	**4.5%**

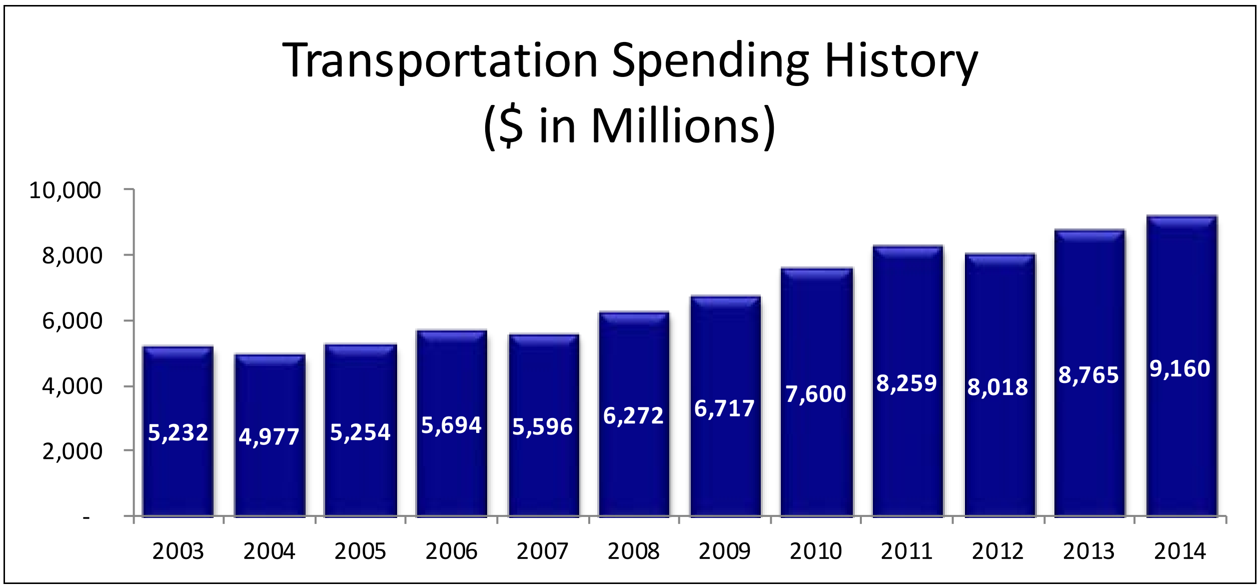


Figure 50

Transportation Funds are primarily used for the Highway and Bridge projects, MTA and Transit infrastructure. New York Works infrastructure plan proposes to spend $300 million of new state funding to increase investment and improve the State's Highway and Bridge infrastructure.

The Executive Budget proposes $4.4 billion of Highway, Bridge and Other Transit aid, an increase of $133 million over prior year levels. The MTA will receive nearly $4.4 billion, which includes General Fund support of approximately $307 million to offset the revenue impact of the recent payroll tax reform on the MTA's 2012 fiscal year. Other systems in the downstate region will receive $285 million and upstate transit systems will receive $175 million.

Highway and Bridge monies support projects that improve and rehabilitate highway, bridge, aviation, rail, transit, port, bicycle and pedestrian projects throughout the State.

Education Funds

Education receives the bulk of its funding from the General Fund. As such it must compete with other spending needs of the state budget. Education does receive receipts including funds from the Lottery, Other revenue streams and Federal grants. Total Education Receipts for SFY 2013-14 are estimated at $30.4 billion, an increase of $709 million from SFY 2012-13.

General Fund support for Education in SFY 2013-14 is estimated at $19.3 billion, an increase of $280 million above SFY 2012-13.

Special Revenue Education receipts are forecast at $185 million in SFY 2013-14. However, it also receives funds from the NYS Lottery program. It is set to raise $3.1 billion to supplement funding for Education which is $49 million or 1.6 percent more than last year. It should be noted that $9 million of the lottery amount is predicated on a new law proposed by the Executive Budget.

Capital Projects receipts are expected to be $38.3 million, an increase of $16 million from the prior fiscal year.

Federal grants are expected to be $4.3 billion, an increase of $181 million from SFY 2012-13. Federal grants made up 13.3 percent of Education funding. Federal grants include but are not limited to Stimulus Fiscal Stabilization grants, Federal Education Jobs grants, Title 1 and Federal Nutrition grants.

Table 68

Source of Education Funds ($ in Millions)					
	2011-12 Actual	2012-13 Projected	2013-14 Estimated	Change	Percent Change
Federal Grants	$4,912	$4,127	$4,308	$181	4.4%
Lottery	$2,829	$3,074	$3,123	$49	1.6%
STAR	$3,233	$3,276	$3,419	$143	4.4%
Other SRO Receipts	$202	$129	$185	$57	43.9%
General Fund Receipts	$18,541	$19,047	$19,327	$280	1.5%
Total Education Receipts	**$29,717**	**$29,653**	**$30,362**	**$709**	**2.4%**

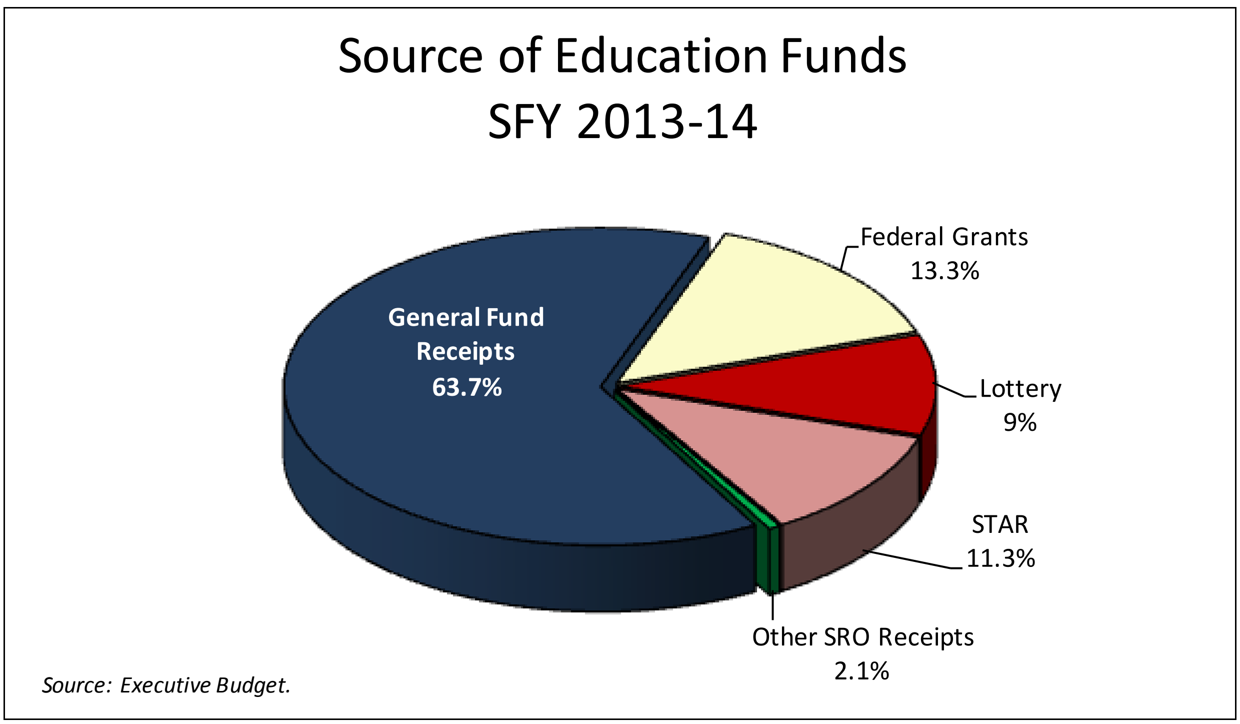


Figure 51

Table 69

Use of Education Funds ($ in Millions)				
School Fiscal Year	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Foundation Aid	$15,005	$15,005	-	-
All Other GSPS	$6,795	$6,672	($123)	(1.8%)
Grant Programs	-	$278	$278	100%
Performance Grants	$50	$50	-	-
STAR	$3,322	$3,419	$97	2.9%
Federal Aid	$4,127	$4,308	$181	4.4%
Total Disbursements	**$29,299**	**$29,732**	**$434**	**1.5%**

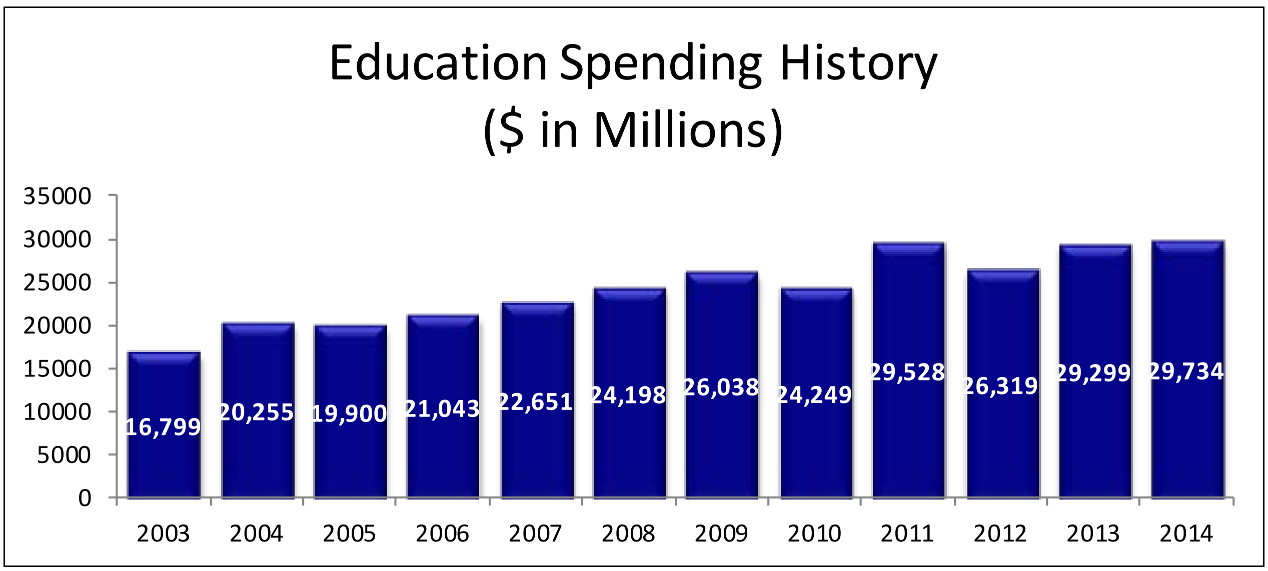


Figure 52

Consistent with the two-year appropriation enacted in 2012-13, the 2013-14 Executive Budget recommends $21.1 billion in School Aid for the 2013-14 school year. This is an $889 million increase or 4.4 percent. The increase includes $550 million in formula-based aid allocated to school districts, $50 million in performance grants, and $203 million in Fiscal Stabilization grants and $75 million in Other grants. High need school districts will receive 76 percent of the allocated increase and 69 percent of total School Aid. In a state fiscal year, Education spending is $29.7 billion, an increase of $436 million, which is $255 from state resources and $181 million from federal grants.

Table 70

Education Aid Cap
($ in Millions)

School Fiscal Year	School Aid	Change	Percent Change
2012	19,615		
2013	20,196	581	3.0%
2014	20,807	611	3.0%
2015	21,493	686	3.3%
2016	22,482	989	4.6%

Limit aid growth to rate of State personal income growth.

The Executive Budget increases funding for school districts in the future by including an appropriation that covers School Aid payable in the 2013-14 state fiscal year. This appropriation provides a three percent increase in School Aid for the 2013-14 school year based on growth corresponding to New York State personal income.

STAR

In SFY 2013-14, the Executive Budget recommends $3.4 billion for the STAR program. This program provides tax relief for homeowners across the State.

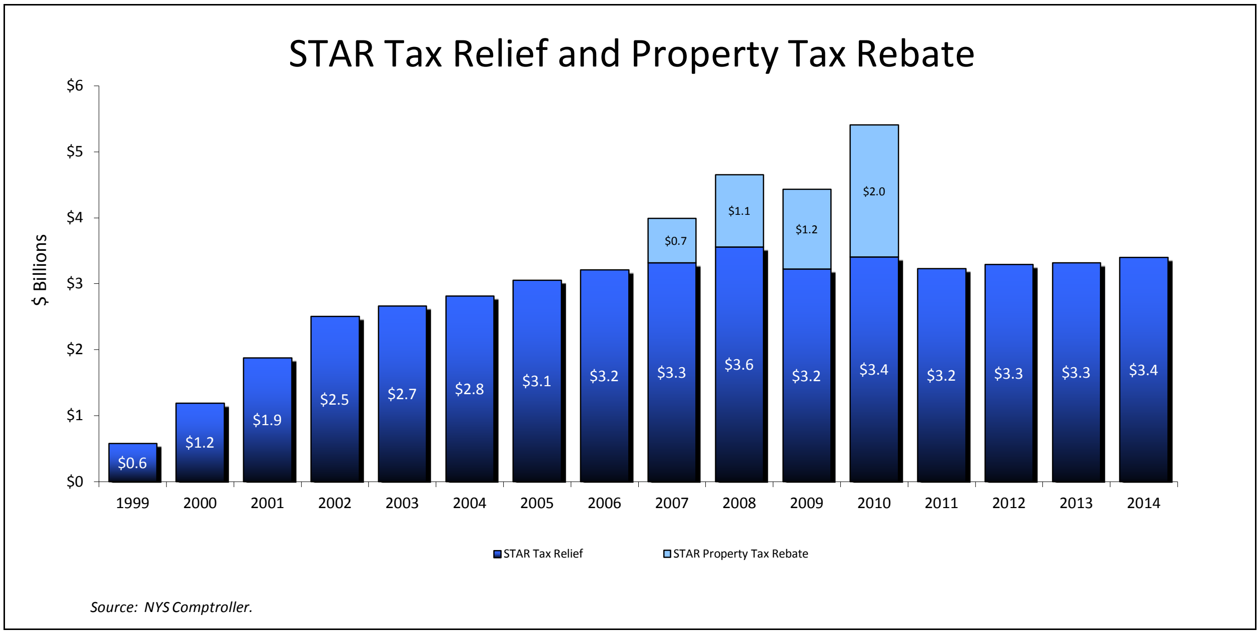


Figure 53

The STAR program exempts the first $30,000 of every eligible homeowner's (below $500,000 income) property value from the local school tax levy. Lower-income senior citizens receive a $62,200 exemption. Spending for the STAR property tax exemption reflects reimbursements made to school districts to offset the reduction in property tax revenues.

In SFY 2010, STAR tax relief totaled $5.4 billion, of which $2 billion was attributed to the property tax rebate. STAR payments have been relatively flat over the past few years at $3.3 billion.

The SFY 2011-12 State Budget established a new two percent cap on increases in STAR exemption benefits over the prior year in order to continue property tax relief and control spending. When the STAR program was created, it included a mechanism to prevent large drops in benefits resulting from rising property values. There was no similar mechanism, however, to prevent significant benefit increases driven by declines in property values. As a result, STAR spending increased significantly in areas where property values declined dramatically, but the increases were unrelated to property tax burdens.

In SFY 2008-09, STAR tax relief dropped from $3.6 billion to $3.2 billion due to the shift of a portion of the traditional December payment for New York City to the first quarter of the State's 2009-10 fiscal year.

Health Care Funds

New York State Health Care All Funds receipts for SFY 2013-14 are forecast to total $53.5 billion, an increase of $1.6 billion over 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 2013-14 is $39.7 billion, an increase of $1.9 billion or 5.2 percent above the previous year. Federal grants have increased by an estimate of $1 billion in SFY 2013-14 related to the Affordable Care Act.

The General Fund support for other than Medicaid Health care is forecast at $3.1 billion, a decrease of $309 million above SFY 2012-13. Medicaid support in the General Fund are forecast at $10.5 billion, an increase of $11 million from SFY 2012-13.

Special Revenue Health Care receipts other than HCRA are anticipated to decrease $195 million below the previous fiscal year. HCRA is anticipated to receive $5.6 billion, an increase of $206 million above SFY 2012-13.

The Executive federal Medicaid forecast is $29.1 billion, an increase of $1.9 billion from SFY 2012-13.

Table 71

Source of Health Care Funds ($ in Millions)	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Federal Medicaid Grants	$27,175	$29,104	$1,929	7.1%
SRO Receipts	$5,252	$5,057	($195)	(3.7%)
HCRA	$5,438	$5,644	$206	3.8%
General Fund Medicaid	$10,535	$10,547	$11	0.1%
Other General Fund Receipts	$3,471	$3,162	($309)	(8.9%)
Total Receipts	**$51,872**	**$53,514**	**$1,642**	**3.2%**

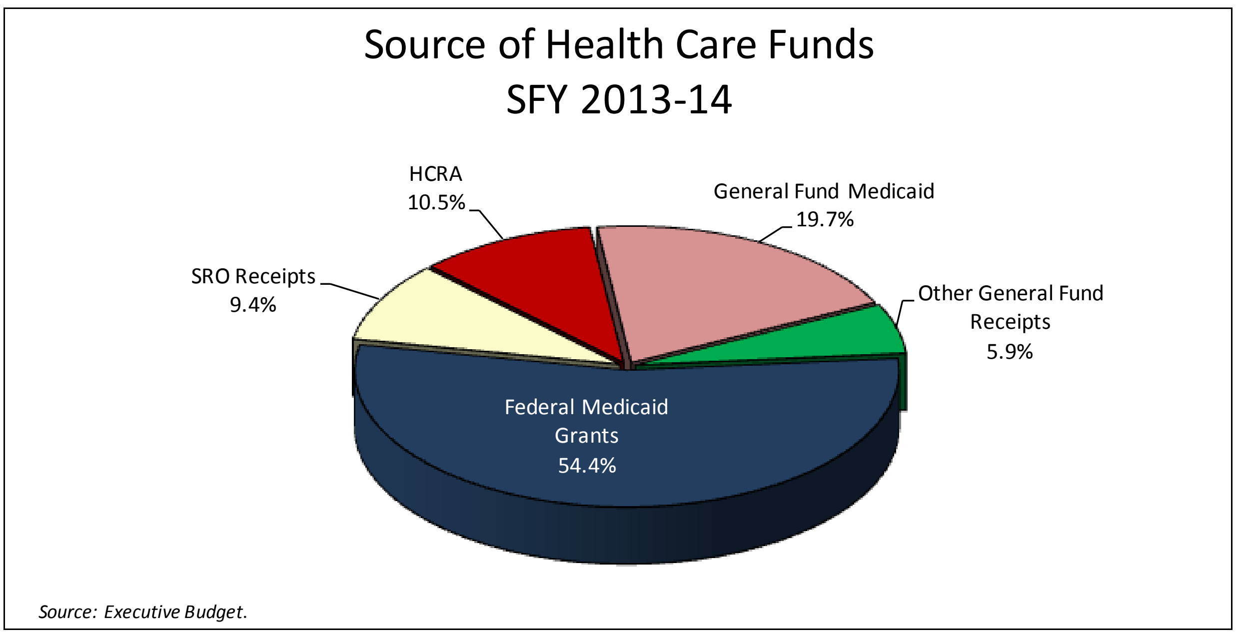


Figure 54

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.

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 Committee Staff forecast for SFY 2013-14 HCRA receipts is $5.6 billion and projected HCRA expenditures of the same amount.

The following table outlines the dedicated fund tax receipts for the HCRA for SFY 2013-14:

Table 72

Health Care Reform Act (HCRA) Receipts
($ in Millions)

	2011-12 Actual	2012-13 Estimate	2013-14 Executive	Change	Percent Change
Surcharges	$2,711	2,815	2,778	($37)	(1.3%)
Covered Lives Assessment	$1,018	1,045	1,045	$0	-
Cigarette Tax Revenue	$1,162	1,113	1,094	($19)	(1.7%)
Conversion Proceeds	$0	-	175	$175	100.0%
Hospital Assessment (1 percent)	$367	394	417	$23	5.8%
All Other	$59	71	135	$64	90.1%
Total Receipts	**$5,317**	**$5,438**	**$5,644**	**$206**	**3.8%**

In SFY 2013-14 an estimated $5.6 billion is dedicated to HCRA. Of the $5.6 billion, 49.2 percent is from surcharges on clinics and hospitals, 18.5 percent from the covered lives assessment paid by insurance companies based on the number of insured, while 19.4 percent comes from cigarette taxes. The one percent hospital assessment is a fee on inpatient services and accounts for 6.4 percent of HCRA revenues. Total HCRA receipts are forecast to grow by 3.8 percent in SFY 2013-14.

Surcharges

Varying surcharges are assessed on the net patient revenue of general hospitals and freestanding clinics. Surcharges are expected to yield $2.8 billion in SFY 2013-14. 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 $1.0 billion in SFY 2013-14.

Cigarette Tax

Currently, New York State levies a $4.35 per pack tax on each package of cigarettes. Per statute, 76 percent of revenue collected from this tax is dedicated to HCRA – approximately $1.1 billion in SFY 2013-14. The remaining is deposited into the General Fund.

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 $417 million in SFY 2013-14.

All Other

All other HCRA revenue sources are from the New York City Transfer Tax accounting for one percent or $135 million for HCRA in SFY 2013-14.

HCRA Receipts

Table 73

HCRA Receipts ($ in Millions)				
Fiscal Year	Surcharges, Assessments & Other	Cigarette Tax	Conversions	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	3,886	910	95	4,891
2010-11	4,150	1,136	-	5,286
2011-12	4,155	1,162	-	5,317
2012-13	4,325	1,113	-	5,438
2013-14	4,375	1,094	175	5,644

HCRA revenues have varied significantly over time as certain revenue streams are volatile. 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 the peak in HCRA revenues.

Revenues generated provide 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 the HCRA Fund if HCRA revenues are not sufficient to support the HCRA program.

Receipts for HCRA have increased $2.7 billion or 89 percent over the past ten years. All current and proposed HCRA funding sources rely on excise taxes ($4.35 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.)

The HCRA surcharges, hospital assessments and other revenues have increased 115 percent from SFY 2002-03, increasing from $2 billion to $4.4 billion.

Cigarette revenues declined steadily until June 2008, when legislation changed the distribution of cigarette revenues from 61.2 percent to 70.6 percent to benefit HCRA. In July 2010, legislation increased the share of cigarette revenues to HCRA to 76 percent from 70.6 percent. Cigarette Tax receipts are expected to be $1.1 billion, a decrease of $19 million from the SFY 2012-13 estimates.

Currently, the merger of WellChoice and WellPoint that was implemented in SFY 2005-06 generated $4.83 billion in conversion revenues for HCRA. At the time of the merger, the State received $2.7 billion in cash and 27 million shares of WellPoint common stock. Conversion proceeds and interest income accounted for $514 in SFY 2006-07, $1 billion in SFY 2007-08, $233 million in SFY 2008-09 and $95 million in SFY 2009-10. 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. Receipts in proceeds for the sale of insurance company conversions are forecast to generate $175 million in SFY 2013-14.

Table 74

Use of Health Care Funds ($ in Millions)				
	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Medicaid-Federal	$24,058	$25,736	$1,677	7.0%
Hospitals/Clinics	$4,514	$4,273	($241)	(5.3%)
Nursing Homes	$3,472	$3,649	$177	5.1%
Managed Care	$7,957	$8,336	$379	4.8%
Home Care	$3,293	$3,424	$132	4.0%
Non-Institutional	($4,698)	($4,692)	$6	(0.1%)
Family Health Plus	$953	$1,031	$78	8.2%
Pharmacy	$422	$401	($21)	(5.0%)
Medicaid-Other State Agencies	$5,872	$5,445	($428)	(7.3%)
Public Health	$3,140	$3,198	$58	1.8%
Total Disbursements	**$48,982**	**$50,799**	**$1,817**	**3.7%**

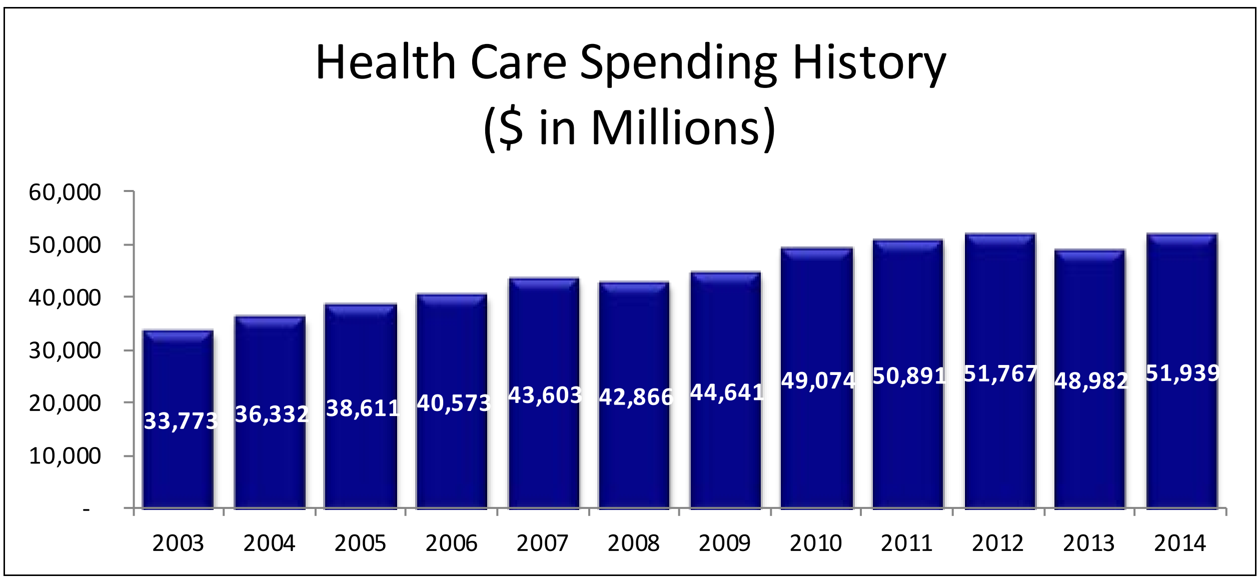


Figure 55

The majority of Health Care funds are allocated for Medicaid, both federal and state, making up 53 percent of expenditures. The largest non-Medicaid expenditures are Hospitals/Clinics and Managed Care, with seven percent and thirteen percent of health care spending, respectively.

Total Health Care spending totals $51.9 billion, an increase of $3 billion over SFY 2012-13. The local share of Medicaid spending totals $8.9 billion in SFY 2013-14, which brings total Health Care spending to $60.8 billion.

Medicaid Caps

The Medicaid spending cap limits growth in the Department of Health Medicaid spending to the ten year rolling average of the Medical Consumer Price Index, currently estimated at four percent. In the event that Medicaid expenditures exceed the global cap, the Commissioner of the Department of Health (DOH) is authorized to reduce payment rates and benefits to ensure expenditures remain within the cap. Medicaid expenditures are currently capped at $15.91 billion in SFY 2012-13. The cap was extended to one additional year through SFY 2013-14. The Executive proposes Medicaid growth of 3.2 percent or $509 million in SFY 2013-14.

Table 75

Total State Share Medicaid Disbursements ($ in Millions)

	2013 Current	2014 Proposed	2015 Projected	2016 Projected	2017 Projected
Department of Health:					
Local Assistance	15,860	16,230	16,780	17,591	18,289
State Operations	52	191	198	214	226
DOH State Share	15,912	16,421	16,978	17,805	18,515
Annual $ Change - DOH Only		509	557	827	710
Annual % Change - DOH Only		3.2%	3.4%	4.9%	4.0%

The Executive Budget provides substantial relief in health care spending for all counties and New York City by reducing growth in the local share of Medicaid payments by 1 percent annually beginning in 2013-14, fully eliminating all growth by 2015-16, and beginning a phased-takeover of local government administration of the Medicaid program. These initiatives provide significant administrative mandate relief and will save local governments nearly $1.2 billion over five years. Additional relief is provided by reforming the Early Intervention program to reduce counties' administrative burdens and cut their costs by $99 million over five years.

To close the budget gap, the Executive proposes a $161 million spending reduction to public health and aging programs. This cut comes from the consolidation of various public health programs. In addition, increased federal funding due to the Affordable Care Act will be used to achieve $40 million in savings in SFY 2013-14.

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 forecast at $10.6 billion, an increase of $187 million above SFY 2012-13 estimates.

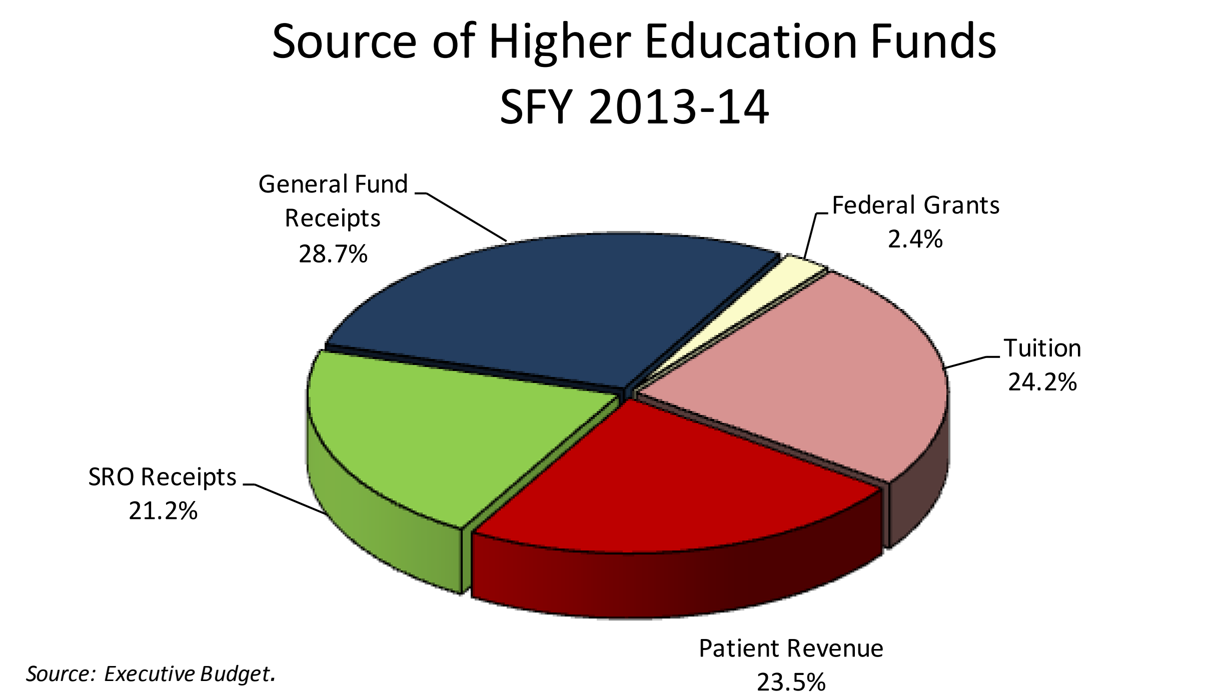
General Fund receipts for SFY 2013-14 are forecast at $3.0 billion, a decrease of $528 million from SFY 2012-13. SUNY General Fund receipts are expected to be $662 million, a decrease $697 million below SFY 2012-13. CUNY General Fund receipts are forecast to increase by $113 million to $1.3 billion in SFY 2013-14. HESC General Fund receipts will increase by $57 million to $971 million.

Higher Education Special Revenue receipts are forecast at $2.2 billion, a decrease of $555 million below SFY 2012-13. Capital Projects are forecast to be $1.1 billion, a decrease of $54 million from the prior fiscal year. SUNY Dormitory fees, which are pledged for debt service to the Dormitory Authority on bonds issued, are forecast at zero dollars, a decrease of $505 million below SFY 2012-13 estimates. This is due to the Executive Budget proposal to restructure the SUNY Dormitory bonding program. As part of the restructuring, lease revenue from the student dormitory program will no longer flow to the State's All Governmental Funds budget, and instead flow directly to the Dormitory Authority where it will be used to make debt service payments outside of the State's All Governmental Funds budget.

Federal grants are expected to be $250 million; there is no change from SFY 2012-13.

Table 76

Source of Higher Education Funds ($ in Millions)				
	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Federal Grants	$250	$250	-	-
Tuition	$1,797	$2,499	$702	39.1%
Patient Revenue	$2,404	$2,425	$21	0.9%
SRO Receipts	$2,745	$2,189	($555)	(20.2%)
General Fund Receipts	$3,493	$2,965	($528)	(15.1%)
Total Receipts	**$10,689**	**$10,328**	**($360)**	**(3.4%)**



Source: Executive Budget.

Figure 56

Table 77

Use of Higher Education Funds
($ in Millions)

	2012-13 Estimated	2013-14 Projected	Change	Percent Change
SUNY	$7,417	$7,518	$101	1.4%
CUNY	$1,197	$1,278	$80	6.7%
Community Colleges	$651	$652	$1	0.2%
SUNY Hospital Subsidy	$88	$60	($28)	-
HESC	$1,070	$1,102	$32	3.0%
Total Disbursements	**$10,424**	**$10,610**	$187	**1.8%**

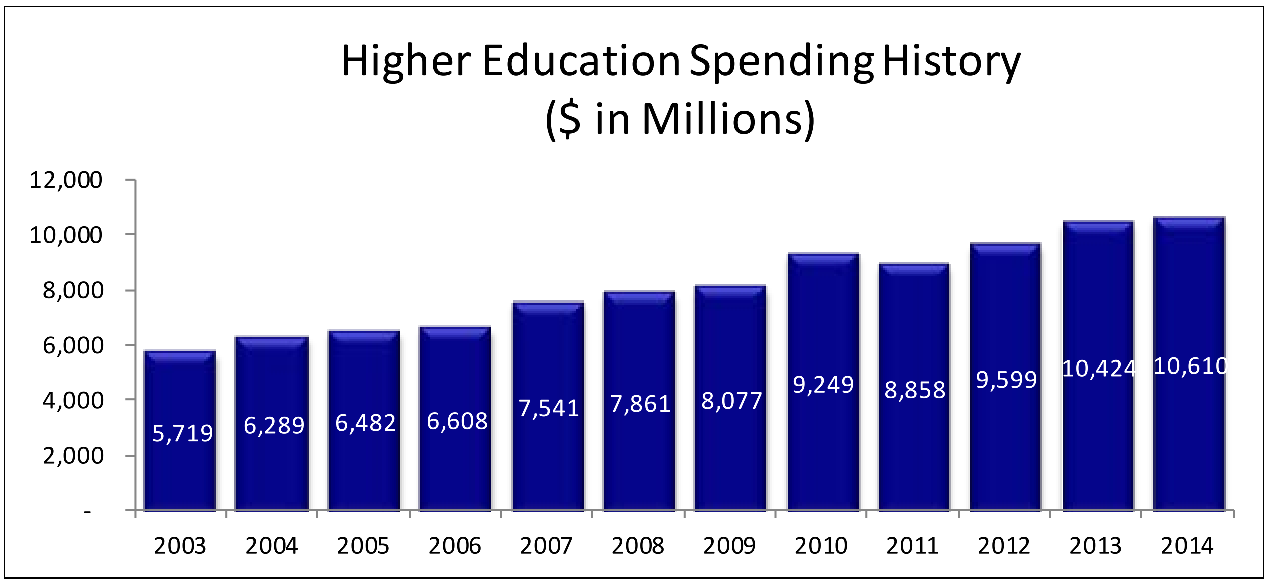


Figure 57

The majority of Higher Education funds are allocated to SUNY with 68 percent of spending, followed by CUNY with 13 percent.

The Executive Budget accommodates the authorized SFY 2013-14 tuition increases by providing $82 million in additional spending authority for SUNY and $80 million for CUNY.

HESC makes up the third largest portion of Higher Education spending at twelve percent. No Budget actions are proposed for TAP and Other Scholarship programs administered by HESC. The modest year-to-year increase in spending reflects the full year impact of SFY 2013-14 actions, offset by the impact of SUNY and CUNY tuition increases.

The Executive Budget maintains base operating aid funding for community colleges at 2012-13 levels of $2,272 per full-time equivalent student. A modest spending increase of $1 million brought Community College aid to $652 million.

The SUNY 2020 Challenge Grant Program implemented a tuition plan to provide for scheduled tuition increases for SUNY students by authorizing SUNY and CUNY campuses to raise tuition by $300 per student per year over a period of five years. The tuition increases will be invested in improving academic performance at the campuses.

In SFY 2013-14, the Executive proposal includes two $55 million appropriations for a third round of SUNY 2020 grants and a new round of NY CUNY 2020 grants. Projects will be selected in a competitive manner based on economic impact, advancement of academic goals, innovation and collaboration.

The Executive also proposes appropriations to continue funding from the initial rounds of SUNY 2020. They include an $88 million appropriation for an emerging technology and entrepreneurial complex at SUNY Albany; a $60 million appropriation for campus-wide projects at SUNY Stony Brook; and a $25 million appropriation for the Smart Energy Research and Development Facility at SUNY Binghamton.

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 forecast at $1.8 billion, a decrease of $27 million from SFY 2012-13.

General Fund receipts for SFY 2013-14 are forecast to decrease $13 million to $207 million.

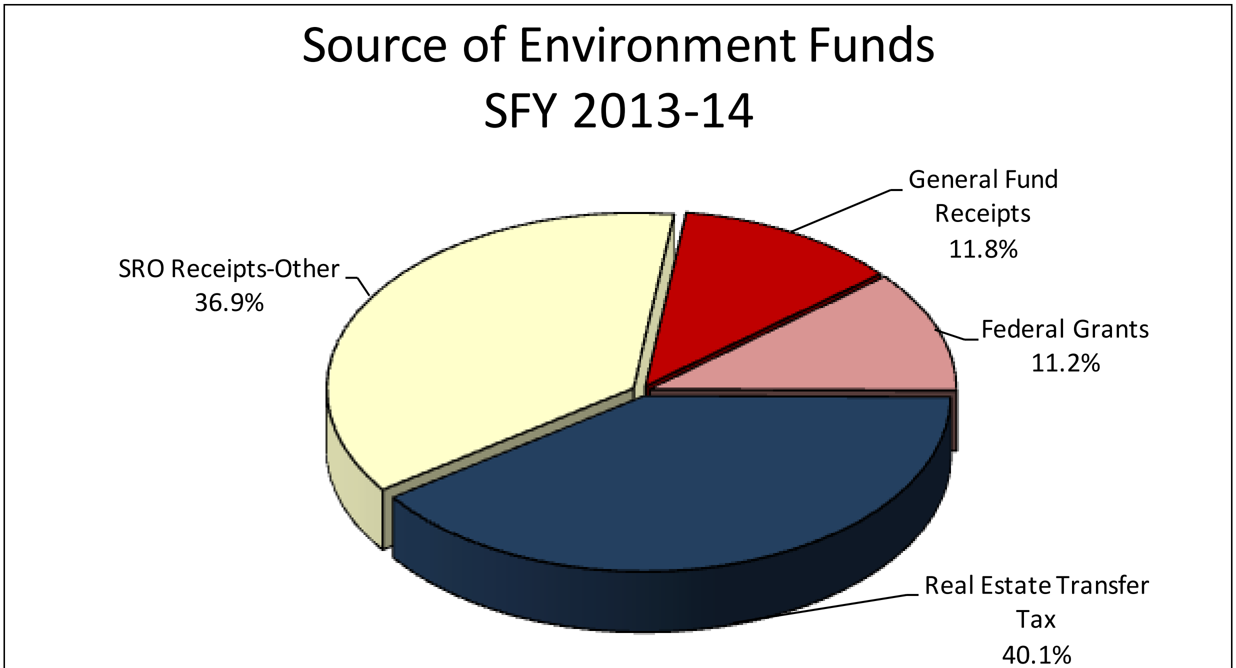
Environment Special Revenue receipts are forecast at $649 million, an increase of $38 million from SFY 2012-13. The Real Estate Transfer Tax receipts are forecast at $705 million, an increase of $20 million. The components of the Real Estate Transfer Tax receipts are anticipated to remain flat for Clean Water/Clean Air bonds for Environmental Protection Fund (EPF) Capital Projects Fund and increase $20 million in the Debt Service Fund, from the previous year.

Federal grants are forecast to be $197 million a $71 million decrease from the previous year.

Real Estate Transfer taxes are dedicated to Environmental purposes in addition to debt service payments related to Clean Water/Clean Air and Capital Projects activities related to the Environmental Protection Fund.

Table 78

Source of Environment Funds ($ in Millions)	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Federal Grants	$269	$197	($71)	(26.6%)
Real Estate Transfer Tax	$685	$705	$20	2.9%
SRO Receipts-Other	$611	$649	$38	6.2%
General Fund Receipts	$220	$207	($13)	(6.1%)
Total Receipts	**$1,785**	**$1,757**	**($27)**	**(1.5%)**



Source: Executive Budget.

Figure 58

Table 79

Use of Environment Funds ($ in Millions)				
	2012-13 Estimated	2013-14 Projected	Change	Percent Change
Agriculture & Markets	$107	$97	($10)	(9.3%)
Environmental Conservation	$971	$916	($55)	(5.7%)
Parks, Recreations, and Historical Preservation	$285	$276	($9)	(3.2%)
All Other	$8	$4	($4)	(47.0%)
Total Disbursements	**$1,371**	**$1,293**	($78)	**(5.7%)**

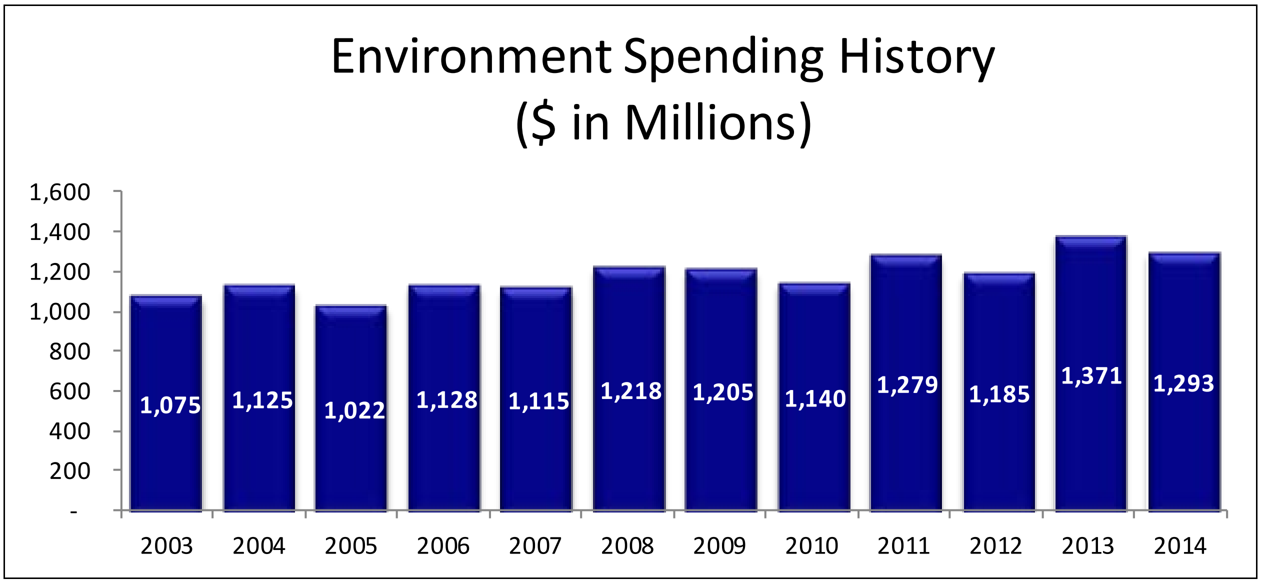


Figure 59

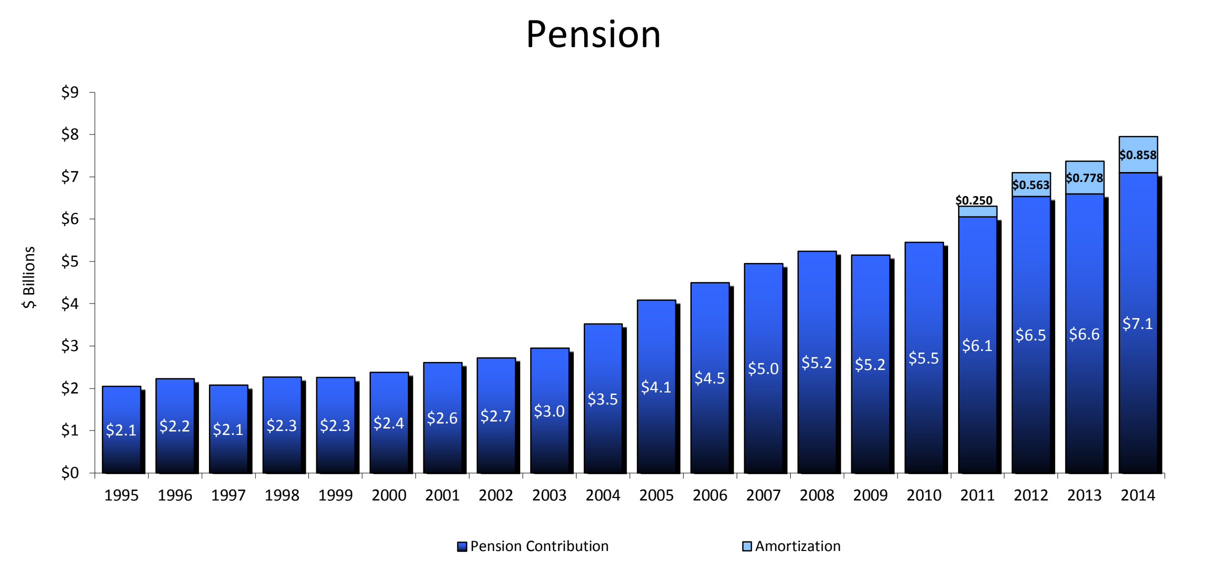
The majority of Environmental Fund spending is attributed to the Department of Environmental Conservation (DEC) at 71 percent; followed by the Office of Parks, Recreation, and Historic Preservation (OPRHR) at 21 percent; and the Department of Agriculture and Markets at eight percent.

The major actions for DEC include appropriations of $153 million for the programs supported by the Environmental Protection Fund; $12.7 million for solid waste programs; $58.3 million for Parks and Recreation; $82 million for open space programs; $40 million in capital for the Department under the New York Works; and a provision making the $2.50 waste tire fee permanent to provide continued funding for core DEC solid waste programs including cleanups of waste tire landfills.

Major budget actions for OPRHP include providing OPRHP $90 million in capital funding under the New York Works infrastructure program to address the large backlog of capital rehabilitation and improvement needs in 48 State parks and historic sites and facilities operated by the Olympic Regional Development Authority; and the continuation of statewide spending reductions for the Department, including a 0.3 percent reduction in State Operations spending.

Major Budget Actions for Agriculture and Markets include restructuring the Consumer Food Program and an appropriation of $16.7 million in local assistance funding for various programs that provide educational, scientific, promotional and marketing support to the agricultural community; and Capital funding of $2.5 million from the New York Works program, to address critical capital needs at the New York State Fair, including roof and façade replacement and other infrastructure improvements.

Pension



Source: NYS Comptroller.

Figure 60

Pension contributions for SFY 2014 are estimated at $7.1 billion including $858 million in amortization costs.

Local governments and the State are facing substantial pension contribution increases over the next few years due to investment losses experienced by the Common Retirement Fund. Since SFY 1995, pension contributions have increased $4.5 billion, or 238 percent. The SFY 2010-2011 Enacted Budget authorized local governments and the State to amortize a portion of their pension costs from 2010-11 through 2015-16. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller.

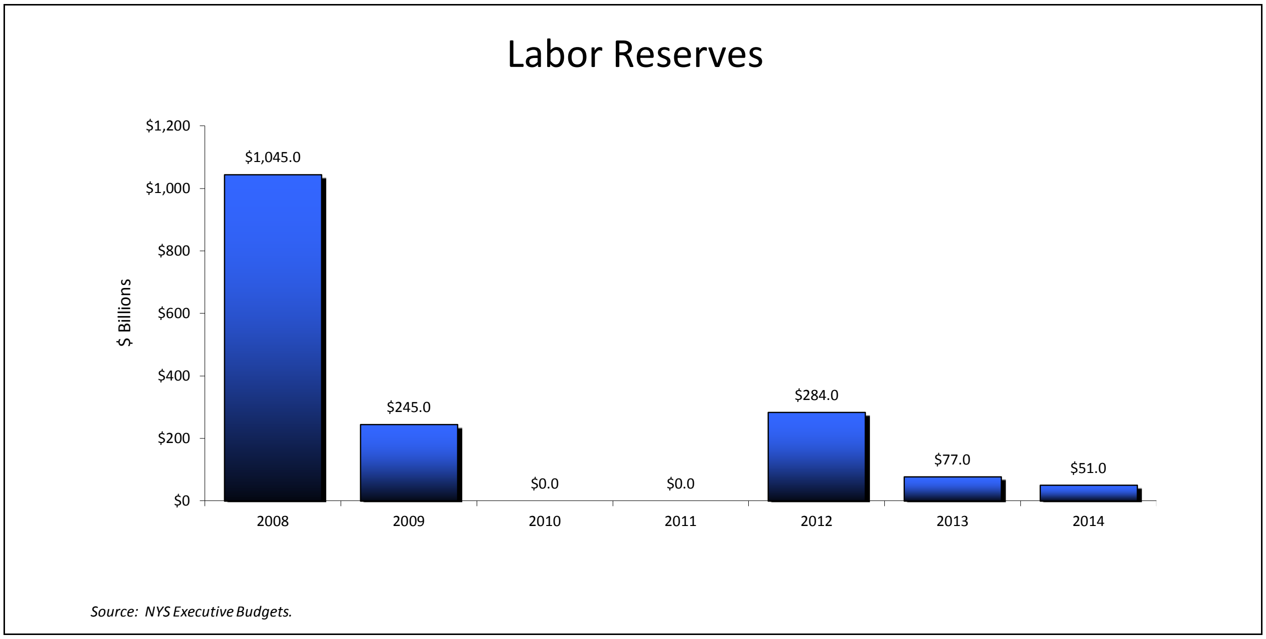


Figure 61

Labor Reserves are estimated to be $51 million in SFY 2013-14, a decrease of $26 million over SFY 2012-13 due to a labor settlement with NYSCOPBA. These labor reserves are set aside of retroactive labor settlements with unions that have not agreed to terms for prior contracts. The amounts are calculated based on the pattern settlement for the SFY 2008 through SFY 2011 period agreed to by the State's largest unions.

Debt Affordability

Debt Reform Act of 2000

The State of New York enacted 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 cap for SFY 2012-13 on new debt outstanding is four percent of personal income and on new debt service costs 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:

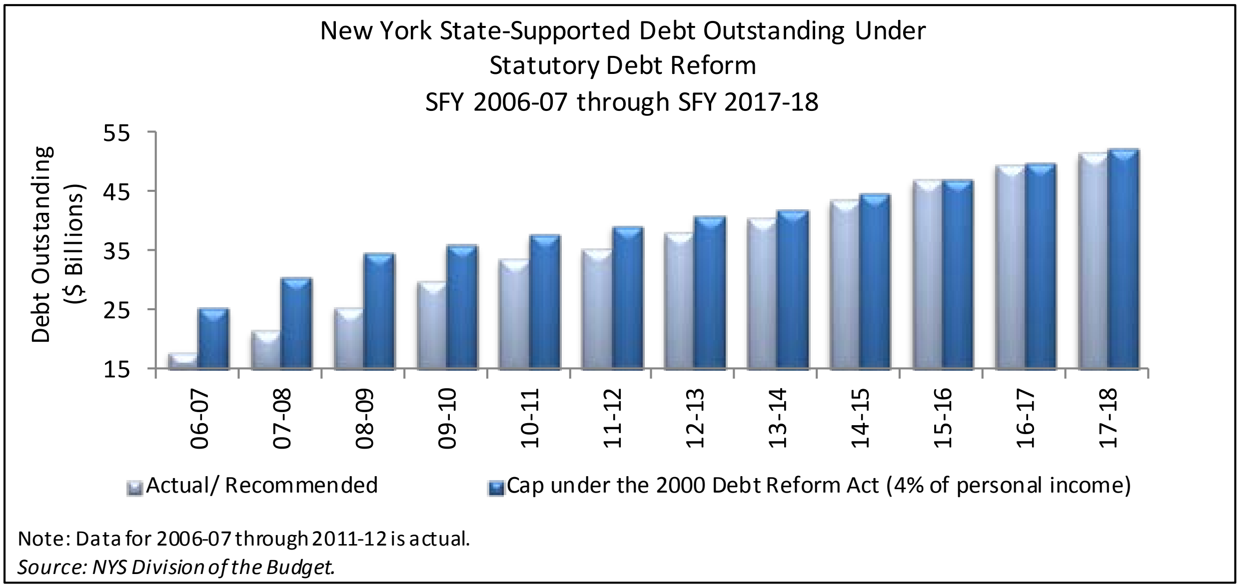


Figure 62

Due to the economic slowdown and the decline in revenues that impacted total personal income and governmental funds, the available room under the caps has declined for debt outstanding. As the available room to issue debt has declined, the Executive assumes debt outstanding capacity of $1.6 billion in SFY 2013-14 a decrease of $1.1 billion from SFY 2012-13.

This estimate includes bond-financed portion of increased capital commitments. It will be crucial to maintain flexibility in its capital spending priorities and debt financing practices to adjust to available debt capacity and stay within the statutory limits.

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 easier access to financial markets.

Table 80

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	Aa2
Local Government Assistance Corporation (LGAC)	AAA	AA	Aa2
Dedicated Highway & Bridge Trust Fund	AA	AA	NR
Mental Health Services Facilities Improvement Revenue	AA-	AA-	NR
Department of Health	AA-	AA-	NR
State Universty of New York Dormitory Revenue	AA-	AA-	Aa2
Tobacco Bonds	AA-	AA-	NR
Municipal Bond Bank Agency (MBBA) Special Schools Revenue	A+	AA-	NR
Service Contract/Appropriation Credits[2]	AA-	AA-	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

Debt Management

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.

New York State

General Obligation Bonds

General Obligation (GO) Bonds are issued with the full faith and credit of the State by voter authorization. Only 6.3 percent of total State-supported debt outstanding is GO bond debt as of SFY 2013-14. The Executive estimates at the end of SFY 2013-14 there will be $3.63 billion in outstanding GO bonds representing: $45.68 million in Economic Development and Housing, $1.1 billion in Environment, and $2.5 billion in Transportation. For SFY 2013-14 the State will pay $477 million in GO debt service and will issue $335 million in GO retirements bonds and $379 million in GO debt issuances in bonds .

Majority of projected general obligation bonds spending was authorized in the 2005 Rebuild and Renew New York Bond Act. Spending authorizations from the remaining eight bond acts will be virtually depleted by SFY 2013-14. General obligation bonds are the only debt obligations that the State is required to pay by law. As of March 31, 2012 there were $3.6 billion in GO bonds outstanding and there were $569 million GO bonds that remained authorized but unissued (primarily in the Transportation Bond act projects).

Table 81

General Obligation Bond* Financing of Capital Projects SFY 2013-14 ($ in Millions)				
Bond Referendum	Actual Total Debt Oustanding as of 3/31/12	Authorized but Unissued 3/31/12	Projected Issuance SFY 2012-13	Projected Issuance SFY 2013-14
Transportation				
Department of Transportation:				
Rebuild and Renew - 2005	$1,450	$396	$157.1	$94.8
Improvements - 1988	$3,000	$20	$2	$2
Infrastructure Renewal - 1983	$1,250	$22	$1	$1
Energy Conservation - 1979	$500	$0	$0.025	$0.025
Rail Preservation - 1974	$250	$0	$0	$0
Transportation Capital Facilities - 1967	$2,500	$0	$0.1	$0.1
Metropolitan Transportation Authority:				
Mass Transit (MTA)	$1,450	$569	$183	$183.6
Parks and Environment				
Department of Environmental Conservation:				
Clean Water/Clean Air - 1996	$1,750	$213	$50	$50.0
EQBA - 1986	$1,450	$64	$4	$4
EQBA - 1972	$1,150	$26	$1.5	$1.5
Pure Waters - 1965	$1,000	$21	$0.6	$0.6
Parks and Recreation Land Acquisition- 1960	$100	$1		
Environmental Facilities Corporation:				
Clean Water/Clean Air - 1996	NA	NA		
Parks, Recreation and Historic Preservation:				
EQBA - 1960				
Housing				
Housing				
Low, Middle and Urban - 1958	$1,135	$10		
Other			$36.3	$41.5
Total General Obligation Bond Financing for SFY 2013-14	**$16,985**	**$1,342**	**$435.6**	**$379.0**

State-Supported Debt

State-supported Debt outstanding is expected to increase from $53.43 billion in SFY 2012-13 to $54.83 billion in SFY 2013-14. Transportation and Education, which make up 29 percent and 31 percent of debt outstanding, respectively, are the majority of the State's obligations. The remaining obligations by function of debt outstanding are 11 percent in State Facilities and Equipment, five percent in LGAC, nine percent in Health and Mental Hygiene, five percent in Environment, ten percent in Economic Development and Housing while Tobacco is 4.1 percent and all other debt 1.5 percent of state-related debt outstanding.

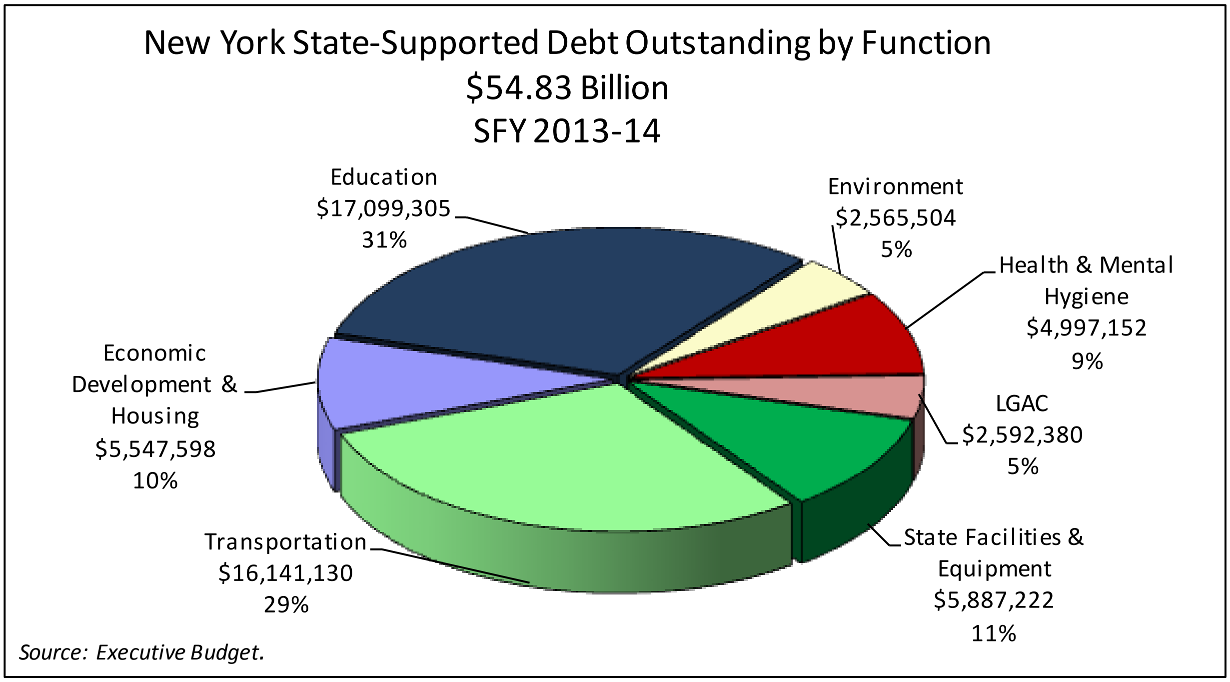


Figure 63

The $1.4 billion increase in state-supported Debt outstanding for SFY 2013-14 is offset by $3.6 billion in state-supported debt retirements and $5 billion in state-supported debt issuances. Increases in debt outstanding will occur in the following programs: $894 million for Education facilities, $330 million for Transportation, $140 million for Environmental projects, and $324 million for Health and Mental Hygiene.

Over a longer time horizon, State-related debt outstanding as a percentage of personal income is projected to drop from 6.7 percent in SFY 2013-14 to 4.6 percent in SFY 2017-18. State-related debt outstanding as a percent of personal income spiked as the State issued $4.6 billion

Personal Income Tax Bonds (Revenue Bonds)

Personal Income Tax (PIT) Revenue Bonds are backed by 25 percent of PIT 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 is forecast at $3.5 billion for SFY 2013-14 and will be offset by $1.3 billion in debt retirements for a total of $28.7 billion in debt outstanding and $2.6 billion in debt service.

Table 82

Personal Income Bonds (PIT) SFY 2013-14 ($ in Thousands)				
Revenue Bonds	Debt Outstanding	Debt Service	Debt Issuance	Debt Retirements
Personal Income Tax:				
Economic Development and Housing	$4,848,128	$620,483	$512,961	$409,385
Education	$11,912,166	$945,720	$1,644,631	$359,065
Environment	$1,371,261	$127,303	$312,290	$69,014
Health & Mental Hygiene	$2,072,666	$212,294	$224,588	$106,266
State Facilities Equipment	$3,771,279	$337,638	$353,208	$168,098
Transportation	$4,768,822	$404,115	$494,088	$178,440
Total PIT Bonds	**$28,744,322**	**$2,647,553**	**$3,541,766**	**$1,290,268**

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 83

Service Contract & Lease-Purchase Agreements State-Supported Debt Outstanding ($ in Thousands)	
	SFY 2013-14
Economic Development & Housing	$653,785
Education	3,690,339
Environment	89,468
Health & Mental Hygiene	32,940
State Facilties & Equipment	2,115,944
Transportation	1,080,365
Total	**$7,662,840**

The Service Contract & Lease- Purchase Agreement in SFY 2013-14 projects at total of $7.7 billion, a decrease of $915 million or 10.6 percent since SFY 2012-13. Economic development $653 million, a decrease of $94 million or 12.6 percent since SFY 2012-13; Education $3.7 billion, a decrease of $342 million or 8.5 percent; Environment $89.4 million, a decrease of $14.8 million or 14.3 percent; Health & Mental Hygiene $32.9 million, a decrease of $3.9 million or 10.5 percent; State Facilities & Equipment $2.1 billion, a decrease of $233 million or 9.9 percent; Transportation $1.1 billion, a decrease of $227 million or 17.3 percent.

Revenue Bonds

Table 84

Revenue Bonds State-Supported Debt Outstanding ($ in Thousands)	
	SFY 2013-14
Revenue:	
Education	$11,912,166
Environment	1,371,261
Transportation	4,768,822
Economic Development & Housing	4,848,128
Health & Mental Hygiene	2,072,666
State Facilities & Equipment	3,771,279
Other Revenue:	
Education - SUNY Dorms	1,496,800
Health & Mental Hygiene	
Health Income	252,100
Mental Health Services	2,639,446
LGAC - Sales Tax	2,592,380
Transportation - Dedicated Highway	7,813,598
Total All Revenue Bonds	**$43,538,646**

The public authorities and benefit corporations authorized to issue revenue bond financing are as follows: The Dormitory Authority of the State of New York (DASNY); The Urban Development Corporation (UDC); The New York State Thruway Authority (TA); The New York State Environmental Facilities Corporation (EFC); and The New York State Housing Finance Agency (HFA). The issuance of such revenue bonds shall not be a debt to the State nor shall the State be liable. 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 Other State Financings (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 cannot be made.

The management of $54.8 billon state-supported debt outstanding is primarily in debt instruments of fixed rate (96 percent), Interest Rate Exchange Agreement (Swaps) (3.7 percent) and in variable rate (0.4 percent). When interest rates are favorable the State has often refunded outstanding debt to produce fiscal year savings.

The State's refunding criteria require that each individual bond must have a certain minimum net present value (NPV) 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 bonds' total cost of issuance, including underwriter's discount and bond insurance if applicable.

The use 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 in SFY 2013-14 swaps exposure is estimated to 3.7 percent of state-supported related debt outstanding. In order for the state to enter into swap agreements, the state counterparty rating must be AA rated at a minimum.

New York State uses certain debt instruments like interest rate exchange agreements (swaps) and variable rate debt obligations (VRDO) to manage debt. Only 4.3 percent of debt in SFY 2013-14 will be managed with debt instruments other than fixed interest rates. Article 5-D of State Finance outlines the management of debt instruments.

Public Authority Debt

Public Authority debt is not a State obligation 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.*

Approximately, 52 percent of total spending will be financed with authority bond proceeds. The State expects to use State PIT and Sales Tax Revenue Bonds as the financing vehicles for the vast majority of new bond financed spending for non-transportation programs.

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 availability of existing bond proceeds, bond market access, investment terms and State cash flow considerations. The following table lists all entities that have issued Public Authority debt:

Table 85

Public Authority Debt
SFY 2013-14
($ in Thousands)

	Debt Outstanding	Debt Service	Debt Issuances	Debt Retirements
Transportation				
Metropolitan Transportation Authority	$1,823,135	$152,889	$0	$58,950
Transportation Infrasture	$79,674	$4,594	$82,620	$2,946
Peace Bridge (paid off)	$0	$0	$0	$0
Albany County Airport	$12,590	$3,481	$0	$2,835
Thruway Authority				
Consolidated Local Highway Improvement	$3,933,788	$519,245	$411,468	$340,395
Dedicated Highway & Bridge	$7,813,598	$951,122	$685,304	$586,060
Education				
Dormitory Authority				
SUNY Educational Facilities	$7,846,532	$620,230	$937,031	$369,949
SUNY Dormitory Facilities	$1,496,800	$0	$0	$49,515
SUNY Upstate Community Colleges	$798,364	$68,581	$112,608	$27,359
CUNY Educational Facilities	$4,579,179	$401,161	$479,273	$184,419
State Education Department	$45,235	$5,747		$3,430
Library for the Blind	$0	$1,081		$1,060
SUNY Athletic Facilities	$13,815	$1,517		$860
RESCUE	$43,705	$12,648		$9,815
University Facilities (Jobs 2000)	$4,740	$2,902		$2,540
Judicial Training Institute	$7,710	$565		$195
Statewide Longitudinal Data System	$13,339	$3,679	$13,005	$3,396
Higher Ed Capital Matching Grants	$91,748	$18,248	$7,854	$13,591
Public Broadcasting Facilities	$3,955	$1,883		$1,605
EXCEL School Construction	$2,051,739	$187,150	$71,400	$74,736
Library Facilities	$71,831	$9,571	$14,280	$6,164
Cultural Educ. Storage Facilities	$8,570	$633	$0	$195
Judiciary Training Academies	$22,043	$2,699	$9,180	$1,842
Health				
DOH & Veteran's Home Facilities	$285,040	$33,806		$18,880
Health Care Grants	$601,041	$67,941	$224,588	$43,501
Mental Hygiene				
Mental Health Facilities	$4,111,071	$450,830	$416,276	$254,065
Public Protection				
ESDC				
Prison Facilities	$4,566,509	$447,943	$241,409	$248,897
Youth Facilities	$195,981	$25,900	$19,380	$16,458
Homeland Security	$13,206	$2,590		$774
Environment				
EFC/ERDA				
Riverbank Park	$35,440	$4,937		$3,135
Pilgrim Sewage Treatment	$1,800	$846		$800
State Park Infrastucture	$0	$0		$0
Pipeline for Jobs (Jobs 2000)	$0	$1,099		$1,050
Environmental Infrastructure	$827,814	$82,984	$199,074	$48,566

- continued -

Public Authority Debt SFY 2013-14 ($ in Thousands) *- continued -*	Debt Outstanding	Debt Service	Debt Issuances	Debt Retirements
Hazardous Waste Remediation	$592,092	$55,930	$113,216	$29,258
ESDC				
Pine Barrens	$3,583	$1,312		$1,083
State Buildings/Equipment				
ESDC				
State Capital Projects	$116,335	$10,624		$13,270
State Buildings		$20,612		
ESDC/DA/OGS				
State Facilities	$763,904	$113,438	$92,419	$89,740
Equipment/Certificates of Participation	$231,287	$57,156		$32,405
Housing				
Housing Finance Agency	$1,603,083	$190,868	$115,847	$130,374
Economic Development				
TBTA/ESDC				
Javits Center (1985) Prior Issue - Paid off	$0	$0	$0	$0
ESDC/DA				
University Technology Centers	$28,537	$18,308		$11,547
Onondaga Convention Center	$20,575	$4,032		$2,900
Sports Facilities	$158,185	$26,279		$17,800
Community Enhancement Facilities	$44,409	$9,957	$0	$10,951
Child Care Facilities	$10,760	$256		$1,725
Buffalo Inner Harbor	$31,230	$3,268	$0	$1,885
Strategic Investment Program	$20,715	$2,030		$2,110
Regional Economic Growth	$247,798	$86,369	$0	$69,327
NYS Econ. Dev. Program	$210,320	$31,745	$0	$21,527
High Technology & Development	$124,728	$19,137	$0	$12,838
Regional Economic Development	$56,926	$7,786		$6,379
SUNY 2020	$9,817	$730	$0	$383
Semiconductor Manufacturing Facility	$639,230	$35,411		$0
Other Economic Development	$823,603	$106,466		$66,293
High Technoology Projects	$171,572	$59,141	$0	$50,578
2008 & 2011 Eco. Development Initiatives	$1,290,769	$129,796	$397,115	$90,990
RIOC Tram, etc.	$9,655	$6,870		$6,270
Debt Management Strategies		($128,000)		
Total Public Authority	**$48,609,106**	**$4,958,022**	**$4,643,346**	**$3,047,526**

Table 86

State-Supported Debt Caps SFY 2013-14 ($ in Thousands)		
Program	Current Low Bond Caps	Proposed Bond Cap Increases/Decreases
SUNY Educational Facilities	$10,304,000	$118,000
SUNY Dormitory Facilities	$1,561,000	
SUNY Upstate Community Colleges	$623,000	$40,000
CUNY Educational Facilities	$6,843,200	$10,000
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	$98,000	$14,000
Cultural Education Facilities	$79,000	
State Longitudinal Data System	$20,400	
NY-SUNY 2020	$110,000	$110,000
Total Education Bond Caps	**$22,920,205**	**$292,000**
Environmental Infrastructure Projects	$1,118,760	$147,000
Hazardous Waste Remediation (Superfund)	$1,200,000	
Riverbank State Park	$78,000	
Water Pollution Control (SRF)	$700,000	
State Park Infrastructure	$30,000	
Pipeline for Jobs (Jobs 2000)	$33,750	
Long Island Pine Barrens	$15,000	
Pilgrim Sewage Plant	$11,200	
Total Environment Bond Caps	**$3,186,710**	**$147,000**
Empire State Plaza	$133,000	
State Capial Projects (Attica)	$200,000	
Division of State Police Facilities	$114,100	$52,240
Division of Military & Naval Affairs	$24,000	$3,000
Alfred E. Smith Building	$89,000	
Elk St. Parking Garage	$25,000	
State Office Buildings and Other Facilities	$205,800	$15,000
Judiciary Improvements	$37,600	
OSC State Buildings	$51,700	
Albany Parking Garage (East)	$40,910	
OGS State Buikding and Other Facilities	$140,000	
Equipment Acquisition (Cops)	$784,285	
Food Laboratory	$40,000	
OFT Facilities	$21,000	
Courthouse Improvements	$76,100	
Prison Facilities	$6,816,869	$316,200
Homeland Security and Training Facilities	$67,000	

- continued

State-Supported Debt Caps SFY 2013-14 ($ in Thousands) *- continued -*		
Program	Current Low Bond Caps	Proposed Bond Cap Increases/Decreases
Youth Facilities	$429,515	
NYRA Land Acquisition/VLT Construction	$355,000	
Transformative Capital Fund		$1,170,000
Office of Information Technology Services		$60,000
Total State Facilities Bond Caps	**$9,650,879**	**$1,616,440**
Housing Capital Programs	$2,740,699	$104,200
Community Enhancement Facilities (CEFAP)	$423,500	
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	$215,650	
Regional Economic Development	$1,189,700	
NYS Economic Development (2004)	$345,750	
Regional Economic Development (2004)	$243,325	
High Technology and Development	$249,000	
Regional Economic Development/SPUR	$89,750	
Buffalo Inner Harbor	$50,000	
Jobs Now	$14,300	
Economic Development 2006	$2,310,385	
Javits Convention Center (Expansion 2006)	$350,000	
Queens Stadium (Mets)	$74,700	
Bronx Stadium (Yankees)	$74,700	
NYS Ec. Dev. Stadium Parking (2006)	$75,000	
State Modernization Projects (Tram)	$50,450	
Int. Computer Chip Research and Dev. Center	$300,000	
2008 and 2009 Economic Development Initiatives	$1,269,450	
H.H. Richardson Complex/Darwin Martin House	$83,500	
2011 & 2012 Economic Development Initiatives	$710,550	$446,057
Total Economic Development Bond Caps	**$11,333,645**	**$550,257**
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)	$7,106,022	$410,853
Dedicated Highway & Bridge Trust	$16,500,000	
High Speed Rail	$22,000	
Albany County Airport	$40,000	
MTA Transit and Commuter Projects	$2,005,455	
MTA Transportation Facilities	$770,000	
Transportation Initiatives	$15,000	$300,000
Total Transportation Bond Caps	**$26,458,477**	**$710,853**
Local Government Assistance Corporation (LGAC)	$4,700,000	
Total LGAC Bond Cap	**$4,700,000**	**$0**
General Obligation	$17,435,000	
Total General Obligation Bond Caps	**$17,435,000**	**$0**
Grand Total	**$104,296,516**	**$3,316,550**

Table 87

Projected State-Supported and related Debt Outstanding ($ in Thousands)		
	SFY 2012-13	Projected SFY 2013-14
General Obligation	$3,584,854	$3,628,805
LGAC	2,835,683	2,592,380
PA Debt-Other Lease- Purchase & Contractual Obligation (Revenue Bonds)	$47,013,285	$48,609,106
Total State-Supported Debt	**$53,433,822**	**$54,830,291**
Other State Obligations:		
Tobacco	$2,411,205	$2,080,095
All Other	$776,442	$698,659
Total State-Related Debt	**$56,621,469**	**$57,609,045**

The New Executive proposals

The Executive proposals new methods of reforming debt management that promotes efficiency and effectiveness to economic growth and job creations, enhancement of the State's debt spending, and generating savings for SFY 2013-14 and beyond. The reforms include:

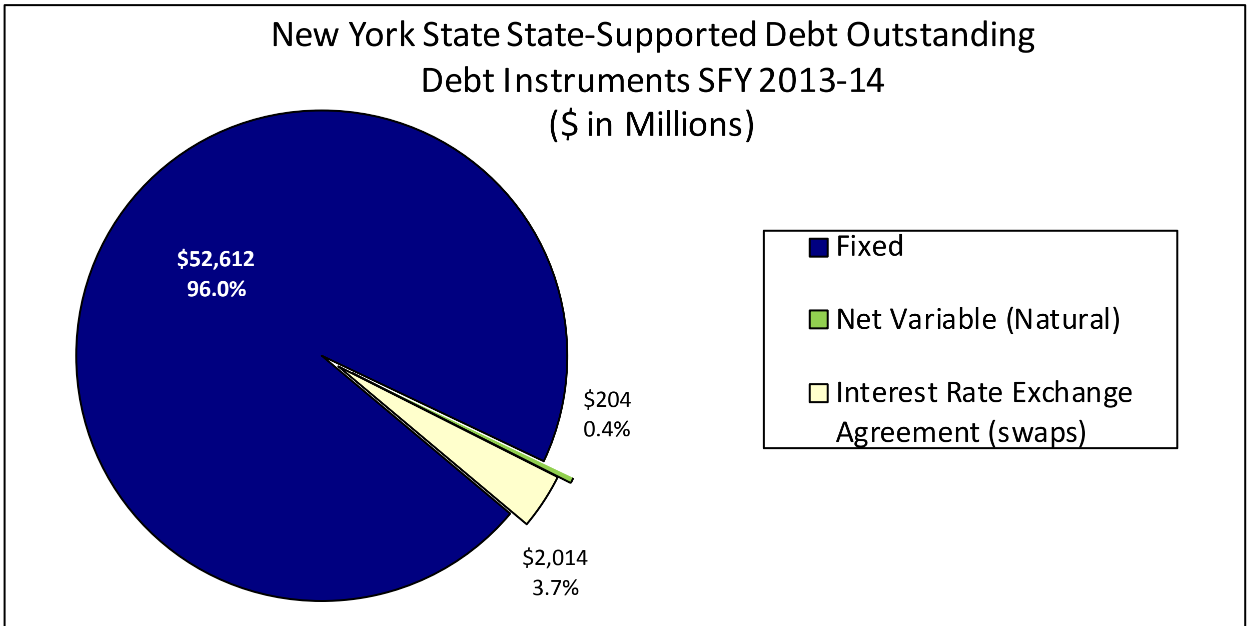
- Instituting a new Sales Tax Revenue Bond credit to reduce interest costs and streamline debt issuance. The new credit would be secured by one penny of the State sales tax, and replicate the strong credit features of the PIT bond program. It would diversify the State's credit offerings, and will enable greater investor participation, resulting in lower debt service costs.

- Authorizing SUNY Dormitory Facilities bonding credit that is self-supporting which will remove the State appropriation feature and SUNY's general obligation pledge, eliminating any State support of the credit.

- Eliminating $500 million in debt issuance by using release reserves from the Workers' Compensation Board.

- The Executive's debt program includes $3.3 billion of increases of bond authorizations for the following programs; $118 million for SUNY Educational Facilities, $40 million for SUNY Upstate Community Colleges, $10 million for CUNY Educational Facilities, $14 million for Library Facilities, $110 million for NY-SUNY 2020, $147 million for Environmental infrastructure projects, $3 million Division of Military & Naval Affairs, $15 million in state office buildings, $316.2 million for prison facilities, $104.2 million in Housing capital programs, $446 million in 2011 and 2012 Economic Development initiatives, $1.2 billion for Transformative Capital fund, $60 million for Information Technology, $410.9 million for CHIPS and $300 million for Transportation Facilities.

Variable Rate Bonds



Source: 2014 Executive Budget.

Figure 64

<u>Variable Rate Debt Obligations (VRDO)</u>

The State's net variable rate of exposure is projected to average 1.5 percent of outstanding debt from SFY 2013 through SFY 2018. The debt that is charged against the variable rate cap represents the State's unhedged variable rate bonds.

The State's policy is to count 35 percent of the national amount of outstanding 65 percent LIBOR fixed rate swaps in its variable rate exposure. Due to current market conditions, the State has no plans to issue VRDO over the course of SFY 2013-14.

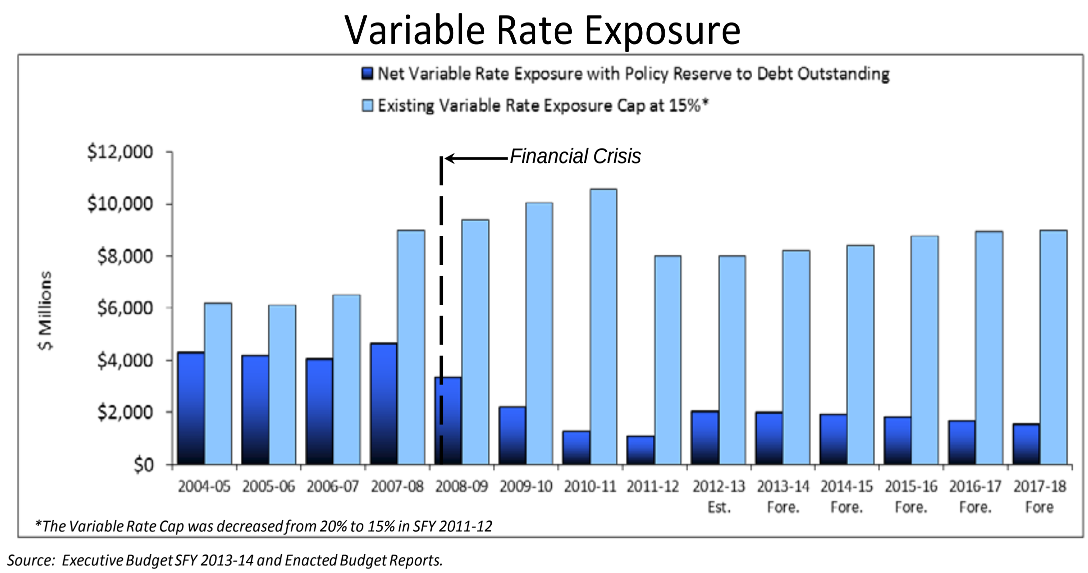


Figure 65

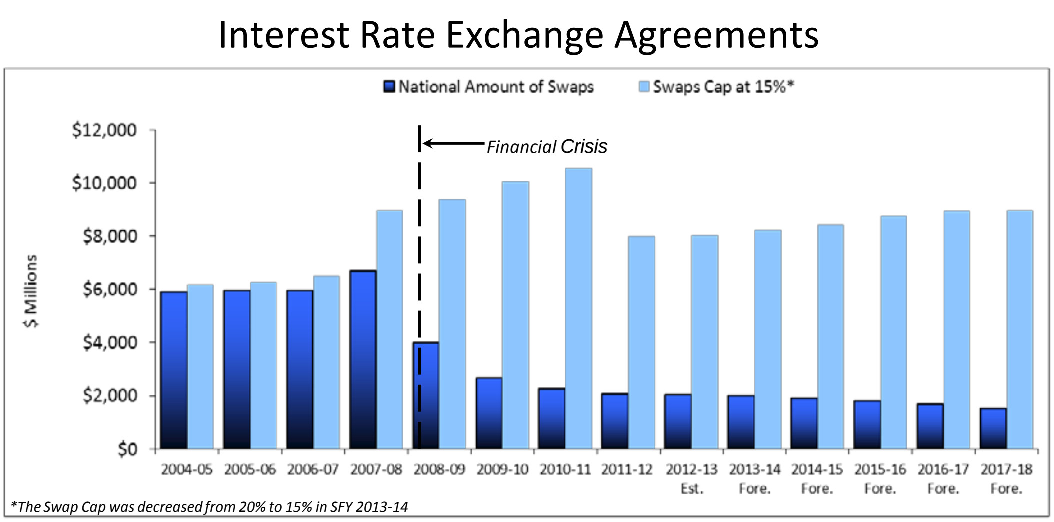
The State expects to fix out $258 million of convertible bonds due in SFY 2014, which will eliminate all remaining convertible bonds from the State's portfolio.

Interest Rate Exchange Agreements (swaps)

Currently the State pays a fixed interest rate to the counterparty and the counterparty agrees to pay the State a variable rate (65 percent of LIBOR for all State swaps). The variable rate for bondholders and rate of the State off-set each other, leaving the State with the synthetic fixed rate payment. The synthetic fixed rate was less than the fixed rate the State would have paid to issue traditional fixed rate bonds at that time.

The Rise and Benefits of Swaps

New York State swaps program began in 2002 and State swaps portfolio was $6 billion prior to the financial crisis in 2008, to take advantage of savings stemming from the variability of interest rates. Since then, New York State has terminated $4 billion in swaps including, $565 million that was terminated automatically due to the bankruptcy of Lehman Brothers Holdings and struggled to get liquidity from the market stemming from banks hike in interest rates which were too costly for the State. Rates for swaps increased due to all bond insurers being bankrupt resulting from the lack of funds to pay the mortgage back securities portfolio, and the LIBOR scandal discovering that banks were falsely inflating and deflating their rates so as to profit from trades, or to give the impression that they were more creditworthy. Eventually, banks left the swaps market because of its high profile risk, profits only generated 30 basis points. The State's investment in synthetic variable rates was beneficial because it was unhedged funds constituting a lower interest rate in comparison to synthetic fixed which was riskier. This led to the State's desire to not use swaps as a debt management tool during the late 2008 and to date continues to reduce the debt portfolio's exposure until market conditions become more favorable.

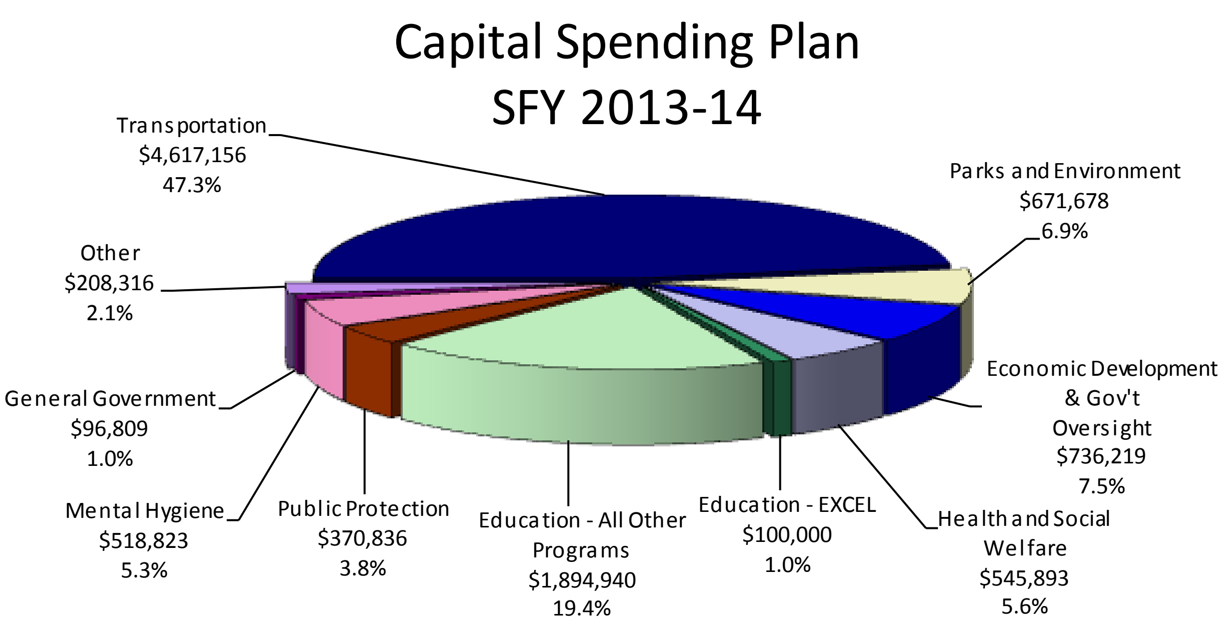


Source: Executive Budget SFY 2013-14 and Enacted Budget Reports.

Figure 66

Capital 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.



Source: Executive Budget.

Figure 67

The State anticipates spending $9.8 billion in capital financing for SFY 2013-14, of which $4.6 billion or 47.3 percent in Transportation, $1.9 billion or 19.4 percent in Education, and $3.3 billion or 33.3 percent in All Other programs.

The Executive Capital proposed plan sets forth capital spending priorities within a fiscally responsible and comprehensive process for developing a long-term capital investment plan. The capital spending projects is projected to total $9.8 billion in SFY 2014, which includes $1.6 billion in *"off-spending"* directly from bond proceeds held by public authorities. The

Executive's core mission is: Implement and accelerate more efficient stabilization systems to assist in the protection of New York from natural disasters; rebuild smarter infrastructures, while also promoting jobs for tomorrow; utilizing New York Works Task Force to stimulate the economy and managing bond-financed spending within the State's existing debt limits.

The Capital total spending for SFY 2013-14 is projected at $9.8 billion, which is an increase of $79 million or 0.8 percent, since SFY 2012-13. The Debt outstanding for SFY 2013-14 is projected at $57.6 billion, which is an increase of $988 million or 1.7 percent, since the SFY 2012-13.

Table 88

Capital Spending by Function
SFY 2012-13 through 2017-18
($ in Millions)

Spending	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Transportation	$4,655	$4,617	$4,479	$4,344	$4,325	$4,144
Parks and Environment	$726	$672	$643	$634	$602	$546
Economic Development & Gov't Oversight	$568	$736	$875	$962	$643	$638
Health and Social Welfare	$618	$546	$220	$235	$235	$250
Education - EXCEL	$100	$100	$92	$0	$0	$0
Education - All Other Programs	$2,002	$1,895	$1,911	$1,855	$1,705	$1,336
Public Protection	$307	$371	$347	$334	$322	$303
Mental Hygiene	$552	$519	$639	$622	$589	$615
General Government	$67	$97	$110	$72	$80	$70
Other	$88	$208	$438	$1,030	$847	$540
Total	**$9,682**	**$9,761**	**$9,754**	**$10,087**	**$9,347**	**$8,441**
Off- Budget Spending	($1,658)	($1,564)	($1,502)	($1,366)	($1,333)	($1,390)
Net Cash Spending	**$8,024**	**$8,197**	**$8,252**	**$8,721**	**$8,014**	**$7,051**

The Five-Year Capital Plan

- **The Executive is proposing a $47.4 billion Five-Year Capital Plan:** The new Capital Plan is $3.4 billion or 7.7 percent over the Enacted Capital Plan of SFY 2012-13. This new Five-Year Capital Plan reprioritizes and accelerates existing projects and implements a portion of the New York Works program.
  - The Executive's proposal of $9.8 billion Capital Plan spending for SFY 2013-14 reflects an increase of 1 percent, or $78.2 million, from SFY 2012-13.
  - Increases in Capital projects spending for SFY 2013-14 include an increase in Economic Development and Government Oversight by 30 percent or $167.9 million, Public

Protection programs by 21 percent or $64.3 million, General Government programs by 45 percent or $30.2 million and Other by 137 percent or $120.3 million.

- o Decreases in proposed Capital projects spending in SFY 2013-14 include a decrease of $37.8 million or one percent in Transportation, $54.1 million or seven percent in Parks and Environment, $72 million or 12 percent in Health and Social Welfare, $107.4 million or five percent in Education programs, and $33.1 million or six percent in Mental Hygiene.

Table 89

Capital Program and Financial Plan Financing Source SFY 2013-14 ($ in Thousands)				
Financing Source	**FY 2013**	**FY 2014**	**Annual $ Change**	**Annual % Change**
Authority Bonds	$5,078	$5,117	$39	1%
Federal Pay-As-You-Go	$1,854	$1,840	($15)	-1%
State Pay-As-You-Go	$2,350	$2,466	$116	5%
General Obligation Bonds	$400	$338	($62)	-16%
Total	**$9,682**	**$9,761**	**$78**	**1%**

Financing the Capital Plan for 2013-14

- **The Executive proposes to finance the Five-Year Capital program with a combination of pay as you go (PAYGO) funding and bonded resources:** The Capital Program for SFY 2013-14 of $9.8 billion is proposed to be financed as follows:

  - o $2.5 billion or 25.3 percent in State PAYGO;
  - o $1.8 billion or 18.85 percent in Federal PAYGO;
  - o $0.38 billion or 3.5 percent in General Obligation; and,
  - o $5.1 billion or 52.4 percent in Public Authority bonding.

<u>State PAYGO</u>

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 $2.5 billion for SFY 2013-14. 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

$1.3 billion in 2013-14 and will average up to $1.6 billion annually over the Five-Year Plan. General Fund transfers to capital projects essentially finance 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.

Approximately $568 million will be designated for the Dedicated Highway Bridge and Trust Fund (DHBTF).

Table 90

Five- Year Capital Projects Financed by State PAYGO Resources ($ in Thousands)	
	SFY 2013-14
Transportation	$1,561,114
Parks and Environment	$188,091
Economic Development & Gov't Oversight	$20,366
Health and Social Welfare	$211,022
Education	$203,613
Public Protection	$13,800
Mental Hygiene	$80,709
General Government	$52,250
Other	$135,316
Total State PAYGO Financing	**$2,466,281**

Federal PAYGO

Federal PAYGO resources for SFY 2013-14 will total $1.84 billion, allocated primarily to Transportation ($1.6 billion) and Parks and Environmental projects ($139 million). 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 will total $7.4 billion over the Five-Year Capital Plan.

Table 91

Federal PAYGO Resources ($ in Thousands)	
	SFY 2013-14
Transportation	$1,609,761
Parks and Environment	$139,772
Economic Development & Gov't Oversight	$3,002
Health and Social Welfare	$70,000
Public Protection	$17,362
Other	$0
Total Federal PAYGO Financing	**$1,839,897**

Table 92

New Capital Obligations SFY 2013-14 ($ in Millions)						
	SFY 2014	Capital Spend Out				
	New Obligations	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018
Superstorm Sandy and Transformative Initiatives	**$1,170**	**$266**	**$287**	**$302**	**$173**	**$108**
Superstorm Sandy	$450	$166	$72	$55	$81	$41
Transformative Projects	$720	$99	$216	$246	$92	$67
Transportation	**$300**	**$71**	**$81**	**$81**	**$41**	**$27**
Core Investments	$200	$47	$54	$54	$27	$18
Competitive Grants Via Regional Economic Councils	$100	$24	$27	$27	$14	$9
Economic Development	**$471**	**$119**	**$115**	**$138**	**$30**	**$30**
Buffalo Bills Stadium Improvements	$54	$54	$0	$0	$0	$0
Buffalo Bills Operating Support	$2	$2	$0	$0	$0	$0
Buffalo Regional Innovation Cluster	$75	$0	$25	$25	$25	$0
Economic Development Fund	$165	$55	$55	$55	$0	$0
Regional Councils Initiative	$150	$8	$23	$45	$5	$30
Climate Change Programs	$25	$0	$13	$13	$0	$0
Higher Education	**$308**	**$83**	**$58**	**$43**	**$69**	**$44**
CUNY 2020	$55	$13	$15	$15	$7	$5
SUNY 2020	$55	$13	$15	$15	$7	$5
CUNY & SUNY Maintenance	$50	$12	$14	$14	$7	$5
SUNY 2020 Project at UAlbany	$88	$0	$0	$0	$47	$29
SUNY Stony Brook	$60	$45	$15	$0	$0	$0
Parks and the Environment	**$90**	**$21**	**$24**	**$24**	**$12**	**$8**
Parks, ORDA and Agriculture & Markets	$50	$12	$14	$14	$7	$5
Department of Environmental Conservation	$40	$9	$11	$11	$5	$4
Public Protection	**$45**	**$25**	**$14**	**$5**	**$1**	**$0**
Pistol Permit Database Project	$33	$12	$14	$5	$1	$0
Aviation Plan	$13	$13	$0	$0	$0	$0
General Government	**$75**	**$38**	**$38**	**$0**	**$0**	**$0**
Office of General Services	$15	$8	$8	$0	$0	$0
IT Initiative Capital Funding	$60	$30	$30	$0	$0	$0
Total	**$2,459**					

Capital Initiatives

- **The Executive proposes $2.4 billion in new capital investment:**
    - The Executive proposal includes the creation of a new fund, New York State Transformative Capital Fund, with two sub-accounts. Storm Recovery Account and Transformative Capital Account.
        - **Superstorm Sandy ($450 million) –** The Executive estimates $416 million over the next five years for the disaster.
        - **Transformative Initiatives ($720 million).** – The Executive Budget includes a $720 million appropriation to promote transformative economic development and infrastructure initiatives. Approximately $360 million of the appropriation will be made available for transformative economic development projects that will be selected through a competitive

<u>Transportation- $300 million</u>

- $300 million of incremental DOT commitments as part of New York Plan. A portion of the appropriation, $100 million to Regional Economic Development Councils.

<u>Economic Development- $471 million</u>

- $56 million to Buffalo Bills in western New York to upgrade Ralph Wilson Stadium; $75 million for the Buffalo Regional Innovation Cluster; $165 million in new commitments for the New York Works Economic Development Fund; $150 million Regional Economic Development Councils initiative;

<u>Higher Education- $308 million</u>

- $110 million for NYSUNY 2020 grants and a new NYCUNY 2020 program; $50 million to fund critical maintenance for the SUNY and CUNY Community Colleges; and $118 million to support the SUNY Albany 2020 initiative and $30 million for strategic investments at Stony Brook.

<u>Other programs – $90 million</u>

- New capital funding in Parks and Environment; $45.2 million of new commitments to State Police in Public Protection; and $75 million for capital renovation projects.

New Debt Initiatives

Sales Tax Revenue Bond Program

The Executive Budget will create new sales tax revenue bond program. This would mirror financing structures for PIT and LGAC revenue bonds, providing the State with increased efficiencies and a lower cost of borrowing. The Executive expects to transition to financing voter-approved general obligation bonds, PIT revenue bonds, and new sales tax revenue bonds.

The sales tax revenue bond account will rest within the Debt Service Fund providing payment of Debt Service bonds. The new sales tax revenue bonds will be secured by the pledge of payments from this fund, which will receive one percent of the State's four percent sales and use tax receipts. The fund will have the same provisions as PIT and LGAC bonds and features a "locked box" for transfers back to the General Fund in the unlikely event of non-appropriation or non-payment.

The sales tax revenue bonds will be used interchangeably with PIT bonds to finance State capital needs, and provide a vehicle to end the use of older, higher cost debt structures. Based on current projections and anticipated coverage requirements, the State expects to issue about $1 billion of sales tax revenue bonds annually.

SUNY Dormitory Facilities Bonding Program

Legislation included in the Executive Budget creates a new self-supporting program to finance SUNY Dormitory Facilities, and eliminates any State support. The new bonding program will be supported solely by third party revenues generated by student rents. The revenues will flow directly to DASNY for the payment of debt service without an appropriation. Unlike the existing program, the new program would not benefit from the SUNY general obligation pledge, effectively eliminating any State support, direct or indirect, for the new bonds. Going forward, SUNY Dormitory Facilities capital needs will be funded through the new credit. The existing SUNY Dormitory Facilities bonds would continue to be counted as State-supported debt until they are refunded into the new program or are paid off.

New York Works Task Force

In May 2012, Governor Cuomo and legislative leaders launched the New York Works Task Force bringing together leading finance, labor, planning and transportation professionals to coordinate a statewide infrastructure plan to more effectively and strategically allocate the State's capital resources.

The Task Force plans to implement the first statewide capital plan with coverage of both State government and public authorities. SFY 2014, The Task Force estimates statewide capital at $20.6 billion: $9.8 billion State and $10.8 billion public authority.

Ten-Year Capital Planning Projections for State Capital Activities

The Executive Capital Plan reflects funding for both core capital assets and transformative projects, including economic development and critical infrastructure, and a package of capital and debt reforms to reduce borrowing costs, improve efficiency, and promote long term planning. Accordingly, the current ten-year projections reflect a uniform set of capital planning assumptions for all State agencies. The State will no longer permit staggered capital planning cycles for different purposes.

The Executive proposes a new ten–year capital planning projections that are consistent with the long-term planning goals. DOB has taken the liberty for first the time to implement a 10-year capital commitment and disbursement projections for State agencies. The objective is to ensure compliance with the State's debt limit, based on current estimates of personal income, the historical and projected pace of capital activity, and other factors. DOB expects the State will update the rolling ten-year projections annually.

Table 93

Annual Growth Rates for Capital Spending
FY 2004 Through FY 2013
($ in Millions)

	Capital Spending					Annual Growth Since FY 2004		
	FY 2004	FY 2011	FY 2014	FY 2019	FY 2023	FY 2011	FY 2019	FY 2023
Transportation	$3,219,076	$4,427,616	$4,617,156	$4,273,904	$4,524,000	4.66%	1.19%	1.81%
Higher Education	$639,751	$1,793,595	$1,894,940	$1,487,919	$1,979,250	15.87%	5.79%	6.12%
Economic Development	$214,776	$1,157,766	$736,219	$765,616	$900,000	27.21%	8.84%	7.83%
All Other	$1,323,253	$1,901,521	$2,512,355	$2,298,220	$2,073,500	5.32%	3.75%	2.39%
Total	**$5,396,856**	**$9,280,498**	**$9,760,670**	**$8,825,659**	**$9,476,750**	**8.05%**	**3.33%**	**3.01%**

Capital spending over the duration of a ten-year period is projecting a $9.4 billion average annually. Capital Spending in FY 2004 was $5.4 billion, reflecting a growth rate 3.01 percent in SFY 2023.

DOB ten-year Capital Spending projections model effectuates capital planning needs, personal income levels, interest rate forecasts, capital project timetables and historical spending patterns, and other factors which include:

- The State will continue to live within its existing debt limit;

- Personal income estimates are consistent with the State budget forecast, and are then assumed to grow at the long-term average growth rate beyond the five-year forecast period;

- Updated capital plans submitted by agencies will be sized at the levels shown in the ten-year planning projections;

- Federal and State PAYGO resources remain relatively constant over the ten-year period; and

- The SUNY Dormitory Bonding Program is being restructured to create a new distant revenue credit, with no recourse to the State. Debt issued under the new program is not assumed to count against the State debt caps. All bonds outstanding under the “old” SUNY Dormitory Program will continue to count against the State debt caps until they are paid off or refunded.

Detailed Revenue Tables

Table 94

All Funds Collections SFY 2012-13 ($ in Millions)

	2011-12 Actual	2012-13 Estimate	Change	Percent Growth	Diff. Exec.
Personal Income Tax	**$38,769**	**$40,254**	**$1,485**	**3.8%**	**$129**
Gross Receipts	**46,030**	**47,497**	**1,467**	**3.2%**	**146**
Withholding	31,199	31,991	792	2.5%	173
Estimated Payments	11,628	12,159	530	4.6%	(30)
Vouchers	8,097	8,969	872	10.8%	(25)
IT 370s	3,532	3,190	(342)	-9.7%	(5)
Final Payments	2,117	2,184	66	3.1%	12
Delinquencies	1,086	1,164	78	7.2%	(10)
Total Refunds	**7,261**	**7,243**	**(18)**	**-0.2%**	**17**
Collections	**38,769**	**40,254**	**1,485**	**3.8%**	**129**
User Taxes and Fees	**14,570**	**14,627**	**57**	**0.4%**	**(3)**
Sales and Use Tax	11,875	12,008	134	1.1%	14
Motor Fuel Tax	502	490	(12)	-2.4%	(1)
Cigarette Tax	1,633	1,546	(87)	-5.3%	(15)
Highway Use	132	146	14	10.7%	5
Alcoholic Beverage Tax	238	242	4	1.6%	(7)
Auto Rental Tax	104	108	4	3.6%	(1)
Taxi Surcharge	87	88	1	1.4%	2
Business Taxes	**7,877**	**8,150**	**273**	**3.5%**	**(31)**
Corporate Franchise	3,176	2,932	(244)	-7.7%	(14)
Utility Tax	797	854	57	7.2%	15
Insurance Tax	1,413	1,457	44	3.1%	9
Bank Tax	1,392	1,768	376	27.0%	(55)
Petroleum Business Tax	1,100	1,139	39	3.6%	14
Other	**3,081**	**2,983**	**(98)**	**-3.2%**	**(3)**
Estate and Gift	1,079	1,045	(34)	-3.2%	-
Real Estate Transfer	610	764	154	25.3%	9
Pari Mutuel	17	18	1	3.5%	(1)
Payroll Tax	1,376	1,155	(221)	-16.0%	(12)
Total Taxes	**64,298**	**66,015**	**1,716**	**2.7%**	**92**
All Fund Misc Receipts	21,007	21,886	879	4.2%	(25)
Lottery	2,829	3,080	251	8.9%	6
Total Taxes with Lottery & Misc. Receipts	**88,134**	**90,981**	**2,846**	**3.2%**	**73**
Federal Funds	44,610	44,131	(479)	-1.1%	-
Total All Funds Receipts	**$132,744**	**$135,112**	**$2,367**	**1.8%**	**$73**

Table 95

All Funds Collections SFY 2013-14 ($ in Millions)	2012-13 Estimate	2013-14 Forecast	Change	Percent Growth	Diff. Exec.
Personal Income Tax	**$40,254**	**$42,610**	**$2,356**	**5.9%**	**$189**
Gross Receipts	**47,497**	**50,071**	**2,574**	**5.4%**	**173**
Withholding	31,991	33,683	1,692	5.3%	217
Estimated Payments	12,159	12,940	782	6.4%	(18)
Vouchers	8,969	9,009	40	0.4%	91
IT 370s	3,190	3,931	742	23.2%	(110)
Final Payments	2,184	2,243	59	2.7%	(23)
Delinquencies	1,164	1,205	41	3.5%	(4)
Total Refunds	**7,243**	**7,461**	**218**	**3.0%**	**(17)**
Collections	**40,254**	**42,610**	**2,356**	**5.9%**	**189**
User Taxes and Fees	**14,627**	**15,189**	**562**	**3.8%**	**22**
Sales and Use Tax	12,008	12,556	548	4.6%	23
Motor Fuel Tax	490	499	9	1.8%	(2)
Cigarette Tax	1,546	1,535	(11)	-0.7%	(0)
Highway Use	146	144	(2)	-1.6%	4
Alcoholic Beverage Tax	242	244	2	0.8%	(5)
Auto Rental Tax	108	116	8	7.7%	2
Taxi Surcharge	88	96	8	9.1%	-
Business Taxes	**8,150**	**8,622**	**472**	**5.8%**	**162**
Corporate Franchise	2,932	3,393	461	15.7%	83
Utility Tax	854	872	18	2.1%	61
Insurance Tax	1,457	1,507	50	3.4%	(24)
Bank Tax	1,768	1,649	(119)	-6.7%	31
Petroleum Business Tax	1,139	1,201	62	5.4%	11
Other	**2,983**	**3,122**	**139**	**4.7%**	**64**
Estate and Gift	1,045	1,137	92	8.8%	2
Real Estate Transfer	764	726	(38)	-5.0%	41
Pari Mutuel	18	18	0	2.3%	(0)
Payroll Tax	1,155	1,239	84	7.3%	20
Total All Funds Taxes	**66,015**	**69,543**	**3,528**	**5.3%**	**438**
All Funds Misc Receipts	21,886	20,764	(1,122)	-5.1%	(3)
Lottery	3,080	3,172	92	3.0%	49
Total Taxes with Lottery & Misc. Receipts	**90,981**	**93,479**	**2,498**	**2.7%**	**484**
Federal Funds	44,131	47,948	3,817	8.6%	-
Total All Funds Receipts	**$135,112**	**$141,427**	**$6,315**	**4.7%**	**484**

Financial Plan

Table 96

FINANCIAL PLAN KEY MEASURES	2012 Actual	2013 Enacted Budget Plan	2013 First Quarterly Update	2013 Mid-Year Financial Plan	2013 3rd Quarter	2014 Executive Budget Plan
State Operating Funds Budget*						
Size of Budget	$87,181	$88,919	$89,408	$89,420	$89,621	$89,823
Annual Growth	4.7%	2.0%	2.6%	2.6%	2.8%	0.2%
NYS Long-Term Estimated Personal Income Growth	4.3%	4.3%	4.9%	4.1%	3.0%	3.0%
Other Budget Measure (Annual Growth)*						
General Fund (with transfers)	$56,489	$58,868	$59,208	$59,382	$59,375	$60,888
	2.0%	4.2%	4.8%	5.1%	5.1%	2.5%
State Funds (Including Capital)	$93,193	$95,039	$95,039	$95,630	$95,791	$96,225
	3.4%	2.0%	2.6%	2.6%	2.8%	0.5%
Capital Budget (Federal and State)	$7,836	$7,971	$8,067	$8,061	$8,025	$8,242.0
	-0.1%	1.7%	2.9%	2.9%	2.4%	2.7%
Federal Operating	$38,487	$36,503	$36,504	$36,376	$37,996	$42,996
	-9.6%	-5.2%	-5.2%	-5.5%	-5.2%	13.2%
All Governmental Funds	$133,504	$133,939	$133,979	$133,504	$135,642	$141,061
	-1.0%	-0.1%	0.4%	-1.0%	1.6%	4.0%
All Gov'l Funds (Including "Off-Budget" Capital)	$134,979	$135,083	$135,669	$134,895	$137,300	$142,625
	-0.9%	0.1%	0.5%	-1.0%	1.8%	3.9%
Inflation (CPI) Growth	3.3%	2.2%	1.7%	1.7%	2.1%	2.1%
All Funds Receipts						
Taxes	$64,297	$66,370	$66,307	$66,140	$65,922	$69,105
Miscellaneous Receipts	$23,837	$24,269	$24,503	$24,708	$24,985	$23,889
Federal Grants	$44,611	$42,633	$42,633	$42,503	$42,631	$41,806
Total Receipts	$132,745	$133,272	$133,443	$133,351	$133,538	$134,800
General Fund Receipts						
Taxes	$41,754	$43,369	$43,293	$43,213	$43,047	$45,286
Miscellaneous Receipts	$3,162	$3,229	$3,354	$3,741	$3,724	$3,101
Federal Grants	$60	$60	$60	$60	$60	$2
Transfers from Other Funds	$11,924	$12,242	$12,188	$12,055	$12,231	$12,666
Total Receipts	$56,900	$58,900	$58,895	$59,069	$59,062	$61,055
Outyear Gap Forecast						
2013	($2,379)	$0	$0	$0		$0
2014	($2,836)	($950)	($982)	($982)		$0
2015	($4,605)	($3,415)	($3,590)	($3,590)		($2,093)
Total General Fund Reserves (year-end)	$1,787	$1,819	$1,474	$1,474	$1,474	$1,641
State Workforce (# of FTEs at year-end)	119,579	121,841	121,841	121,841	119,728	$119,601
Debt						
Debt Service as % All Funds	4.9%	4.6%	4.5%	4.3%	4.9%	4.5%
State Related Debt Outstanding	$56,375	$57,737	$57,736	$57,679	$56,622	$57,609

Capital Program and Financing Plan

Table 97

Capital Spending And Debt Measures At A Glance
($ in Millions)

	Results (1)	Projected				
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Total Capital Spending	9,682	9,761	9,754	10,087	9,347	8,441
Annual Growth		0.8%	-1.0%	3.4%	-7.3%	-9.7%
Financing Source (Annual Growth)						
Pay-As-You-Go (Federal and State)	4,204	4,306	4,301	3,720	3,655	3,711
		2.4%	-0.1%	-13.5%	-1.7%	1.5%
Bonded Capital Spending	5,478	5,455	5,453	6,367	5,692	4,730
		-0.4%	-0.1%	16.8%	-10.6%	-16.9%
Capital Spending Category (Annual Growth)						
Capital Spending in State Financial Plan	8,024	8,197	8,252	8,720	8,014	7,050
		2.1%	0.7%	5.7%	-8.1%	-12.0%
Capital Spending Directly from Bond Proceeds	1,658	1,564	1,502	1,367	1,333	1,391
		-5.7%	-4.0%	-9.0%	-2.5%	4.4%
Capital Spending by Program (Annual Growth)						
Transportation	4,655	4,617	4,479	4,344	4,325	4,144
		-0.8%	-3.0%	-3.0%	-0.4%	-4.2%
Other Higher Education/ Education Programs	2,002	1,895	1,911	1,855	1,705	1,336
		-5.4%	0.9%	-3.0%	-8.1%	-21.7%
Education/Excel	100	100	92	0	0	0
		0.0%	-7.8%	-100.0%	n/a	n/a
Economic Development and Government Oversight	568	736	875	962	643	638
		29.5%	18.8%	9.9%	-33.2%	-0.7%
Mental Hygiene	552	519	639	622	589	615
		-6.0%	23.2%	-2.6%	-5.4%	4.5%
Parks and Environment	726	672	643	634	602	546
		-7.5%	-4.2%	-1.4%	-5.1%	-9.3%
Health and Social Welfare	618	546	220	235	235	250
		-11.6%	-59.8%	6.8%	0.0%	6.4%
Public Protection	307	371	347	334	322	303
		21.0%	-6.4%	-3.9%	-3.5%	-5.9%
All Other	154	305	548	1,101	926	609
		98.7%	79.5%	101.1%	-15.9%	-34.2%
Debt Measures						
State-Related						
Debt Outstanding	56,621	57,609	58,540	60,273	60,958	60,714
		1.7%	1.6%	3.0%	1.1%	-0.4%
Debt Service	6,479	6,566	6,666	7,005	7,331	7,664
		1.3%	1.5%	5.1%	4.7%	4.5%
Debt Issuances	4,486	5,022	5,060	6,004	5,044	4,397
		11.9%	0.7%	18.7%	-16.0%	-12.8%
Debt Outstanding as a Percent of Personal Income	5.5%	5.5%	5.2%	5.1%	4.9%	4.6%
Debt Service as a Percent of All Funds Receipts	4.8%	4.6%	4.6%	4.8%	4.8%	5.0%
Debt per Capita	2,899	2,940	2,978	3,057	3,083	3,062
State-Supported						
Debt Reform Act- Est. Debt Capacity (Cumulative)	2,731	1,636	1,079	120	82	984

Gap Closing Section

Table 98

ENACTED BUDGET GAP-CLOSING: GENERAL FUND AND HCRA SAVINGS/(COSTS) ($ in Millions)												
	SFY 2003-04	SFY 2004-05	SFY 2005-06	SFY 2006-07	SFY 2007-08	SFY 2008-09	SFY 2009-10*	SFY 2010-11	SFY 2011-12	SFY 2012-2013	SFY 2013-14	Grand Total
CURRENT-SERVICES GAPS BEFORE ACTIONS	**($9,264)**	**($5,071)**	**($4,152)**	**($751)**	**($1,540)**	**($2,219)**	**($17,857)**	**($9,188)**	**($10,001)**	**($3,500)**	**($1,352)**	**($78,395)**
Cumulative Gap												
Enacted Gap-Closing Actions	**$9,264**	**$5,071**	**$4,152**	**$751**	**$1,540**	**$1,595**	**$12,332**	**$8,384**	**$10,001**	**$3,500**	**$1,352**	**$71,442**
Spending Actions	$5,638	$2,589	$3,076	$2,251	$3,850	$413	$6,047	$6,319	$8,475	$1,964	$1,123	$48,045
Revenue Actions	$1,348	$972	$779			$118	$5,279	$1,034	$486	$1,536	$211	$13,163
Non-Recurring Resources		$1,510	$856			$1,064	$1,006	$660	$1,040			$6,136
Tax Audits; Recoveries; Enforcement			($246)	($844)			$0	$371				($719)
Proposed Initiatives					($1,885)						$549	($1,336)
Proposed Deposit to Debt Reduction Reserve				($250)	($250)						($250)	($750)
Proposed Deposit to New Rainy Day Reserve					($175)							($175)
Spending Additions			($313)	($406)						$0	($281)	($1,000)
Tobacco Securitization	$2,278											$6,078
Reserves												$2,000
Direct Federal Aid						**$1,299**	**$4,850**	**$804**	**$0**	**$0**	**$0**	$6,953
Enhanced FMAP/Medicaid Relief						$1,299	$3,702	$804				$5,805
State Fiscal Stabilization Relief							$1,150	$0				$1,150
Federal Tax Relief Extended to State Tax Code							($2)	$0				($2)
Net Available Resources Applied in 2009-10						**($675)**	**$675**	**$0**				$0
Year End Spending Roll												$0
ENACTED BUDGET GAPS	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

**Estimate for SFY 2001-02 to SFY 2008-09 from Executive*
***Estimate for SFY 2013-14from the Executive Proposed Budget*