EXECUTIVE BUDGET
APPENDIX II

CONTENTS

This document is available in electronic format at the New York State
Division of the Budget web site: http://www.state.ny.us/dob

PART I

FINANCIAL PLAN OVERVIEW

FINANCIAL PLAN OVERVIEW

The Financial Plan Overview summarizes the Governor's Executive Budget for 2001-02. The State Constitution and State Finance Law prescribe the content and format of budgetary information to be supplied by the Governor at the time of submission of the Executive Budget. This section of the Budget fulfills the requirements of section 22 of the State Finance Law, providing summary financial plans and explanations of projected receipts and disbursements for the State's major governmental funds.

TABLE OF CONTENTS

SUMMARY

Under Governor Pataki, New York State's financial condition has dramatically improved. The annual value of tax reductions enacted since the Governor took office will reach more than $13 billion by the end of 2001-02. Relative to the record of the prior administration, the rate of growth in spending and State debt has been substantially reduced. In addition, reserves are set aside to help weather the potential impact of any future significant slowdown in the national economy, ensuring that already enacted tax cuts are implemented on schedule.

Recognizing New York's strong economic recovery, in December 2000, Standard and Poor's upgraded New York's credit rating to "AA," giving New York its highest rating since 1979.

The following summarizes the improvements in the State's fiscal performance since January 1995:

- For fiscal year 2001-02, reserves are projected to total $2 billion, or 5 percent of the Budget, a level considered prudent by fiscal monitors. In contrast, reserve levels in 1994-95 equaled only 0.5 percent of the Budget.
- At $627 million, the State's "rainy day" fund has grown by $470 million since 1994-95. The Contingency Reserve Fund has grown from $1 million to $150 million during the same time frame.
- General Fund spending growth has averaged 3.1 percent annually since 1994-95, near inflation for this period and well below the average General Fund growth rate of 7.6 percent for all other states.
- The General Fund accumulated GAAP surplus is projected at $1.9 billion, marking the fifth straight year the State will have an accumulated GAAP surplus — a dramatic improvement from the $3.3 billion accumulated GAAP deficit that existed in 1994-95.
- The State's $1.4 billion cash surplus in 2000-01 represents its sixth consecutive positive result.
- New York has received three credit rating upgrades in the last three years; general obligation bonds are now rated "AA" as compared to "A-" in 1994-95.
- Passage of the Debt Reform Act of 2000 caps new State debt levels and ensures that bonds are used for capital purposes only.
- The Debt Reduction Reserve Fund created in 1998 to reduce State debt levels will generate $1.2 billion in debt service savings for taxpayers.

The 2001-02 Executive Budget continues the responsible fiscal policies that characterized the Governor's previous budgets. It implements previously enacted tax cuts on time, ensures spending is affordable and targeted to critical initiatives, strengthens fiscal reserves, and proposes improvements to the budget process and enhancements to last year's debt reform initiatives.

2001-02 SPENDING PROJECTIONS (millions of dollars)

	Size of the Budget	Dollar Change from 2000-01	% Change from 2000-01	Annual % Change Excluding STAR
General Fund	41,343	1,448	3.6	3.6
State Funds	57,391	2,684	4.9	3.8
All Funds	83,622	4,192	5.3	4.5

EXPLANATION OF THE FINANCIAL PLAN

The State's Financial Plan forecasts receipts and disbursements for a fiscal year. The economic forecast of the Division of the Budget (DOB) and the State's tax and fee structure serve as the basis for projecting receipts. After consulting with public and private sector experts, DOB prepares a detailed economic forecast for both the nation and New York, showing Gross Domestic Product (GDP), employment levels, inflation, wages, consumer spending, and other relevant economic indicators. It then projects the yield of the State's revenue structure against the backdrop of these forecasts.

Projected disbursements are based on agency staffing levels, program caseloads, service needs, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads which, in turn, are estimated by analyzing historical trends, projected economic conditions and changes in Federal law. In criminal justice, spending estimates are based on recent trends and data from the criminal justice system, as well as on estimates of the State's prison population. All projections must also account for the timing of payments, since not all the amounts appropriated in the Budget are disbursed in the same fiscal year.

This Overview summarizes the revised Financial Plan projections of receipts and disbursements for 2000-01, and outlines the recommended Financial Plan for 2001-02. It then provides an explanation of the State's estimates for 2002-03 and 2003-04.

THE STATE'S FUND STRUCTURE

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

The State Constitution requires the Governor to submit an Executive Budget that is balanced in the General Fund — the Fund that receives the majority of State taxes. State Funds include the General Fund and funds specified for dedicated purposes, with the exception of Federal Funds. All Funds include State Funds and Federal Funds.

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

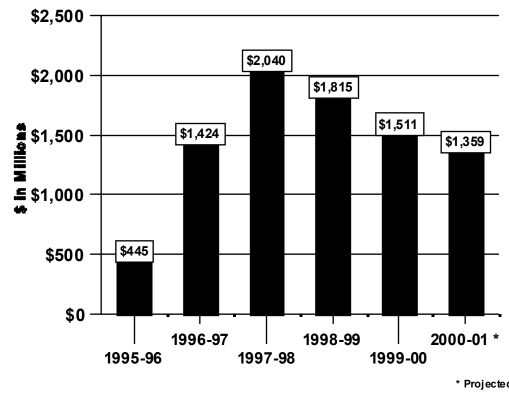
- the General Fund, which receives most of the State's tax revenue and accounts for spending on programs that are not supported directly by dedicated fees and revenues;
- Special Revenue Funds, which receive Federal grants, certain dedicated taxes, fees and other revenues that are used for a specified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

Within each of these fund types, revenues and spending are classified by major categories of the Financial Plan (e.g., Taxes, Miscellaneous Receipts, Grants to Local Governments, State Operations). Activity in these Financial Plan categories is described in greater detail later in this section. Summary charts display the annual change for each category of the Financial Plan, and a narrative explanation of major changes follows each chart. The tables at the end of the Overview summarize projected General Fund, State Funds and All Governmental Funds receipts and disbursements for the 2000-01 through 2003-04 fiscal years.

THE 2000-01 GENERAL FUND FINANCIAL PLAN UPDATE

The State expects to close the 2000-01 fiscal year with an available cash surplus of $1.4 billion in the General Fund. The surplus consists of about $1.7 billion in higher projected receipts offset by roughly $350 million in higher estimated disbursements. The State revised both its receipts and disbursements based on a review of actual operating results through December 2000, as well as an analysis of underlying economic and programmatic trends it believes may affect the Financial Plan for the balance of the year.

Six Consecutive Cash Surpluses



The State plans to use the entire surplus, which is currently projected to total $1.4 billion, to increase reserve funds. At the close of the current fiscal year, the State will deposit $80 million from the surplus into the State's Tax Stabilization Reserve (its "rainy day" fund) — the sixth consecutive maximum annual deposit — bringing the fund to $627 million. In the 2001-02 Executive Budget, the Governor is proposing to set aside the remaining $1.3 billion surplus for use in future years in the event of a significant national economic downturn, ensuring that previously enacted tax cuts will proceed on schedule.

REVISIONS TO THE 2000-01 RECEIPTS ESTIMATES

Underlying estimates of General Fund receipts, including transfers, have been revised upward by $1.6 billion from the projections contained in the Mid-Year Update, primarily in the personal income tax, the sales tax and miscellaneous receipts. A more detailed explanation of changes in current year receipts estimates is provided in the Receipts Outlook section contained in this document.

To make funds available for use in 2001-02, $1.85 billion in refund transactions are being reserved in 2000-01 for payment in 2001-02. This action has the effect of decreasing reported receipts in 2000-01, while increasing available receipts in 2001-02, as these refunds will no longer be a charge against current revenues in 2001-02.

REVISIONS TO THE 2000-01 DISBURSEMENTS ESTIMATES

The State projects total General Fund disbursements of $39.90 billion in 2000-01, a net increase of $346 million from the October estimate. Of this amount, $250 million in higher spending is related to lower than expected revenues from the dissolution of the

Medical Malpractice Insurance Association (MMIA) which had been projected to offset State fringe benefit disbursements. The remainder of the increase is primarily due to higher costs for litigation, State employee health insurance programs, and Medicaid.

Compared to the Mid-Year Update, the State has modestly lowered its estimate of disbursements for Grants to Local Governments by $3 million, State Operations by $4 million, and Debt Service by $4 million. Higher projected spending for General State Charges ($313 million) and Transfers To Other Funds ($44 million) offset these reductions.

Projected local assistance disbursements declined by a net total of $3 million from October, and are now expected to total $26.86 billion for the year. Disbursements increased as a result of higher projected spending of $99 million for Medicaid home care services, hospital inpatient costs, mental retardation services, and lower Medicaid offsets provided by tobacco receipts. In addition, higher costs of $43 million for Children and Families Services is included to accommodate growth in program commitments for child protective services. These increases are more than offset by lower projected disbursements for special education programs ($100 million) due to slower-than-anticipated claiming activity, as well as an accounting reclassification of $57 million from local assistance to operating transfers to reflect the State's share of Medicaid costs for the State University hospitals.

State Operations spending is now projected to total $7.62 billion in 2000-01, $4 million below the October estimate. This net decrease is comprised of $57 million in savings from agency efficiencies and reestimates across most State agencies, offset by additional costs for the recently approved labor contracts for the State University, State Police and the Judiciary.

Spending for General State Charges increased by $313 million compared to the October estimate and is projected to reach $2.58 billion in 2000-01. Most of this increase is for the lower than expected MMIA offset as discussed above. Higher premiums for prescription drug costs ($27 million) and the settlement of litigation related to Workers' Compensation reserves ($24 million) also contribute to the higher estimate.

Transfers for debt, capital and other purposes are now projected at $2.83 billion, an increase of $44 million from the October estimate. The higher spending is primarily due to a transfer to the State University Stabilization Fund ($17 million) and the accounting reclassification from local assistance discussed above ($57 million), offset by reestimates in capital projects ($6 million) and lower costs for debt service ($42 million) primarily due to slower-than-anticipated issuances for CEFAP, RESCUE, and other bonding programs.

RESERVES/2000-01 CLOSING BALANCE IN THE GENERAL FUND

The State projects a closing balance of $3.9 billion at the end of the 2000-01 fiscal year. This includes $1.2 billion in the School Tax Relief Fund (STAR), $250 million in the Debt Reduction Reserve Fund (DRRF), $1.3 billion from the 2000-01 surplus, $627 in the State's "Rainy Day" Fund (after an $80 million deposit this year), $338 million for legislative initiatives, and $150 million in the Contingency Reserve Fund. As planned, the STAR and DRRF monies will be used in 2001-02 to pay for the already enacted local property tax relief program and to provide pay-as-you-go resources to finance essential transportation projects.

The Governor is recommending that the remaining 2000-01 surplus of $1.3 billion be set aside in a new Fiscal Responsibility Reserve to mitigate the impact in future years of a significant national economic downturn. This reserve will be reflected in the 2001-02 General Fund closing balance.

The projected final 2000-01 General Fund closing balance of $1.1 billion, after action to reserve this year's surplus, is comprised of $627 million in the Tax Stabilization Reserve Fund (the "rainy day" fund); $338 million in the Community Projects Fund, which pays for Legislative initiatives; $150 million in the Contingency Reserve Fund (which guards against litigation risks); and $29 million in the Universal Pre-Kindergarten Fund.

THE 2001-02 GENERAL FUND FINANCIAL PLAN

ECONOMIC AND RECEIPTS OUTLOOK

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

DOB also adjusts for the impact of changes in the State's tax laws on the receipts projections. The 2001-02 Executive Budget reflects a continuation of phased tax actions in a variety of taxes, as well as recommendations for additional tax cuts, that total $1.8 billion for 2001-02. For a more detailed discussion of the economy and sources of State revenue, see the "Explanation of Receipts Estimates" section later in this document.

U.S. Economy

The Division of the Budget expects growth in both national output (GDP) and inflation to slow through the end of 2001. Real GDP is expected to grow at an annual rate of 2.7 percent in 2001, down significantly from 5.1 percent in 2000. The CPI inflation rate is expected to slow modestly in 2001 to 2.7 percent, in part because of lower wage pressures and partly due to lower oil prices. Consumption will grow more slowly, as employment, wages and income continue to rise modestly. Short-term interest rates are expected to decline resulting from a continuation of Federal Reserve Board rate cuts, employment growth will continue at a slower rate and the unemployment rate for 2001 will average 4.3 percent. In summary, economic growth at the national level should slow in 2001, with a growth rate for output that is 2.4 percentage points below that for 2000.

State Economy

Paralleling the national trend, New York economic growth is expected to slow in 2001, with annual growth in total and private-sector employment projected to be slower than in 2000. Led by business services, the service sector will continue to be the major contributor to employment growth in 2001, although growth in this sector will not be as strong as in 2000. Employment in the State's export-oriented manufacturing sector will be impacted by the general slowdown in the national economy. Finally, wages and personal income will grow more modestly than in 2000.

Receipts Outlook

General Fund receipts will reflect nearly $1.8 billion in tax reductions already enacted plus the initial phase of tax cuts proposed by the Governor in his 2001-02 Budget. These tax cut proposals include:

— Expanding Empire Zones, with a doubling of the boundaries of zones in twenty-two economically distressed upstate communities.
— Repealing the Alternative Minimum Tax (AMT), with the first phased reduction on January 1, 2001.
— Phasing-in a single-sales factor for manufacturers, beginning January 1, 2001.
— Providing tax credits for the costs of both site remediation and the purchase of equipment and buildings used on a brownfield site.
— Authorizing real property tax credits for brownfields in upstate cities and, for brownfields of more than 100 acres.
— Doubling low income housing credits.
— Providing for refundability of investment tax credits for biotechnology companies with fewer than 100 employees.
— Authorizing the school property tax exemption for farmers who own their farms as a corporation or partnership.
— Extending the school property tax credit under the personal income tax to cover land rented for farming.
— Providing a one-time State personal income tax credit for 25 percent of the capital costs of an approved list of land improvements designed to restore farmland.
— Allowing a one-time credit for a portion of the expenses of rehabilitating historic homes.
— Establishing a personal income tax credit for taxpayers who donate property and conservation easements to a qualified nonprofit land trust, state or local government, or Federal agency.
— Expanding real property tax relief for senior citizens and farmers by creating a Co-STAR exemption for county property taxes and adding a new Co-STAR credit that may be claimed by New York City taxpayers who are age 65 or older against their New York City personal income tax liability.

GENERAL FUND RECEIPTS
(millions of dollars)

SFY:	2000-01	2001-02	Annual Change
Total Tax Receipts	36,457	38,865	2,408
All Other Receipts	3,665	3,592	(73)
Total Receipts	40,122	42,457	2,335

Since the Mid-Year Update, the forecast of 2000-01 tax receipts net of the refund reserve transaction has been increased by $1.3 billion. The net refund reserve transaction for 2000-01 is $2.1 billion. This reflects a $3.97 billion draw-down of the refund reserve account in April 2000 offset by a planned deposit to the fund of $1.85 billion on March 31, 2001.

Reflecting these transactions, total receipts to be deposited in the General Fund in 2000-01 are projected to be $40.1 billion, $1.7 billion more than projected at the time of the Mid-Year Update.

Total General Fund receipts for 2001-02 are now projected at $42.5 billion, an increase of $2.3 billion from the revised 2000-01 estimate due, in part, to the refund reserve transaction described above. Continued, but slower, economic growth will serve to increase receipts in the upcoming year. This growth in receipts is partially offset by the implementation of the next phase of the Governor's multi-year tax reduction program.

Miscellaneous receipts and transfers from other funds are expected to decrease in 2001-02, reflecting a reduction in license fees, investment income, transfers and in amounts available for transfer to the General Fund, especially from the Clean Water/Clean Air Fund.

PERSONAL INCOME TAX (millions of dollars)			
SFY:	**2000-01**	**2001-02**	**Annual Change**
Personal Income Tax	23,791	26,481	2,690

Personal income tax collections for 2001-02 are projected to reach $26.5 billion, an increase of $2.7 billion (11.3 percent) over 2000-01 due, in part, to a 10.8 percent estimated increase in 2000 liability and a projected 5.1 percent liability increase for 2001. The large increase in income tax liability in recent years has been supported by the continued surge in taxable income attributable to the rapid growth in equity markets and significant growth in the wages associated with Wall Street bonuses. Stock market growth and the large income gains that have resulted from that growth are expected to moderate substantially in 2001.

Growth in 2001-02 receipts also reflects reduced deposits into the School Tax Relief Fund which provides the revenue resources to finance the STAR tax reduction program. The 2000-01 deposit of $3.1 billion included a $1.2 billion reserve to help defray the 2001-02 cost of the STAR program.

USER TAXES AND FEES (millions of dollars)			
SFY:	**2000-01**	**2001-02**	**Annual Change**
User Taxes and Fees	7,422	7,442	20

User tax and fee receipts in 2000-01 are now projected at $7.42 billion, $401 million above the Mid-Year forecast and $183 million or 2.4 percent below 1999-2000 collections. For 2001-02, collections will increase by $20 million to $7.44 billion. This reflects the incremental impact of approximately $140 million in already enacted tax reductions, and the earmarking of remaining motor fuel tax receipts to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund. Adjusted for these changes, the underlying growth of receipts in this category is projected at 2.5 percent.

The largest source of receipts in this category is the sales and use tax which accounts for nearly 88 percent of projected receipts. Sales tax receipts are responsive to economic trends such as growth in income, prices, employment, and consumer confidence. Strength in the economy in 2000 produced significant growth in the continuing base of the sales and use tax for 2000-01.

In 2001-02, receipts from the sales and use tax are projected to total $6.54 billion, an increase of $241 million from 2000-01. The most significant changes affecting 2001-02 General Fund sales tax receipts are the Empire Zones program and the next phase of the rate reduction applied to transmission and distribution of electricity and gas.

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

BUSINESS TAXES (millions of dollars)			
SFY:	**2000-01**	**2001-02**	**Annual Change**
Business Taxes	4,463	4,171	(292)

Total business taxes are now projected at $4.46 billion in 2000-01, an increase of $235 million from the projections in the Mid-Year Update and $97.5 million below 1999-2000 receipts. In 2001-02, receipts from this category are expected to total $4.17 billion — $292 million below 2000-01 estimated results.

The decline in corporation and utility tax receipts is the result of the final phase of already-enacted energy and telecommunications tax rate reductions, the use of Power for Jobs tax credits, and the initial phase of the energy reduction legislation enacted with the 2000-01 Budget. Receipts in 2001-02 will increase by approximately $30 million, reflecting modest improvement in the growth of energy consumption and continued growth in the telecommunications market.

Corporate franchise tax receipts for 2000-01 are estimated to increase by $473 million, due primarily to the impact of legislation which moved energy companies to the corporate franchise tax. In 2001-02, receipts are projected to decline by $160 million, resulting largely from the impact of enacted and proposed tax reductions — offset somewhat by the slower growth projected in the underlying liability of businesses subject to the franchise tax.

Other taxes in this category include franchise taxes on insurance companies and banks, and a cents-per-gallon levy on various kinds of petroleum products imposed on petroleum businesses.

Receipts from the bank tax are projected to increase in 2000-01 by $26 million over 1999-2000 results, reflecting modest growth in current year liability. In 2001-02, receipts are projected to be $505 million — $46 million below estimates for 2000-01. The decline is the result of projected slow growth in the estimated liability of banks resulting from recent consolidation in banking industry, and the impact of already enacted tax reductions.

Net collections from insurance taxes are expected to reach $567 million in 2000-01, a decrease of $22 million from the prior year. This reflects the net impact of law changes and an estimated decline in the liability of certain insurers. Collections are expected to decline $27 million in 2001-02, the result of both further tax reduction impacts and reductions in insurance industry profitability.

Declining General Fund estimates for the petroleum business tax of $1 million in 2000-01 and $88 million in 2001-02 reflect statutory changes which earmark all petroleum business tax receipts to dedicated highway and transit revenue funds beginning in 2001-02.

OTHER TAXES (millions of dollars)			
SFY:	2000-01	2001-02	Annual Change
Other Taxes	781	771	(10)

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

The General Fund yield from other taxes for 2000-01 is currently estimated at $781 million, which is $15 million above the estimate in the Mid-Year Update. The major factors affecting this category include: the repeal of the real property gains tax, the impact of estate and gift tax reductions and reductions in the equity markets which have reduced the value of taxable estates.

In 2001-02 receipts from other taxes are estimated to fall to $771 million. The largest factor in this estimated decline is the first full year effect of already-enacted legislation reducing the estate tax on February 1, 2000 and repealing the gift tax on January 1, 2000.

MISCELLANEOUS RECEIPTS (millions of dollars)			
SFY:	2000-01	2001-02	Annual Change
Miscellaneous Receipts	1,500	1,429	(71)

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

Revised estimates for 2000-01 have increased the miscellaneous receipts estimate to $1.5 billion, a net increase of $161 million from the Mid-Year Update. The primary changes are a $133 million increase in investment income, a $10 million increase in abandoned property, and $12 million in additional reimbursements.

Receipts in this category are projected to decline in 2001-02, largely as a result of a reduction in investment income.

TRANSFERS FROM OTHER FUNDS (millions of dollars)			
SFY:	2000-01	2001-02	Annual Change
Sales Tax in Excess of LGAC Debt Service	1,759	1,867	108
All Other Transfers	406	296	(110)
Total Transfers from Other Funds	2,165	2,163	(2)

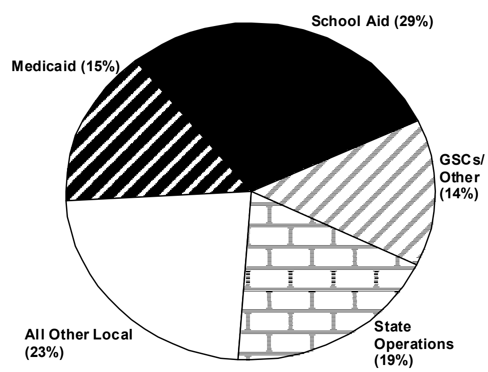
Transfers from other funds to the General Fund consist primarily of tax revenues in excess of debt service requirements. Proceeds from one percent of the State's 4 percent sales tax in excess of amounts used to support the debt service payments of the Local Government Assistance Corporation account for 86 percent of the 2001-02 receipts in this category. Other transfers periodically include non-recurring transactions, which result in significant annual volatility for this category. This category also includes excess real estate transfer tax receipts not required for debt service on the Clean Water/Clean Air bonds authorized by the voters. The decline in Other Transfers estimated for 2001-02 is largely attributed to a projected decline in expected receipts from the real estate transfer tax as real estate market values moderate in the coming year.

DISBURSEMENTS OUTLOOK

GENERAL FUND DISBURSEMENTS (millions of dollars)			
SFY:	2000-01	2001-02	Annual Change
Total Disbursements	39,895	41,343	1,448

The State projects General Fund disbursements of $41.34 billion in 2001-02, an increase of $1.45 billion (3.6 percent) over the current year. The growth in spending is spread throughout the Financial Plan, with the largest increase for Grants to Local Governments ($914 million), followed by State Operations ($274 million), Transfers to Other Funds ($254 million), and General State Charges ($7 million).

General Fund Spending, 2001-2002



The 2001-02 Executive Budget recommends a restructuring of the State University hospital financial reporting and accounting system. As a result of this restructuring, all hospital activities will now be reported in the Special Revenue Funds and the State will provide a General Fund subsidy to help support hospital operations. General Fund spending will decrease in General State Charges (for the movement of the fringe benefits costs associated with the hospitals to the Special Revenue Funds) and increase in State operations by a like amount to reflect the use of hospital revenues to finance these fringe benefit costs. The State subsidy is shown as an increased transfer to the Special Revenue Funds.

GRANTS TO LOCAL GOVERNMENTS (millions of dollars)			
SFY:	2000-01	2001-02	Annual Change
Grants to Local Governments	26,860	27,774	914

Grants to Local Governments (also known as local assistance) include financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. The largest areas of spending in local assistance are for aid to public schools (44 percent) and for the State's share of Medicaid payments to medical providers (22 percent). Spending for higher education programs (6 percent), mental hygiene programs (6 percent), welfare assistance (4 percent), and children and families services (3 percent) represent the next largest areas of local aid.

Spending in local assistance is estimated at $27.77 billion in 2001-02, an increase of $914 million (3.4 percent) from the current fiscal year. The change in spending is comprised primarily of increases for school aid, Medicaid, health, and mental health programs, offset by decreases in welfare costs and stock transfer incentive aid payments to New York City.

General Fund spending for school aid is projected at $12.13 billion in 2001-02 (on a State fiscal year basis) an increase of $612 million (5.3 percent). This reflects the school year increase of $382 million to fund formula-based and categorical aid programs, as well as the "tail" of aid payable for the 2000-01 school year. The Executive Budget also recommends reforms to dramatically expand the amount of flexible operating aid provided to schools across the State to meet locally identified educational needs and to target new State resources to the highest-need school districts.

Medicaid spending is estimated at $6.08 billion in 2001-02, an increase of $391 million (6.9 percent) from 2000-01. Underlying spending growth of $670 million is offset by $282 million from nursing home reimbursement methodology updates and efforts to maximize Federal offsets that moderate spending growth. The projections also include continuing cost containment actions from prior fiscal years and reforms in nursing home reimbursement formulas to help defray the increase in Medicaid costs.

Spending on welfare is projected at $1.01 billion, a decrease of $245 million (19.5 percent) from 2000-01. This decrease is largely attributable to continued welfare caseload declines and increased offsets provided by Federal funding in such areas as the Earned Income Tax Credit and the Child and Dependent Care Tax Credit. Welfare caseload is projected at about 743,000 recipients, down 36,000 from 2000-01.

Local assistance spending for Children and Families Services is projected at $881 million in 2001-02, up $43 million (5.1 percent) from 2000-01. The increase in General Fund spending reflects added costs for the proposed child welfare financing reforms as well as an expansion of Advantage-After-School funding.

Mental hygiene programs are expected to grow by $128 million (8.6 percent) to almost $1.62 billion in 2001-02, with additional funding for the New York State CARES program ($47 million), the Community Reinvestment program ($20 million), other program enhancements including trend increases, and annualization of prior year initiatives ($38 million).

General Fund spending for health programs is projected at $602 million, an increase of $110 million (22.4 percent) from 2000-01. This increase is primarily due to enhancements in the EPIC program ($75 million), costs associated with the West Nile Virus outbreak ($22 million), and State support for the Roswell Park Cancer Institute ($30 million), partially offset by $32 million in non-recurring expenses.

Spending for all other local assistance programs will total $5.45 billion in 2001-02, a net decrease of $124 million (2.2 percent) from last year. This includes increased State support for tuition assistance ($35 million), children with special educational needs ($28 million), county administration of welfare and Medicaid programs ($14 million), and for the City University of New York ($14 million). These increases are more than offset by the elimination of spending identified by the Legislature as one-time adds in the 2000-01 enacted budget (including $35 million for the CHIPs local highway program), a reestimate in reimbursement costs to local governments associated with housing State-ready inmates in local jails ($40 million), and the elimination of stock transfer incentive aid payments to New York City ($114 million).

STATE OPERATIONS (millions of dollars)			
SFY:	2000-01	2001-02	Annual Change
State Operations	7,620	7,894	274

State Operations accounts for the cost of running the Executive, Legislative, and Judicial branches of government. Spending in this category is projected at $7.90 billion, an increase of $274 million, or 3.6 percent above 2000-01.

The growth in State Operations is primarily attributable to the annualized costs of labor agreements and related costs with State employee unions ($195 million), increased funding for technology initiatives ($43 million) and for health and mental hygiene programs ($75 million), and a change in the accounting treatment of State University hospital revenues which directly finance hospital operations ($100 million) and other minor changes. The hospital revenues (which had previously offset State Operations) will now be used to support hospital fringe benefits costs that had been previously charged to the General Fund; State University hospital revenue and spending will now be reflected in the Special Revenue Funds. In addition, costs previously reported for snow and ice removal ($169 million) will now be reflected in the Dedicated Highway Fund.

The State's overall workforce is projected at 194,500 persons by the end of 2001-02, down about 500 from the end of 2000-01.

GENERAL STATE CHARGES (millions of dollars)			
SFY:	2000-01	2001-02	Annual Change
General State Charges	2,582	2,589	7

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

Total GSCs spending is projected to grow by $7 million (0.3 percent) to $2.59 billion in 2001-02. The State expects higher health insurance rates in calendar year 2001 of 11 percent ($138 million), primarily to cover the increasing cost of providing prescription drug, hospitalization and physician benefits for State employees. Modest increases are projected for other fringe benefit costs, including social security, workers compensation and dental insurance. These increases are offset by reduced payments for retirement incentives ($72 million) and the accounting treatment of State University hospital fringe benefit costs ($100 million) which will now be included in the Special Revenue Funds.

DEBT SERVICE (millions of dollars)			
SFY:	2000-01	2001-02	Annual Change
Debt Service	1	0	(1)

This category reflects debt service on short-term State obligations, and includes interest costs on the State's commercial paper program. In 2001-02, all of the State's debt service is for long-term bonds, and is shown as a transfer to the General Debt Service Fund.

To reduce costs, the State continues to diversify its debt portfolio to include a prudent level of short-term debt obligations. Since borrowing costs for the commercial paper program and variable rate bonds are comparable and both are effective short-term debt instruments, the use of the commercial paper program was eliminated during 2000-01 and replaced with the issuance of additional variable rate general obligation debt. As a result, the State satisfied its remaining commercial paper debt service obligations in 2000-01.

TRANSFERS TO OTHER FUNDS (millions of dollars)			
SFY:	2000-01	2001-02	Annual Change
Transfers In Support of Debt Service	2,218	2,288	70
Transfers in Support of Capital Projects	235	340	105
Transfers in Support of State University	0	69	69
All Other Transfers	379	389	10

Transfers in support of debt service in 2001-02 are projected at $2.29 billion, a $70 million (3.2 percent) increase over 2000-01. This increase is primarily due to bonding to support SUNY, CUNY, public protection, environmental and economic development purposes, offset by the savings from the use of the Debt Reduction Reserve Fund (DRRF) to defease high cost debt and from the Governor's new Revenue Bond proposal.

Transfers in support of capital projects in 2001-02 are projected at $340 million, a $105 million (44.7 percent) increase over the 2000-01 estimate of $235 million. The increase is primarily due to the first annual transfer of $69 million to the new Remedial Program Transfer Fund, reflecting the Governor's commitment to the environment and public health. Transfers to the Capital Projects Fund will also increase by roughly $16 million to support a request submitted by the Judiciary for improvements to the Court of Appeals Building and the Justice Building in Albany.

Transfers in support of the State University in 2001-02 are projected at $69 million which represents the State's subsidy for the hospitals. All other transfers increase in 2001-02 primarily as a result of the State's subsidy to the Court Facilities Incentive Aid Fund, which grows from $45 million in 2000-01 to $81 million in 2001-02 to support Judiciary capital projects. This increase is offset by the elimination of one-time transfers to the SUNY Stabilization Fund ($17 million), and to the Miscellaneous Special Revenue Fund ($19 million) to pay for costs associated with Y2K compliance.

NON-RECURRING RESOURCES

A total of $146 million in one-time actions is incorporated in the 2001-02 Financial Plan, consisting primarily of $97 million in Federal funds from successful retroactive claims for child welfare, special education, and prison health costs. The remaining amounts reflect a receipt from the Dormitory Authority of the State of New York ($28 million) and various fund sweeps and transfers to the General Fund ($21 million) that occur sporadically each year.

RESERVES/2001-02 CLOSING BALANCE IN THE GENERAL FUND

The State projects a closing balance of $2.3 billion at the end of the 2001-02 fiscal year, a decline of $1.6 billion from 2000-01. This decline is primarily due to the planned use of STAR ($1.2 billion) and DRRF ($250 million) reserves in 2001-02 to pay for already enacted local property tax relief and to provide pay-as-you-go resources to finance essential transportation projects. Another $188 million will remain in the Community Projects Fund (a decline of $150 million) and $14 million in the Universal Pre-Kindergarten Fund (a decline of $15 million).

The remaining reserves are set aside for the future to protect against a national economic slowdown, ensuring that already enacted tax cuts go forward on schedule. These reserves, which total roughly 5 percent of the General Fund budget (placing New York on par with many other states), include: $1.3 billion in a new Fiscal Responsibility Reserve created by setting aside the entire remaining 2000-01 surplus; $627 million in the Tax Stabilization Reserve Fund; and $150 million in the Contingency Reserve Fund. After reflecting these various reserves, the final General Fund closing balance is projected to be $2.3 billion.

To permanently improve the State's reserve levels, the Executive Budget includes legislation to gradually increase the maximum size of the State's "Rainy Day" Fund from 2 percent of General Fund Spending to 5 percent.

GENERAL FUND FINANCIAL PLAN OUTYEAR PROJECTIONS

The State projects budget gaps of $2.5 billion in 2002-03 and $2.9 billion in 2003-04. These budget gaps do not assume any additional spending efficiencies in order to reduce the size of the gaps. However, the gaps assume the Legislature will enact the 2001-02 Executive Budget and accompanying legislation in its entirety, and that reserves proposed by the Governor are set aside for the future to guard against national economic uncertainty and ensure that already enacted tax cuts proceed on schedule.

PROJECTED BUDGET GAPS FOR SFYs 2002-03 AND 2003-04
(millions of dollars)

	2002-03	2003-04
Receipts	41,128	42,371
Disbursements	(43,806)	(45,294)
Use of Community Projects Fund Balance	188	0
Remaining Gap	**(2,490)**	**(2,923)**
2003-04 Gap if 2002-03 Gap is Closed With Recurring Actions		***(433)***

If the projected budget gap for 2002-03 is closed with recurring actions, the projected 2003-04 budget gap would be reduced to $433 million. A more detailed explanation of the outyear receipts and disbursement estimates follows.

OUTYEAR RECEIPTS

GENERAL FUND RECEIPTS (millions of dollars)		
SFY:	2002-03	2003-04
Total Receipts	41,128	42,371

General Fund receipts increase to an estimated $41.13 billion in 2002-03 reflecting a forecast of continued but slower economic growth, the incremental impact of already enacted tax reductions, the impact of prior refund reserve transactions and the continued earmarking of receipts for dedicated highway purposes. Receipts are projected to grow modestly to $42.37 billion in 2003-04, again reflecting the impact of enacted tax cuts on normal receipts growth, as well as the incremental impact of new tax reductions recommended with the 2001-02 Executive Budget.

Overall, both the national and New York economies are expected to continue to expand, but at lower rates through 2004. There is no forecast of recession over the outyear projection horizon.

PERSONAL INCOME TAX (millions of dollars)		
SFY:	2002-03	2003-04
Personal Income Tax	25,255	26,537

Personal income tax receipts are projected to increase to $25.26 billion in 2002-03. The decrease from 2001-02 reflects the impact of refund reserve transactions and a reduction in the growth in underlying liability. In addition, receipts are reduced by the incremental value of the STAR and Co-STAR tax reduction plans.

Personal income tax receipts for 2003-04 are projected to increase to $26.54 billion. The modest increase results from continued normal growth in liability.

In general, income tax growth for 2002-03 and 2003-04 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business income.

Wages are estimated to continue to grow over the 2002-03 and 2003-04 period reflecting continued employment growth over the projection period. Wage growth moderates from the large wage gains of 1999 and 2000 as bonus growth (an important component of wages) is expected to slow significantly over the 2002 to 2004 period.

Growth in realized capital gains is projected to slow from the rapid increases experienced over the past several years. This rapid growth had been fueled by the significant run-up in the value of equities since 1996. Additionally, changes in the Federal tax treatment of capital gains income in 1998 have made the realization of gains more attractive in recent years. The 2002-03 and 2003-04 projections assume a modest recovery in equity markets and below average growth in associated capital gains.

The 2002-03 and 2003-04 projections assume increases in the other major components of income consistent with continued growth in the overall economy. In particular, interest dividend and business income are expected to grow at rates consistent with the average growth in these components in recent years.

It should be noted that growth in income tax receipts in recent years has been heavily influenced by special factors, including the rapid growth in the stock market noted above. The outyear projections anticipate a substantial moderation in the special factors that have produced the rapid receipts growth of recent years. Specifically, based on information from Wall Street analysts and an examination of relevant economic indicators, the outyear projections assume only small increases in financial sector bonuses.

There is significant uncertainty associated with the forecast of the outyear income components. In many cases, a reasonable range of uncertainty around the predicted income components would include significant reductions in receipts. As a result, the projections for 2002-03 and 2003-04 are relatively conservative given the substantial uncertainty in predicting income tax receipts.

USER TAXES AND FEES (millions of dollars)		
SFY:	**2002-03**	**2003-04**
User Taxes and Fees	7,571	7,781

Receipts from the User Taxes and Fees category are estimated to total $7.57 billion in 2002-03, an increase of $129 million from 2001-02. This increase is due almost exclusively to growth in the sales tax, as partly offset by increased earmarking of motor vehicle fees to the dedicated transportation funds.

The User Taxes and Fees category is expected to grow to $7.78 billion in 2003-04. Continuing but slower economic growth is projected over the next several years in the factors which influence sales tax collections. These factors include estimates of continued moderate growth in employment and modest increases in personal income. These assumptions result in underlying growth in the sales tax base in the 5 percent range.

BUSINESS TAXES (millions of dollars)		
SFY:	**2002-03**	**2003-04**
Business Taxes	3,912	3,698

Business Tax receipts are estimated to decline to $3.91 billion in 2002-03, as the impact of recently enacted tax reductions becomes more pronounced. Receipts are projected to fall to $3.70 billion in 2003-04, reflecting the ongoing effect of already enacted and proposed business tax reductions, and relatively small increases in underlying liability reflecting the impact of consolidation in the securities, banking and insurance industries.

OTHER TAXES (millions of dollars)		
SFY:	2002-03	2003-04
Other Taxes	823	854

Other taxes are projected to increase to $823 million in 2002-03, as the impact of estate tax reform and the elimination of the gift tax is fully recognized in 2001-02 receipts. This increase is fully attributable to the estate tax which will account for 96 percent of the General Fund receipts in this category in 2003-04 and is expected to grow modestly reflecting relatively slow growth in household net worth. Other tax receipts increase to an estimated $854 million in 2003-04.

MISCELLANEOUS RECEIPTS (millions of dollars)		
SFY:	2002-03	2003-04
Miscellaneous Receipts	1,340	1,329

Miscellaneous Receipts are estimated to total $1.34 billion in 2002-03, a decline of $69 million from the prior year. Receipts in this category are projected to reach $1.33 billion in 2003-04.

TRANSFERS FROM OTHER FUNDS (millions of dollars)		
SFY:	2002-03	2003-04
Transfers From Other Funds	2,227	2,172

Transfers from other funds are estimated to grow to $2.22 billion in 2002-03 and to $2.17 billion in 2003-04, as revenues associated with transfers that support LGAC and other debt programs continue to grow in concert with the overall economy.

OUTYEAR DISBURSEMENTS

GENERAL FUND DISBURSEMENTS (millions of dollars)		
SFY:	2002-03	2003-04
Total Disbursements	43,806	45,294

The State currently projects spending to grow by $2.46 billion (6.0 percent) in 2002-03 and $1.49 billion (3.4 percent) in 2003-04. General Fund spending increases at a higher rate in 2002-03 than in 2003-04 primarily because there are no new collective bargaining costs assumed after the current contracts expire by April 2003, and the remaining balance in the Community Projects Fund ($188 million) is assumed to be spent by 2002-03.

Spending across the projection period is driven primarily by growth in local assistance, with smaller increases in General State Charges and State Operations costs, as described in more detail below.

GRANTS TO LOCAL GOVERNMENTS (millions of dollars)		
SFY:	2002-03	2003-04
Grants to Local Governments	29,455	30,696

Local assistance spending accounts for most of the projected growth in General Fund spending in the outyears, increasing by $1.68 billion (6.0 percent) in 2002-03 and $1.24 billion (4.2 percent) in 2003-04. The growth in both outyears is primarily reflected in school aid, Medicaid, and mental hygiene programs, and is lowered in fiscal year 2003-04 by the use of the Community Projects fund balance in 2002-03.

School aid, the largest category of General Fund spending, is projected to grow by $659 million in 2002-03 and $709 million in 2003-04. The estimated growth in school aid on a school year basis (approximately $650 million in 2002-03 and $700 million in 2003-04) reflects the formula and building aid reforms proposed in the 2001-02 Executive Budget and accounts for nearly half of projected local assistance growth in the outyears.

Medicaid, the next largest General Fund program, is expected to grow by $577 million in 2002-03 and another $529 million in 2003-04. Spending growth in Medicaid is projected at 7.3 percent annually, consistent with estimates of the Congressional Budget Office.

As a result of welfare reform, welfare programmatic commitments are expected to remain essentially flat throughout the projection period. However, availability of Federal offsets will vary, leading to a modest increase in State spending for welfare programs in 2002-03 ($89 million) followed by a modest decrease ($42 million) in 2003-04.

Mental hygiene programs grow approximately 17 percent or $120 million each year, as a result of the expansion of programs for the mentally ill. Revenue sharing programs are assumed to be held flat over the projection period and the balance in the Community Projects Fund is expected to be disbursed in 2002-03.

STATE OPERATIONS (millions of dollars)		
SFY:	2002-03	2003-04
State Operations	8,371	8,466

State Operations spending is expected to increase by 6.0 percent, or $477 million, in 2002-03 and another 1.1 percent, or $94 million, in 2003-04. Most of the growth in State Operations reflects the costs associated with the recently approved labor agreements ($330 million in 2002-03), normal salary step increases ($55 million annually), and inflationary increases for non-personal service costs. No further collective bargaining increases are assumed in 2003-04 after the current contracts conclude, generally on March 31, 2003.

GENERAL STATE CHARGES (millions of dollars)		
SFY:	2002-03	2003-04
General State Charges	2,788	3,016

General State Charges are projected to increase by $200 million (7.7 percent) in 2002-03 and $228 million (8.2 percent) in 2003-04. The growth is primarily due to health insurance costs that grow at roughly 12 percent each year ($190 million annually) and modest increases in other fringe benefit costs.

TRANSFERS TO OTHER FUNDS (millions of dollars)		
SFY:	2002-03	2003-04
Debt Service	2,333	2,206
Capital Projects	333	383
State University	121	129
All Other	405	398

Transfers to other funds increase by a combined $35 million across the projection period. Debt service transfers in 2002-03 and 2003-04 are $2.33 billion and $2.21 billion, respectively. The decrease in transfers in the outyears is due primarily to the final retirement of pension obligation bonds in 2002-03, and savings generated from the use of the Debt Reduction Reserve Fund to defease high cost debt.

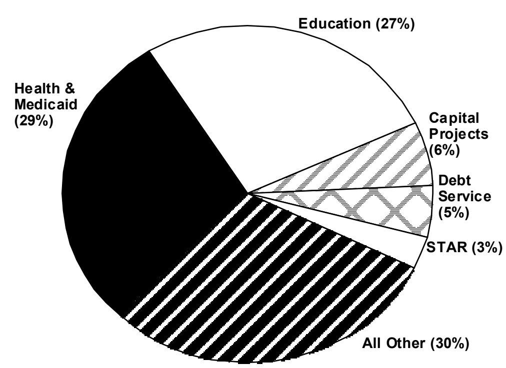
Capital projects transfers remain relatively unchanged from 2001-02 and 2002-03 as commitments to advancing capital needs are maintained. Transfers for capital projects increase by $50 million to $383 million in 2003-04, as commitments increase by $25 million for new high technology research and business incubator initiatives and $20 million to supplement the State's commitment to match Federal grants for municipal drinking water projects. SUNY and other transfers are stable.

GOVERNMENTAL FUNDS FINANCIAL PLANS

ALL GOVERNMENTAL FUNDS

The All Governmental Funds Financial Plan combines activity in the four governmental fund types: the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. The All Governmental Funds group excludes Fiduciary, Internal Service, and Enterprise funds. In 2001-02, spending from All Governmental Funds is estimated at $83.62 billion, an increase of $4.19 billion or 5.3 percent from 2000-01.

All Government Funds Spending 2001-02

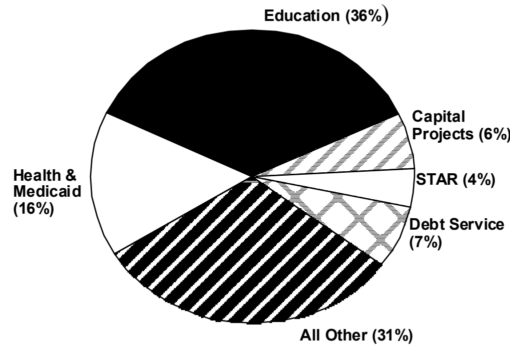


Spending from All Governmental Funds includes $2.57 billion for the School Tax Relief (STAR) program, which lowers school property tax bills for homeowners and reduces the personal income tax for New York City residents. STAR growth will drive nearly $700 million of the $4.19 billion increase in All Funds spending from 2000-01. Without STAR, All Funds spending grows by $3.50 billion or 4.5 percent. Growth in the General Fund ($1.19 billion excluding transfers) and Federal grants ($1.51 billion) accounts for most of the remaining increase in All Funds spending.

STATE FUNDS

State Funds represent the portion of the State's budget supported exclusively by State revenues: taxes, fees, fines, and other revenues imposed and collected by the State. Federal grants are not included as part of State Funds. Projected 2001-02 disbursements from State Funds (including STAR as noted above) is $57.39 billion, an increase of $2.68 billion or 4.9 percent from 2000-01. Without STAR, State Funds spending grows by $1.99 billion or 3.8 percent.

State Funds Spending, 2001-02



SPECIAL REVENUE FUNDS

Special Revenue Funds (SRFs) receive dedicated sources of State and Federal revenues and disburse funds for specified purposes. SRFs ensure that dedicated revenues are used solely for their intended purposes. Spending from SRFs is projected to total $36.47 billion in 2001-02, accounting for 43.6 percent of All Governmental Funds disbursements. Of this amount, $11.68 billion in spending is from funds supported by State revenues, and $24.79 billion from funds supported by Federal grants, primarily for social welfare programs.

State Special Revenue Funds

Disbursements from State SRFs are projected at $11.68 billion, an increase of $1.11 billion or 10.5 percent from 2000-01. STAR, which increases by nearly $700 million from 2000-01, accounts for the majority of the year-to-year growth. Major components of State SRFs are discussed in more detail below.

— **STAR**: This fund receives personal income tax receipts dedicated to support the multi-year STAR program. STAR will provide $2.01 billion in local property tax relief outside of New York City and $560 million in lower personal income taxes for New York City residents as it reaches full implementation in 2001-02. Spending for STAR is estimated at $2.57 billion in 2001-02, an increase of $694 million from 2000-01. The final phase-in of benefits for non-senior homeowners, increased participation by all homeowners, and a substantial increase in New York City income tax relief account for the higher spending in 2001-02.

— **Lottery**: The Lottery Fund receives the net proceeds of lottery ticket sales and supports education aid. The 2001-02 Executive Budget projects the receipt of $1.64 billion in lottery proceeds. After payment of administrative expenses, the Fund will distribute $1.53 billion for education purposes, an increase of $132 million from 2000-01 supported primarily by a proposal for a new lottery game similar to Powerball.

— **State University of New York**: The State University's income reported in the State SRFs is received from tuition, third-party payers, room rents, and user fees.

SUNY revenues support the costs of operating hospitals, dormitories, and regular campus services. The University's spending from State SRFs is projected to total $2.27 billion in 2001-02, an increase of $145 million from the current year. This increase is primarily for collective bargaining, inflation, and program expansion.

— **Transportation**: The Mass Transportation Operating Assistance (MTOA) Fund and the Dedicated Mass Transportation Trust Fund receive taxes earmarked for mass transportation programs throughout the State. Total disbursements from these two funds in 2001-02 are projected at $1.58 billion, $94 million more than in 2000-01. Of this increase, $72 million results from legislation enacted last year that increases the amount of petroleum and motor fuel tax revenues and motor vehicle fees earmarked for the Dedicated Mass Transportation Fund. The remainder of this increase reflects the disbursement of an additional $22 million in MTOA receipts dedicated for use by the MTA and other transit systems.

— **Indigent Care**: The Indigent Care Fund receives moneys from a bad debt and charity care pool funded by various third-party payers. Total disbursements are estimated at $858 million in 2001-02. The decrease of $30 million from 2000-01 reflects lower expected receipts.

— **Child Health Plus**: The Child Health Plus (CHP) program matches Federal funds to subsidize health insurance coverage for children of low-income families. The State's share of CHP is funded by revenues authorized in HCRA 2000. The 2001-02 Financial Plan budgets $258 million for this program. The decrease of $11 million in State special revenue spending from 2000-01 results from the availability of higher Federal aid for CHP through the Balanced Budget Further Refinement Act of 2000.

— **All Other**: Fees, licenses, and assessments collected by State agencies support the costs of providing specific services funded from State SRFs, including spending under the Health Care Reform Act of 2000. Spending for these SRFs is projected at $2.61 billion for 2001-02, an increase of $86 million over 2000-01.

Federal Special Revenue Funds

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

Total disbursements for programs supported by Federal grants account for approximately three-quarters of all special revenue spending. Federal SRF disbursements are estimated at $24.79 billion in 2001-02, an increase of $1.46 billion or 6.3 percent from 2000-01. The higher spending is primarily due to increases in Medicaid ($962 million), welfare ($359 million) and education ($100 million). Major components of Federal SRFs are discussed in more detail below.

— **Medicaid**: The single largest program in Federal SRFs is Medicaid, which comprises 65 percent of Federal aid spending. Disbursements are made to State-operated facilities as well as other health care providers, and to reimburse local governments for administrative costs and other minor programs. The 2001-02 Budget projects $16.04 billion in total Federal Medicaid payments, an increase of $962 million from 2000-01. This growth is primarily due to Federal maximization efforts including increasing hospital intergovernmental transfers, and hospital and outpatient upper payment limit changes.

— **TANF**: The State receives Federal welfare funding through the Temporary Assistance for Needy Families (TANF) block grant. The difference between the block grant and current spending requirements allows the State and localities to provide services that help welfare recipients and at-risk families secure and retain employment. In 2001-02, this funding will total more than $1.5 billion, which will be combined with a prior-year balance of over $1.6 billion to increase support for child welfare services, child care, and other welfare reform initiatives, as well as fund reserves for future needs.

— **Welfare**: Federal welfare spending is projected at $1.46 billion in 2001-02, an increase of $359 million from 2000-01. Higher Federal funding for the Earned Income and Child and Dependent Care Tax Credits accounts for much of the growth. The $1.46 billion level also permits an additional distribution from the TANF block grant for expanded services in the Office of Children and Family Services and the Department of Labor, and the set-aside of additional funds for future contingencies.

— **Education**: Education spending is projected at $2.04 billion in 2001-02, an increase of $100 million from 2000-01. Higher Federal funding for class size reduction, school construction grants, and other elementary and secondary education programs supports the growth in spending.

— **Children and Family Services**: Funding for Children and Family Services is projected at $1.51 billion in 2001-02, unchanged from the prior year.

— **Labor**: Labor spending is estimated at $613 million in 2001-02, a decrease of $75 million from 2000-01. A one-time payment to New York City for prior-year claims under the Job Training Partnership Act program accounts for the decline.

— **Child Health Plus**: Federal support for the Child Health Plus program began in 1999-2000. This funding, in conjunction with State money, facilitates access to comprehensive health care coverage for every eligible child in New York through age 18. Spending is projected at $478 million in 2001-02, an increase of $29 million from 2000-01. Additional Federal funding is provided under the Balanced Budget Further Refinement Act of 2000.

— **All Other**: All other Federal spending is projected at $2.65 billion for 2001-02, an increase of $85 million over 2000-01.

CAPITAL PROJECTS FUNDS

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

Proposed capital spending for 2001-02 will continue to focus on high priority capital projects that promote economic development and commerce, protect the health and safety of New Yorkers and educate our children. These strategic investments in the State's capital infrastructure will continue to be financed with a responsible mix of bonding and pay-as-you-go resources which ensures that new debt levels remain well within the caps and limitations imposed by the Debt Reform Act of 2000. The portion of capital spending financed with State and federal pay-as-you-go resources increases from 57 percent in

2000-01 to 61 percent in 2005-06. The Five-Year Capital Program and Financing Plan continues to ensure that, on average, 60 percent of capital investments are financed with pay-as-you-go resources.

Capital Projects Funds spending in 2001-02 is projected at $5 billion, or $627 million higher than the revised projection for 2000-01. The largest increases are attributable to transportation ($309 million), housing and economic development and other purposes ($143 million), the environment ($123 million) and education ($74 million). These increases are partially offset by the return to more typical spending levels for public protection as prison capacity expansion projects near completion.

Highlights of the 2001-02 capital spending plan include:

— Transportation spending of $2.9 billion will increase by $309 million or 12 percent over 2000-01. Capital projects that support State highways and bridges, rail, industrial access and aviation programs will promote safety and spur economic development through the efficient delivery of raw materials, consumer goods, and people. To accelerate the completion of essential transportation projects without an increase in State-supported transportation bonding, the Executive Budget recommends the use of pay-as-you-go resources to increase the construction levels of the Department of Transportation's (DOT) Highway and Bridge Construction Program to $1.75 billion in 2001-02 — its highest level ever. The Executive Budget also maintains support for local transportation capital programs (Consolidated Highway Improvement Program, (CHIPS) and the Marchiselli Program). Transportation spending will account for almost 60 percent of 2001-02 capital disbursements.

— Projected spending for the environment of $822 million will increase by $123 million or almost 18 percent over 2000-01. Disbursements for the environment include $169 million in Clean Water/Clean Air Act spending; $119 million in spending from the Environmental Protection Fund; and $105 million in Superfund spending from the new Remedial ProgramTransfer Fund to continue support for the clean-up of hazardous waste and substance sites. Spending for the environment will account for 17 percent of 2001-02 capital disbursements.

— Spending for housing, economic development and other capital projects of $412 million will increase by $143 million or almost 53 percent from 2000-01. Approximately $122 million of the increase will support capital projects that will encourage economic development and job creation under a variety of programs, including the Strategic Investment Program and the Economic Development and Natural Resource Program. Spending in 2001-02 reflects continued funding for the construction and rehabilitation of the Capitol and other State office buildings. Disbursements for housing and economic development initiatives will account for approximately six percent of 2001-02 capital spending.

— Public protection spending of about $200 million will decrease by about $57 million or by 22 percent from 2000-01. The projected decline reflects the near completion of the prison capacity expansion plan and the return to more typical spending levels that will maintain the facilities of the Department of Correctional Services. Public protection spending will account for four percent of 2001-02 capital disbursements.

— Spending for the Department of Mental Hygiene of $184 million will increase by $35 million or by 23 percent from 2000-01. Department spending will continue to support essential health and safety, rehabilitation and maintenance projects to preserve both State and community-based facilities operated and licensed by the Department's agencies. Department of Mental Hygiene spending will account for four percent of 2001-02 capital disbursements.

— Capital spending for education and higher education of $426 million will increase by $74 million or by 21 percent from 2000-01. New recommendations will expand

and renovate SUNY Dormitory facilities to continue to provide safe housing for a growing population of students. Education and higher education spending will account for nine percent of 2001-02 capital spending.

Financing Resources

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

Consistent with the Governor's efforts to increase pay-as-you-go financing and ensure that bonding levels remain well within the caps imposed by the Debt Reform Act of 2000, the percentage of capital spending which is financed with cash resources will increase from 57 percent in 2000-01 to 61 percent in 2005-06, while the share that is financed by both voter-approved general obligation bonds and authority bonds will decline from 43 percent in 2000-01 to 39 percent in 2005-06.

Pay-as-you-go spending in 2000-01 and 2001-02 reflects the use of a portion of the $750 million Debt Reduction Reserve Fund to pay cash for bond-financed projects. In 2000-01, $421 million in DRRF funds were used to defease high cost State debt and the balance of $79 million was used to pay cash for bond financed capital projects including the Buffalo Inner Harbor ($50 million) and CEFAP ($22 million). In 2001-02, the $250 million DRRF balance will be used to provide pay-as-you-go resources to finance the acceleration of essential transportation projects.

Over the Five-Year Capital Plan, the portion of spending financed with State pay-as-you-go resources and Federal grants will average 27 percent and 33 percent, respectively. General obligation bond-financed spending, which primarily supports spending for Clean Water/Clean Air Bond Act, and public authority bond-financed spending, will average 5 percent and 35 percent, respectively.

DEBT SERVICE FUNDS

Debt Service Funds are the conduits through which the State pays debt service on State general obligation bonds, and meets its lease-purchase and contractual obligation commitments on bonds issued by State authorities and municipalities. Debt service funds receive moneys either from a dedicated revenue stream, such as sales tax receipts, or as a transfer from the General Fund or other funds.

Debt Service Funds projections for 2000-01 reflect the use of $500 million in DRRF funds as discussed above, to generate debt service savings of approximately $800 million. The $250 million DRRF balance will be used in 2001-02 to generate additional taxpayer savings of about $400 million. Overall, the $750 million DRRF investment will save taxpayers $1.2 billion in lower debt service costs.

To expand the State's existing "revenue-backed" bond programs, Debt Service Funds projections also reflect legislation that will provide a structure for lower cost, revenue debt. The issuance of statutory revenue bonds will:

— Reduce borrowing costs by pledging 25 percent of the broad-based personal income tax receipts to satisfy the debt service due on the new Revenue-backed bonds.

— Permit the State to consolidate its current bonding programs by gradually replacing lease-purchase and contractual obligation financings with the issuance of more cost-effective revenue bonds.
— Prepare for Legislative passage and voter approval of the Constitutional Debt Reform Amendment by providing a statutory framework for the issuance of Constitutional Revenue Debt.

Overall financing costs will continue to be minimized through a number of other debt management strategies, including the use of shorter bond maturities. Consistent with rating agency guidelines and market conditions permitting, the Executive Budget will increase the use of short-term debt instruments (i.e., variable rate debt and a limited amount of interest rate swaps) as a percentage of total debt outstanding. Within these guidelines and limits, the Five Year Capital Program and Financing Plan will expand the issuance of variable rate debt as a percent of all State-supported debt by roughly one percent each year, from 7 percent in 2001-02 to 11 percent in 2005-06.

Estimated debt service disbursements from the debt service funds type are projected at $4.1 billion for 2000-01 and $3.9 billion for 2001-02, and reflect spending of $421 million attributable to the use of DRRF to defease high cost State debt.

The General Debt Service Fund pays debt service on general obligation bonds, as well as payments for lease-purchase and contractual obligation bonds. Transfers from the General Fund are the primary source of funds for these payments, and are only made in the amount necessary to meet net disbursements. In 2001-02, the transfer from the General Fund is projected at $2.29 billion, an increase of $70 million from 2000-01. This primarily reflects prior year financings for CUNY, SUNY, prisons, housing, CHIPs and other programs. In addition, payments for the new statutory revenue debt program will be made from the General Debt Service Fund, as financed by a pledge of 25 percent of the State's personal income tax. Additional transfers of $230 million from the Dedicated Highway and Bridge Trust Fund, $67 million from the Clean Water/Clean Air Fund, $12 million from the Income Fund for SUNY Hospitals and $1.5 million from the State Parks Infrastructure Fund are projected to bring 2001-02 total disbursements from the General Debt Service Fund to $2.6 billion. Those additional transfers pay the debt service on bonds issued for CHIPs, environmental projects under the Clean Water/Clean Air Bond Act, the hospitals' share of SUNY Educational Facilities debt service, and State parks purposes, respectively. The retirement of outstanding general obligation bonds contributes to a $43 million reduction in those debt service costs.

The Local Government Assistance Tax Fund is projected to receive $2.2 billion in receipts from the dedicated one cent statewide sales tax. Debt service and associated costs on the completed $4.7 billion Local Government Assistance Corporation (LGAC) Program are projected at $312 million. Sales tax receipts in excess of LGAC's debt service requirements, $1.9 billion, will be transferred to the General Fund.

The Mental Health Services Fund has $2.2 billion of patient revenues which are deposited and transferred to satisfy debt service obligations of $341 million. The remaining balance is transferred to special revenue funds to support state operations costs for the various mental hygiene agencies. The Health Income Fund also receives patient revenue deposits and transfers from certain Health Department facilities, including the Roswell Park Cancer Institute (whose operations were transferred to a public corporation in 1997). Revenues of the Corporation continue to support the debt service on bonds for Roswell facilities through their maturity, and the balance is periodically transferred to the Roswell Corporation. As a result, the State's Financial Plan only reflects the portion of the Corporation's receipts that are needed for debt service. Health Income Fund moneys of $118 million are expected to support debt service obligations of $31 million in 2001-02, with the remainder being transferred to support the Health Department's state operations costs.

The Clean Water/Clean Air Fund, which was created in 1998-99 to implement the Clean Water/Clean Air Bond Act, is expected to receive $188 million from the real estate transfer tax. The Fund will transfer $67 million to the General Debt Service Fund to pay the debt service on Clean Water/Clean Air general obligation bonds and the remaining $121 million to the General Fund. Other debt service funds are used to finance payments on bonds issued to finance housing, SUNY dormitory, and State highway projects.

GAAP-BASIS FINANCIAL PLANS

The General Fund and All Governmental Funds Financial Plans are also prepared in accordance with Generally Accepted Accounting Principles (GAAP). Additional schedules are provided which detail the differences between the General Fund Financial Plan prepared on a cash basis versus that prepared in accordance with GAAP. The GAAP projections for both years are based on the accounting principles applied by the State Comptroller in the financial statements issued for the 1999-2000 State fiscal year, and do not reflect any pending proposals of the Governmental Accounting Standards Board.

The GAAP projections indicate that the State will have five consecutive years of a General Fund accumulated GAAP surplus, with an accumulated surplus of $1.9 billion in 2000-01, completely eliminating the GAAP deficit of $3.3 billion which existed as of March 31, 1995. In 2000-01, the General Fund GAAP Financial Plan shows total revenues of $37.66 billion, total expenditures of $39.69 billion, and net other financing sources of $35 million, resulting in an operating imbalance of $2.0 billion. This General Fund operating result does not include the 2000-01 deposits of $1.2 billion in the School Tax Relief Fund (Special Revenue Fund) and $250 million in the Debt Reduction Reserve Fund (Debt Service Fund). These deposits are included in the 2000-01 projected operating GAAP surpluses of the Special Revenue Funds and Debt Service Funds.

In 2001-02, projections reflect total revenues of $40.87 billion, total expenditures of $40.68 billion and net other financing uses of $190 million, resulting in an operating surplus of $3 million. At the end of 2001-02, the General Fund accumulated GAAP surplus is projected to be $1.9 billion.

CASH FLOW

As a result of cash flow reforms made in the 1990s, the State cannot normally issue short-term debt to meet its cash flow needs throughout the year. The General Fund cash flow for 2001-02 is projected to have balances no lower than $2.3 billion in all months. Healthy balances early in the year are largely the result of reserves that have been increased over the past few years. In June, the projected balance in the General Fund is $4.3 billion. Balances at the close of the second and third quarters of the fiscal year are projected to be $4.6 billion and $5.2 billion, respectively.

INDEX OF FINANCIAL PLAN TABLES

CASH FINANCIAL PLAN
GENERAL FUND
2000-2001
(millions of dollars)

	October	Change	January
Opening fund balance	917	0	917
Receipts			
Taxes			
Personal income tax	24,334	(543)	23,791
User taxes and fees	7,021	401	7,422
Business taxes	4,228	235	4,463
Other taxes	766	15	781
Miscellaneous receipts	1,339	161	1,500
Transfers from other funds			
LGAC	1,645	114	1,759
All other	384	22	406
Total receipts	39,717	405	40,122
Disbursements			
Grants to local governments	26,863	(3)	26,860
State operations	7,624	(4)	7,620
General State charges	2,269	313	2,582
Debt service	5	(4)	1
Transfers to other funds			
Debt service	2,261	(43)	2,218
Capital projects	234	1	235
Other purposes	293	86	379
Total disbursements	39,549	346	39,895
Change in fund balance	168	59	227
Closing fund balance	1,085	59	1,144
Tax Stabilization Reserve Fund	547	80	627
Contingency Reserve Fund	150	0	150
Community Projects Fund	338	0	338
Universal Pre-Kindergarten Fund	0	29	29
Salary/Other Reserve	50	(50)	0

CASH FINANCIAL PLAN
GENERAL FUND
2000-2001 AND 2001-2002
(millions of dollars)

	2000-2001 Estimate	2001-2002 Recommended	Change
Opening fund balance	917	1,144	227
Receipts			
Taxes			
Personal income tax	23,791	26,481	2,690
User taxes and fees	7,422	7,442	20
Business taxes	4,463	4,171	(292)
Other taxes	781	771	(10)
Miscellaneous receipts	1,500	1,429	(71)
Transfers from other funds			
LGAC	1,759	1,867	108
All other	406	296	(110)
Total receipts	40,122	42,457	2,335
Disbursements			
Grants to local governments	26,860	27,774	914
State operations	7,620	7,894	274
General State charges	2,582	2,589	7
Debt service	1	0	(1)
Transfers to other funds			
Debt service	2,218	2,288	70
Capital projects	235	340	105
State university	0	69	69
Other purposes	379	389	10
Total disbursements	39,895	41,343	1,448
Change in fund balance	227	1,114	887
Closing fund balance	1,144	2,258	1,114
Tax Stabilization Reserve Fund	627	627	
Contingency Reserve Fund	150	150	
Community Projects Fund	338	188	
Universal Pre-Kindergarten Fund	29	14	
Fiscal Responsibility Reserve	--	1,279	

Note 1: The Fiscal Responsibility Reserve is established in 2000-01, and shows as a closing balance in 2001-02 after the results of the 2000-01 refund reserve transaction.

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

	2001-2002 Recommended	2002-2003 Projected	2003-2004 Projected
Receipts			
Taxes			
Personal income tax	26,481	25,255	26,537
User taxes and fees	7,442	7,571	7,781
Business taxes	4,171	3,912	3,698
Other taxes	771	823	854
Miscellaneous receipts	1,429	1,340	1,329
Transfers from other funds			
LGAC	1,867	1,953	2,015
All other	296	274	157
Total receipts	42,457	41,128	42,371
Disbursements			
Grants to local governments	27,774	29,455	30,696
State operations	7,894	8,371	8,466
General State charges	2,589	2,788	3,016
Debt service	0	0	0
Transfers to other funds	0		
Debt service	2,288	2,333	2,206
Capital projects	340	333	383
State university	69	121	129
Other purposes	389	405	398
Total disbursements	41,343	43,806	45,294
Deposit to/(use of) Community Projects Fund	(150)	(188)	0
Deposit to/(use of) Universal Pre-Kindergarten Fund	(15)	0	0
Deposit to/(use of) Fiscal Responsibility Reserve	1,279	0	0
Margin	0	(2,490)	(2,923)

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
1999-2000
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	942	672	19	170	1,803
Receipts					
Taxes	33,611	2,608	1,123	2,387	39,729
Miscellaneous receipts	1,647	6,081	1,775	612	10,115
Federal grants	0	22,184	1,381	0	23,565
Total receipts	35,258	30,873	4,279	2,999	73,409
Disbursements					
Grants to local governments	25,590	24,372	640	0	50,602
State operations	6,600	6,236	0	14	12,850
General State charges	2,087	554	0	0	2,641
Debt service	6	0	0	3,571	3,577
Capital projects	0	12	3,584	0	3,596
Total disbursements	34,283	31,174	4,224	3,585	73,266
Other financing sources (uses)					
Transfers from other funds	2,137	2,352	240	4,605	9,334
Transfers to other funds	(2,887)	(1,961)	(541)	(3,991)	(9,380)
Bond and note proceeds	0	0	208	0	208
Net other financing sources (uses)	(750)	391	(93)	614	162
Change in fund balance	225	90	(38)	28	305
Closing fund balance	1,167	762	(19)	198	2,108

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2000-2001
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	917	762	(19)	448	2,108
Receipts					
Taxes	36,457	4,504	1,219	2,708	44,888
Miscellaneous receipts	1,500	6,750	1,760	850	10,860
Federal grants	0	23,368	1,401	0	24,769
Total receipts	37,957	34,622	4,380	3,558	80,517
Disbursements					
Grants to local governments	26,860	27,006	817	0	54,683
State operations	7,620	6,545	0	6	14,171
General State charges	2,582	342	0	0	2,924
Debt service	1	0	0	4,125	4,126
Capital projects	0	4	3,522	0	3,526
Total disbursements	37,063	33,897	4,339	4,131	79,430
Other financing sources (uses)					
Transfers from other funds	2,165	2,402	340	4,795	9,702
Transfers to other funds	(2,832)	(2,082)	(637)	(4,242)	(9,793)
Bond and note proceeds	0	0	236	0	236
Net other financing sources (uses)	(667)	320	(61)	553	145
Change in fund balance	227	1,045	(20)	(20)	1,232
Closing fund balance	1,144	1,807	(39)	428	3,340

Note 1: The opening fund balances of the General Fund and the Debt Service Funds are changed by $250 million to reflect the reclassification of the Debt Reduction Reserve Fund from the General Fund to the Debt Service Funds.

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2001-2002
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,144	1,807	(39)	428	3,340
Receipts					
Taxes	38,865	2,905	1,547	2,479	45,796
Miscellaneous receipts	1,429	6,912	1,838	614	10,793
Federal grants	0	24,835	1,451	0	26,286
Total receipts	40,294	34,652	4,836	3,093	82,875
Disbursements					
Grants to local governments	27,774	29,297	991	0	58,062
State operations	7,894	6,704	0	7	14,605
General State charges	2,589	463	0	0	3,052
Debt service	0	0	0	3,924	3,924
Capital projects	0	5	3,974	0	3,979
Total disbursements	38,257	36,469	4,965	3,931	83,622
Other financing sources (uses)					
Transfers from other funds	2,163	2,507	648	5,013	10,331
Transfers to other funds	(3,086)	(2,071)	(791)	(4,469)	(10,417)
Bond and note proceeds	0	0	237	0	237
Net other financing sources (uses)	(923)	436	94	544	151
Change in fund balance	1,114	(1,381)	(35)	(294)	(596)
Closing fund balance	2,258	426	(74)	134	2,744

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2002-2003
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	426	(74)	134	486
Receipts					
Taxes	37,561	4,371	1,664	2,547	46,143
Miscellaneous receipts	1,340	7,292	1,878	642	11,152
Federal grants	0	25,945	1,510	0	27,455
Total receipts	38,901	37,608	5,052	3,189	84,750
Disbursements					
Grants to local governments	29,455	30,712	795	0	60,962
State operations	8,371	6,771	0	7	15,149
General State charges	2,788	518	0	0	3,306
Debt service	0	0	0	4,086	4,086
Capital projects	0	3	4,018	0	4,021
Total disbursements	40,614	38,004	4,813	4,093	87,524
Other financing sources (uses)					
Transfers from other funds	2,227	2,525	371	5,174	10,297
Transfers to other funds	(3,192)	(2,058)	(866)	(4,270)	(10,386)
Bond and note proceeds	0	0	260	0	260
Net other financing sources (uses)	(965)	467	(235)	904	171
Deposit to/(use of) Community Projects Fund	(188)	0	0	0	(188)
Change in fund balance	(2,490)	71	4	0	(2,415)
Closing fund balance	(2,490)	497	(70)	134	(1,929)

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	497	(70)	134	561
Receipts					
Taxes	38,870	4,597	1,741	2,526	47,734
Miscellaneous receipts	1,329	7,347	2,037	649	11,362
Federal grants	0	26,805	1,593	0	28,398
Total receipts	40,199	38,749	5,371	3,175	87,494
Disbursements					
Grants to local governments	30,696	31,787	763	0	63,246
State operations	8,466	6,864	0	7	15,337
General State charges	3,016	525	0	0	3,541
Debt service	0	0	0	4,136	4,136
Capital projects	0	3	4,282	0	4,285
Total disbursements	42,178	39,179	5,045	4,143	90,545
Other financing sources (uses)					
Transfers from other funds	2,172	2,571	409	5,215	10,367
Transfers to other funds	(3,116)	(2,090)	(989)	(4,249)	(10,444)
Bond and note proceeds	0	0	231	0	231
Net other financing sources (uses)	(944)	481	(349)	966	154
Change in fund balance	(2,923)	51	(23)	(2)	(2,897)
Closing fund balance	(2,923)	548	(93)	132	(2,336)

CASH FINANCIAL PLAN
STATE FUNDS
1999-2000
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	942	961	161	170	2,234
Receipts					
Taxes	33,611	2,608	1,123	2,387	39,729
Miscellaneous receipts	1,647	5,953	1,774	612	9,986
Federal grants	0	0	0	0	0
Total receipts	35,258	8,561	2,897	2,999	49,715
Disbursements					
Grants to local governments	25,590	5,181	418	0	31,189
State operations	6,600	3,527	0	14	10,141
General State charges	2,087	422	0	0	2,509
Debt service	6	0	0	3,571	3,577
Capital projects	0	12	2,368	0	2,380
Total disbursements	34,283	9,142	2,786	3,585	49,796
Other financing sources (uses)					
Transfers from other funds	2,137	591	240	4,605	7,573
Transfers to other funds	(2,887)	(136)	(535)	(3,991)	(7,549)
Bond and note proceeds	0	0	208	0	208
Net other financing sources (uses)	(750)	455	(87)	614	232
Change in fund balance	225	(126)	24	28	151
Closing fund balance	1,167	835	185	198	2,385

CASH FINANCIAL PLAN
STATE FUNDS
2000-2001
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	917	835	185	448	2,385
Receipts					
Taxes	36,457	4,504	1,219	2,708	44,888
Miscellaneous receipts	1,500	6,637	1,760	850	10,747
Federal grants	0	0	0	0	0
Total receipts	37,957	11,141	2,979	3,558	55,635
Disbursements					
Grants to local governments	26,860	6,638	611	0	34,109
State operations	7,620	3,734	0	6	11,360
General State charges	2,582	193	0	0	2,775
Debt service	1	0	0	4,125	4,126
Capital projects	0	3	2,334	0	2,337
Total disbursements	37,063	10,568	2,945	4,131	54,707
Other financing sources (uses)					
Transfers from other funds	2,165	543	340	4,795	7,843
Transfers to other funds	(2,832)	(139)	(630)	(4,242)	(7,843)
Bond and note proceeds	0	0	236	0	236
Net other financing sources (uses)	(667)	404	(54)	553	236
Change in fund balance	227	977	(20)	(20)	1,164
Closing fund balance	1,144	1,812	165	428	3,549

Note 1: The opening fund balances of the General Fund and the Debt Service Funds are changed by $250 million to reflect the reclassification of the Debt Reduction Reserve Fund from the General Fund to the Debt Service Funds.

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	1,144	1,812	165	428	3,549
Receipts					
Taxes	38,865	2,905	1,547	2,479	45,796
Miscellaneous receipts	1,429	6,772	1,838	614	10,653
Federal grants	0	0	0	0	0
Total receipts	40,294	9,677	3,385	3,093	56,449
Disbursements					
Grants to local governments	27,774	7,551	793	0	36,118
State operations	7,894	3,816	0	7	11,717
General State charges	2,589	308	0	0	2,897
Debt service	0	0	0	3,924	3,924
Capital projects	0	3	2,732	0	2,735
Total disbursements	38,257	11,678	3,525	3,931	57,391
Other financing sources (uses)					
Transfers from other funds	2,163	656	648	5,013	8,480
Transfers to other funds	(3,086)	(121)	(780)	(4,469)	(8,456)
Bond and note proceeds	0	0	237	0	237
Net other financing sources (uses)	(923)	535	105	544	261
Change in fund balance	1,114	(1,466)	(35)	(294)	(681)
Closing fund balance	2,258	346	130	134	2,868

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	346	130	134	610
Receipts					
Taxes	37,561	4,371	1,664	2,547	46,143
Miscellaneous receipts	1,340	7,161	1,878	642	11,021
Federal grants	0	0	0	0	0
Total receipts	38,901	11,532	3,542	3,189	57,164
Disbursements					
Grants to local governments	29,455	7,906	596	0	37,957
State operations	8,371	3,951	0	7	12,329
General State charges	2,788	356	0	0	3,144
Debt service	0	0	0	4,086	4,086
Capital projects	0	3	2,717	0	2,720
Total disbursements	40,614	12,216	3,313	4,093	60,236
Other financing sources (uses)					
Transfers from other funds	2,227	701	371	5,174	8,473
Transfers to other funds	(3,192)	(109)	(856)	(4,270)	(8,427)
Bond and note proceeds	0	0	260	0	260
Net other financing sources (uses)	(965)	592	(225)	904	306
Deposit to/(use of) Community Projects Fund	(188)	0	0	0	(188)
Change in fund balance	(2,490)	(92)	4	0	(2,578)
Closing fund balance	(2,490)	254	134	134	(1,968)

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	254	134	134	522
Receipts					
Taxes	38,870	4,597	1,741	2,526	47,734
Miscellaneous receipts	1,329	7,220	2,037	649	11,235
Federal grants	0	0	0	0	0
Total receipts	40,199	11,817	3,778	3,175	58,969
Disbursements					
Grants to local governments	30,696	8,129	562	0	39,387
State operations	8,466	4,025	0	7	12,498
General State charges	3,016	363	0	0	3,379
Debt service	0	0	0	4,136	4,136
Capital projects	0	3	2,899	0	2,902
Total disbursements	42,178	12,520	3,461	4,143	62,302
Other financing sources (uses)					
Transfers from other funds	2,172	724	409	5,215	8,520
Transfers to other funds	(3,116)	(103)	(980)	(4,249)	(8,448)
Bond and note proceeds	0	0	231	0	231
Net other financing sources (uses)	(944)	621	(340)	966	303
Change in fund balance	(2,923)	(82)	(23)	(2)	(3,030)
Closing fund balance	(2,923)	172	111	132	(2,508)

CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
1999-2000
(millions of dollars)

	State	Federal	Total
Opening fund balance	961	(289)	672
Receipts			
Taxes	2,608	0	2,608
Miscellaneous receipts	5,953	128	6,081
Federal grants	0	22,184	22,184
Total receipts	8,561	22,312	30,873
Disbursements			
Grants to local governments	5,181	19,191	24,372
State operations	3,527	2,709	6,236
General State charges	422	132	554
Capital projects	12	0	12
Total disbursements	9,142	22,032	31,174
Other financing sources (uses)			
Transfers from other funds	591	1,761	2,352
Transfers to other funds	(136)	(1,825)	(1,961)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	455	(64)	391
Change in fund balance	(126)	216	90
Closing fund balance	835	(73)	762

CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2000-2001
(millions of dollars)

	State	Federal	Total
Opening fund balance	835	(73)	762
Receipts			
Taxes	4,504	0	4,504
Miscellaneous receipts	6,637	113	6,750
Federal grants	0	23,368	23,368
Total receipts	11,141	23,481	34,622
Disbursements			
Grants to local governments	6,638	20,368	27,006
State operations	3,734	2,811	6,545
General State charges	193	149	342
Capital projects	3	1	4
Total disbursements	10,568	23,329	33,897
Other financing sources (uses)			
Transfers from other funds	543	1,859	2,402
Transfers to other funds	(139)	(1,943)	(2,082)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	404	(84)	320
Change in fund balance	977	68	1,045
Closing fund balance	1,812	(5)	1,807

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

	State	Federal	Total
Opening fund balance	1,812	(5)	1,807
Receipts			
Taxes	2,905	0	2,905
Miscellaneous receipts	6,772	140	6,912
Federal grants	0	24,835	24,835
Total receipts	9,677	24,975	34,652
Disbursements			
Grants to local governments	7,551	21,746	29,297
State operations	3,816	2,888	6,704
General State charges	308	155	463
Capital projects	3	2	5
Total disbursements	11,678	24,791	36,469
Other financing sources (uses)			
Transfers from other funds	656	1,851	2,507
Transfers to other funds	(121)	(1,950)	(2,071)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	535	(99)	436
Change in fund balance	(1,466)	85	(1,381)
Closing fund balance	346	80	426

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

	State	Federal	Total
Opening fund balance	346	80	426
Receipts			
Taxes	4,371	0	4,371
Miscellaneous receipts	7,161	131	7,292
Federal grants	0	25,945	25,945
Total receipts	11,532	26,076	37,608
Disbursements			
Grants to local governments	7,906	22,806	30,712
State operations	3,951	2,820	6,771
General State charges	356	162	518
Capital projects	3	0	3
Total disbursements	12,216	25,788	38,004
Other financing sources (uses)			
Transfers from other funds	701	1,824	2,525
Transfers to other funds	(109)	(1,949)	(2,058)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	592	(125)	467
Change in fund balance	(92)	163	71
Closing fund balance	254	243	497

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

	State	Federal	Total
Opening fund balance	254	243	497
Receipts			
Taxes	4,597	0	4,597
Miscellaneous receipts	7,220	127	7,347
Federal grants	0	26,805	26,805
Total receipts	11,817	26,932	38,749
Disbursements			
Grants to local governments	8,129	23,658	31,787
State operations	4,025	2,839	6,864
General State charges	363	162	525
Capital projects	3	0	3
Total disbursements	12,520	26,659	39,179
Other financing sources (uses)			
Transfers from other funds	724	1,847	2,571
Transfers to other funds	(103)	(1,987)	(2,090)
Bond and note proceeds	0	0	0
Net other financing sources (uses)	621	(140)	481
Change in fund balance	(82)	133	51
Closing fund balance	172	376	548

CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
1999-2000
(millions of dollars)

	State	Federal	Total
Opening fund balance	161	(142)	19
Receipts			
Taxes	1,123	0	1,123
Miscellaneous receipts	1,774	1	1,775
Federal grants	0	1,381	1,381
Total receipts	2,897	1,382	4,279
Disbursements			
Grants to local governments	418	222	640
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,368	1,216	3,584
Total disbursements	2,786	1,438	4,224
Other financing sources (uses)			
Transfers from other funds	240	0	240
Transfers to other funds	(535)	(6)	(541)
Bond and note proceeds	208	0	208
Net other financing sources (uses)	(87)	(6)	(93)
Change in fund balance	24	(62)	(38)
Closing fund balance	185	(204)	(19)

CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2000-2001
(millions of dollars)

	State	Federal	Total
Opening fund balance	185	(204)	(19)
Receipts			
Taxes	1,219	0	1,219
Miscellaneous receipts	1,760	0	1,760
Federal grants	0	1,401	1,401
Total receipts	2,979	1,401	4,380
Disbursements			
Grants to local governments	611	206	817
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,334	1,188	3,522
Total disbursements	2,945	1,394	4,339
Other financing sources (uses)			
Transfers from other funds	340	0	340
Transfers to other funds	(630)	(7)	(637)
Bond and note proceeds	236	0	236
Net other financing sources (uses)	(54)	(7)	(61)
Change in fund balance	(20)	0	(20)
Closing fund balance	165	(204)	(39)

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

	State	Federal	Total
Opening fund balance	165	(204)	(39)
Receipts			
Taxes	1,547	0	1,547
Miscellaneous receipts	1,838	0	1,838
Federal grants	0	1,451	1,451
Total receipts	3,385	1,451	4,836
Disbursements			
Grants to local governments	793	198	991
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,732	1,242	3,974
Total disbursements	3,525	1,440	4,965
Other financing sources (uses)			
Transfers from other funds	648	0	648
Transfers to other funds	(780)	(11)	(791)
Bond and note proceeds	237	0	237
Net other financing sources (uses)	105	(11)	94
Change in fund balance	(35)	0	(35)
Closing fund balance	130	(204)	(74)

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

	State	Federal	Total
Opening fund balance	130	(204)	(74)
Receipts			
Taxes	1,664	0	1,664
Miscellaneous receipts	1,878	0	1,878
Federal grants	0	1,510	1,510
Total receipts	3,542	1,510	5,052
Disbursements			
Grants to local governments	596	199	795
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,717	1,301	4,018
Total disbursements	3,313	1,500	4,813
Other financing sources (uses)			
Transfers from other funds	371	0	371
Transfers to other funds	(856)	(10)	(866)
Bond and note proceeds	260	0	260
Net other financing sources (uses)	(225)	(10)	(235)
Change in fund balance	4	0	4
Closing fund balance	134	(204)	(70)

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

	State	Federal	Total
Opening fund balance	134	(204)	(70)
Receipts			
Taxes	1,741	0	1,741
Miscellaneous receipts	2,037	0	2,037
Federal grants	0	1,593	1,593
Total receipts	3,778	1,593	5,371
Disbursements			
Grants to local governments	562	201	763
State operations	0	0	0
General State charges	0	0	0
Capital projects	2,899	1,383	4,282
Total disbursements	3,461	1,584	5,045
Other financing sources (uses)			
Transfers from other funds	409	0	409
Transfers to other funds	(980)	(9)	(989)
Bond and note proceeds	231	0	231
Net other financing sources (uses)	(340)	(9)	(349)
Change in fund balance	(23)	0	(23)
Closing fund balance	111	(204)	(93)

CASH FINANCIAL PLAN
PROPRIETARY AND FIDUCIARY FUNDS
2000-2001
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(66)	17	75
Receipts			
Unemployment taxes	0	0	1,625
Miscellaneous receipts	574	82	49
Federal grants	0	0	25
Total receipts	574	82	1,699
Disbursements			
Grants to local governments	0	0	10
State operations	530	80	66
Unemployment benefits	0	0	1,650
General State charges	35	2	1
Debt service	119	0	0
Total disbursements	684	82	1,727
Other financing sources (uses)			
Transfers from other funds	70	0	21
Transfers to other funds	0	0	0
Net other financing sources (uses)	70	0	21
Change in fund balance	(40)	0	(7)
Closing fund balance	(106)	17	68

CASH FINANCIAL PLAN
PROPRIETARY AND FIDUCIARY FUNDS
2001-2002
(millions of dollars)

	Internal Service	Enterprise	Fiduciary
Opening fund balance	(106)	17	68
Receipts			
Unemployment taxes	0	0	1,625
Miscellaneous receipts	742	84	56
Federal grants	0	0	25
Total receipts	742	84	1,706
Disbursements			
Grants to local governments	0	0	6
State operations	578	83	67
Unemployment benefits	0	0	1,650
General State charges	42	2	1
Debt service	209	0	0
Capital projects	0	0	5
Total disbursements	829	85	1,729
Other financing sources (uses)			
Transfers from other funds	79	0	11
Transfers to other funds	0	0	(3)
Net other financing sources (uses)	79	0	8
Change in fund balance	(8)	(1)	(15)
Closing fund balance	(114)	16	53

GAAP FINANCIAL PLAN
GENERAL FUND
2000-2001
(millions of dollars)

	July	Change	January
Revenues			
Taxes			
Personal income tax	22,258	(208)	22,050
User taxes and fees	7,020	410	7,430
Business taxes	4,151	215	4,366
Other taxes	786	(12)	774
Miscellaneous revenues	3,044	(2)	3,042
Total revenues	37,259	403	37,662
Expenditures			
Grants to local governments	27,935	51	27,986
State operations	9,353	314	9,667
General State charges	1,985	33	2,018
Debt service	32	(13)	19
Capital projects	0	1	1
Total expenditures	39,305	386	39,691
Other financing sources (uses)			
Transfers from other funds	4,554	1	4,555
Transfers to other funds	(4,930)	126	(4,804)
Proceeds from financing arrangements/ advance refundings	333	(49)	284
Net other financing sources (uses)	(43)	78	35
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,089)	95	(1,994)
Accumulated Surplus/(Deficit)	1,836	95	1,931

Note 1: The General Fund operating results reflect deposits of $1.2 billion in the STAR Fund (Special Revenue Funds) and $250 million in DRRF (Debt Service Fund) which create excess balances in these funds but negatively impact General Fund GAAP results.

GAAP FINANCIAL PLAN
GENERAL FUND
2000-2001 AND 2001-2002
(millions of dollars)

	2000-2001 Estimate	2001-2002 Recommended	Change
Revenues			
Taxes			
Personal income tax	22,050	25,429	3,379
User taxes and fees	7,430	7,454	24
Business taxes	4,366	4,186	(180)
Other taxes	774	780	6
Miscellaneous revenues	3,042	3,023	(19)
Total revenues	37,662	40,872	3,210
Expenditures			
Grants to local governments	27,986	28,831	845
State operations	9,667	9,761	94
General State charges	2,018	2,062	44
Debt service	19	23	4
Capital Projects	1	2	1
Total expenditures	39,691	40,679	988
Other financing sources (uses)			
Transfers from other funds	4,555	4,998	443
Transfers to other funds	(4,804)	(5,491)	(687)
Proceeds from financing arrangements/			0
advance refundings	284	303	19
Net other financing sources (uses)	35	(190)	(225)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,994)	3	1,997
Accumulated Surplus/(Deficit)	1,931	1,934	

CONVERSION OF CASH FINANCIAL PLAN
TO GAAP FINANCIAL PLAN
GENERAL FUND
2000-2001
(millions of dollars)

	Cash Financial Plan	Perspective Difference: Special Revenue Funds	Entity Difference: Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intrafund Eliminations	Reclass-ification	GAAP Financial Plan
Receipts/Revenues									
Taxes									
Personal income tax	23,791	0	0	23,791	(1,741)	0	0	0	22,050
User taxes and fees	7,422	0	0	7,422	8	0	0	0	7,430
Business taxes	4,463	0	0	4,463	(97)	0	0	0	4,366
Other taxes	781	0	0	781	(7)	0	0	0	774
Miscellaneous receipts	1,500	1,818	634	3,952	48	(77)	(572)	(309)	3,042
Total receipts/revenues	37,957	1,818	634	40,409	(1,789)	(77)	(572)	(309)	37,662
Disbursements/expenditures									
Grants to local governments	26,860	1,003	0	27,863	737	0	0	(614)	27,986
State operations	7,620	2,971	588	11,179	(79)	(221)	(572)	(640)	9,667
General State charges	2,582	152	36	2,770	(24)	(16)	0	(712)	2,018
Debt service	1	0	119	120	18	0	0	(119)	19
Capital projects	0	1	0	1	0	0	0	0	1
Total disbursements/expenditures	37,063	4,127	743	41,933	652	(237)	(572)	(2,085)	39,691
Other financing sources (uses)									
Transfers from other funds	2,165	2,402	70	4,637	0	(167)	(224)	309	4,555
Transfers to other funds	(2,832)	(107)	0	(2,939)	(5)	1	224	(2,085)	(4,804)
Proceeds from financing arrangements/ advance refundings	0	0	0	0	284	0	0	0	284
Net other financing sources (uses)	(667)	2,295	70	1,698	279	(166)	0	(1,776)	35
(Increase)/decrease in reserves	(227)	0	0	(227)	227	0	0	0	0
Receipts/revenues and other financing sources over (under) disbursements/expenditures and other financing uses	0	(14)	(39)	(53)	(1,935)	(6)	0	0	(1,994)

CONVERSION OF CASH FINANCIAL PLAN
TO GAAP FINANCIAL PLAN
GENERAL FUND
2001-2002
(millions of dollars)

	Cash Financial Plan	Perspective Difference: Special Revenue Funds	Entity Difference: Other Funds	Cash Basis Subtotal	Changes in Accruals	Elimin-ations	Intrafund Eliminations	Reclass-ification	GAAP Financial Plan
Receipts/Revenues									
Taxes									
Personal income tax	26,481	0	0	26,481	(1,052)	0	0	0	25,429
User taxes and fees	7,442	0	0	7,442	12	0	0	0	7,454
Business taxes	4,171	0	0	4,171	15	0	0	0	4,186
Other taxes	771	0	0	771	9	0	0	0	780
Miscellaneous receipts	1,429	1,891	803	4,123	62	(77)	(740)	(345)	3,023
Total receipts/revenues	40,294	1,891	803	42,988	(954)	(77)	(740)	(345)	40,872
Disbursements/expenditures									
Grants to local governments	27,774	1,354	0	29,128	327	0	0	(624)	28,831
State operations	7,894	3,017	638	11,549	10	(225)	(740)	(833)	9,761
General State charges	2,589	158	44	2,791	15	(15)	0	(729)	2,062
Debt service	0	0	208	208	23	0	0	(208)	23
Capital projects	0	2	0	2	0	0	0	0	2
Total disbursements/expenditures	38,257	4,531	890	43,678	375	(240)	(740)	(2,394)	40,679
Other financing sources (uses)									
Transfers from other funds	2,163	2,781	79	5,023	0	(170)	(200)	345	4,998
Transfers to other funds	(3,086)	(208)	0	(3,294)	(5)	2	200	(2,394)	(5,491)
Proceeds from financing arrangements/ advance refundings	0	0	0	0	303	0	0	0	303
Net other financing sources (uses)	(923)	2,573	79	1,729	298	(168)	0	(2,049)	(190)
(Increase)/decrease in reserves	165	0	0	165	(165)	0	0	0	0
Receipts/revenues and other financing sources over (under) disbursements/expenditures and other financing uses	1,279	(67)	(8)	1,204	(1,196)	(5)	0	0	3

GAAP FINANCIAL PLAN
GENERAL FUND
2001-2002 THROUGH 2003-2004
(millions of dollars)

	2001-2002 Recommended	2002-2003 Projected	2003-2004 Projected
Revenues			
Taxes			
Personal income tax	25,429	25,423	26,765
User taxes and fees	7,454	7,589	7,802
Business taxes	4,186	3,937	3,698
Other taxes	780	827	858
Miscellaneous revenues	3,023	3,097	3,154
Total revenues	40,872	40,873	42,277
Expenditures			
Grants to local governments	28,831	30,674	32,219
State operations	9,761	10,191	10,271
General State charges	2,062	2,239	2,435
Debt service	23	20	23
Capital Projects	2	0	0
Total expenditures	40,679	43,124	44,948
Other financing sources (uses)			
Transfers from other funds	4,998	5,045	5,051
Transfers to other funds	(5,491)	(5,662)	(5,592)
Proceeds from financing arrangements/ advance refundings	303	292	292
Net other financing sources (uses)	(190)	(325)	(249)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	3	(2,576)	(2,920)

GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2000-2001
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues					
Taxes	34,620	4,502	1,219	2,742	43,083
Federal grants	0	25,347	1,383	0	26,730
Lottery	0	3,884	0	0	3,884
Patient fees	0	0	0	350	350
Miscellaneous revenues	3,042	826	25	301	4,194
Total revenues	37,662	34,559	2,627	3,393	78,241
Expenditures					
Grants to local governments	27,986	27,208	757	0	55,951
State operations	9,667	3,739	0	6	13,412
General State charges	2,018	199	0	0	2,217
Debt service	19	0	0	3,621	3,640
Capital projects	1	2	3,399	0	3,402
Total expenditures	39,691	31,148	4,156	3,627	78,622
Other financing sources (uses)					
Transfers from other funds	4,555	962	315	4,916	10,748
Transfers to other funds	(4,804)	(3,332)	(684)	(4,622)	(13,442)
Proceeds of general obligation bonds	0	0	281	0	281
Proceeds from financing arrangements/ advance refundings	284	0	1,576	0	1,860
Net other financing sources (uses)	35	(2,370)	1,488	294	(553)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,994)	1,041	(41)	60	(934)

GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2001-2002
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues					
Taxes	37,849	2,907	1,551	2,487	44,794
Federal grants	0	26,876	1,433	0	28,309
Lottery	0	4,388	0	0	4,388
Patient fees	0	0	0	325	325
Miscellaneous revenues	3,023	731	119	46	3,919
Total revenues	40,872	34,902	3,103	2,858	81,735
Expenditures					
Grants to local governments	28,831	29,243	930	0	59,004
State operations	9,761	4,280	0	7	14,048
General State charges	2,062	206	0	0	2,268
Debt service	23	0	0	3,432	3,455
Capital projects	2	2	3,912	0	3,916
Total expenditures	40,679	33,731	4,842	3,439	82,691
Other financing sources (uses)					
Transfers from other funds	4,998	1,027	593	5,211	11,829
Transfers to other funds	(5,491)	(3,587)	(838)	(4,865)	(14,781)
Proceeds of general obligation bonds	0	0	237	0	237
Proceeds from financing arrangements/ advance refundings	303	0	1,780	0	2,083
Net other financing sources (uses)	(190)	(2,560)	1,772	346	(632)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	3	(1,389)	33	(235)	(1,588)

CASHFLOW
GENERAL FUND
1999-2000
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Actual)	Fourth Quarter (Actual)	Total (Actual)
Opening fund balance	942	4,571	5,472	5,734	942
Receipts					
Taxes					
Personal income tax	8,323	4,912	4,157	2,947	20,339
User taxes and fees	1,872	1,905	1,960	1,867	7,604
Business taxes	1,016	1,141	1,098	1,306	4,561
Other taxes	245	280	275	307	1,107
Miscellaneous receipts	316	368	445	518	1,647
Transfers from other funds	559	481	532	565	2,137
Total receipts	12,331	9,087	8,467	7,510	37,395
Disbursements					
Grants to local governments	5,479	4,675	5,584	9,852	25,590
State operations	1,884	1,874	1,749	1,093	6,600
General State charges	635	777	168	507	2,087
Debt service	1	2	2	1	6
Transfers to other funds	703	858	702	624	2,887
Total disbursements	8,702	8,186	8,205	12,077	37,170
Excess (deficiency) of receipts over disbursements	3,629	901	262	(4,567)	225
Closing fund balance	4,571	5,472	5,734	1,167	1,167

CASHFLOW
GENERAL FUND
2000-2001
(millions of dollars)

	First Quarter (Actual)	Second Quarter (Actual)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	917	6,502	7,243	6,246	917
Receipts					
Taxes					
Personal income tax	10,915	5,428	3,924	3,524	23,791
User taxes and fees	1,827	1,917	1,887	1,791	7,422
Business taxes	1,050	1,116	1,063	1,234	4,463
Other taxes	263	200	157	161	781
Miscellaneous receipts	301	396	420	383	1,500
Transfers from other funds	576	523	592	474	2,165
Total receipts	14,932	9,580	8,043	7,567	40,122
Disbursements					
Grants to local governments	5,727	4,924	6,081	10,128	26,860
State operations	2,146	2,435	1,650	1,389	7,620
General State charges	674	687	619	602	2,582
Debt service	0	1	0	0	1
Transfers to other funds	800	792	690	550	2,832
Total disbursements	9,347	8,839	9,040	12,669	39,895
Excess (deficiency) of receipts over disbursements	5,585	741	(997)	(5,102)	227
Closing fund balance	6,502	7,243	6,246	1,144	1,144

CASHFLOW
GENERAL FUND
2001-2002
(millions of dollars)

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	1,144	4,297	4,640	5,154	1,144
Receipts					
Taxes					
Personal income tax	9,343	5,397	5,838	5,903	26,481
User taxes and fees	1,851	1,868	1,892	1,831	7,442
Business taxes	985	1,026	978	1,182	4,171
Other taxes	205	189	187	190	771
Miscellaneous receipts	312	358	396	363	1,429
Transfers from other funds	597	511	597	458	2,163
Total receipts	13,293	9,349	9,888	9,927	42,457
Disbursements					
Grants to local governments	6,217	5,139	6,196	10,222	27,774
State operations	2,332	2,381	1,780	1,401	7,894
General State charges	724	685	648	532	2,589
Debt service	0	0	0	0	0
Transfers to other funds	867	801	750	668	3,086
Total disbursements	10,140	9,006	9,374	12,823	41,343
Excess (deficiency) of receipts over disbursements	3,153	343	514	(2,896)	1,114
Closing fund balance	4,297	4,640	5,154	2,258	2,258

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	34,216	42,624	37,651
Alcoholic Beverage Control	220	0	0
Banking Department	0	0	0
Consumer Protection Board	359	453	493
Economic Development, Department of	46,160	50,861	49,876
Empire State Development Corporation	107,799	101,690	108,853
Energy Research and Development Authority	0	0	0
Housing Finance Agency	760	1,700	700
Housing and Community Renewal, Division of	92,954	85,345	79,726
Insurance Department	0	0	0
Olympic Regional Development Authority	3,972	7,552	7,954
Public Service, Department of	0	0	0
Science, Technology and Academic Research, Office of	23,879	46,220	51,693
Functional Total	310,319	336,445	336,946
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,631	4,050	4,131
Environmental Conservation, Department of	93,141	107,168	113,905
Environmental Facilities Corporation	0	0	0
Parks, Recreation and Historic Preservation, Office of	93,464	117,234	127,529
Functional Total	190,236	228,452	245,565
TRANSPORTATION			
Motor Vehicles, Department of	123,114	125,696	128,890
Niagara Frontier Transportation Authority	0	0	0
Transportation, Department of	331,132	385,043	187,801
Functional Total	454,246	510,739	316,691
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	915	1,101	995
Aging, Office for the	61,173	68,923	66,897
Children and Families, Council on	867	987	1,018
Children and Family Services, Office of	1,058,163	1,098,616	1,130,154
Health, Department of	6,609,790	6,480,624	7,007,243
Medical Assistance	5,782,866	5,692,797	6,083,393
Medicaid Administration	93,527	125,250	126,150
All Other	733,397	662,577	797,700
Human Rights, Division of	9,784	11,984	13,131
Labor, Department of	23,536	42,740	44,695
Prevention of Domestic Violence, Office of	2,518	2,499	2,545

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	1,737,239	1,744,151	1,483,221
Welfare Assistance	1,279,870	1,252,436	1,007,653
Welfare Administration	439,543	463,648	451,668
All Other	17,826	28,067	23,900
Welfare Inspector General, Office of	348	581	651
Workers' Compensation Board	0	0	0
Functional Total	9,504,333	9,452,206	9,750,550
MENTAL HEALTH			
Mental Health, Office of	1,115,763	1,272,735	1,435,706
Mental Retardation and Developmental Disabilities, Office of	698,669	775,524	823,130
Alcohol and Substance Abuse Services, Office of	285,455	298,258	299,158
Quality of Care for the Mentally Disabled, Commission on	3,038	3,151	3,062
Functional Total	2,102,925	2,349,668	2,561,056
PUBLIC PROTECTION			
Capital Defenders Office	13,572	12,652	13,067
Correction, Commission of	2,150	2,502	2,498
Correctional Services, Department of	1,632,701	1,857,370	1,800,751
Crime Victims Board	3,015	3,748	3,502
Criminal Justice Services, Division of	100,087	108,848	103,494
Investigation, Temporary State Commission of	2,158	2,922	2,919
Judicial Commissions	2,029	2,256	2,273
Military and Naval Affairs, Division of	22,266	24,134	20,834
Parole, Division of	182,993	186,206	189,879
Probation and Correctional Alternatives, Division of	91,431	91,401	88,345
State Police, Division of	274,268	284,110	293,303
Functional Total	2,326,670	2,576,149	2,520,865
EDUCATION			
Arts, Council on the	49,575	54,809	61,022
City University of New York	702,108	738,038	751,947
Education, Department of	11,849,338	12,906,424	13,479,253
School Aid	10,616,608	11,521,645	12,134,084
STAR Property Tax Relief	0	0	0
Handicapped	673,993	750,500	778,100
All Other	558,737	634,279	567,069
Higher Education Services Corporation	632,735	670,829	705,355
State University Construction Fund	0	0	0
State University of New York	1,075,670	1,224,618	1,401,042
Functional Total	14,309,426	15,594,718	16,398,619

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
(thousands of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	107,304	122,919	145,082
Budget, Division of the	23,650	29,859	29,733
Civil Service, Department of	28,416	28,986	30,745
Elections, State Board of	2,921	3,304	3,586
Employee Relations, Office of	3,882	4,125	4,097
Executive Chamber	13,158	17,302	18,075
General Services, Office of	119,710	120,041	129,925
Inspector General, Office of the	4,116	5,141	4,861
Law, Department of	97,481	112,112	118,761
Lieutenant Governor, Office of the	393	508	522
Lottery, Division of	582	1,075	1,118
Public Employment Relations Board	3,320	3,848	3,803
Racing and Wagering Board, State	8,420	10,023	9,508
Real Property Services, Office of	41,558	40,672	51,584
Regulatory Reform, Governor's Office of	2,523	3,193	3,999
State, Department of	12,587	15,437	22,617
Tax Appeals, Division of	2,872	3,126	3,166
Taxation and Finance, Department of	278,032	287,224	303,710
Technology, Office for	42,689	43,450	86,376
Veterans Affairs, Division of	7,203	10,771	9,938
Functional Total	800,817	863,116	981,206
ALL OTHER CATEGORIES			
Legislature	190,915	198,670	206,735
Judiciary (excluding fringe benefits)	1,080,710	1,223,075	1,265,200
Local Government Assistance	826,190	953,206	840,540
Short-Term Debt Service	6,286	890	0
Long-Term Debt Service	2,241,819	2,218,459	2,288,457
Capital Projects	211,426	234,889	339,611
General State Charges/Miscellaneous	2,613,453	3,154,452	3,290,544
Functional Total	7,170,799	7,983,641	8,231,087
TOTAL GENERAL FUND SPENDING	37,169,771	39,895,134	41,342,585

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

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	59,415	74,364	71,041
Alcoholic Beverage Control	10,285	11,254	11,074
Banking Department	43,477	48,483	53,308
Consumer Protection Board	1,990	2,469	2,147
Economic Development, Department of	49,893	53,887	52,907
Empire State Development Corporation	107,799	151,690	123,853
Energy Research and Development Authority	27,781	30,144	30,023
Housing Finance Agency	760	1,700	700
Housing and Community Renewal, Division of	222,109	226,964	259,540
Insurance Department	78,222	86,971	93,823
Olympic Regional Development Authority	14,686	7,652	8,054
Public Service, Department of	48,550	54,789	53,845
Science, Technology and Academic Research, Office of	23,879	59,720	82,443
Functional Total	688,846	810,087	842,758
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,820	4,400	4,481
Environmental Conservation, Department of	751,903	802,241	918,468
Environmental Facilities Corporation	4,908	16,893	23,680
Parks, Recreation and Historic Preservation, Office of	172,110	197,550	209,182
Functional Total	932,741	1,021,084	1,155,811
TRANSPORTATION			
Motor Vehicles, Department of	193,138	206,812	213,543
Niagara Frontier Transportation Authority	0	0	0
Transportation, Department of	4,398,645	4,520,142	4,767,369
Functional Total	4,591,783	4,726,954	4,980,912
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	1,353	1,511	1,407
Aging, Office for the	144,879	155,183	153,231
Children and Families, Council on	1,602	1,671	1,698
Children and Family Services, Office of	2,434,458	2,622,404	2,690,568
Health, Department of	21,967,783	23,092,160	24,517,186
Medical Assistance	19,285,693	19,899,732	21,072,693
Medicaid Administration	383,922	454,000	454,900
All Other	2,298,168	2,738,428	2,989,593
Human Rights, Division of	11,107	13,437	14,602
Labor, Department of	524,182	771,430	702,983
Prevention of Domestic Violence, Office of	2,638	2,519	2,565

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

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	3,314,964	3,576,281	3,685,620
Welfare Assistance	2,296,958	2,352,436	2,467,096
Welfare Administration	578,811	760,778	767,507
All Other	439,195	463,067	451,017
Welfare Inspector General, Office of	623	951	1,021
Workers' Compensation Board	119,990	134,283	135,971
Functional Total	28,523,579	30,371,830	31,906,852
MENTAL HEALTH			
Mental Health, Office of	1,788,118	1,934,196	2,053,364
Mental Retardation and Developmental Disabilities, Office of	2,022,408	2,201,167	2,337,688
Alcohol and Substance Abuse Services, Office of	442,987	467,102	475,826
Quality of Care for the Mentally Disabled, Commission on	8,358	8,808	9,064
Functional Total	4,261,871	4,611,273	4,875,942
PUBLIC PROTECTION			
Capital Defenders Office	13,572	12,652	13,067
Correction, Commission of	2,421	2,502	2,498
Correctional Services, Department of	2,107,673	2,156,581	2,067,397
Crime Victims Board	43,909	54,451	62,460
Criminal Justice Services, Division of	138,069	154,406	154,184
Investigation, Temporary State Commission of	2,286	3,072	3,069
Judicial Commissions	2,029	2,256	2,273
Military and Naval Affairs, Division of	114,988	126,035	117,033
Parole, Division of	188,492	191,909	194,961
Probation and Correctional Alternatives, Division of	91,452	91,401	88,345
State Police, Division of	360,219	379,929	377,603
Functional Total	3,065,110	3,175,194	3,082,890
EDUCATION			
Arts, Council on the	49,933	55,426	61,637
City University of New York	757,417	804,280	808,047
Education, Department of	16,422,441	18,237,815	19,805,649
School Aid	11,961,623	12,980,645	13,788,384
STAR Property Tax Relief	1,194,647	1,877,000	2,571,000
Handicapped	924,078	1,013,838	1,059,944
All Other	2,342,093	2,366,332	2,386,321
Higher Education Services Corporation	698,438	746,049	783,245
State University Construction Fund	7,993	10,612	10,707
State University of New York	3,548,821	3,750,646	3,985,445
Functional Total	21,485,043	23,604,828	25,454,730

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

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	109,978	126,602	148,947
Budget, Division of the	26,428	36,479	36,356
Civil Service, Department of	28,416	29,986	31,845
Elections, State Board of	2,921	3,304	3,586
Employee Relations, Office of	3,945	4,200	4,262
Executive Chamber	13,158	17,302	18,075
General Services, Office of	200,157	193,077	200,227
Inspector General, Office of the	4,837	5,975	5,820
Law, Department of	128,322	150,398	159,656
Lieutenant Governor, Office of the	393	508	522
TSC Lobbying	597	1,175	1,318
Lottery, Division of	143,777	152,856	152,841
Public Employment Relations Board	3,399	4,034	3,988
Racing and Wagering Board, State	11,710	13,996	13,515
Real Property Services, Office of	51,742	53,673	64,641
Regulatory Reform, Governor's Office of	2,523	3,193	3,999
State, Department of	80,276	91,328	97,663
Tax Appeals, Division of	2,872	3,126	3,166
Taxation and Finance, Department of	295,103	327,274	335,272
Technology, Office for	63,190	54,845	96,376
Veterans Affairs, Division of	7,932	11,905	10,877
Functional Total	1,181,676	1,285,236	1,392,952
ALL OTHER CATEGORIES			
Legislature	191,976	199,731	207,796
Judiciary (excluding fringe benefits)	1,156,802	1,342,270	1,423,298
Local Government Assistance	826,190	953,206	840,540
Short-Term Debt Service	6,286	890	0
Long-Term Debt Service	3,571,190	4,125,335	3,923,751
General State Charges/Miscellaneous	2,782,605	3,201,926	3,533,196
Functional Total	8,535,049	9,823,358	9,928,581
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	73,265,698	79,429,844	83,621,428

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	53,744	68,444	64,639
Alcoholic Beverage Control	10,158	11,254	11,074
Banking Department	43,477	48,483	53,308
Consumer Protection Board	1,990	2,469	2,147
Economic Development, Department of	48,991	53,562	52,582
Empire State Development Corporation	107,799	151,690	123,853
Energy Research and Development Authority	27,556	28,823	30,023
Housing Finance Agency	760	1,700	700
Housing and Community Renewal, Division of	181,497	192,252	224,789
Insurance Department	78,222	86,971	93,823
Olympic Regional Development Authority	14,686	7,652	8,054
Public Service, Department of	48,331	53,880	52,783
Science, Technology and Academic Research, Office of	23,879	54,720	77,443
Functional Total	641,090	761,900	795,218
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	3,631	4,050	4,131
Environmental Conservation, Department of	532,461	626,317	741,848
Environmental Facilities Corporation	4,908	16,893	23,680
Parks, Recreation and Historic Preservation, Office of	168,936	193,464	204,176
Functional Total	709,936	840,724	973,835
TRANSPORTATION			
Motor Vehicles, Department of	186,472	193,442	199,704
Niagara Frontier Transportation Authority	0	0	0
Transportation, Department of	3,234,243	3,340,317	3,497,830
Functional Total	3,420,715	3,533,759	3,697,534
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	915	1,101	995
Aging, Office for the	61,173	68,923	66,897
Children and Families, Council on	867	987	1,018
Children and Family Services, Office of	1,068,764	1,111,681	1,178,134
Health, Department of	8,029,496	8,456,970	8,877,303
Medical Assistance	6,646,351	6,859,297	7,081,493
Medicaid Administration	93,527	125,250	126,150
All Other	1,289,618	1,472,423	1,669,660
Human Rights, Division of	9,784	11,988	13,135
Labor, Department of	59,782	84,022	90,347
Prevention of Domestic Violence, Office of	2,518	2,519	2,565

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	1,781,132	1,813,426	1,532,832
Welfare Assistance	1,279,870	1,252,436	1,007,653
Welfare Administration	439,195	463,067	451,017
All Other	62,067	97,923	74,162
Welfare Inspector General, Office of	348	581	651
Workers' Compensation Board	119,990	134,283	135,971
Functional Total	11,134,769	11,686,481	11,899,848
MENTAL HEALTH			
Mental Health, Office of	1,232,464	1,408,983	1,642,392
Mental Retardation and Developmental Disabilities, Office of	752,132	827,045	887,807
Alcohol and Substance Abuse Services, Office of	307,794	331,155	338,086
Quality of Care for the Mentally Disabled, Commission on	3,042	3,155	3,067
Functional Total	2,295,432	2,570,338	2,871,352
PUBLIC PROTECTION			
Capital Defenders Office	13,572	12,652	13,067
Correction, Commission of	2,150	2,502	2,498
Correctional Services, Department of	1,900,569	2,067,370	1,990,251
Crime Victims Board	22,723	26,766	31,039
Criminal Justice Services, Division of	101,704	115,123	109,746
Investigation, Temporary State Commission of	2,286	3,072	3,069
Judicial Commissions	2,029	2,256	2,273
Military and Naval Affairs, Division of	38,516	40,435	35,620
Parole, Division of	182,993	186,406	189,979
Probation and Correctional Alternatives, Division of	91,431	91,401	88,345
State Police, Division of	349,778	365,143	365,721
Functional Total	2,707,751	2,913,126	2,831,608
EDUCATION			
Arts, Council on the	49,575	54,809	61,022
City University of New York	757,417	804,280	808,047
Education, Department of	14,441,185	16,298,347	17,766,910
School Aid	11,961,623	12,980,645	13,788,384
STAR Property Tax Relief	1,194,647	1,877,000	2,571,000
Handicapped	673,993	750,500	778,100
All Other	610,922	690,202	629,426
Higher Education Services Corporation	698,438	739,719	775,845
State University Construction Fund	7,993	10,612	10,707
State University of New York	3,432,014	3,626,241	3,850,578
Functional Total	19,386,622	21,534,008	23,273,109

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended
GENERAL GOVERNMENT			
Audit and Control, Department of	109,978	126,602	148,947
Budget, Division of the	26,428	36,479	36,356
Civil Service, Department of	28,416	29,986	31,845
Elections, State Board of	2,921	3,304	3,586
Employee Relations, Office of	3,945	4,200	4,262
Executive Chamber	13,158	17,302	18,075
General Services, Office of	195,812	187,027	193,827
Inspector General, Office of the	4,837	5,975	5,820
Law, Department of	112,793	128,572	136,339
Lieutenant Governor, Office of the	393	508	522
TSC Lobbying	597	1,175	1,318
Lottery, Division of	143,777	152,856	152,841
Public Employment Relations Board	3,399	4,034	3,988
Racing and Wagering Board, State	11,710	13,996	13,515
Real Property Services, Office of	51,742	53,673	64,641
Regulatory Reform, Governor's Office of	2,523	3,193	3,999
State, Department of	35,026	46,022	51,868
Tax Appeals, Division of	2,872	3,126	3,166
Taxation and Finance, Department of	295,058	327,186	335,004
Technology, Office for	63,190	54,845	91,376
Veterans Affairs, Division of	7,203	10,771	9,938
Functional Total	1,115,778	1,210,832	1,311,233
ALL OTHER CATEGORIES			
Legislature	191,976	199,731	207,796
Judiciary (excluding fringe benefits)	1,153,384	1,339,770	1,420,798
Local Government Assistance	826,190	953,206	840,540
Short-Term Debt Service	6,286	890	0
Long-Term Debt Service	3,571,190	4,125,335	3,923,751
General State Charges/Miscellaneous	2,634,388	3,036,566	3,343,860
Functional Total	8,383,414	9,655,498	9,736,745
TOTAL STATE FUNDS SPENDING	49,795,507	54,706,666	57,390,482

PART II

EXPLANATION OF RECEIPT ESTIMATES

EXPLANATION OF RECEIPT ESTIMATES

In accordance with the requirements of Article VII of the State Constitution and section 22 of the State Finance Law, there is submitted herewith an explanation of the receipt estimates by fund type.

These estimates have been prepared by the Division of the Budget with the assistance of the Department of Taxation and Finance and other agencies concerned with the collection of State receipts. To the extent they are material, income sources not noted below are discussed in the presentations of the agencies primarily responsible for executing the programs financed by such receipts.

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
1999-2000
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	20,339	1,195	0	0	21,534
User taxes and fees	7,604	346	505	2,159	10,614
Sales and use tax	6,141	346	0	2,046	8,533
Cigarette and tobacco taxes	643	0	0	0	643
Motor fuel tax	180	0	225	113	518
Motor vehicle fees	401	0	130	0	531
Alcoholic beverages taxes	177	0	0	0	177
Highway Use tax	0	0	150	0	150
Alcoholic beverage control license fees	23	0	0	0	23
Auto rental tax	39	0	0	0	39
Business taxes	4,561	1,067	506	0	6,134
Corporation franchise tax	1,939	229	0	0	2,168
Corporation and utilities tax	1,418	274	0	0	1,692
Insurance taxes	589	69	0	0	658
Bank tax	526	85	0	0	611
Petroleum business tax	89	410	506	0	1,005
Other taxes	1,107	0	112	228	1,447
Estate tax	975	0	0	0	975
Gift tax	80	0	0	0	80
Real property gains tax	14	0	0	0	14
Real estate transfer tax	0	0	112	228	340
Pari-mutuel taxes	36	0	0	0	36
Other taxes	2	0	0	0	2
Total Taxes	33,611	2,608	1,123	2,387	39,729
Miscellaneous receipts	1,647	6,081	1,775	612	10,115
Federal grants	0	22,184	1,381	0	23,565
Total	35,258	30,873	4,279	2,999	73,409

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2000-2001
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	23,791	3,077	0	250	27,118
User taxes and fees	7,422	419	628	2,210	10,679
Sales and use tax	6,296	360	0	2,097	8,753
Cigarette and tobacco taxes	522	0	0	0	522
Motor fuel tax	19	59	324	113	515
Motor vehicle fees	338	0	149	0	487
Alcoholic beverages taxes	180	0	0	0	180
Highway Use tax	0	0	155	0	155
Alcoholic beverage control license fees	30	0	0	0	30
Auto rental tax	37	0	0	0	37
Business taxes	4,463	1,008	479	0	5,950
Corporation franchise tax	2,412	270	0	0	2,682
Corporation and utilities tax	845	195	0	0	1,040
Insurance taxes	567	65	0	0	632
Bank tax	551	83	0	0	634
Petroleum business tax	88	395	479	0	962
Other taxes	781	0	112	248	1,141
Estate tax	717	0	0	0	717
Gift tax	28	0	0	0	28
Real property gains tax	4	0	0	0	4
Real estate transfer tax	0	0	112	248	360
Pari-mutuel taxes	31	0	0	0	31
Other taxes	1	0	0	0	1
Total Taxes	36,457	4,504	1,219	2,708	44,888
Miscellaneous receipts	1,500	6,750	1,760	850	10,860
Federal grants	0	23,368	1,401	0	24,769
Total	37,957	34,622	4,380	3,558	80,517

CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2001-2002
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total
Personal income tax	26,481	1,371	0	0	27,852
User taxes and fees	7,442	465	862	2,291	11,060
Sales and use tax	6,537	367	0	2,178	9,082
Cigarette and tobacco taxes	463	0	0	0	463
Motor fuel tax	0	66	337	113	516
Motor vehicle fees	195	32	374	0	601
Alcoholic beverages taxes	178	0	0	0	178
Highway Use tax	0	0	151	0	151
Alcoholic beverage control license fees	31	0	0	0	31
Auto rental tax	38	0	0	0	38
Business taxes	4,171	1,069	553	0	5,793
Corporation franchise tax	2,251	263	0	0	2,514
Corporation and utilities tax	875	214	0	0	1,089
Insurance taxes	540	64	0	0	604
Bank tax	505	82	0	0	587
Petroleum business tax	0	446	553	0	999
Other taxes	771	0	132	188	1,091
Estate tax	734	0	0	0	734
Gift tax	2	0	0	0	2
Real property gains tax	3	0	0	0	3
Real estate transfer tax	0	0	132	188	320
Pari-mutuel taxes	31	0	0	0	31
Other taxes	1	0	0	0	1
Total Taxes	38,865	2,905	1,547	2,479	45,796
Miscellaneous receipts	1,429	6,912	1,838	614	10,793
Federal grants	0	24,835	1,451	0	26,286
Total	40,294	34,652	4,836	3,093	82,875

CASH RECEIPTS
GENERAL FUND
1999-2000 THROUGH 2001-2002
(millions of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended	2001-2002 Compared with 2000-2001
Personal income tax	20,339	23,791	26,481	2,690
User taxes and fees	7,604	7,422	7,442	20
Sales and use tax	6,141	6,296	6,537	241
Cigarette and tobacco taxes	643	522	463	(59)
Motor fuel tax	180	19	0	(19)
Motor vehicle fees	401	338	195	(143)
Alcoholic beverages taxes	177	180	178	(2)
Alcoholic beverage control license fees	23	30	31	1
Auto rental tax	39	37	38	1
Business taxes	4,561	4,463	4,171	(292)
Corporation franchise tax	1,939	2,412	2,251	(161)
Corporation and utilities tax	1,418	845	875	30
Insurance taxes	589	567	540	(27)
Bank tax	526	551	505	(46)
Petroleum business tax	89	88	0	(88)
Other taxes	1,107	781	771	(10)
Estate tax	975	717	734	17
Gift tax	80	28	2	(26)
Real property gains tax	14	4	3	(1)
Pari-mutuel taxes	36	31	31	0
Other taxes	2	1	1	0
Total Taxes	33,611	36,457	38,865	2,408
Miscellaneous receipts	1,647	1,500	1,429	(71)
Total	35,258	37,957	40,294	2,337

CASH RECEIPTS
SPECIAL REVENUE FUNDS
1999-2000 THROUGH 2001-2002
(millions of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended	2001-2002 Compared with 2000-2001
Personal income tax	1,195	3,077	1,371	(1,706)
User taxes and fees	346	419	465	46
Sales and use tax	346	360	367	7
Motor fuel tax	0	59	66	7
Motor vehicle fees	0	0	32	32
Business taxes	1,067	1,008	1,069	61
Corporation franchise tax	229	270	263	(7)
Corporation and utilities tax	274	195	214	19
Insurance taxes	69	65	64	(1)
Bank tax	85	83	82	(1)
Petroleum business tax	410	395	446	51
Total Taxes	2,608	4,504	2,905	(1,599)
Miscellaneous receipts	6,081	6,750	6,912	162
State university income	1,622	1,663	1,797	134
Lottery	1,496	1,589	1,638	49
Indigent care	763	858	858	0
All other	2,200	2,640	2,619	(21)
Federal grants	22,184	23,368	24,835	1,467
Total	30,873	34,622	34,652	30

CASH RECEIPTS
CAPITAL PROJECTS FUNDS
1999-2000 THROUGH 2001-2002
(millions of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended	2001-2002 Compared with 2000-2001
User taxes and fees	505	628	862	234
Motor fuel tax	225	324	337	13
Motor vehicle fees	130	149	374	225
Highway Use tax	150	155	151	(4)
Business taxes	506	479	553	74
Petroleum business tax	506	479	553	74
Other taxes	112	112	132	20
Real estate transfer tax	112	112	132	20
Total Taxes	1,123	1,219	1,547	328
Miscellaneous receipts	1,775	1,760	1,838	78
Authority bond proceeds	1,613	1,637	1,643	6
State park fees	25	19	22	3
Environmental receipts	40	37	96	59
All other	97	67	77	10
Federal grants	1,381	1,401	1,451	50
Total	4,279	4,380	4,836	456

CASH RECEIPTS
DEBT SERVICE FUNDS
1999-2000 THROUGH 2001-2002
(millions of dollars)

	1999-2000 Actual	2000-2001 Estimated	2001-2002 Recommended	2001-2002 Compared with 2000-2001
Personal income tax	0	250	0	(250)
User taxes and fees	2,159	2,210	2,291	81
Sales and use tax	2,046	2,097	2,178	81
Motor fuel tax	113	113	113	0
Other taxes	228	248	188	(60)
Real estate transfer tax	228	248	188	(60)
Total Taxes	2,387	2,708	2,479	(229)
Miscellaneous receipts	612	850	614	(236)
Mental hygiene patient receipts	267	263	240	(23)
SUNY dormitory fees	221	221	262	41
Health patient receipts	90	87	86	(1)
Tobacco settlement receipts	0	250	0	(250)
All other	34	29	26	(3)
Total	2,999	3,558	3,093	(465)

ECONOMIC BACKDROP

THE NATION

OVERVIEW

In March of 2001, the U.S. economic expansion will enter an unprecedented eleventh year. The Federal Reserve Board's (FRB) six interest rate increases between June 1999 and May 2000, combined with declining stock prices and rising energy costs, significantly dampened the nation's rapid rate of growth. The Division of the Budget (DOB) estimates that growth for the second half of 2000 fell by more than half of the brisk 5.2 percent pace exhibited during the first half of the year. Fearing excessive weakness, the FRB cut its interest rate target in early January, four weeks before its next scheduled meeting. The national economy, as measured by real U.S. Gross Domestic Product (GDP), is now projected to grow 2.7 percent for 2001. The Federal Reserve's recent policy shift, combined with additional FRB actions which DOB anticipates will be taken in the near future, should ensure modest growth for this year.

New York participated vigorously in the national expansion in 2000, with employment growing 2.1 percent. The State's finance and high-tech sectors, in particular, benefitted from both national and global growth. However, the slowdown in the national economy, along with recent developments in the financial sector, are expected to slow both employment and income growth over the course of this year. DOB expects a decline in State personal income growth from 7.8 percent in 2000 to 4.6 percent for 2001. State job growth will also fall from 2.1 percent for 2000 to 1.4 percent for 2001.

THE NATIONAL ECONOMY

U.S. History's Longest Expansion

While the Division of the Budget expects the current expansion to extend its record length, a significant downshifting occurred during the latter half of 2000. Consumers whose spending plans had been fueled by high equity prices, rising home values, and low interest rates suddenly chose to pull back. Business investment strategies, which had partially depended on high equity prices and strong output growth, are in partial retreat. Moreover, a weak euro and a still stagnant Japanese economy continue to limit the foreign sector's contribution to domestic growth. Nearly all of the recent evidence suggests that the current economic expansion entered a new phase characterized by more cautious behavior by consumers and investors and, hence, slower growth.

Economists are now debating how to reconcile the current slowdown with the transition to the "New Economy," where output growth can persist for long periods at high rates, with high productivity growth and low inflationary risk.[1] Many have argued that the economy has become less cyclical, with expansions becoming longer and recessions becoming shorter and less severe.[2] The freer flow of information among businesses, as well as between consumers and firms, may be producing an economy which is less rigid and more responsive to shifts in demand. In many ways, the economy has become nimbler.

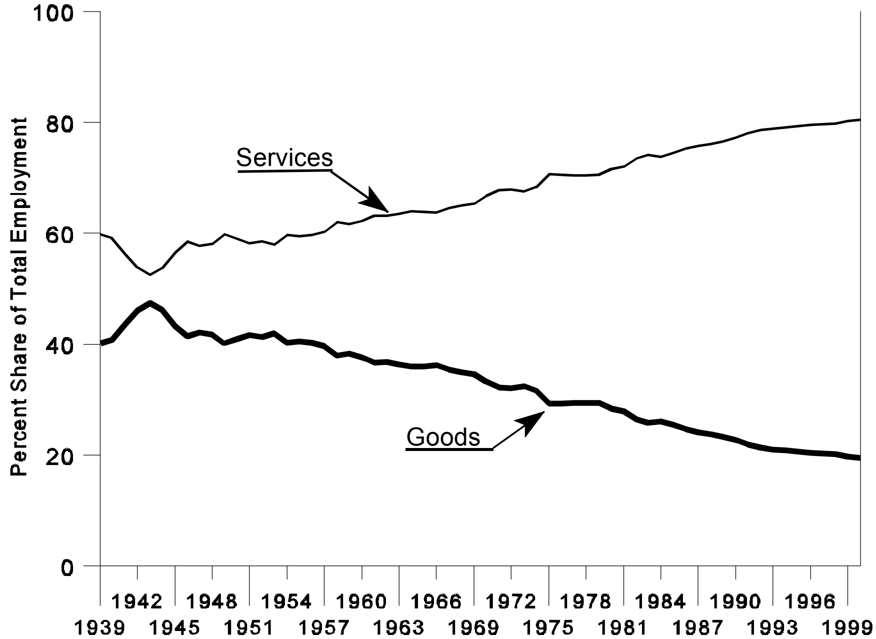
---

[1] For a review of the arguments surrounding the existence of a New Economy, please see <http://woodrow.mpls.frb.fed.us/pubs/region/00-06/newecon.html>.

[2] It should be recalled that the early-1990s recession was much more severe for New York State than for the nation as a whole.

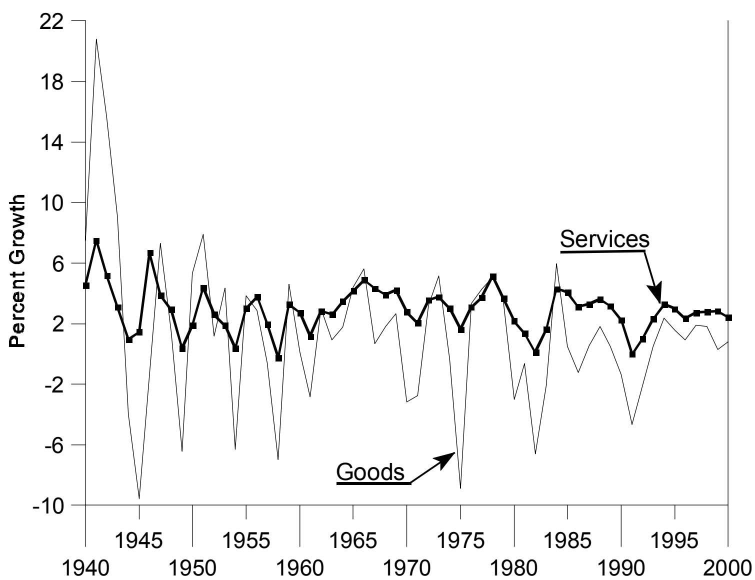
New technologies incorporating Internet-based information systems have helped firms to smooth out their inventory cycles. In part, the foundation for this transition has been laid by the longer-term shift from a manufacturing-based workforce to one where 80 percent are employed in service-producing industries where demand and, therefore, employment, is less volatile (see Figure 1 and Figure 2).

Figure 1
Employment Shares: Goods & Services Producing Sectors



Source: U.S. Bureau of Labor Statistics.

Figure 2
Goods Production Employment Volatility

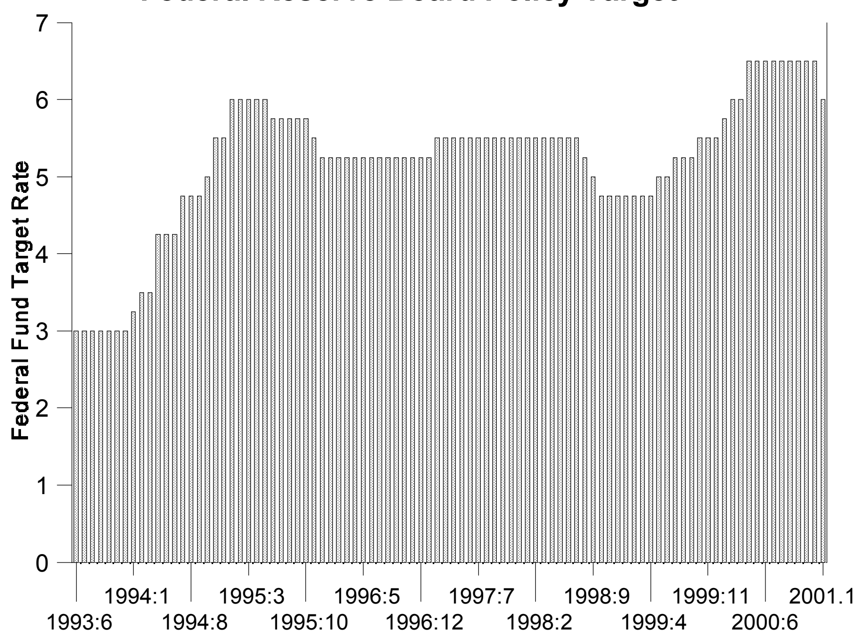


Source: U.S. Bureau of Labor Statistics.

The more agile U.S. economy is well complemented by the more activist stance adopted by the FRB since 1980. The Federal Reserve has closely monitored economic conditions and has demonstrated the will to act decisively to achieve its policy goals. Since the recession of 1990-91, the Federal Reserve has pursued four distinct shifts in monetary policy — the seven interest rate hikes between February 1994 and February 1995, the three rate declines during late 1998, the six rate hikes between June 1999 and May 2000, and the recent rate reduction on January 3, 2001 (see Figure 3).[3] The 1998 rate declines encouraged renewal of confidence in the nation's financial system in the wake of a global currency crisis which originated in East Asia. Both rounds of rate increases were intended to put the brakes on the brisk pace of economic growth and produce "soft landings," rather than recessions. Earlier this month, when it appeared that the economy may be headed toward a harder landing than anticipated, the central bank shifted once again to a policy of rate declines.

At the core of the "New Economy" argument is the ability of the economy to sustain a long-run rate of output growth above recent historical norms. The highest level of output which can be sustained over a long period is known as the economy's potential level of output, or more simply, potential GDP. Historically, when the economy has operated above its potential rate for a sufficiently long period, inflationary pressures have emerged. How quickly an episode of inflation will arise can depend critically upon such mitigating factors as the strength of the dollar, changes in the price of oil, the state of the world economy, and policy actions taken by the Federal Reserve.

Figure 3
Federal Reserve Board Policy Target



Source: Federal Reserve Board.

[3] The Federal Reserve Board increased its federal funds policy target once in March 1997, which most analysts have interpreted as an anti-speculative signal to the financial markets.

Based on an examination of the behavior of potential GDP, we observe that the current expansion possesses some unique features which may help to explain its longevity thus far. The Division of the Budget measures potential GDP by estimating the rate at which the fundamental determinants of economic expansion would have been expected to grow if not for variation due to the business cycle (see Box 1). These major determinants of long-term growth are labor, capital, and total factor productivity.

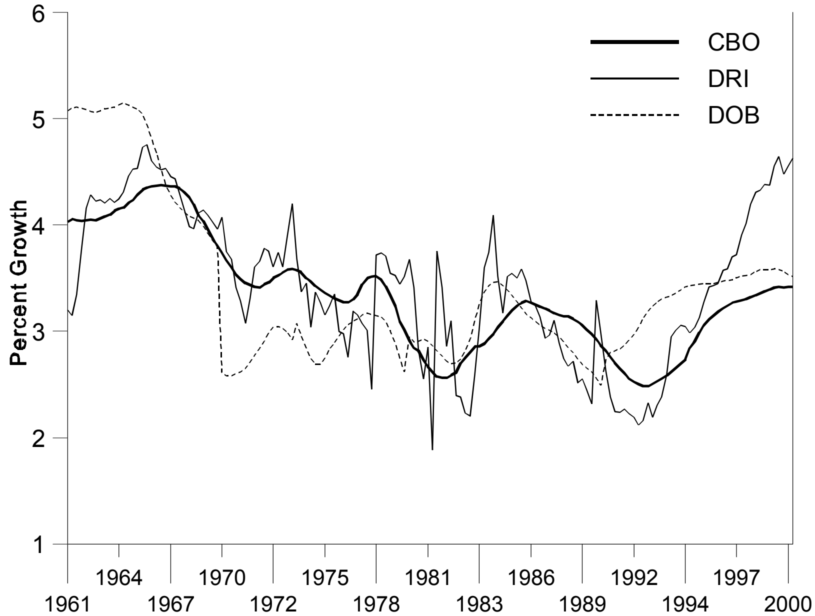
TABLE 1
POTENTIAL REAL GDP GROWTH COMPARISON
(percent)

	Potential GDP Growth			
Expansion	**CBO**	**DRI**	**DOB**	**Actual**
1961Q2-1969Q4	4.2	4.2	4.7	4.9
1971Q1-1973Q4	3.5	3.6	2.9	5.3
1975Q2-1979Q4	3.3	3.3	3.0	4.6
1980Q3-1981Q2	2.7	2.5	2.9	3.0
1983Q1-1990Q2	3.1	3.1	3.0	4.3
1991Q2-2000Q3	3.0	3.3	3.4	3.7
1991Q2-1995Q1	2.6	2.5	3.2	3.2
1995Q1-2000Q3	3.2	3.9	3.5	4.1

Source: CBO, Standard and Poor's DRI, staff estimates

Figure 4 compares DOB's estimates of potential GDP growth with those of DRI and the Congressional Budget Office for the period from the fourth quarter of 1961 to the third quarter of 2000. There is agreement among all three estimates that the rate of potential output growth has increased throughout the current expansion. In contrast, during the long expansion of the 1960s, potential GDP growth peaked during the fourth quarter of 1964, not even half way through the expansion. For the expansion of the 1980s, the nation's third longest, growth peaked relatively early, during the fourth quarter of 1984. As indicated in Table 1, estimates of the average rate of potential GDP growth for the period from 1995 to the present range from 0.3 percentage points (DOB) to 1.4 percentage points (Standard and Poor's DRI) higher than for the period from the second quarter of 1991 through the first quarter of 1995. Table 1 shows several estimates of the average rate of potential GDP growth for all of the expansions since 1960. DOB analysis suggests that potential GDP growth now lies in the range of 3.5 percent per year.

Figure 4
Potential Real GDP Growth



Note: Data are 1996 chain-weighted.
Source: Congressional Budget Office; Standard and Poor's DRI; staff estimates.

The recent acceleration in potential GDP growth has been associated with several shifts in economic activity. Since 1995, we have observed strong increases in technology-related investment, much of which has been connected to the movement toward a more information-based economy. In addition, the rapid advance in computer-related technology has significantly reduced the life-spans of both computer hardware and software, relative to other forms of capital, giving this type of investment a high depreciation rate. Consumers wanting to remain on the electronic cutting edge also appear to be updating their software and equipment more regularly than we observe in markets for other consumer durables, which tend to be very volatile. The incorporation of information technologies is also enhancing labor productivity as transactions that once required an employee's time can now be conducted electronically. These technologies will continue to lift productivity growth as they diffuse throughout the economy.

BOX 1
THE DETERMINATION OF
POTENTIAL GROSS DOMESTIC PRODUCT

Potential Gross Domestic Product (GDP) is the level of output which the economy can produce when all available resources are being utilized at their most efficient levels. The economy can produce both above and below this level but when it does so for an extended period, economic agents can expect inflation to either rise or fall, although the precise timing of that movement can depend on many other factors.

Some knowledge of the economy's productive capacity is fundamental to the decision-making process for households, firms, and the monetary authority. Households partially base their expectations surrounding their lifetime accumulation of wealth upon their estimates of potential GDP. Firms choose a profit-maximizing level of labor based on their estimates of the economy's long-run productive potential. An estimate of potential GDP also enables these agents to form expectations regarding the direction which inflation will take in the future. Such expectations might induce the central bank to shift the course of monetary policy.

Measurement of potential GDP requires a formalization of the aggregate production process. Economists refer to this formalization as an aggregate production function, which stipulates that total output is related to the amount of resources which are applied to production. The precise nature of the production function depends upon which sector of the economy one is trying to model.

Following the Congressional Budget Office (CBO), the Division of the Budget divides the economy into five sectors: nonfarm business, farm, government, nonfarm housing, and households and nonprofit institutions.[1] The nonfarm business sector is by far the largest sector of the economy, comprising 84.6 percent of total GDP during the third quarter of 2000. To model this sector, the DOB again follows CBO and adopts the neoclassical growth model incorporating three inputs to the production process: labor as measured by the number of hours worked, the capital stock, and total factor productivity.

Over the course of an economic expansion, we expect periods during which labor and capital are utilized in magnitudes which are above their most efficient levels. Similarly, during recessions, we expect periods when these inputs are underutilized. Therefore, we can adjust the inputs to the production process to their "potential" levels by removing the historical movements in these series which can be associated with the business cycle. To measure the total potential capital stock, DOB multiplies the U.S. Bureau of Economic Analysis' measure of the real capital stock by the capacity utilization rate, after removing the cyclical component of the latter series by using a standard smoothing method known as the H-P filter.[2] To measure the potential level of the number of hours worked, we remove the cyclical component using a methodology developed by the CBO.

To estimate the potential level of total factor productivity, the actual values of labor and capital are substituted into a fixed-coefficient production function, where a coefficient of 0.7 is applied to labor and 0.3 is applied to capital. The residual obtained by subtracting the value of output obtained from this substitution from the historical value of output is assumed to represent total factor productivity. Removing the business cycle component from this residual yields its potential level. Substituting the potential levels of all of the inputs back into the fixed-coefficient production function, where total factor productivity is given a coefficient of one, yields a measure of potential nonfarm business GDP. For the other sectors of the economy, the cyclical component is removed directly from the series itself in accordance with the method used by CBO.

[1] See "CBO's Method for Estimating Potential Output," Congressional Budget Office, October 1995.
[2] See Robert J. Hodrick and Edward C. Prescott, "Postwar U.S. Business Cycles: An Empirical Investigation," Discussion Paper No. 451, Carnegie Mellon University, 1980.

Further, the global economic environment has also undergone a transformation. The intensification of global competitiveness has forced firms to find alternatives to raising prices in order to increase profits. These forces were largely behind the process of corporate restructuring which began in the 1980s and resulted in painful layoffs of both middle-management and production workers. This process remains ongoing within many manufacturing industries. Moreover, the recent strength of the U.S. dollar has put additional pressure on domestic firms whose products compete directly with foreign goods.

However, as the global economy strengthens and world demand for goods and services increases relative to supply, it is expected that producers will be freer to increase their prices. The success with which OPEC has been able to sustain its recent coordinated effort to control the price of oil may be an early example of a movement toward more aggressive pricing. Moreover, if the nation's growing trade deficit puts downward pressure on the value of the dollar, domestic firms competing with foreign produced goods will also see their pricing power increase.

The incorporation of information technology into just-in-time inventory control and other aspects of the production process has been credited with smoothing the buildup of inventories. However, no technology can totally eliminate the possibility that the collective behavior of firms, operating in an uncertain world, will produce investment cycles. It now appears that while financing was so readily available during the height of the stock market boom, many firms may have taken on unsustainable levels of debt given their revenues. Evidence of both over-leveraging and excess capacity has become particularly striking within the telecommunications industry. If the problem should spill over into other industries, the investment-led component of the current expansion could significantly diminish.

In conclusion, we may be beginning to see this record-breaking expansion behave more like a traditional business cycle. Whether this new period of slower growth will lead to a period of no growth, or even decline, remains uncertain. However, the probability of the expansion coming to an end within the next 12 months is projected to be low. The outlook for 2001 is dominated by the following trends.

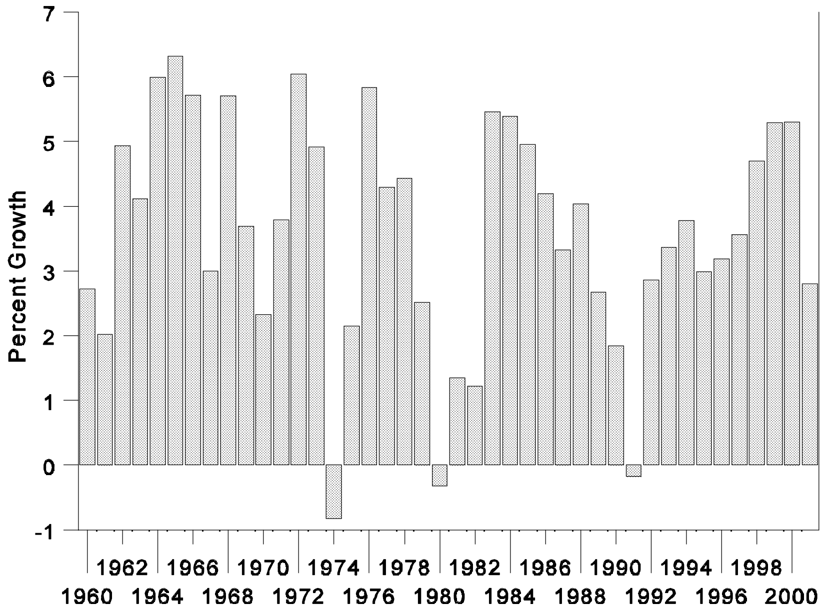
Consumers Showing Restraint

Consumption spending, which represents about two-thirds of total U.S. real GDP, is expected to grow more slowly than we have witnessed in the recent past. This is due in large part to the contractionary impact of the Federal Reserve's monetary tightening, although higher energy costs are expected to play a role as well. Consumption growth of 2.8 percent is projected for 2001, a significant decline from the 5.3 percent growth estimated for 2000, but hardly weak by historical standards (see Figure 5).

DOB divides total consumption into two categories. The cyclical component includes large purchases such as automobiles and household appliances, which tend to increase when the economy expands and fall when the economy contracts. In contrast, the non-cyclical component comprises those goods and services which consumers tend to purchase more regularly, regardless of current economic conditions. These types of expenditures include food and other basic necessities, such as medical care. Accordingly, a greater decline is expected in the growth of the cyclical component of consumer spending than in the non-cyclical component for 2001.

The DOB forecast for consumption growth of near 3 percent for 2001 incorporates the assumption that only a portion of the nation's households are truly constrained by their current period incomes. Most households can afford to adopt a much longer planning horizon which takes into account expectations regarding their long-term job security, earnings growth, and the potential for accumulating wealth.[4] This long-term horizon explains the persistence in household consumption which is observable in historical data. As seen in Figure 5, declines in consumption have occurred, but are relatively rare. Consequently, even in a slowing economy, the confidence that better days lie ahead, and that income growth will resume at trend rates, will produce reasonably steady growth in consumption. A comparison of historical rates of consumption growth with growth in non-residential fixed investment confirms this view (see Figure 5 and Figure 6).

Figure 5
Real Consumption Growth

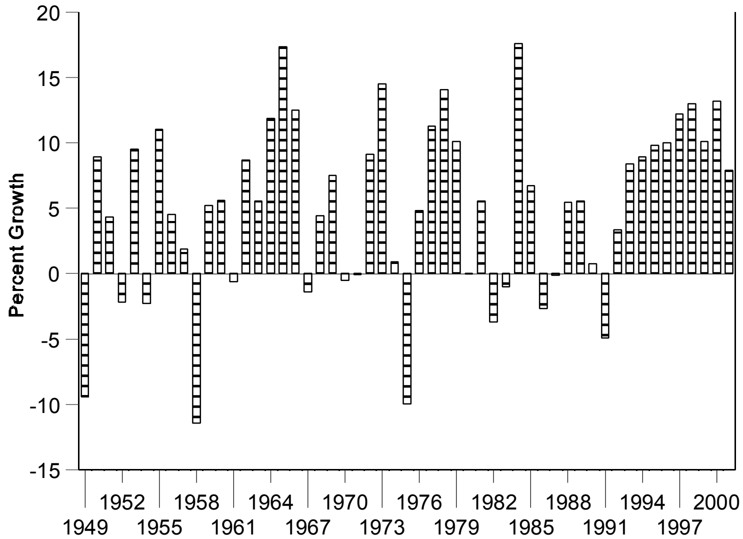


Note: Data for 2000 and 2001 are based on DOB forecast.
Source: Standard and Poor's DRI; staff estimates.

The impact on consumer spending of the Federal Reserve's 1999-2000 monetary tightening began during the second quarter of 2000, with a decline in consumption growth to 3.1 percent. Although growth in consumer expenditures accelerated to 4.5 percent in the third quarter, evidence is mounting that fourth quarter spending for durable items, such as automobiles and personal computers, softened significantly. Higher interest rates discourage consumption directly, for example, by increasing the cost of consumer credit. By reducing the demand for new housing, higher interest rates also reduce the demand for those goods associated with home improvements and the furnishing of a new home.

[4] The incorporation of smoothing behavior into consumption theory conforms with the life-cycle hypothesis due to Franco Modigliani, as well as the permanent income hypothesis due to Milton Friedman.

Figure 6
Non-Residential Fixed Investment Growth



Note: Data for 2000 and 2001 are based on DOB forecast.
Source: Standard and Poor's DRI; staff estimates.

Higher interest rates also have an indirect effect by raising business costs and thereby lowering earnings expectations. The reduction in expected profits, in turn, negatively affects stock prices, lowering the value of household wealth. Consumption growth falls due to the so-called "wealth effect." Consumers base their spending decisions not only on the value of their current year incomes but also on how much wealth they expect to accrue over the course of their lifetimes. A decline in the value of financial assets will cause households to reduce their estimates of their lifetime accumulation of wealth. Consumers will begin to adjust their buying habits to this new estimate, resulting in less spending.

While the wealth effect is nothing new, it may be becoming amplified by recent compensation trends, particularly within the technology and finance sectors. With a significant portion of executive pay now taking the form of stock options, spending habits may be becoming more closely tied to movements in equity prices There is at least anecdotal evidence that the stock market's reversal of fortune since the first quarter of 2000 is having a deleterious impact on consumption spending.

Although consumption data for the last three months of 2000 are not yet available, there is evidence of a significant slowdown in household spending during the quarter. Preliminary data indicates that retailers experienced the slowest growth in holiday spending in many years. Undoubtedly, the sudden loss of consumer confidence toward the end of 2000 and the contraction in household spending were factors which induced the Federal Reserve to reduce its interest rate policy target in early January. It should be noted that, historically shifts in the Federal Reserve's policy stance tend to impact on the real economy — employment, output, and real consumption — with a lag of 6 to 12 months. Federal Reserve actions to lower interest rates in early 2001 can be expected to boost economic activity in the second half of 2001 holding other factors constant.

Investment Growth in Retreat

Consistent with the overall slowdown in economic activity, business investment spending growth is also expected to diminish. Businesses are still being transformed by the Internet and the information technology revolution, particularly the large "old-economy" firms who continue to seek new ways to cut costs, boost competitiveness, and maximize profits. However, higher interest rates and the overall decline in economic growth has caused firms to revise their investment strategies for 2001. DOB projects growth in non-residential fixed investment, including both computer and non-computer equipment, of 7.9 percent for 2001. Although this forecast is not low by historical standards, it is significantly below the strong 13.2 percent growth estimated for 2000.

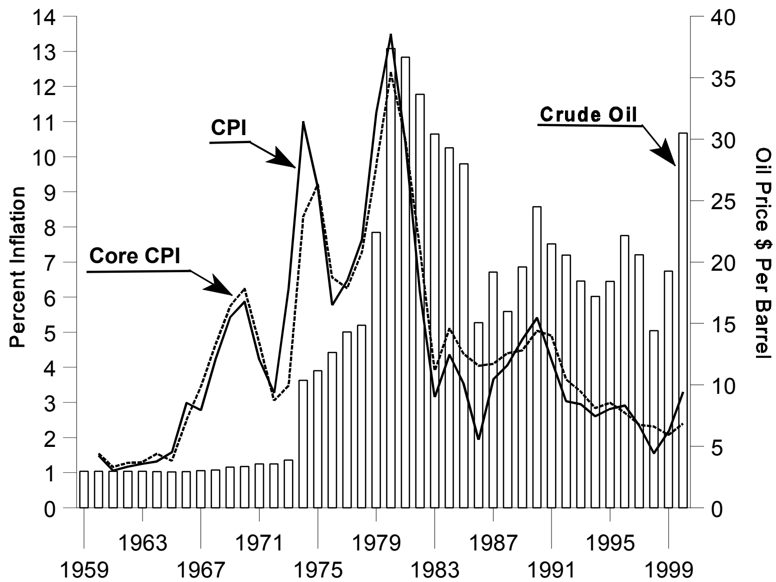
DOB's projection for investment spending incorporates the assumption that firms seek to attain an optimal level of capital, given the price of capital, the price of their output, and the overall rate of economic growth. Within this framework, higher depreciation rates, lower capital costs, and stronger economic growth will all tend to result in higher rates of investment, other things being equal. Until recently, it was common to assume that depreciation rates and capital costs remained constant. However, with computers and related equipment comprising a growing portion of the total capital stock, this assumption may no longer be valid. Computer-related technologies have shown a tendency to improve at a significantly faster rate than other technologies. This results in relatively high depreciation rates. At the same time, the price of computing power has fallen precipitously over time.

As seen in Figure 6, persistently strong rates of growth in non-residential fixed investment have been a distinguishing feature of this expansion. This contrasts with the last five years of the second and third longest expansions of the postwar era, those of the 1960s and 1980s. Growth averaged 8.1 percent and 3.0 percent per year during the last full five years of those expansions, respectively. During the 20 quarters ending with the third quarter of 2000, non-residential fixed investment growth averaged 12.1 percent per year. It seems apparent that the shift toward computers and computer-related equipment, which have exhibited higher than average depreciation rates and falling prices, explains a significant share of the overall growth in investment through 2000. However, after six years of strong investment growth, we expect that, in the current environment, many firms will postpone some of their planned additions to the economy's productive capacity until overall economic conditions improve. Consequently, we expect to see the rate of investment growth fall by about 60 percent for 2001.

Diminishing Inflation

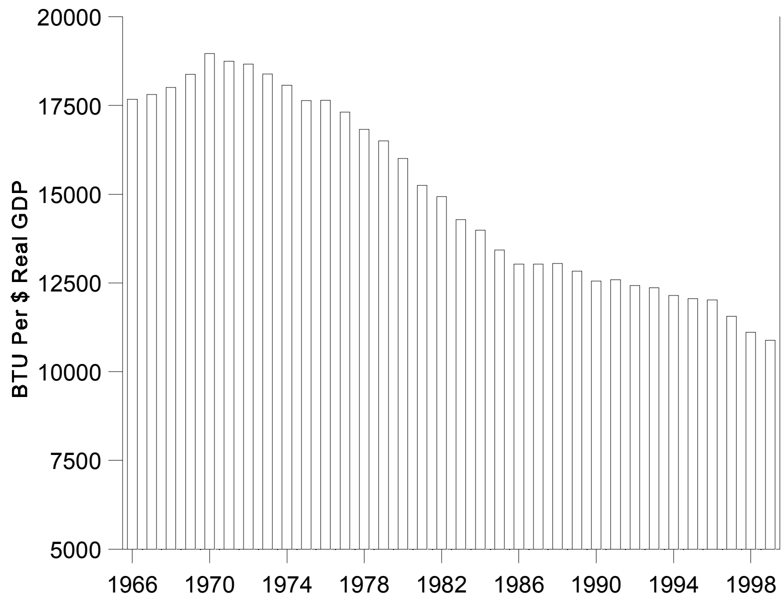
DOB expects inflation to recede in 2001 from what we experienced in 2000. The Consumer Price Index (CPI) is expected to rise by 2.7 percent in 2001, compared with a 3.3 percent increase for 2000. The forecast for 2001 does not signal a return to the low rates witnessed in 1998 and 1999. Indeed, the 1.6 percent growth in the CPI for 1998 was the lowest rate of inflation since the early 1960s. However, projected inflation for 2001 is expected to be about equal to the average rate for the current expansion.

Figure 7
CPI and Price of Imported Crude Oil



Source: Standard and Poor's DRI.

Figure 8
Energy Dependence on U.S. Economy



Source: U.S. Department of Energy; Standard and Poor's DRI.

Inflationary pressures have intensified since 1999. World commodity prices are no longer declining at the rates seen when the Asian economies were in recession during 1998 and 1999. Oil prices have almost tripled since the end of 1998, while the domestic labor market has tightened. However, the inflationary pressures normally associated with these phenomena have been counterbalanced to a significant degree by continued strong productivity growth and a competitive global environment. Consequently, even the 3.3 percent rise in the CPI estimated for 2000 is well below the 3.9 percent average for the entire 1980s expansion. The 2.4 percent estimated "core" rate for 2000, which excludes the volatile food and energy components, is even lower.

Historically, changes in the price of oil have had a significant impact on the rate of inflation (see Figure 7). However, the impact of energy price changes is much more muted in the current environment than when oil prices skyrocketed in the 1970s. According to the U.S. Department of Energy, energy usage per dollar of real GDP output fell 42.6 percent between 1970 and 1999 (see Figure 8). This decline is attributable to an increase in energy efficiency, along with the economy's shift toward less energy-intensive forms of production.[5]

The reduced significance of energy prices for the U.S. economy is evident in the recent path of the CPI. Oil prices have gyrated wildly over the last three years. After plunging by $10 per barrel in 1998, a decline of 50 percent since the beginning of 1997, the price of oil jumped by about $20 — tripling in price in the last two years. However, the CPI barely echoed these changes. The inflation rate fell 1.3 percentage points between 1996 and 1998, before reversing course and rising 1.7 percentage points between 1998 and 2000. The impact on the core inflation rate was even more muted. This inflation measure declined by four-tenths of a percentage point from 2.7 percent in 1996 to 2.3 percent in 1998, falling further to 2.1 percent in 1999, then rising only to 2.4 percent in 2000.

The Division of the Budget's U.S. macroeconomic model indicates that only a large and sustained increase in crude oil prices, well in excess of $5 per barrel from current prices, would have a sufficient impact on core inflation to invoke action by the Federal Reserve. Conversely, a decline in the refiners' acquisition price for imported oil to the Division's forecast of $27 per barrel would likely unwind most of the increase in the core inflation rate experienced in 2000. However, given the renewed pressure on prices within the health care industry and the low probability that this winter will be as mild as the last, it is unlikely that inflation will fall below the 2.5 percent range for 2001.

Monetary Policy in 2001

As indicated above, the closely watched core inflation rate has risen only modestly in the wake of rapidly increasing energy prices. The absence of inflationary pressures cleared the path to a shift in the central bank's policy bias in December 2000 away from countering inflation, toward preventing a more severe slowdown. This was closely followed by a 50 basis point reduction in its interest rate policy target on January 3, 2001. Indeed, the significant slowdown we observed in the second half of 2000, resulting in part from actions taken by the FRB in 1999 and 2000, brought the rate of economic growth a full percentage point below the DOB estimate for potential GDP growth. DOB expects additional decreases in the central bank's federal funds interest rate target totaling 50 basis points during the first half of 2001.

DOB anticipates a shift in monetary policy by the Federal Reserve by applying what is known in the academic literature as Taylor's Rule.[6] Taylor's Rule was designed to reflect the fact that, in recent years, the Federal Reserve has executed shifts in its monetary

---

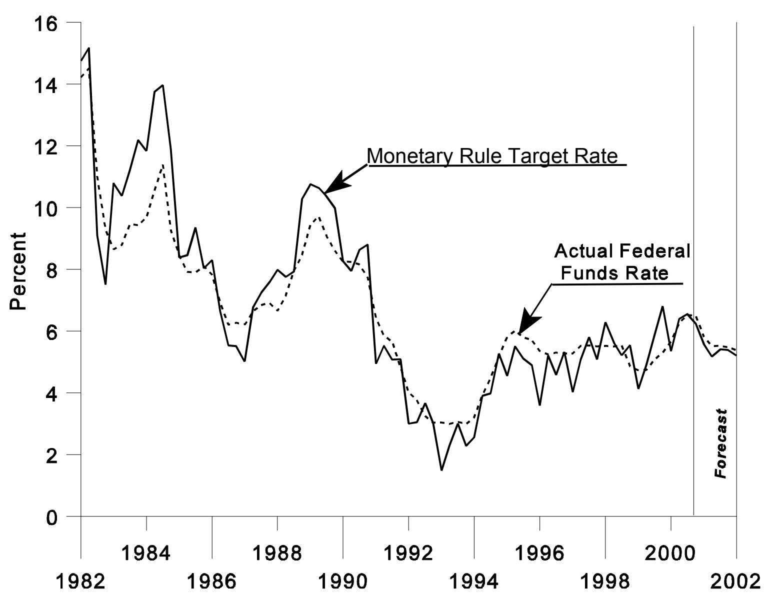
[5] Despite the low inflationary impact of higher energy costs, those industries where production remains relatively dependent upon energy have been hurt by the recent increases in energy prices.

[6] Please see John B. Taylor. "Discretion versus Policy Rules in Practice," Carnegie-Rochester Conference Series on Pubic Policy (December 1993), pp. 195-214.

policy stance by changing its federal funds rate policy target.[7] The federal funds rate is the interest rate which banks charge each other in the market for overnight loans. Banks often need such loans in order to meet the required reserve ratio mandated by the Federal Reserve.[8] If not for the intervention of the central bank, the federal funds rate would be fully determined by market conditions (that is, it would equal the long-run rate of return to capital — the real interest rate — plus the expected rate of inflation). To estimate the policy target, Taylor's Rule takes into account two key factors. The first is the gap between the central bank's target rate of inflation and the rate expected to prevail given economic conditions. The second factor is an estimate of the gap between the actual rate of output growth and potential GDP growth. Taylor's Rule anticipates a FRB adjustment to the Federal funds rate based on a weighted average of these two factors.

Figure 9 compares the federal funds policy target rate implied by the DOB application of Taylor's Rule with the actual federal funds rate for the period from the first quarter of 1982 through the first quarter of 2002. The model presumes that movements in the actual federal funds rate capture shifts in the Federal Reserve's monetary policy stance. DOB assumes that the central bank's target rates for inflation and potential GDP are 1.5 percent and 3.4 percent, respectively, and that the estimate for the underlying real interest rate is 2.0 percent.[9] Although Taylor's Rule represents only a simplification of the monetary policy process, it appears to capture the central bank's behavior acceptably well for most of the period. The combination of the current outlook with Taylor's Rule is consistent with the recent easing of interest rates and forms the basis for DOB's forecast of a total rate adjustment by the Federal Reserve of 100 basis points in early 2001.

Figure 9
Monetary Policy and Taylor's Rule



Source: Standard and Poor's DRI; staff estimates.

[7] Alternatively, the Federal Reserve could target the money supply.

[8] The Federal Reserve Board requires all banks to maintain a specified percentage of their deposits in a non-interest bearing account at one of the Federal Reserve Banks. That percentage is known as the required reserve ratio.

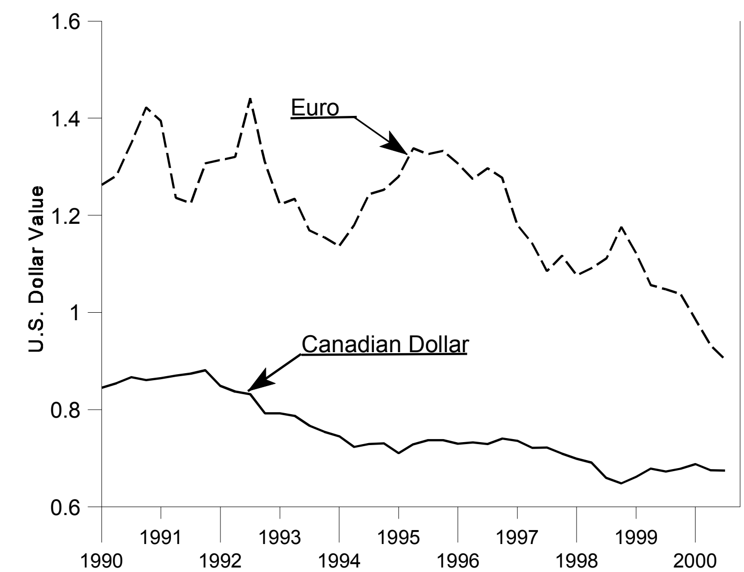
[9] The real rate of interest is commonly estimated at 2.0 percent; please see Taylor, *op. cit*.

Trade Deficit Continues to Widen

The U.S. economy has sustained an ever widening trade deficit since the early 1980s. The persistence of this deficit has long raised the spectre of a weakening U.S. dollar relative to the currencies of our major trading partners. However, the unparalleled strength of the U.S. economy has caused the value of the U.S. dollar to remain strong, fueling further the nation's demand for relatively inexpensive imports. This, in turn, has further promoted the cycle of widening deficits. DOB projects real U.S. export growth of 8.3 percent for 2001, down slightly from the 9.9 percent growth estimated for 2000. Non-oil import growth, in constant dollars, will fall from 14.5 percent growth in 2000 to 7.9 percent growth in 2001, while real oil import growth will decline from 5.8 percent to 5.4 percent.

Growth in real exports reflects both the strength of the global economy outside of the U.S. and the real price of domestically produced goods and services relative to foreign prices. The latter incorporates the value of the dollar relative to foreign currencies. Growth in the world economy outside the U.S. is expected to be slightly lower than observed in 2000. This is in part due to the rise in energy prices and the steps taken by the European Central Bank to control inflation and prop up the sagging value of the euro (see Figure 10). The weakness in the euro will continue to hurt U.S. exports to the European Union in 2001. Moreover, the Japanese economy is expected to continue to see only limited growth this year, having expanded by only 0.2 percent during both the second and third quarters of 2000. Japan is the U.S. economy's third largest trading partner after Canada and the European Union. Relative weakness in the Canadian dollar will continue to limit export growth to our neighbor to the north.

Figure 10
Euro and Canadian Dollar Exchange Rates



Note: Euro data prior to 1999 calculated by Standard and Poor's DRI.
Source: Standard and Poor's DRI.

The growth in real imports reflects the strength of the domestic economy, primarily in the non-farm sector, as well as relative prices, including relative currency values. The slowdown in non-oil import growth projected for 2001 is primarily due to the slowdown in real private non-farm economic activity, which, in turn, is related to the overall slowdown of the U.S. economy. However, this slowdown will be mitigated to some extent by the continued strength of the U.S. dollar. Higher growth in real oil imports for 2001 reflects the anticipated decline in the price of oil below current levels, although the impact of lower prices will be offset to some extent by lower domestic growth.

National Employment and Income Outlook

Consistent with the overall slowdown in the economy, DOB projects national employment growth to slow to 1.1 percent for 2001, from 2.1 percent in 2000. The deceleration in job growth will relax labor market conditions to some degree, resulting in an increase in the unemployment rate from 4.0 for 2000 to 4.3 percent for 2001. The DOB forecast for employment growth incorporates expectations among employers regarding economic conditions and labor productivity. In addition to fluctuating with the rate of technological change, the rate of productivity growth tends to fluctuate with output growth over the course of the business cycle. For example, when output growth fell by half between the second and third quarters, productivity growth fell from 6.1 percent to 3.8 percent. Consequently, the slowing economy is also expected to reduce productivity growth in 2001.

With the economy and employment growing more slowly, we will see slower income growth for 2001 than experienced in 2000. DOB projects U.S. personal income growth of 5.0 percent in 2001, following growth of 6.3 percent for 2000. The largest component of personal income, wages and salaries, is expected to grow 5.5 percent in 2001, following growth of 6.5 percent in 2000.

TABLE 2
U.S. SELECTED ECONOMIC INDICATORS*
(calendar year)

	1999 (actual)	2000 (preliminary)	2001 (forecast)	2002 (forecast)	2003 (forecast)	2004 (forecast)
Gross Domestic Product (current dollars)	5.8	7.2	4.9	5.0	5.2	5.3
Real Gross Domestic Product	4.2	5.1	2.7	3.2	3.2	3.2
Consumption	5.3	5.3	2.8	2.5	2.5	2.5
Residential Fixed Investment	6.4	(0.5)	(1.1)	4.1	3.5	2.4
Non-Residential Fixed Investment	10.1	13.2	7.9	6.3	5.7	5.5
Change in Inventories ($)	45.3	58.2	24.8	23.1	23.9	25.9
Exports	2.9	9.9	8.3	8.0	7.9	8.1
Imports	10.7	14.0	7.8	6.2	6.3	6.3
Government Spending	3.3	2.8	1.3	1.7	2.3	2.7
Pre-tax Corp. Profits	8.5	14.2	3.4	4.5	5.7	5.6
Personal Income	5.4	6.3	5.0	4.9	4.8	4.8
Wages	6.7	6.5	5.5	5.5	5.1	5.2
Non-Agricultural Employment	2.3	2.1	1.1	1.8	1.9	1.8
Unemployment Rate (percent)	4.2	4.0	4.3	4.5	4.5	4.4
S&P 500 Stock Price Index	22.3	7.6	(2.4)	7.7	9.4	9.8
Federal Funds Rate	4.97	6.25	5.59	5.31	5.18	5.02
Treasury Note (10 year)	5.64	6.07	5.44	5.81	6.03	6.15
Consumer Price Index	2.2	3.3	2.7	2.2	2.3	2.5

* All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 96 dollars, unless otherwise noted.

Source: U.S. Department of Commerce; U.S. Bureau of Labor Statistics; Projections for 2000-04 by New York State Division of the Budget.

Comparison With Other Forecasting Groups

Table 2 presents DOB's forecast for selected U.S. economic indicators. DOB's macroeconomic model for the U.S. economy underwent substantial revision in 2000; a brief description of the model is presented in Box 2.

Table 3 compares DOB's forecast for several major indicators with those of other forecasting groups. The DOB forecast of 2.7 percent growth for real GDP for 2001 is modestly higher than the 2.6 percent forecast of the January Blue Chip Economic Consensus (an average of 50 private sector forecasts). DOB's 2.7 percent forecast for 2001 inflation is slightly higher than the January Blue Chip Consensus forecast of 2.6 percent. The July update of the economic forecast produced by the Congressional Budget Office and the mid-year review of the Office of Management and Budget project CPI growth of 2.7 percent and 2.6 percent, respectively, for 2001.

BOX 2
THE DIVISION OF THE BUDGET
U.S. MACROECONOMIC MODEL

Macroeconomic modeling has undergone a number of important changes during the last 25 years, primarily as a result of developments in economic and econometric theory. These developments include the incorporation of both rational expectations and micro-foundations based on the long-run optimizing behavior of firms and households. In addition, analysts now employ more flexible specifications of behavioral relations within a vector autoregressive (VAR) model framework. Recent developments also include a more rigorous analysis of the times series properties of commonly used macroeconomic data series, as well as the implications of these properties for model specification and statistical inference. There has also been much study of the long-run equilibrium relationships among macroeconomic data series and the predictive power of these relationships in constraining economic dynamics.

The Division of the Budget's U.S. macroeconomic model (DOB/U.S.) incorporates the theoretical advances described above in an econometric model used for forecasting and policy simulation. The model contains 98 core equations, of which 29 are behavioral. In addition, there are hundreds of auxiliary forecasting equations which incorporate the results from the core model as inputs. The current estimation period for the model is 1965:1 through 2000:3. Our analysis borrows heavily from the Federal Reserve Board model which has been redesigned over the past five years and was constructed using the most up-to-date advances in modeling techniques.[1] We are grateful to Federal Reserve Board economists for providing guidance and important insights as we developed the DOB/U.S. macroeconomic model.

At its heart, the DOB/U.S. is a neoclassical model. Agents optimize their behavior subject to economically meaningful constraints. Households exhibit maximizing behavior over consumption and labor supply, subject to a wealth constraint. Expected wealth is, in part, determined by expected future output and interest rates. Firms maximize profits over labor demand and investment. The value of investment is affected by the cost of capital, as well as expectations about the future path of output and inflation. The economy's long-run growth path converges to an estimate of potential GDP growth. Monetary policy is administered through adjustments to the federal funds rate, as guided by Taylor's Rule (see the section above entitled "Monetary Policy in 2001"). Current and anticipated changes in this rate influence agents' expectations and the rate of return on various financial assets.

DOB/U.S. incorporates three key theoretical elements into this neoclassical framework: expectations formation, equilibrium relationships, and dynamic adjustments (movements toward equilibrium). The model addresses expectations formation by imposing rational expectations as follows: the model specifies a common information set available to economic agents who then incorporate all relevant information when forming their expectations. The model structure incorporates an error correction framework which ensures movement back to an equilibrium which is a solution to a dynamic optimization problem carried out by households and firms.

The model structure reflects the microeconomic foundations which govern optimizing behavior, but is sufficiently flexible to capture the short-run fluctuations in employment and output caused by economic imbalances. DOB/U.S. incorporates dynamic adjustment mechanisms which reflect the fact that while agents are forward-looking, they do not adjust to changes in economic conditions instantaneously. The presence of frictions (costs of adjusting productive inputs, sticky wages, persistent spending habits) governs the adjustment of non-financial variables. These frictions, in turn, create imbalances which constitute important signals in the setting of wages and prices. In contrast, the financial sector is assumed to be unaffected by frictions due to the negligible cost of transactions and the presence of well-developed primary and secondary markets for financial assets.

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

TABLE 3
U.S. ECONOMIC FORECAST COMPARISON — 2000-2004

	2000 (preliminary)	2001 (forecast)	2002 (forecast)	2003 (forecast)	2004 (forecast)
Gross Domestic Product (GDP) (1996 chain percent change)					
DOB	5.1	2.7	3.2	3.2	3.2
Standard and Poor's DRI	5.1	2.5	4.3	4.6	3.7
WEFA	5.1	2.8	3.4	3.5	3.4
Blue Chip Consensus	5.1	2.6	N.A.	N.A.	N.A.
Congressional Budget Office	4.9	3.1	2.7	2.7	2.7
Office of Management and Budget	4.8	3.2	3.1	3.0	2.9
Consumer Price Index (CPI) (percent change)					
DOB	3.3	2.7	2.2	2.3	2.5
Standard and Poor's DRI	3.4	2.6	1.8	2.0	2.2
WEFA	3.4	2.5	2.3	2.8	2.7
Blue Chip Consensus	3.2	2.6	N.A.	N.A.	N.A.
Congressional Budget Office	3.1	2.7	2.7	2.7	2.7
Office of Management and Budget	3.3	3.3	2.6	2.6	2.3
Unemployment Rate (percent)					
DOB	4.0	4.3	4.5	4.5	4.4
Standard and Poor's DRI	4.0	4.7	5.0	4.7	4.6
WEFA	4.1	4.7	4.9	4.9	4.9
Blue Chip Consensus	4.0	4.4	N.A.	N.A.	N.A.
Congressional Budget Office	3.8	3.7	4.3	4.3	4.3
Office of Management and Budget	4.1	4.1	4.3	4.5	4.7

Source: U.S. Forecast Summary, Standard and Poor's DRI, January 2001; U.S. Economic Outlook, WEFA, January 2001; Blue Chip Economic Indicators, December 2000 and January 2001; the Budget and Economic Outlook: An Update, CBO, July 2000; Mid Session Review, OMB June 2000.

Risks to the U.S. Forecast

The most significant risk to the DOB forecast relates to those factors which may affect the rate at which the economy slows down. If layoffs, such as those now occurring at automobile plants and at those "dot-com" companies whose revenues have not met expectations, occur at a higher rate than expected, then employment growth may come in below expectations. This outcome would result in lower income growth and, hence, consumption growth than projected. A larger than expected decline in stock prices might also produce lower consumption growth through the wealth effect than is reflected in the forecast.

Firms spent heavily over the last five years on high-tech equipment so as not to be left behind while the information revolution was sweeping the nation. If, as the economy slows, firms perceive themselves as having excess capacity, cutbacks in investment may be more severe than projected, producing even slower growth than currently expected. Moreover, if the world economy should slow more than expected, or foreign currencies, such as the euro, should weaken more than anticipated, U.S. exports could grow less rapidly than expected, reducing overall growth. Similarly, if non-oil import growth does not decline as projected, overall growth will also be reduced. The potential for continued turmoil in the oil market also poses a downside risk to the forecast.

In contrast, if the Federal Reserve should cut interest rates further than projected, or by larger magnitudes, the economy might grow faster than reflected in the DOB forecast.

This upside risk could be compounded if equity prices fall less rapidly, or even rise, in response to lower interest rates, thereby increasing consumer confidence and producing stronger consumption growth than projected. Stronger growth in the world economy could accelerate the growth in U.S. exports beyond the current forecast, producing stronger than expected economic growth. An unexpectedly large dip in oil prices could have a similar positive impact on overall growth.

THE STATE ECONOMY

OVERVIEW

In recent years, the New York State economy has prospered, led by the finance, business services, construction, and tourism industries. Since the Federal Reserve's last monetary tightening in 1994-95, growth in both employment and wages has been above average rates for earlier expansions in almost every industrial sector (see Table 4). State employment grew a healthy 2.1 percent in 2000, led by the construction, services, and retail trade sectors.[10]

The service sector, led by business services, accounted for the largest portion of new private-sector jobs during 2000. In July of last year, the unemployment rate reached its lowest level in more than a decade and remained below 5.0 percent for the entire year. The combination of strong overall employment growth, a tight labor market, and strong growth in bonus payments produced an estimated 7.8 percent increase in personal income for 2000.

TABLE 4
NEW YORK STATE'S RECENT ECONOMIC PERFORMANCE
COMPARED TO THE STATE'S EARLIER RECESSIONS AND EXPANSIONS SINCE 1973
(percent)

	Employment Growth			Real Average Wage Growth			Real Wage Growth		
	Rec.	Exp.	1996-99	Rec.	Exp.	1996-99	Rec.	Exp.	1996-99
Construction	(7.0)	3.8	5.5	(1.6)	0.4	1.4	(8.4)	4.3	7.0
Manufacturing	(5.2)	(1.5)	(1.3)	0.2	0.8	2.3	(5.0)	(0.7)	(1.0)
Trans.,Comm., and Util.	(2.0)	0.2	1.0	(0.5)	(0.1)	1.5	(2.6)	0.0	2.6
Trade	(1.8)	1.3	1.5	(1.4)	0.2	1.9	(3.2)	1.6	3.4
FIRE*	(0.6)	2.2	0.8	3.7	3.9	7.1	3.1	6.2	8.0
Service	1.0	3.7	3.6	0.0	0.5	1.5	1.1	4.2	5.2
Government	0.5	0.4	0.4	(0.9)	0.7	0.5	(0.5)	1.2	1.0
Total	(1.4)	1.5	1.7	(0.1)	0.8	2.3	(1.5)	2.3	4.1

* Finance, Insurance and Real Estate.

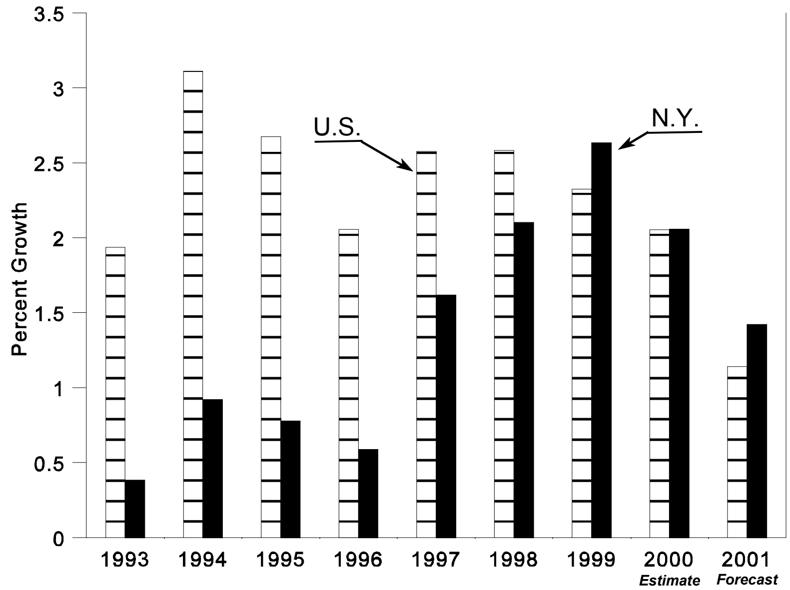
Source: New York State Department of Labor; BEA; staff estimates.

The New York economy has strengthened relative not only to its own recent performance, but also to the rest of the nation (see Figure 11 and Figure 12). New York's progress relative to other states demonstrates the extent to which the State has benefitted from both the strength of the U.S. expansion and the recovery of the world economy. Many of the State's key sectors, such as the financial and manufacturing sectors, are export-oriented. The adoption of a more global perspective by both domestic and foreign

[10] The Division of the Budget expects a slight upward revision to the current Employment Statistics series when those data are benchmarked in early 2001.

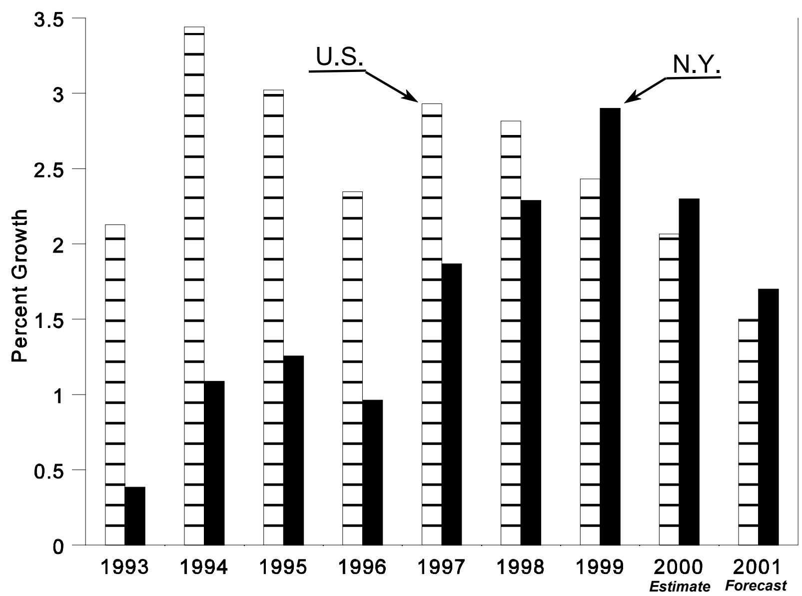
firms has greatly increased global demand for financial sector services, such as the marketing of securities and the management of mergers and acquisitions. In addition, rapid advances in information technology have benefitted New York due to the State's comparative advantage over many other states in this area of growing importance.

Figure 11
Employment Growth — U.S. vs New York



Source: Standard and Poor's DRI; NYS Department of Labor; and staff estimates.

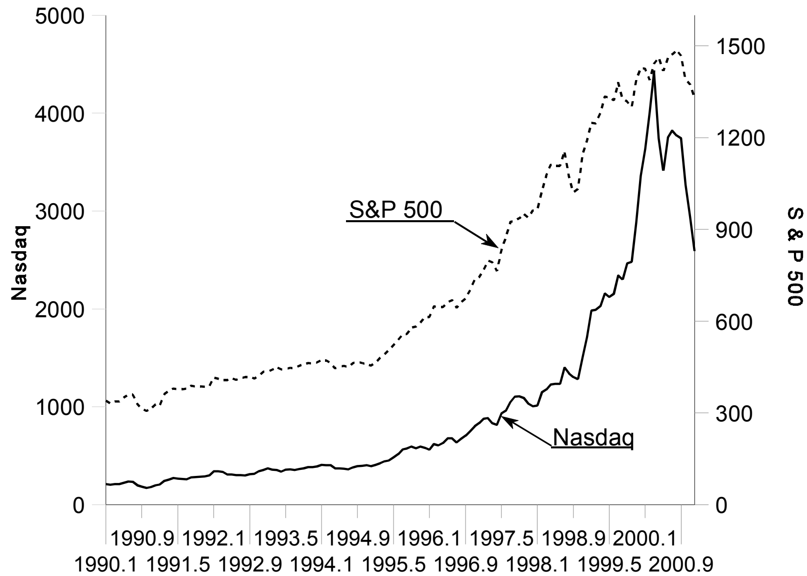
Figure 12
Private Sector Employment Growth — U.S. vs New York



Source: Standard and Poor's DRI; NYS Department of Labor; and staff estimates.

Recent events in the financial sector and a more sluggish national economy will be reflected in the State's economic performance in 2001. The rapid run-up in equity prices, which produced growth in the NASDAQ stock index of over 70 percent over the five-month period from October 1999 to March 2000, has been followed by a large downward correction as of the end of 2000 (see Figure 13). With a significant share of State income related either directly or indirectly to the fortunes of Wall Street, the implications of finance sector volatility for the New York economy are considerable.

Figure 13
Nasdaq and the S&P 500



Source: Standard and Poor's DRI.

Employment Outlook

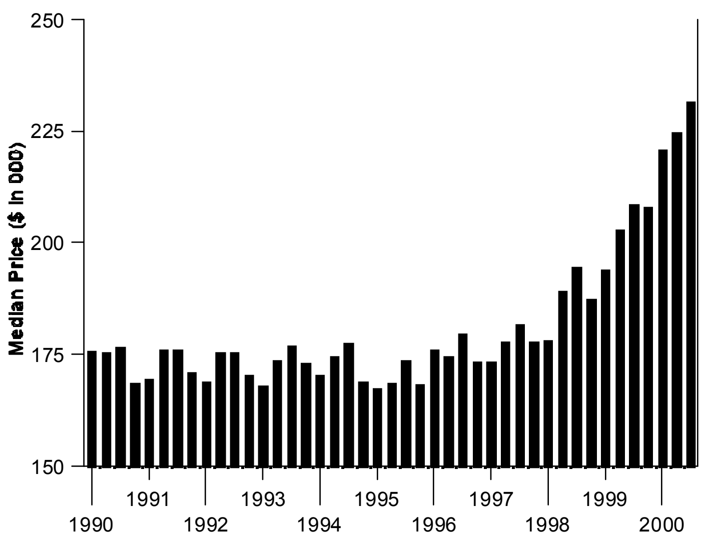
Paralleling the national trend, slower growth is expected for the State economy in 2001. However, New York private sector employment growth is expected to exceed national job gains in 2001. Private sector employment is projected to grow 1.7 percent this year, down from 2.3 percent in 2000. The projected decline in employment growth is anticipated to be broad-based as growth in the overall economy slows down. The service sector will not only continue to be the largest contributor to growth but will also increase its share of total job gains. Manufacturing employment may decline moderately, by historical standards, with both domestic and foreign demand for New York goods projected to fall.

The financial sector is not expected to be a significant contributor to State employment growth in 2001. The last four decades have been characterized by long periods of consolidation within the financial services industry, interrupted only briefly by periods of expansion in the number of securities firms. Historically, consolidation within the industry has been driven largely by three factors: technological change, deregulation, and globalization. All three of these factors have tended to favor firms able to raise large amounts of capital and develop a diversified revenue base. The adoption of new technologies has typically required large amounts of capital investment, while deregulation has tended to foster increased competition on the basis of price. Firms unable to sufficiently cut costs have tended to either merge with more efficient competitors or disappear entirely.

The most recent change in the regulatory environment occurred in November 1999, when Congress approved legislation eliminating the remaining restrictions of the Glass-Steagall Act. The Act was passed in 1933, following the financial debacle of the 1929-32 period, in order to limit banks' exposure to securities risk by separating the banking, securities, and insurance industries. Such separation is viewed as archaic and anti-competitive in today's more global environment. The Act's repeal will increase the pace of consolidation within the financial sector. That trend, along with continued weakness in the stock market, will cause employment to plateau in the financial sector for much of the current year.

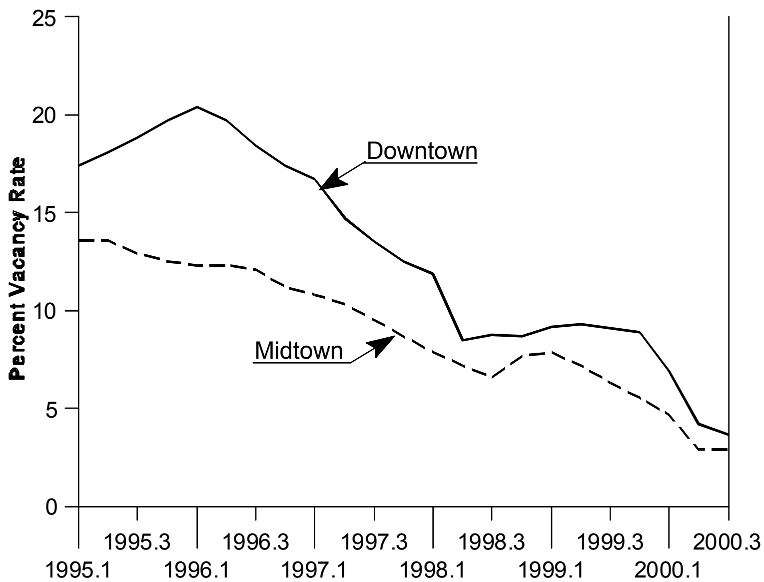
In recent years, construction has been a leading sector in New York thanks to rising home prices and declining commercial vacancy rates, particularly downstate (see Figure 14 and Figure 15). However, employment growth in this sector is expected to moderate in 2001 due to the lagged effect of the FRB's 1999-2000 interest rate increases and the overall slowdown in the economy. Job growth in the construction sector is projected to fall to 3.0 percent for 2001, following strong growth of 9.5 percent in 1999 and 6.2 percent in 2000.

Figure 14
Median Price of Single Family Homes
New York Metropolitan Area



Note: Areas include downstate New York, Northern New Jersey, Connecticut and Long Island.
Source: Standard & Poor's DRI.

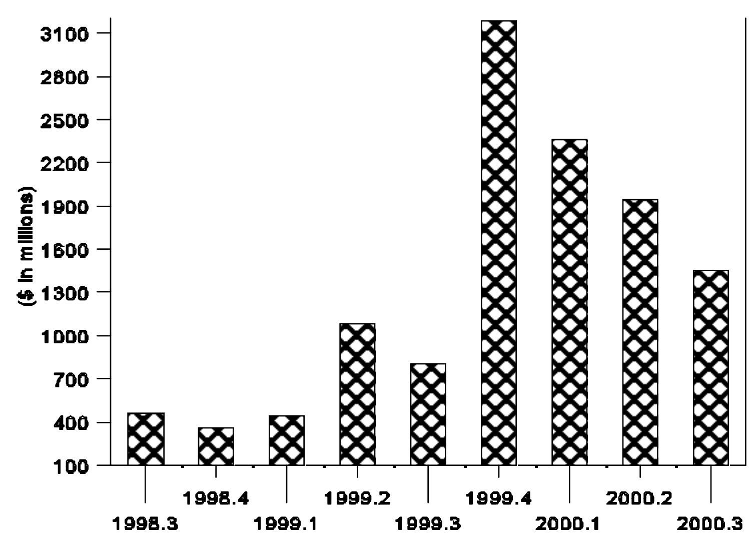
Figure 15
Vacancy Rates in New York City Primary Markets



Source: Cushman and Wakefield; NYC Office of Management and Budget.

Employment in the government sector is projected to grow 0.2 percent in 2001, following growth of 0.8 percent in 2000. Government employment was given a boost last year by temporary Federal workers hired to execute the 2000 census. In addition, the State may experience a net decline in Internet-related employment as the rapid descent of stock prices forces firms to consolidate or even cease operations. Although venture capital activity in New York grew significantly in 1999 and 2000 as a source of funding for high-tech startups and expansion, it peaked during the fourth quarter of 1999 (see Figure 16).

Figure 16
Venture Capital Investment in New York



Source: National Venture Capital Assoc.

Demographics may also play a role in capping State employment growth for 2001. The recent acceleration in New York's economic expansion has tightened the markets for both skilled and unskilled workers. Consequently, the pool of available labor has been diminishing. In addition, the State's population growth rate will remain below the national average, despite the fact that out-migration has slowed recently due to the State's improved economic conditions relative to the nation.

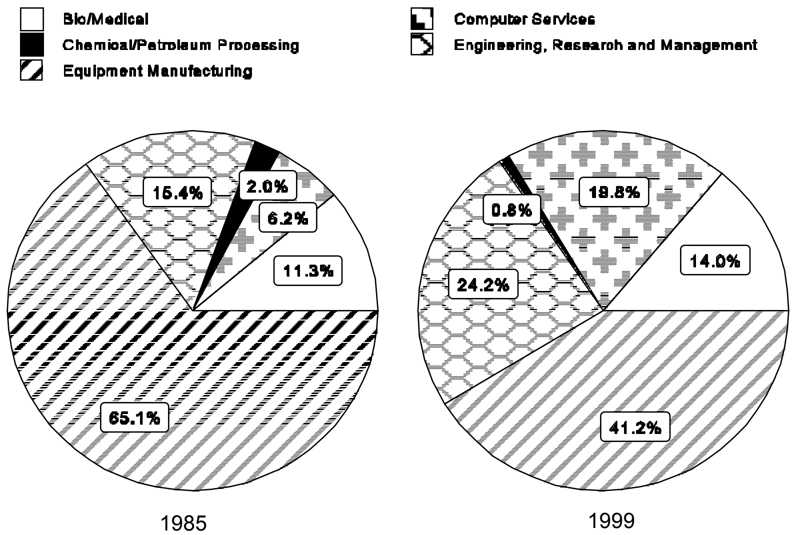
Total State employment is expected to grow 1.4 percent in 2001, with the addition of approximately 120,000 jobs. Although this pace of growth is not as robust as we have seen for the past three years, it remains strong relative to the average for the current expansion. Consistent with national trends, the State's unemployment rate is projected to increase from 4.7 percent in 2000 to 5.3 percent in 2001. State employment is expected to continue to grow at rates comparable to the national average, in contrast to a long-term trend of more sluggish growth for New York.

High-Tech Employment in New York

New York has a vibrant high-tech economic sector comprising a range of industries from the manufacturing of chemicals, machinery, and electronics, to almost every aspect of the computer and computer-related industries. During the first quarter of 2000, the most recent quarter for which data are available, these industries accounted for 529,000 workers, or 6.4 percent of total State employment. In 1998, the most recent year for which detailed data are available for the nation, New York's high-tech employment represented 1.3 percent of the U.S. total. Although this sector is expected to see much slower growth in 2001, consistent with national trends, it remains important to the future of the State economy.

Total high-tech employment during the first quarter of 2000 stood 4.4 percent above the same quarter of the previous year. However, job growth in this sector has not proceeded smoothly. High-tech employment peaked in 1985 at 597,000, fell steadily until 1995, but has been growing ever since. Moreover, there has been a major redistribution of employment among the types of high-tech jobs which exist in New York. Since the 1970s, the sector has been transformed from one closely tied to the automobile, defense, and photonic industries, to one more closely tied to the computer and related industries. For example, computer programming and data processing services employment grew 223.0 percent between the first quarter of 1985 and the first quarter of 2000, the most recent quarter for which detailed data are available. This one job category comprised 21.7 percent of total high-tech employment in early 2000, compared to 6.0 percent in early 1985. Figure 17 illustrates how the sector's job composition has changed between 1985 and 1999.

Figure 17
Changing Employment Composition of NY High-Tech Sector



Note: Data definitions are due to U.S. Bureau of Labor Statistics and Empire State Development Corporation.
Source: NYS Department of Labor, ES 202.

Volatility on Wall Street

Since 1995, Wall Street has been an important source of growth not just for New York, but for the entire nation. Five years of spectacular growth in stock prices created an enormous amount of wealth for U.S. households, helping to fuel a period of strong consumption growth. During this period, the securities industry increased its prominence as a source of corporate earnings, wage growth, and government revenue. Then in March of 2000, the market's steep climb reversed itself. In the fourth quarter of 2000, we began to see the impact of the decline in the value of the nation's wealth on consumer confidence and spending. Because the world's financial capital is located here in New York, the potential impact of a financial market slowdown may be greater for the State than for the nation as a whole.

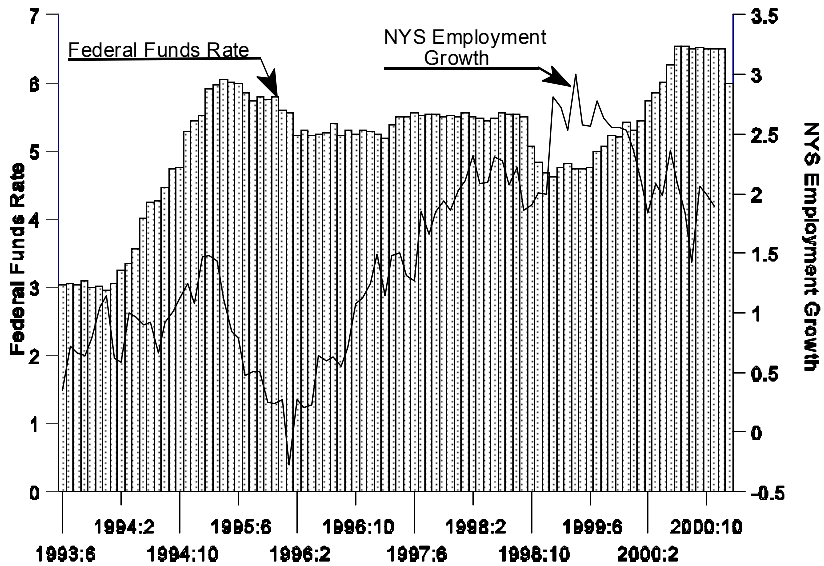
The securities industry has been a prominent force in the State economy ever since the New York Stock Exchange was established in 1817.[11] The industry provides economic stimulus to a wide range of private sector businesses, such as the publishing, accounting, legal, and business services industries. The industry's high corporate earnings act as an important growth engine for the real estate, retail sales, restaurant, and entertainment industries in the downstate region. The U.S. Department of Commerce estimates that each job in the New York City securities industry generates about two additional jobs.[12] Based on this estimate, about 14 percent of total employment in New York City is related to the securities industry.

[11] The NYSE was first established as the New York Stock & Exchange Board, but later changed its name to the New York Stock Exchange in 1863. For more information see <http://www.nyse.com/about/about.html>.

[12] U.S. Department of Commerce, Regional Input-Output Modeling System (RIMS II).

New York's unique position as the world's financial capital also gives the State a unique set of vulnerabilities. For example, the New York economy is acutely sensitive to shifts in monetary policy, which can have large impacts on financial markets. As indicated in Figure 18, State job growth tends to fall in response to increases in the Federal Reserve's policy target rate, and rise in response to decreases, although these changes often occur with a lag.

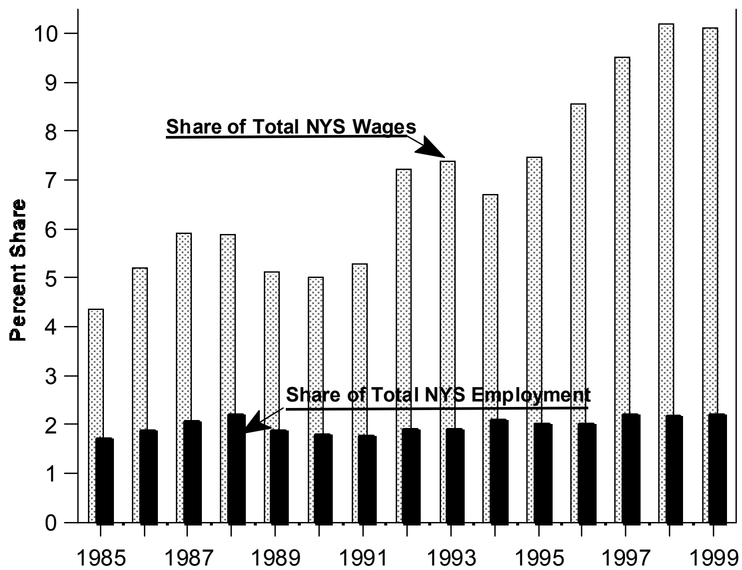
Figure 18
Monetary Policy and New York State Employment Growth



Source: Standard and Poor's DRI.

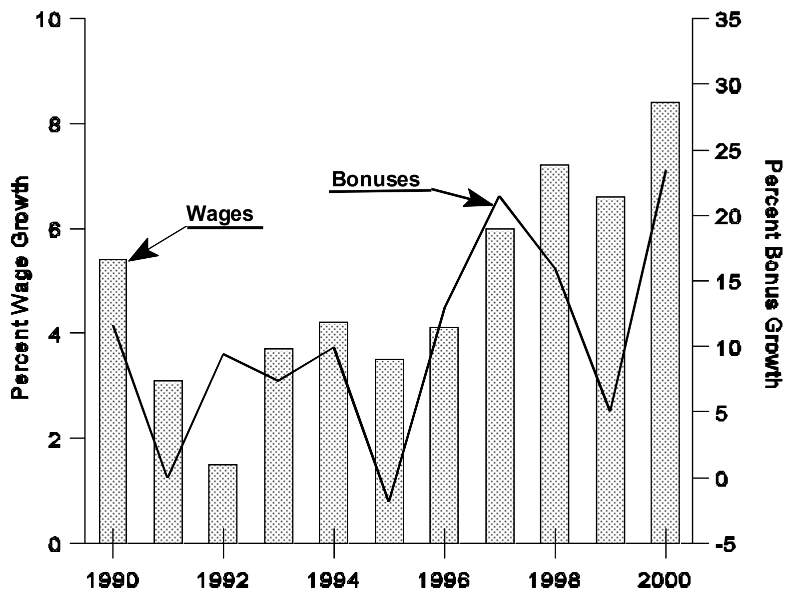
A significant source of volatility for the New York economy is the stock market. Although the securities industry's share of total New York employment has remained quite stable, its share of total State wages has more than doubled during the period from 1985 to 1999 (see Figure 19). Much of this growth can be attributed to the spectacular performance of the stock markets between 1995 and early 2000. This period of unprecedented growth in securities industry profits gave rise to very high wage growth, particularly in the form of bonuses. However, a turn-around in the fortunes of the securities industry can occur rapidly, and can have a profound impact on total wage growth for the entire State. Figure 20 indicates how much State wage growth is estimated to be affected by growth in bonus income, which closely tracks profit growth in the securities industry (see Figure 21).

Figure 19
New York State Securities Industry



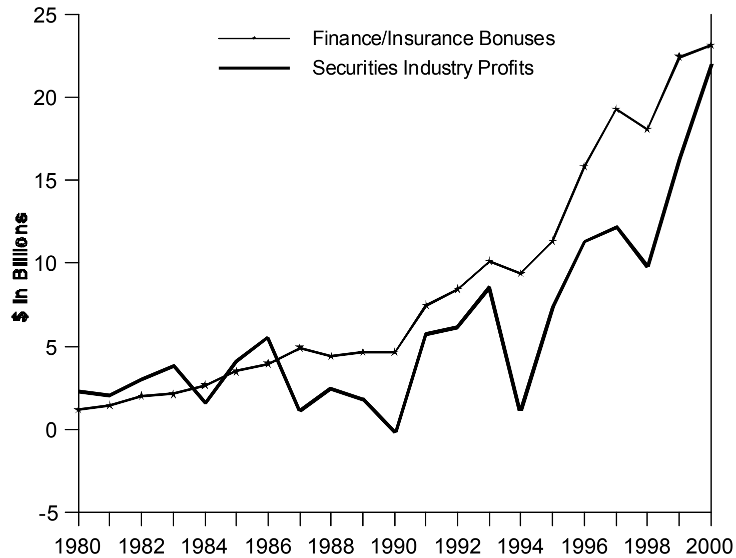
Source: NYS Department of Labor, ES 202.

Figure 20
Total Wage and Bonus Growth



Source: NYS Department of Labor, ES 202; staff estimates.

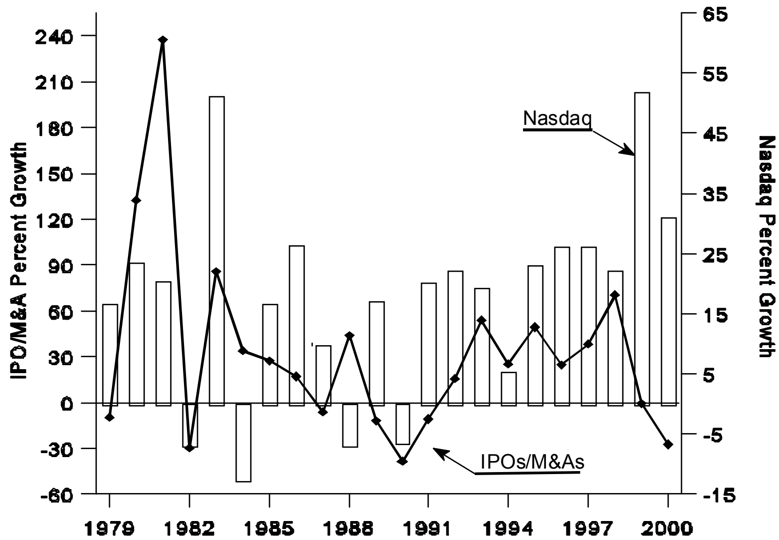
Figure 21
Profits vs Bonuses



Note: Bonuses are associated with the last three quarters of the year indicated and the first quarter of the following year.
Source: Securities Industry Assoc.; staff estimates.

Technology and competition continue to erode the commissions that stock brokers earn on the trading of stocks. Nevertheless, conditions in the stock market can have a profound impact on securities industry profits. Many of the industry's most important revenue sources are closely tied to the direction of stock prices. For example, securities firms which successfully market an initial public offering (IPO) earn substantial fee income from that activity. An IPO's success depends largely on the strength of the secondary market for stocks (see Figure 22). In addition, to the extent that a downturn in the stock market creates a more risk-averse environment for investors, it becomes more difficult to underwrite bonds, particularly high-yield bonds, another important source of profits for Wall Street firms. The volume of merger and acquisition activity, yet another important source of fee income, tends to be closely tied to conditions in the stock market as well.

Figure 22
Growth in IPOs/M&As vs. Nasdaq Stock Index



Note: Growth rates for 2000 are based on 11 months of data.
Source: Standard and Poor's DRI; Thomson Financial Services.

There is no better example of the volatility which can plague the securities industry than the performance of stock prices in 2000. While yet another profit record is expected to be broken, much of those earnings are based on activity from the first half of last year. Equity markets have performed poorly since April when compared with 1999. In 2000, the S&P 500 rose 7.6 percent on an annual average basis. However, as of the end of last year, the index was about 17 percent below its March peak of 1553. Similarly, the NASDAQ fell about 50 percent between its March 2000 peak and the year's end. Consequently, industry activity usually associated with a strong stock market also weakened. The value of initial public offerings for the five months from June to October 2000, the most recent month for which data are available, was down 24.4 percent from the first five months of the year. The value of merger and acquisition activity, which had grown 50.5 percent during the first quarter of 2000 compared to the same quarter of the previous year, was down 35.5 percent and 25.7 percent during the second and third quarters, respectively. Another key revenue source, the underwriting of corporate bonds, has also weakened.

Outlook for Bonuses and Other Income

Bonus income paid to employees in the finance and insurance industry has grown substantially since 1990 and accounts for nearly 50 percent of total bonuses paid in the State in recent years. Two factors are primarily responsible for this strong growth: the robust performance of securities industry profits in recent years and the shift in the State's corporate wage structure away from fixed pay and toward performance-based bonuses. (see Box 3). This movement allows firms to share the risks of doing business with the employees who generate the revenues. This form of payment is particularly attractive to the securities industry, given the degree of volatility in industry profits (see Figure 21).

BOX 3
ESTIMATION OF BONUS AND STOCK INCENTIVE INCOME

An increasing portion of New York State wages are paid on a variable basis, in the form of either bonus payments or proceeds derived from the exercise of stock options. No government agency collects data on variable income as distinct from ordinary wages; therefore, it must be estimated. The Division of the Budget (DOB) derives its estimate of bonuses from firm level data as collected under the Unemployment Insurance program. This method yields a large degree of flexibility as to when individual firms actually make variable income payments. However, as with any statistical method, some simplifying restrictions are necessary. DOB's method incorporates the assumption that each establishment makes variable income payments during at most two quarters of the year. However, the determination as to which quarters contain these payments is made at the firm level. That determination is made as follows:

Firms report their wages to the Unemployment Insurance program on a quarterly basis. The firm's average wage per employee is calculated for each quarter. The average over the two quarters with the lowest average wages are assumed to reflect the firm's base pay, that is, wages excluding variable pay. If the average wage for either of the remaining quarters is significantly above the base wage, then that quarter is assumed to contain variable income.[1] The average variable payment is then defined as total average wage minus the base average wage, after allowing for an inflation adjustment to base wages. Total variable pay is then calculated by multiplying the average bonus payment by the total number of firm employees. It is assumed that only private sector employees earn variable pay.

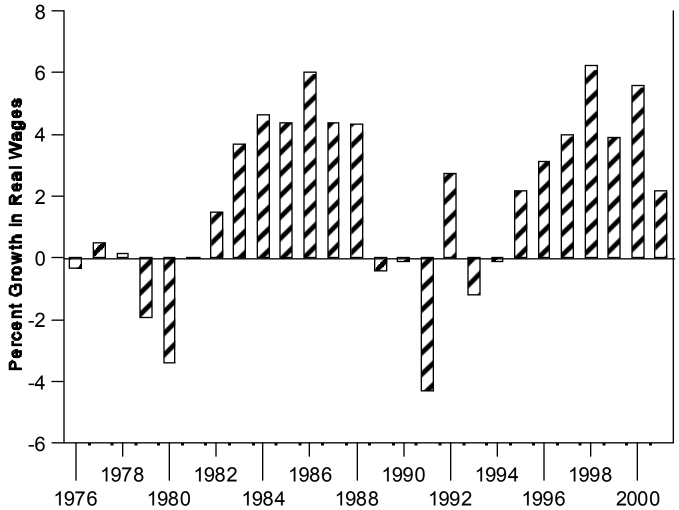
[1] The threshold adopted for this purpose was 25 percent. However, the variable income estimates are fairly robust to even a five percentage point swing in this criterion.

Bonus growth can have a significant impact on State government revenues since bonus income tends to be taxed at the highest marginal tax rates. Although 2000 may have been another year of record profits, some Wall Street trends established toward the end of 2000 raise serious doubts that the industry will repeat last year's impressive performance in 2001. The run-up in the stock prices of Internet and other technology-related firms has been reversed, with investors now demanding more evidence of short-term earnings potential. Consequently, DOB is projecting bonus growth of 1.5 percent for State fiscal year 2001-2002, following growth of 6.3 percent for State fiscal year 2000-2001.[13] This compares to a historical average growth rate of 11.7 percent for the period from 1977 to 1999. Bonuses in the combined finance and insurance industries are projected to decline 2.0 percent for the 2001-2002 bonus year, following 3.9 percent growth for State fiscal year 2000-2001. This compares to a historical average growth rate for these industries of 18.1 percent for the period from 1977 to 1999.

Moderate inflation and the national economic slowdown should offset continued strong productivity growth and a relatively tight labor market, producing growth in the base average wage (excluding bonus pay) of 4.0 percent for 2001. As a result of the slower growth in bonuses and only modest growth in base wages, growth in overall wages is projected at a moderate 5.0 percent for 2001, following growth of 9.1 percent for 2000 (see Figure 23 and Box 4). Non-wage income is expected to increase by 4.1 percent, with property income rising at a rate of 4.7 percent. Total personal income is expected to increase by 4.6 percent in 2001, following growth of 7.8 percent for 2000.

[13] Bonuses paid by a finance and insurance industry firm in January, February, or March are assumed to be associated with the firm's performance during the previous calendar year. Therefore, the concept of a "bonus year" for these industries happens to coincide with the State's fiscal year.

Figure 23
New York Real Wage Growth



Source: NYS Dept. of Labor; staff estimates.

There is yet another variable component of wage income which is becoming increasingly important — employee stock options — although its precise contribution to wage growth remains difficult to assess. The U.S. Bureau of Labor Statistics reports, based on a pilot survey, that 1.7 percent of all private industry employees are estimated to have received stock options in 1999.[14] While this number appears small, it may understate the potential importance of stock options to total wages, since stock options tend to be concentrated among executive employees earning $75,000 and above.

Publicly traded companies were far more likely to offer stock options than privately held firms. The BLS study also found significant variation by industry. Among publicly traded companies in the finance, insurance and real estate sector, an estimated 33.9 percent are estimated to have offered their employees stock options in 1999, the highest of any industry division. This last statistic underscores the importance of stock options for estimating future income fluctuations in New York State. However, recent declines in equity prices can be expected to discourage the exercise of options in the near-term, putting downward pressure on the growth of income from this source for 2001.

[14] U.S. Department of Labor, Bureau of Labor Statistics, "Pilot Survey on the Incidence of Stock Options in Private Industry in 1999," USDL: 00-290, October 11, 2000.

BOX 4
CONSTRUCTING NEW YORK STATE WAGES

Trends in State wages are critical to an accurate analysis and forecast of personal income tax liability and collections. To improve the link between the economic and tax variables on a quarterly basis, the Division of the Budget constructs its own wage series from the available primary data sources. This series differs from the data published by the U.S. Bureau of Economic Analysis (BEA).

The Division of the Budget uses only New York data to construct its State wage series. The primary source is data collected under the Federal Unemployment Insurance Program, known as the ES 202. In contrast, the BEA uses national information to adjust the quarterly values for seasonal variation, as well as to ensure that state-level wages add up to national estimates. The consequence is often a significant difference between the two series in the both the quarterly pattern and the annualized growth rates. For example, according to the ES 202, wage growth for the first and second quarters of 2000, on a percent-change-year-ago basis, was 12.8 percent and 8.0 percent, respectively. The comparable growth rates published by the BEA were 2.4 percent and 5.4 percent.

A comparison with yet another source of wage data also demonstrates the greater accuracy of the ES 202. Since the amount of wages withheld for personal income tax purposes varies systematically with wages itself, withholding data provide a useful guide for estimating State wage growth. For example, wages withheld during the first quarter of 2000 were 18.6 percent above withholding for the same quarter of the previous year. This estimate is much more consistent with the growth rate derived from the ES 202 than with the BEA's estimate of 2.4 percent.

Once an entire year of ES 202 data becomes available, the BEA revises its state-level wage data to be more consistent with that data source. For this reason, the Division of the Budget's method performs well in anticipating the BEA's revised estimates of annual growth in New York wages. To make the actual magnitudes of the Division of the Budget's wage series more strictly comparable to the BEA wage series, non-covered and unreported legal wages must be added to wages taken directly from the ES 202. The addition of these components typically changes the annual growth rate for State wages by no more than two-tenths of one percentage point.

New York Forecast Summary

A summary of DOB's New York forecast appears in Table 5. DOB's New York forecast model also underwent a major revision in 2000. A brief description of the model appears in Box 5.

TABLE 5
NEW YORK STATE SELECTED ECONOMIC INDICATORS
CALENDAR YEAR
(percent change)

	1999 (actual)	2000 (preliminary)	2001 (forecast)	2002 (forecast)	2003 (forecast)	2004 (forecast)
Personal Income[2]	4.8	7.8	4.6	3.9	4.1	4.1
Wages and Salaries[2]						
Total	6.2	9.1	5.0	4.1	4.4	4.5
Without Bonus[1]	5.7	7.7	5.4	4.2	4.1	4.2
Bonus[1]	10.1	19.4	2.4	3.6	6.6	6.6
Wage Per Employee	3.6	6.9	3.6	3.2	3.5	3.5
Property Income	2.4	5.7	4.7	3.5	3.2	3.1
Nonfarm Proprietors' Income	7.7	8.8	6.6	6.3	6.7	6.9
Transfer Income	3.5	4.8	4.1	4.3	4.7	4.6
Nonfarm Employment[2]						
Total	2.6	2.1	1.4	0.9	0.8	1.0
Private	2.7	2.3	1.7	0.9	0.9	1.1
Unemployment Rate (percent)	5.2	4.7	5.3	5.6	5.7	5.7
Composite CPI of New York[1]	2.0	3.3	3.1	2.5	2.3	2.3

Source: US Department of Commerce, Bureau of Economic Analysis;
New York State Department of Labor

[1]Series created by the Division of the Budget.
[2]Non-agricultural employment, wage, and personal income numbers are based on the data provided by the Unemployment Insurance Program (202 data).

BOX 5
THE NEW YORK STATE DIVISION OF THE BUDGET'S
NEW YORK MACROECONOMIC MODEL

DOB'S New York Macroeconomic model (DOB/N.Y.) attempts to capture the fundamental linkages between the New York and the national economies. Clearly, New York's economy depends on economic developments in the U.S. economy, usually expanding when the national economy is growing and contracting when the nation is in recession. However, this relationship is neither simple nor static. The growth rate of the State's economy can vary substantially in comparison to the nation. For example, during the last national recession, the State's recession began noticeably earlier and ended significantly later than for the nation as a whole. Alternatively, during the early 1980s recession, the State's economy fared better than the nation.

The objective of DOB/N.Y. is to quantify the linkages between the United States' economy and New York's economy in an econometric modeling framework — one that specifically identifies the economic conditions in New York. DOB/N.Y. is a structural time series model with most of the exogenous variables derived from DOB/U.S. In general, the long-run equilibrium relationships between State and national economic variables are captured by a cointegration/error correction specification, while the State's specific dynamics are modeled using a restricted vector autoregressive (RVAR) framework. DOB/N.Y. has four major components: a non-farm payroll employment segment, a real non-bonus average wage segment, a bonus payment segment, and a non-wage income segment.

Employment

The national economy affects New York employment through two channels. First, if State employment growth for a specific sector is related to the growth of the U.S. employment in the same sector, U.S. employment for that sector is specified as an exogenous variable in the equation. Second, overall U.S. economic conditions, as measured by the growth of real U.S. GDP, is included either directly in the employment equations for some sectors or indirectly through the VAR relationships.

Intra-sectoral relationships for New York employment can be different from those for the nation as a whole. These relationships are captured in a restricted VAR model where the impact of one sector on other sectors is explicitly specified.

Average Real Non-Bonus Wages

Our analysis suggests the existence of a long-run equilibrium relationship between real non-bonus average wage for most New York sectors and the national real average wage. Thus, the State average real non-bonus wage by sector is modeled in a cointegration/error correction framework. This modeling approach is based on the belief that, in the long run, since both labor and capital are free to move in a market economy, regional differences in labor costs tend to disappear (this process may take quite a long time). This formulation allows for short-run adjustments towards equilibrium, which describe the short-run dynamics of State-specific economic conditions.

Bonus Income

The DOB model for finance and insurance bonus income incorporates those factors which drive Wall Street profits — merger and acquisition activity, IPO's, and the volume of debt underwriting. Our analysis shows that bonuses paid in the State's other economic sectors tend to have long-term equilibrium relationships with those paid in the finance and insurance; more technically — bonus payments in the financial services sector are cointegrated with bonuses paid in most other sectors. Consequently, the results from the finance and insurance sector bonus model are used to estimate bonuses paid in other sectors.

Non-Wage Incomes and Other Variables

The New York non-wage components, except for the residence adjustment, are all driven by their national counterparts. The relationship is modeled as a change in the New York variable as a function of a change in the U.S. non-wage counterpart along with lags of the independent and dependent variables as appropriate to account for short-term fluctuations.

Risks to the New York Forecast

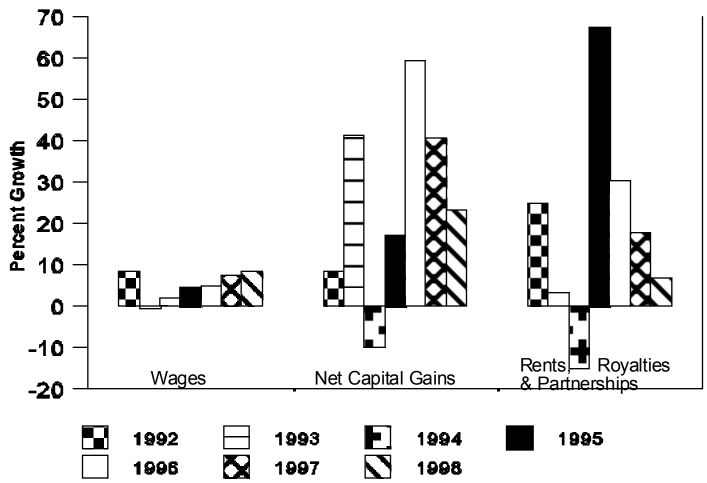
In addition to the uncertainties described earlier for the U.S. economy, the forecast contains risks specific to New York. These risks center largely on the securities industry. If equity markets perform more poorly than anticipated, securities industry profits are likely to be below expectations. Another source of industry risk lies in the high levels of corporate debt which were underwritten when stock prices were much higher than today. An acceleration in the default rate could also pose a serious risk to industry profits. As a consequence of either of these outcomes, bonus income growth could be even lower than projected. Moreover, there could be employment impacts, not only within the securities industry itself, but also in those industries which rely on the securities industry as a source of business. In contrast, should the Federal Reserve cut interest rates more aggressively than anticipated, both State income and employment growth could rise above expectation.

SOURCES OF VOLATILITY IN INCOME TAX ESTIMATES — A RISK ASSESSMENT

In recent years, personal income tax revenues in New York State have increased considerably despite several major tax cuts. In the 1980-81 State fiscal year, personal income tax receipts represented less than 50 percent of State General Fund revenues. However, by the 1999-2000 State fiscal year, that ratio was nearly 64 percent. While some of this increase is certainly due to the improvement in the State economy, the magnitude of the growth in receipts has far exceeded that which can be easily measured using conventional economic indicators. For example, in 1998, State personal income grew 6.4 percent. That same year, New York State adjusted gross income (NYSAGI) grew 9.0 percent, while total personal income tax liability grew 12.0 percent.

The exaggerated response of tax receipts to economic growth can be attributed to several factors. As income increases over time, people tend to move to higher tax brackets. Between 1997 and 1998, the latest year for which detailed income tax data are available, the average effective tax rate, measured as the ratio of personal income tax liability to NYSAGI, increased from 4.42 percent to 4.54 percent.

Figure 24
Volatility of Selected Components of NYSAGI



Source: NYS Dept. of Taxation and Finance.

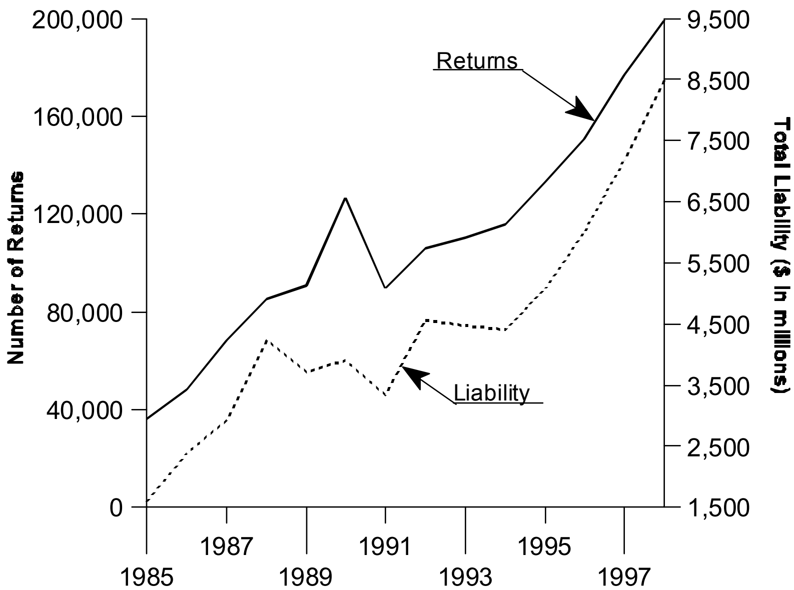
Perhaps the factor most responsible for the recent volatility of State tax receipts is the financial markets and their role in the State economy. The income components which have contributed the most to the large increase in NYSAGI include wages; capital gains; rent, royalty, and partnership income; dividends; and proprietary business income.[15] DOB estimates that the component of wages which has exhibited the most growth is bonus income. Over time, growth in these components has displayed large swings. Figure 24

[15] The traditional concept of personal income, as defined by the U.S. Department of Commerce Bureau of Economic Analysis (BEA), does not include capital gains. However, because capital gains are taxed, they are a component of both the Federal and State definitions of adjusted gross income and must be reported as such.

shows how much growth has varied recently for the three largest of these income components, wages, capital gains and rent, royalty, and partnership income. The large swings in the latter two components reflect to a large extent the fortunes of Wall Street.

To be sure, thanks to reduced tax rates and many refundable credits, about one million low-income filers no longer pay taxes and, instead, receive refunds from the State. The more than six million taxpayers with income between $10,000 and $200,000 represent a large portion of the taxpaying universe and accounted for about 55 percent of total personal income tax liability in 1998. In recent years, however, as a result of the economic expansion and the spectacular success of Wall Street between 1995 and 2000, a large number of New Yorkers with high incomes have contributed significantly to the growth in income tax liability.[16]

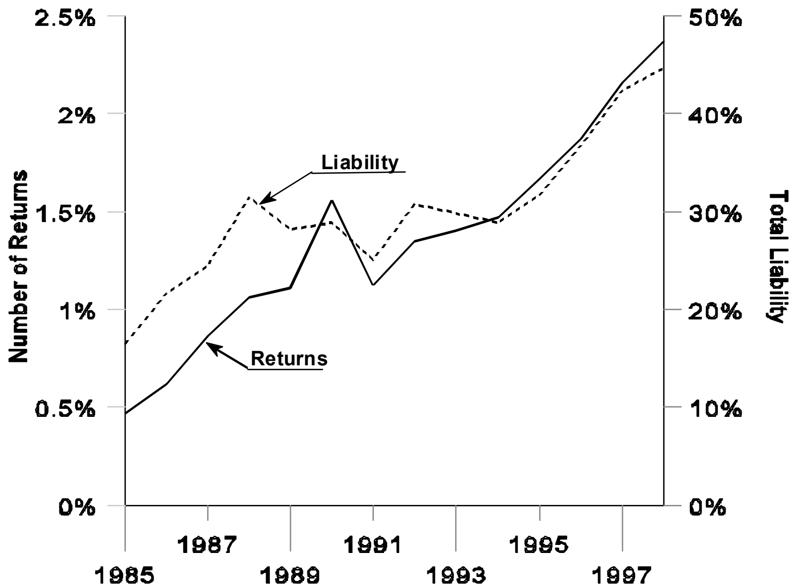
Figure 25
New York State High Income Tax Returns



Source: NYS Dept. of Taxation and Finance.

[16] Here we define a "high income taxpayer" as an individual filing singly or a couple filing jointly whose reported NYSAGI, including capital gains realizations, exceeds $200,000 during the calendar year.

Figure 26
New York State High Income Taxpayers
As Percent of Total Returns

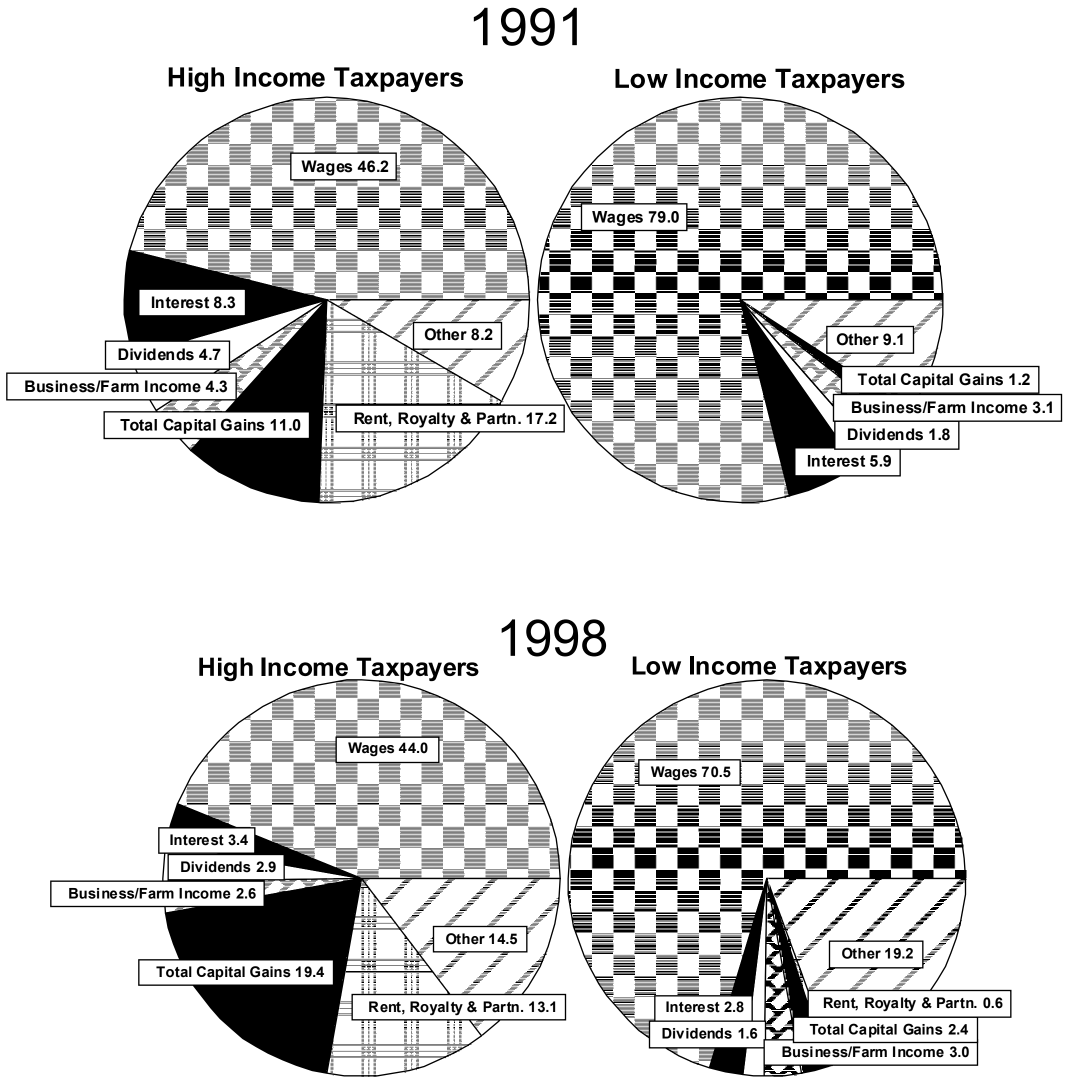


Source: NYS Dept. of Taxation and Finance.

While the total number of returns in New York State (about eight million) has grown by about one percent per year since 1995, the number of taxpayers reporting AGI above $200,000 has seen annual increases of about 15 percent (see Figure 25). Specifically, between 1994 and 1998 their ranks increased from about 116,000 to just over 177,000. In 1998, the most recent year for which detailed tax return data are available, these high income taxpayers represented 2.4 percent of all taxpayers (see Figure 26). However, they accounted for 32.5 percent of NYSAGI and fully 44.7 percent of total personal income tax liability, nearly $8.5 billion. But, while the rapid growth in income among the State's high income citizens has produced almost unprecedented growth in State tax receipts, reliance upon this growth as a source of future revenues may pose a substantial risk to the financial plan.

Figure 27 compares the composition of NYSAGI for New York's high income taxpayers with that of all other taxpayers for both 1991 and 1998. It is evident that the most volatile components of AGI comprise a much larger share of total AGI for the State's high income taxpayers than for others. Between 1991 and 1998, total capital gains realizations grew from 1.2 percent of total AGI to 2.4 percent for low income taxpayers. For high income taxpayers, the comparable shift was from 11.0 percent to 19.4 percent.

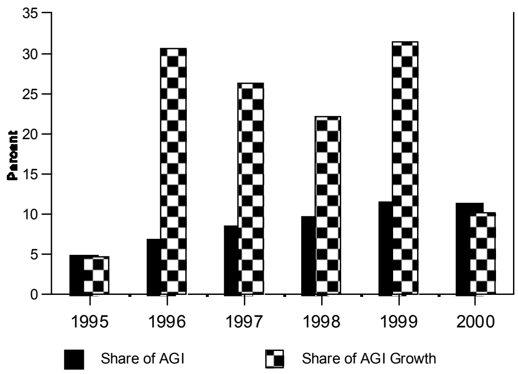
Figure 27
Composition of NYSAGI
(percent of total AGI)



Note: High Income taxpayers are defined as those reporting NYSAGI of more than $200,000. In 1991, low income taxpayers reported negative rent, royalty & partnership income in the aggregate; therefore, it is subsumed under other.
Source: NYS Dept. of Taxation and Finance.

The growing share of capital gains as a percentage of total NYSAGI has made more urgent the need to reliably project this source of income (see Figure 28). To that end, DOB has constructed a forecasting model which attempts to capture some of the inherent volatility of capital gains realization behavior.[17] DOB's forecasting model includes growth in real U.S. Gross Domestic Product to capture that component of capital gains realizations which tends to vary with the business cycle.

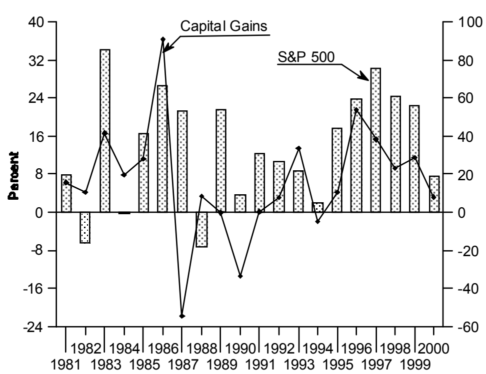
Figure 28
Capital Gains and NYS AGI



Source: NYS Department of Taxation and Finance

The forecast model also accounts for changes in the rate at which capital gains realizations are taxed, which can induce a significant degree of volatility in realizations even before the new rate takes effect. For example, the Tax Reform Act of 1986 included an increase in the tax rate on capital gains, becoming effective as of the 1987 tax year. As indicated in Figure 29, realizations increased over 90 percent in 1986 as investors sought to beat the new, higher rate. The following year, realizations fell 55 percent, despite an increase in stock prices of 21 percent, as represented by growth in the S&P 500. Since the higher rate increases the cost of realizing gains, the long-run response should be a decrease in realizations growth, all things being equal. DOB's model attempts to capture both the short-run and long-run impacts on taxpayer behavior of changes in tax law.

Figure 29
Capital Gains Realizations and the S&P 500



Source: Standard and Poor's DRI; NYS Dept. of Taxation and Finance.

Stock market volatility itself is a significant source of volatility in capital gains realizations behavior. This makes realizations very difficult to forecast with a large degree of precision.[18] There is little doubt that the growth in realizations from 1995 to 1998 is directly related to the dramatic growth in equity prices observed during

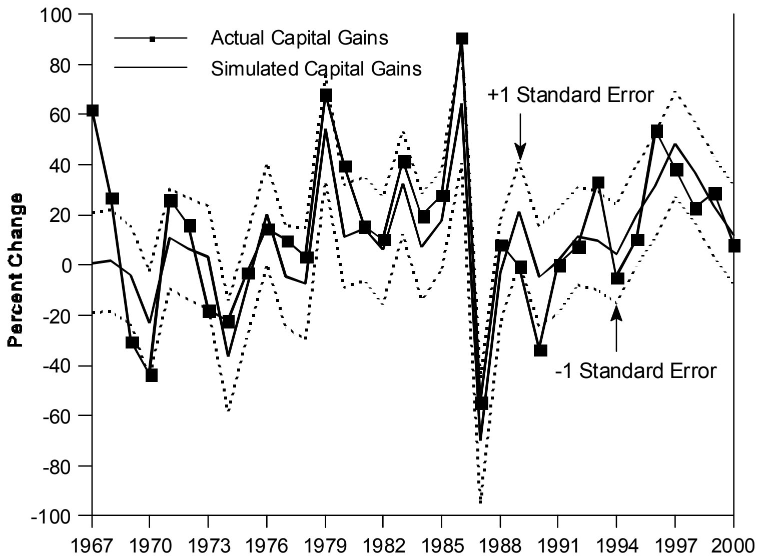
[17] The Division of the Budget capital gains model draws heavily from Preston Miller and Larry Ozanne "Forecasting Capital Gains Realizations," Congressional Budget Office, August 2000.

[18] Please see 2000-01 New York State Executive Budget Appendix II, pp. 126-130, for the results of simulation studies performed by the Division of the Budget staff of the confidence bands surrounding forecasts for some of the large components of NYSAGI.

those years. However, the significant drop in stock prices observed in 2000 and the uncertainty as to how investors will behave in 2001, pose significant risks to the financial plan for the coming State fiscal year.

Table 6 presents an assessment of the capital gains forecasting model's sensitivity to small disturbances which the model itself cannot capture. The standard deviation around the predicted growth rate establishes a band within which the actual growth rate might be expected to fluctuate with approximately 66 percent probability. The width of the band, which is illustrated in Figure 30, is determined by the volatility exhibited by capital gains realizations income over the period from 1967 to 1998, the last period for which data are available. While the forecasting model predicts no growth for 2001, we can only be confident that with 66 percent probability the actual growth rate will fall somewhere between -16.6 percent and 20.6 percent. If we want to be more confident about our prediction, we would have to accept an even wider band.

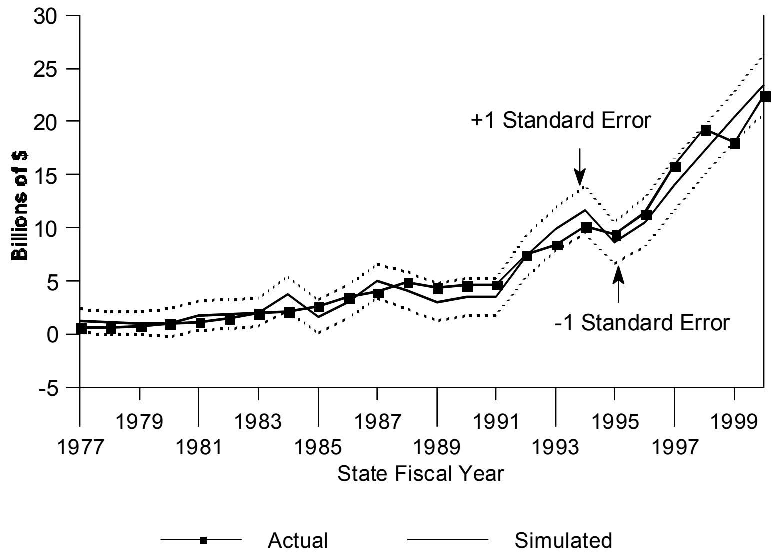
Figure 30
Capital Gains Realizations Model
Monte Carlo Simulation



Note: Shocks to both model errors and parameters are simulated.
Source: NYS Dept. of Taxation and Finance: staff estimates.

Even within wages and salaries, the most stable component of taxable income, the State's high income taxpayers account for a share of the total wage gains in this category which exceeds what their small numbers would suggest. It is estimated that most of these wage gains have come from the growth in both bonus income and income derived from the exercise of stock options over the period. While growth in these variable wage components of State income is, in part, a result of a strong economy, the exceptional performance of the financial sector has been equally important. These variable components of wage payments exhibit much more volatility than the non-variable component of State wages and salaries (see Figure 20), and their concentration among high income taxpayers — who tend to have high effective tax rates — compounds the risk in estimating out-year personal income tax liability. Figure 31 presents the results of a Monte Carlo simulation of the DOB bonus model for the combined finance and insurance industries. These results indicate that in simulating a confidence band around bonuses for the 1999-2000 State fiscal year, we could only be about 66 percent confident that bonuses would total somewhere between $20.7 billion and $26.3 billion — a $6 billion range.

Figure 31
Finance and Insurance Industry
Bonus Model
Monte Carlo Simulation



Note: Shocks to both model errors and parameters are simulated.
Source: NYS Dept. of Taxation and Finance; staff estimates.

In summary, given the uncertainty surrounding such volatile components as capital gains, bonuses, and stock incentive payouts, and the small number of taxpayers who account for the majority of this income, there exist significant risks to the Division of the Budget's personal income tax forecast. This is especially true in light of the turbulent conditions recently observed in the financial markets. As a result, for the upcoming years, income tax receipts are projected to grow at a rate that is consistent with relative caution as to the movements in these volatile income components.

TABLE 6
SIMULATION RESULTS FOR CAPITAL GAINS REALIZATIONS MODEL
(Model Errors Plus Parameter Estimate Error — percent)

Year	Actual Growth*	Mean Predicted Growth	One Standard Error Around Predicted Growth
1965	36.4	(9.8)	20.4
1966	(7.5)	10.3	18.8
1967	62.0	17.4	18.4
1968	27.1	2.6	18.7
1969	(30.4)	12.9	18.6
1970	(43.4)	(23.3)	18.9
1971	26.2	15.7	18.4
1972	16.2	9.4	18.6
1973	(18.0)	4.0	18.6
1974	(22.2)	(37.7)	20.4
1975	(2.9)	(9.1)	19.0
1976	14.7	18.8	18.8
1977	10.1	7.1	18.5
1978	3.5	(0.3)	18.6
1979	68.1	59.8	20.6
1980	39.7	12.3	19.0
1981	15.7	8.3	18.1
1982	10.4	10.4	20.6
1983	41.6	6.0	18.7
1984	19.7	(0.3)	19.4
1985	28.0	15.1	18.0
1986	90.7	77.9	24.9
1987	(54.6)	(65.0)	22.6
1988	8.5	(3.8)	18.6
1989	(0.3)	16.5	18.2
1990	(33.5)	(8.6)	18.5
1991	0.3	(8.7)	19.2
1992	7.7	14.2	18.4
1993	33.5	11.0	18.2
1994	(4.8)	1.0	18.5
1995	10.4	17.6	18.3
1996	53.7	16.4	18.5
1997	38.3	34.7	19.2
1998	23.0	35.1	19.2
1999**	28.8	15.8	18.5
2000**	8.0	8.7	18.5
2001**	0.0	2.0	18.6

*Data reflect the model dependent variable which is the first difference in the logarithmic form of realizations.

**Forecast.

Source: New York State Department of Taxation and Finance; staff estimates.

RECENT TRENDS IN ALL FUNDS TAX RECEIPTS

Growth in All Funds tax receipts has been very volatile over the past two decades reflecting both underlying economic conditions and significant changes in tax policy. The relatively small annual average growth in receipts during the 1990s has resulted from the severe economic downturn experienced in New York during the early 1990s, reduced inflation rates, and the significant tax reductions enacted over the 1995-2000 period.

ALL FUNDS TAX RECEIPTS
(millions of dollars)

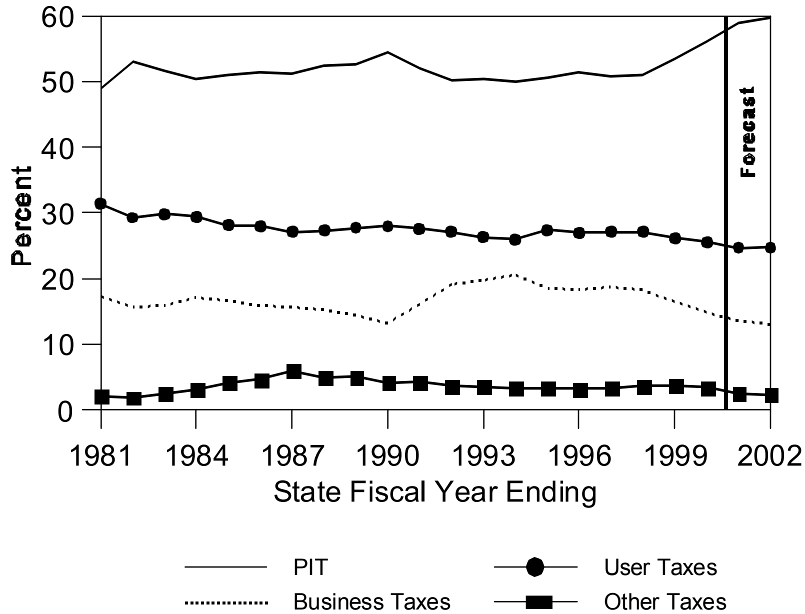
			Percent of All State Funds Receipts Accounted for By:			
Fiscal Year	**All Funds Receipts [1/]**	**Percent Change**	**Personal Income Tax [1/]**	**User Taxes and Fees**	**Business Taxes**	**Other Taxes**
1980-81	13,496	11.2	49.0	31.4	17.4	2.2
1981-82	15,143	12.2	53.1	29.3	15.8	1.9
1982-83	16,025	5.8	51.6	29.8	16.0	2.6
1983-84	18,644	16.3	50.3	29.4	17.2	3.2
1984-85	20,392	9.4	51.0	28.1	16.7	4.2
1985-86	22,572	10.7	51.3	28.0	16.0	4.7
1986-87	24,358	7.9	51.2	27.1	15.7	6.0
1987-88	25,859	6.2	52.5	27.3	15.2	5.0
1988-89	26,262	1.6	52.7	27.7	14.5	5.1
1989-90	28,050	6.8	54.5	28.0	13.3	4.2
1990-91	27,818	(0.8)	52.0	27.6	16.1	4.3
1991-92	29,847	7.3	50.1	27.1	19.1	3.7
1992-93	31,661	6.1	50.4	26.3	19.7	3.6
1993-94	33,026	4.3	50.0	26.0	20.6	3.4
1994-95	33,050	0.1	50.6	27.4	18.6	3.4
1995-96	33,927	2.7	51.3	27.0	18.4	3.3
1996-97	34,620	2.0	50.7	27.1	18.8	3.4
1997-98	35,921	3.8	50.9	27.1	18.3	3.7
1998-99	38,495	7.2	53.5	26.2	16.6	3.8
1999-2000	41,390	7.5	56.0	25.6	14.8	3.5
2000-01*	43,271	4.5	58.9	24.7	13.7	2.6
2001-02**	44,546	2.9	59.7	24.8	13.0	2.4

[1/] Personal Income Tax defined as gross receipts less refunds — 2000-01 receipts reflect an adjustment for the timely payment of refunds.

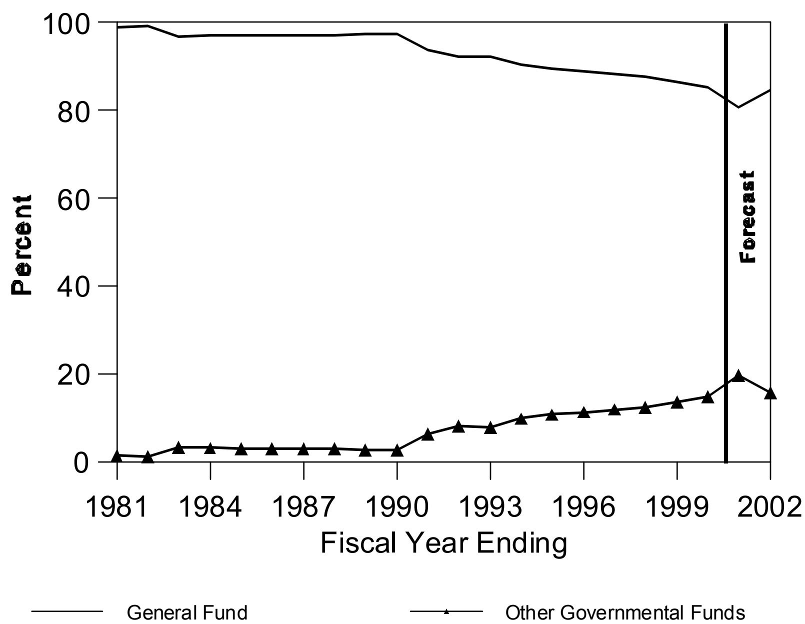
* Estimated.
** Projected.

Note: For law changes affecting amounts flowing into various funds, see individual revenue stories.

Tax Share of State Funds by Major Tax Categories



Share of Receipts by Major Fund Type



All Funds receipts can be adjusted for the estimated value of tax policy changes to obtain an approximate base receipts series. The accompanying chart shows growth in estimated base receipts compared to growth in New York personal income for fiscal years 1988-2002.

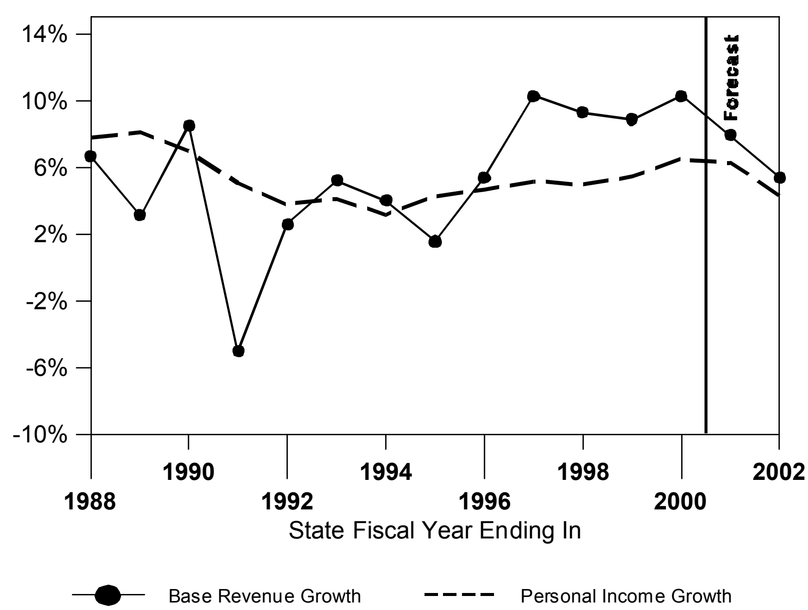
Clearly, base receipts growth has exceeded personal income growth significantly in recent years. However, for much of the period displayed, income and tax receipts grew more in tandem. In fact, income growth often exceeded receipts growth. The recent reversal of that relationship has been the result of several factors including the large increases in taxable capital gains reported on personal income tax returns. Capital gains, a component of taxable New York income, are not included as income in determining personal income for nontax purposes.

As has already been reported, capital gains are a highly volatile component of taxable income which can be impacted by changes in equity values, real estate prices and changes in tax treatment.

In addition, the importance of the income tax in the receipt mix has increased. The income tax is more sensitive to income changes than the remaining parts of the tax base. This tends to amplify the impact of income growth on overall receipts.

Over the projection period we expect that the receipts-income relationship will revert back to a pattern more consistent with historical experience. This cautious approach to receipts forecasting prevents an over reliance on special events, such as large increases in taxable capital gains, and features of the current economic situation which can change quickly to the detriment of the Financial Plan.

Base Revenue and Personal Income Growth
(Percent Change)



DEDICATED FUND TAX RECEIPTS

Several tax sources are dedicated in whole or part to State Funds which are earmarked for specific purposes. The following table reports tax receipts by fund for the dedicated tax sources.

DEDICATED FUND TAX RECEIPTS
(millions of dollars)

	1999-2000 Actual	2000-01 Estimate	2001-02 Recommended
Dedicated Highway and Bridge Trust Funds	1,011.2	1,106.9	1,414.9
Motor fuel tax	225.4	324.2	336.8
Motor vehicle fees	129.9	149.0	374.2
Highway use tax	150.2	154.8	151.3
Petroleum business tax	505.7	478.9	552.6
Dedicated Mass Transportation Trust Fund	297.0	340.4	423.1
Petroleum business tax	297.0	281.3	324.6
Motor fuel tax	0.0	59.1	66.5
Motor vehicle fees	0.0	0.0	32.0
Mass Trans. Operating Assistance Fund	1,116.1	1,086.1	1,111.6
Surcharges			
Corporation franchise tax	229.2	270.0	263.0
Corporation and utilities tax	203.2	113.0	116.7
Insurance tax	69.2	64.3	64.0
Bank tax	85.3	83.0	82.0
Other			
Sales and use tax	345.6	360.0	367.1
Petroleum business tax	113.1	113.8	121.8
Corporation and utilities - sections 183 and 184	70.5	82.0	97.0
Emergency Highway Reconditioning and Preservation Fund			
Motor fuel tax	56.8	56.3	56.5
Emergency Highway Construction and Reconstruction Fund			
Motor fuel tax	56.7	56.3	56.4
Clean Water/Clean Air Fund			
Real estate transfer tax	228.2	248.0	188.0
Local Government Assistance Tax Fund			
Sales and use tax	2,045.8	2,097.4	2,178.3
Environmental Protection Fund			
Real estate transfer tax	112.0	112.0	132.0
School Tax Relief Fund (STAR)			
Personal income tax	1,194.6	3,077.0	1,371.0
Debt Reduction Reserve Fund			
Personal income tax	0.0	250.0	0.0
Other Funds Total	6,118.4	8,430.4	6,931.8

GOVERNMENTAL TAX RECEIPTS

The following table reports tax receipts for all Governmental Funds.

GOVERNMENTAL TAX RECEIPTS
(millions of dollars)

	1999-2000 Actual	2000-01 Estimate	2001-02 Recommended
Personal Income Taxes	21,533.2	27,118.0	27,852.0
User Taxes and Fees	10,614.7	10,678.8	11,061.0
Sales and use tax	8,532.4	8,753.2	9,082.2
Cigarette and tobacco tax	643.1	521.8	463.4
Motor fuel tax	518.8	514.9	516.2
Motor vehicle fees	531.4	487.0	600.8
Highway use tax	150.2	154.8	151.3
Alcoholic beverage tax	177.0	180.6	177.8
ABC license fees	23.0	30.0	31.0
Hotel/motel tax	0.0	0.0	0.0
Container tax	0.0	0.0	0.0
Auto rental tax	38.8	36.5	38.3
Business Taxes	6,133.7	5,949.3	5,793.4
Corporation franchise tax	2,167.8	2,682.0	2,514.7
Corporation and utilities tax	1,692.0	1,040.0	1,088.7
Insurance tax	658.2	631.3	604.0
Bank tax	610.8	634.0	587.0
Petroleum business tax	1,004.9	962.0	999.0
Other Taxes	1,447.6	1,141.0	1,090.8
Estate tax	975.2	716.6	734.1
Gift tax	79.5	28.0	2.0
Real property gains tax	14.8	4.0	3.3
Real estate transfer tax	340.2	360.0	320.0
Pari-mutuel tax	36.4	31.5	30.5
Other taxes	1.5	0.9	0.9
Total Taxes	39,729.2	44,887.1	45,797.2

TAX REDUCTION PACKAGE

UPSTATE REVITALIZATION PACKAGE

To continue the progress achieved in renewing the upstate economy, the Governor is proposing three targeted tax reduction initiatives.

Expand Empire Zones

The first initiative will double, from two to four square miles, Empire Zone boundaries in qualifying upstate communities. This will extend the tax-free zone concept to these expanded areas to encourage economic development and job growth throughout upstate New York. The present tax benefits in Empire Zones include a credit for real property taxes, a tax reduction credit, sales and use tax exemptions, an investment tax credit for capital investment, and employment credits.

Eliminate the Alternative Minimum Tax

The second initiative will phase out the alternative minimum tax (AMT) over a five-year period. This proposal, while benefitting all taxpayers who currently pay under the AMT, is especially advantageous to upstate manufacturers. The tax rate will be reduced from its current level of 2.5 percent to 2.0 percent beginning January 1, 2001, and will be fully eliminated as of January 1, 2005. Elimination of the AMT will improve New York's competitive position relative to other states that do not impose an AMT, and will allow manufacturers to make full use of credits they have earned, making economic expansion more profitable.

Allow Single-Sales Factor for Manufacturing Companies

The third initiative will also benefit upstate manufacturing companies. Currently, multistate corporations allocate income using a three-factor formula of receipts, property and payroll. The receipts factor is double-weighted. Beginning January 1, 2001, New York will begin the move towards a single-sales factor for manufacturers. Changing the formula for manufacturers benefits those companies with large investments in property and payroll in New York and substantial sales outside the State. This provides an incentive to invest in or maintain payroll and plant facilities in New York. Several states have recently enacted similar laws and this action will help keep New York competitive in retaining and expanding our manufacturing base.

TAX INCENTIVES FOR BROWNFIELD REDEVELOPMENT

This tax incentive package will encourage the remediation and redevelopment of brownfields to productive use. Brownfields are abandoned or underutilized properties found in many areas that require environmental remediation. Brownfields can take many forms, including abandoned industrial and commercial properties, vacant buildings, or defunct small business locations such as gas stations. Tax incentives will intensify the cleanup of brownfield sites and their restoration to productive use. The first proposal will provide tax incentives for the costs associated with both site remediation of brownfields and the purchase of property used on a brownfield site. The second proposal will encourage the redevelopment of brownfields — those of at least 10 acres and no more than 100 acres — through a credit for real property taxes. This credit applies to brownfields located in upstate cities. The third proposal will provide an enhanced real property tax benefit for upstate mega brownfields — those of more than 100 acres. The credit will be available for 19 years, rather than the 14 currently extended to qualified businesses under the Empire Zones program.

ENHANCEMENTS TO THE NEW YORK STATE LOW INCOME HOUSING TAX CREDIT PROGRAM

Beginning immediately, an additional allocation of $2 million is proposed to enhance provisions of the Low-Income Housing Tax Credit Program enacted last year. This will allow even more participants to become involved in this important program, which is designed to encourage investment in low-income housing.

BIOTECHNOLOGY REFUNDABLE CREDIT

This proposal will allow qualified biotechnology companies to claim a refund of their investment tax credits (ITCs) in certain situations where they have been precluded from using credits they have earned. Under present law, only new businesses can claim a refund of the ITC. This will provide these important and developing businesses, often experiencing significant losses, with much needed capital. Companies become eligible for this benefit beginning January 1, 2002.

AGRICULTURAL INCENTIVES

The Governor is proposing two personal income tax credits benefitting the farmers of New York State: a farmland restoration credit and a school property tax credit for rented farmland. The proposed farmland restoration tax credit will provide a one-time State personal income tax credit for 25 percent of the capital costs of an approved list of land improvements, including: leveling, grading and terracing, contour furrowing, the construction, control, and protection of diversion channels, drainage ditches, earthen dams, watercourses, outlets, and ponds, the eradication of brush, and the planting of windbreaks, application of lime, installation of tile, repair and installation of fences, and repair of silos. The second part of this package will allow a school property tax credit for farmland that is rented out and used for farming.

Additionally, farmers with farms held in a corporation or as part of a partnership will be allowed to claim the School Tax Reduction (STAR) exemption for the farmer's primary residence.

HISTORIC HOMEOWNERSHIP REHABILITATION CREDIT

The Governor is proposing an historic homeownership rehabilitation credit equal to either 15 percent or 25 percent of qualified rehabilitation expenditures made by a taxpayer on a personal residence. The credit, generally, can not exceed $50,000 for a residence. If the allowable credit exceeds the taxpayer's tax for any taxable year, the excess will be refunded to the taxpayer.

CONSERVATION DONOR TAX CREDIT

The proposed conservation donor tax credit will provide a one-time State personal income tax credit to landowners who donate land or a conservation easement on their property. The credit will be for 25 percent of the donation's value and will be capped at $250,000. The credit will be non-refundable, with a carryover provision allowing the taxpayer to carry over the value of the credit for up to five years.

CO-STAR

The Governor is proposing a Co-STAR program to provide county property tax exemptions for seniors and farmers starting with the 2002 tax year. As part of the Co-STAR program, senior citizens will be provided with additional relief under the New York City personal income tax. In recognition of the City's greater reliance on non-property taxes to fund services, there is a Co-STAR credit proposed for the City personal income tax that may be claimed by New York City taxpayers who are age 65 and older. The credit will increase, in five stages, from $25 for 2002 to $120 in tax years after 2005.

STATE TAX REDUCTIONS
NEW PROPOSALS FOR 2001-02 BUDGET
GENERAL FUND IMPACT
(millions of dollars)

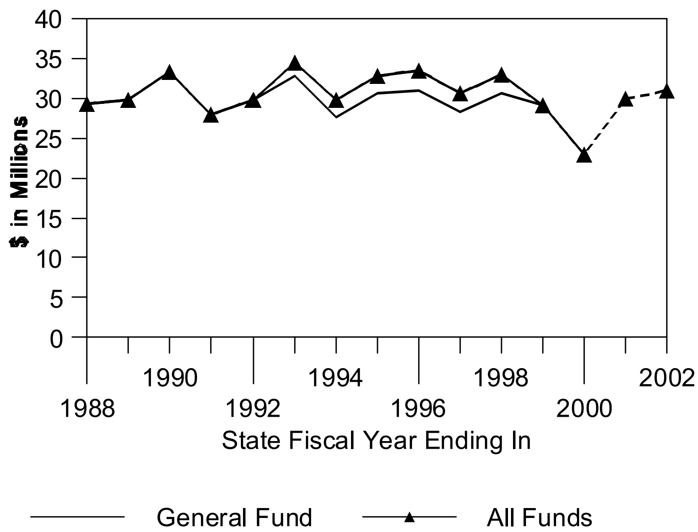
	2001-02	2002-03	2003-04	2004-05	2005-06	Fully Effective
Expand Empire Zones	0.0	82.5	93.7	100.3	107.7	116.0
Eliminate AMT/Single Sales Factor	23.3	23.3	60.8	74.2	83.8	83.8
Brownfields Package	0.0	12.0	67.7	70.6	71.5	58.7
Low- and Moderate-Income Housing Credit	2.0	2.0	2.0	2.0	2.0	0.0
Biotechnology Refundable Credit	0.0	1.0	1.0	1.0	1.0	1.0
Farmland Restoration	0.0	2.0	8.0	8.0	8.0	8.0
Rented Farmland - School Property Tax Credit	0.0	1.0	5.0	5.0	5.0	5.0
Corporate Farms under STAR	0.0	3.0	3.0	3.0	3.0	3.0
Conservation Donor Credit	0.0	3.0	12.0	12.0	12.0	12.0
Historic Homes	0.0	3.0	10.0	10.0	10.0	10.0
Co-STAR	0.0	50.0	101.0	146.0	190.0	230.0
Total	25.3	182.8	364.2	432.1	494.0	527.5

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

	1995-96	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04
Personal Income Taxes	555.9	2,806.0	4,502.0	4,791.0	5,230.0	5,390.0	5,746.1	6,183.8	6,768.0
User Taxes and Fees	130.0	212.1	270.1	389.5	566.8	1,119.9	1,254.5	1,357.5	1,460.8
Sales and use tax	22.4	46.4	103.0	155.8	245.4	792.5	910.4	1,007.3	1,102.8
Cigarette and tobacco tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Motor fuel tax	4.1	13.1	14.1	15.5	17.5	17.8	18.2	18.5	19.0
Motor vehicle fees	0.0	0.0	0.0	48.2	74.7	74.9	75.4	76.8	76.9
Highway use tax	19.9	34.6	33.4	38.7	73.1	76.1	87.3	90.2	93.3
Alcoholic beverage tax	3.2	17.4	17.1	18.0	24.6	25.5	28.4	28.3	30.7
ABC license fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hotel/Motel tax	74.4	75.1	76.5	78.0	79.5	81.1	82.8	84.4	86.1
Container tax	6.0	25.5	26.0	35.3	52.0	52.0	52.0	52.0	52.0
Auto rental tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Business Taxes	698.7	1,026.5	1,182.7	1,239.4	1,601.6	2,107.0	2,460.6	2,804.7	3,163.7
Corporation franchise tax	317.9	423.9	472.2	496.5	682.0	531.2	864.8	1,064.2	1,213.6
Corporation and utilities tax	179.6	248.8	285.1	304.5	459.4	1,093.4	1,027.2	1,097.3	1,247.4
Insurance tax	40.0	103.7	116.4	119.4	114.7	127.7	160.5	193.0	216.3
Bank tax	61.3	77.3	100.8	90.0	108.1	116.1	160.1	198.7	231.4
Petroleum business tax	99.9	172.8	208.2	229.0	237.4	238.6	248.0	251.5	255.0
Other Taxes	53.0	182.8	178.9	322.3	317.9	582.9	785.6	823.5	850.6
Estate/Gift tax	15.0	78.7	81.7	86.0	133.0	423.0	616.5	648.0	676.0
Real property gains tax	20.5	89.6	81.6	220.6	168.1	142.1	147.0	156.0	156.0
Real estate transfer tax	0.0	0.0	1.6	2.2	2.2	2.2	2.2	0.9	0.0
Pari-mutuel tax	17.5	14.5	14.0	13.5	14.5	15.5	19.8	18.5	18.5
Other	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Subtotal	1,437.6	4,227.4	6,133.7	6,742.2	7,716.3	9,199.8	10,246.8	11,169.5	12,243.1
STAR	0.0	0.0	0.0	582.2	1,194.6	1,877.0	2,571.0	2,769.0	2,938.0
Medical/Provider	0.0	0.0	16.0	73.0	372.0	500.0	544.0	552.0	575.0
Grand Total	1,437.6	4,227.4	6,149.7	7,397.4	9,282.9	11,576.8	13,361.8	14,490.5	15,756.1

ALCOHOLIC BEVERAGE CONTROL LICENSE FEES

Alcoholic Beverage Control License Fees Receipts
History and Estimates



DESCRIPTION

New York State distillers, brewers, wholesalers, retailers, and others who sell alcoholic beverages are required by law to be licensed by the State Liquor Authority. License fees vary, depending upon the type and location of the establishment or premises operated, as well as the class of beverage for which the license is issued. The most significant source of revenue in this category is the licensing of about 2,500 retail liquor outlets, including package stores engaged in carry-out sales, and nearly 25,300 bars and restaurants that offer on-premises consumption. The majority of State-licensed bars and restaurants (20,325 in 1999) are authorized to sell beer, wine, and liquor. Approximately 3,700 licensees are permitted to sell only beer and wine. The remaining 1,323 licensees in 1999 sold only beer.

NUMBER OF LICENSES BY CATEGORY

		Bars and Restaurants						
	Liquor Stores	Beer, Wine and Liquor	Beer and Wine	Beer Only	Sub-Total	Grocery Stores	Wholesale	Total
1992	2,984	20,375	3,103	1,829	25,307	19,526	1,042	48,859
1993	2,906	20,312	3,134	1,845	25,291	19,778	1,041	49,016
1994	2,836	20,030	3,177	1,796	25,003	19,656	1,048	48,543
1995	2,753	19,831	3,372	1,763	24,966	19,768	1,057	48,544
1996	2,673	19,782	3,497	1,838	25,117	19,743	1,074	48,607
1997	2,621	19,708	3,490	1,843	25,041	19,462	1,125	48,249
1998	2,596	19,853	3,712	1,950	25,515	19,417	1,142	48,670
1999	2,560	20,325	3,640	1,323	25,288	19,202	1,031	48,027

SIGNIFICANT LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1997		
License Renewal	The required purchase of a triennial license was changed to allow licensees to continue to purchase a triennial license or optionally purchase an annual or biennial license at a prorated cost.	December 1, 1998

2000-01 RECEIPTS

Compared to 1999-2000, gross alcoholic beverage control license fee receipts will increase significantly. Last year's receipts were depressed due to the full-year effect of legislation passed in 1997 changing license renewal requirements, which reduced 1999-2000 receipts by $9 million. The last year of the three-year impact from licensing remittance changes will reduce 2000-01 collections by an estimated $2 million.

Alcoholic beverage control license fee receipts for the first nine months of 2000-01 are estimated at $20.8 million net of refunds, 43.4 percent greater than receipts for the comparable period in 1999-2000. In summary, 2000-01 gross receipts are projected at $33 million and refunds at $3 million, resulting in estimated net receipts from alcoholic beverage control license fees of $30 million.

2001-02 PROJECTIONS

This is the first year with no downward pressure on receipts resulting from 1997 licensing legislation. Gross receipts are estimated to reach $34 million. Refunds will be approximately $3 million, bringing estimated 2001-02 net receipts from this source to $31 million.

OTHER FUNDS

For the period from 1992-93 through 1997-98, a portion of license fee receipts was deposited in the Alcoholic Beverage Control Enhancement Account on an annual basis. Revenues deposited into the Account were used to support efforts to improve compliance with licensing regulations and expedite license processing. Beginning in 1998-99, this special revenue fund was eliminated and since then all licensing fees have been deposited in the General Fund.

GENERAL FUND

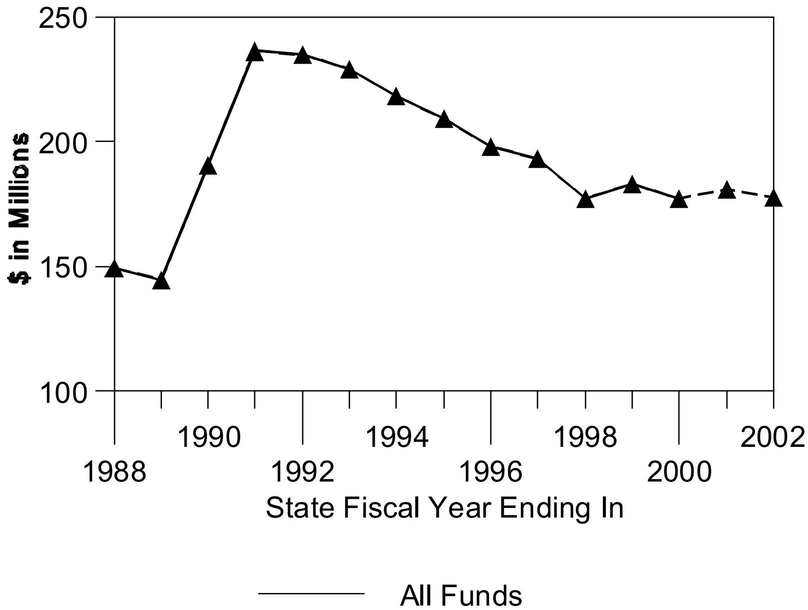
General Fund receipts for 2000-01 are estimated to be $30 million. In 2001-02, General Fund receipts are projected to reach $31 million.

RECEIPTS FROM ALCOHOLIC BEVERAGE CONTROL LICENSE FEES (thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
	Actual						
1992-93	35,305	2,627	32,678	1,815	0	0	34,493
1993-94	29,852	2,237	27,615	2,155	0	0	29,770
1994-95	33,864	3,283	30,581	2,100	0	0	32,681
1995-96	33,956	2,981	30,975	2,400	0	0	33,375
1996-97	31,748	3,417	28,331	2,300	0	0	30,631
1997-98	33,162	2,629	30,533	2,387	0	0	32,920
1998-99	32,282	3,190	29,092	0	0	0	29,092
1999-2000	25,566	2,615	22,951	0	0	0	22,951
	Estimated						
2000-01	33,000	3,000	30,000	0	0	0	30,000
2001-02	34,000	3,000	31,000	0	0	0	31,000

ALCOHOLIC BEVERAGE TAXES

Alcoholic Beverage Taxes Receipts
History and Estimates



DESCRIPTION

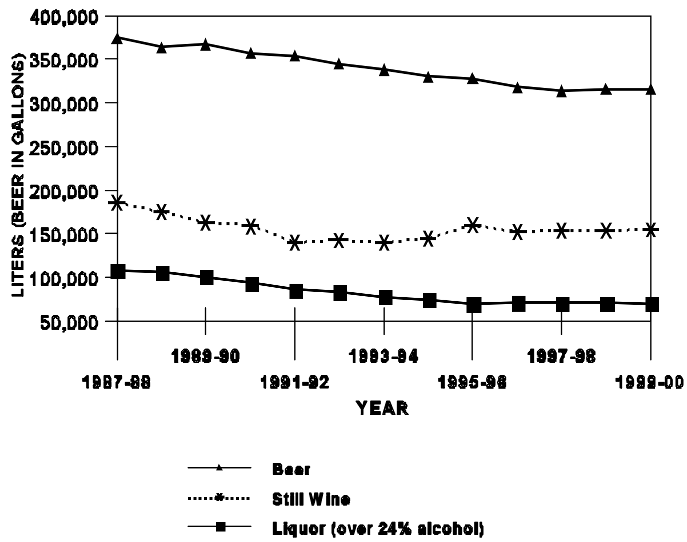
New York State imposes excises at various rates on liquor, beer, wine and specialty beverages. These taxes are remitted by licensed distributors and noncommercial importers of such beverages in the month following the month of delivery.

State tax rates for 2001-02 are as follows:

Liquor over 24 percent alcohol	$1.70 per liter
All other liquor with more than 2 percent alcohol	0.67 per liter
Natural sparkling wine	0.05 per liter
Artificially carbonated sparkling wine	0.05 per liter
Still wine	0.05 per liter
Beer with 0.5 percent or more alcohol	0.125 per gallon
Liquor with not more than 2 percent alcohol	0.01 per liter
Cider with more than 3.2 percent alcohol	0.01 per liter

Overall, per capita consumption of taxed beverages has remained fairly constant in recent years. However, there have been shifts in consumer preferences. For example, wine consumption has recently increased relative to liquor and beer consumption. (See chart.) In addition, the movement of alcohol beverage demand towards less expensive beverages with lower alcoholic content is attributed, in part, to the impact of rising prices on beverages with higher alcohol content.

Consumption of Alcoholic Beverages



SIGNIFICANT LEGISLATION

A significant number of statutory changes have been made to the alcoholic beverage tax since its inception. The following table summarizes the major tax legislation enacted since 1995.

SIGNIFICANT ALCOHOLIC BEVERAGE TAX LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1995		
Beer Tax Cut	Reduced the State excise tax rate on beer with at least 0.5 percent alcohol from 21 cents to 16 cents per gallon.	January 1, 1996
Legislation Enacted in 1998		
Beer Tax Cut	Reduced the State excise tax rate on beer with at least 0.5 percent alcohol from 16 cents to 13.5 cents per gallon.	January 1, 1999
Legislation Enacted in 1999		
Beer Tax Cut	Reduced the State excise tax rate on beer with at least 0.5 percent alcohol from 13.5 cents to 12.5 cents per gallon.	April 1, 2001
Exemption	Increased the small brewers exemption for the first 100,000 barrels of domestically brewed beer to 200,000 barrels.	April 1, 2001

Subject	Description	Effective Date
Legislation Enacted in 2000		
Exemption	Accelerated the small brewers exemption increase by moving the effective date from April 1, 2001, to January 1, 2000.	January 1, 2000
Beer Tax Cut	Reduced the State excise tax rate on beer with at least 0.5 percent alcohol from 12.5 cents to 11 cents per gallon.	September 1, 2003

The State continues to suffer tax evasion through the bootlegging of alcoholic beverages from other states. Enforcement legislation enacted in 1993 added registration, invoice and manifest requirements, as well as seizure and forfeiture provisions. Additionally, the legislation provided higher fines for the bootlegging of varying volumes of liquor. These alcoholic beverage enforcement provisions have provided some protection to the State's liquor industry and the tax base, moderating year-over-year declines in State alcoholic beverage tax receipts. Legislation enacted in 1997 extended these enforcement provisions from October 31, 1997, to October 31, 2002.

ALCOHOLIC BEVERAGE TAX ENFORCEMENT PROVISIONS

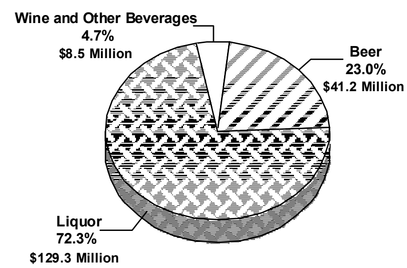
Violations	Volume	Penalties
Import liquor without registration		Class A misdemeanor
Produce, distill, manufacture, compound, mix or ferment liquors without registration or tax payments		Class A misdemeanor
Cause liquor covered by a warehouse receipt to be removed from a warehouse		Class A misdemeanor
Three or more above violations in a five-year period		Class E felony
Import liquor without registration	More than 360 liters within one year	Class E felony
Produce, distill, manufacture, compound, mix or ferment liquors without registration or tax payments	More than 360 liters within one year	Class E felony
Cause liquor covered by a warehouse receipt to be removed from a warehouse	More than 360 liters within one year	Class E felony
Custody, possession or control of liquor without registration or tax payments		Class B misdemeanor
Custody, possession or control of liquor without registration or tax payments	Exceeds 360 liters	Class E felony
Import liquor without registration	More than 90 liters	Seize transportation vehicles and liquor.
Distribute or hold liquor for sale without paying alcoholic beverage taxes	More than 90 liters	Seize transportation vehicles and liquor.
A distributor fails to pay the tax		10 percent of the tax amount to be due, plus 1 percent each month after the expiration. The penalty shall not be less than $100 but not exceeding 30 percent in aggregate.

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

2000-01 RECEIPTS

Estimated net receipts of $139.8 million for the first nine months of the current fiscal year represent an increase of 2.5 percent from the comparable period in 1999-2000. Long-term declines in liquor consumption have been partially offset by a recent shift in consumer preference for higher-priced liquor brands. Based on this experience, as well as the revenue effect of reductions in the beer tax which became effective in 1996 and 1999, alcoholic beverage tax receipts for 2000-01 are estimated at $180.6 million. The bulk of estimated receipts, $122.7 million, are derived from the tax on liquor over 24 percent in alcohol content. The 1997 enforcement provisions will preserve an estimated $3 million in liquor tax revenues that otherwise would have been lost due to evasion and avoidance. The January 1, 1999, excise tax reduction on beer is expected to reduce beer tax collections by $7.9 million, and the acceleration of increases in the small brewers exemption from April 1, 2001 to January 1, 2000 will reduce the beer tax receipts by $1 million. Total beer tax receipts are estimated to be $41.2 million. Revenues from wine and other specialty beverages are estimated to reach $8.5 million in 2000-01.

Alcoholic Beverage Tax Receipts
2000-2001



Estimated Share by Source

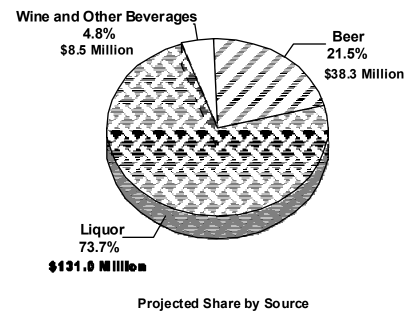
COMPONENTS OF ALCOHOLIC BEVERAGE TAX RECEIPTS
(millions of dollars)

	1995-96 Actual	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-2000 Actual	2000-01 Estimated	2001-02 Projected
Beer	65.3	50.6	50.2	47.8	42.7	41.2	38.3
Liquor	123.9	126.2	125.4	125.7	125.2	129.3	131.0
Wine and Other	8.9	8.3	8.5	8.5	8.3	8.5	8.5
Subtotal	198.1	185.1	184.1	182.0	177.0	179.0	177.8
Reconciliations	(0.3)	8.0	(7.1)	0.8	0.8	1.6	0
Net Total	197.8	193.1	177.0	182.8	177.0	180.6	177.8

2001-02 PROJECTIONS

In the coming fiscal year, the consumption of liquor, beer, and wine is expected to grow modestly. Taken together, consumption and tax rate changes are projected to cause a minor decrease in receipts. Total alcoholic beverage tax receipts are projected to be $177.8 million. This includes $131 million from liquor. Projected beer excise tax receipts of $38.3 million include a reduction of $7.9 million due to the 1999 two and one-half cents per gallon beer excise tax reduction, and a reduction of $3.1 million due to the 2001 one cent per gallon beer excise tax reduction. Revenues from wine and other specialty beverages are projected to total $8.5 million.

Alcoholic Beverage Tax Receipts 2001-2002



GENERAL FUND

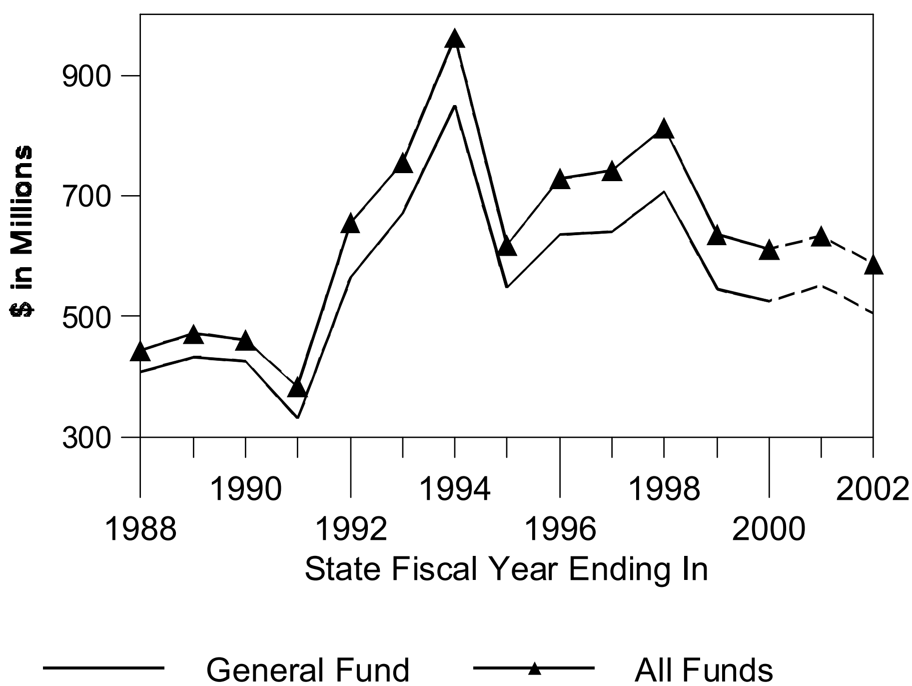
All receipts from the alcoholic beverage tax are deposited in the General Fund.

RECEIPTS FROM ALCOHOLIC BEVERAGE TAXES
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1992-93	229,113	142	228,971	0	0	0	228,971
1993-94	218,341	99	218,242	0	0	0	218,242
1994-95	209,134	98	209,036	0	0	0	209,036
1995-96	198,280	492	197,788	0	0	0	197,788
1996-97	192,960	(123)	193,083	0	0	0	193,083
1997-98	177,124	115	177,009	0	0	0	177,009
1998-99	183,087	316	182,771	0	0	0	182,771
1999-2000	177,093	55	177,038	0	0	0	177,038
				Estimated			
2000-01	180,700	100	180,600	0	0	0	180,600
2001-02	177,900	100	177,800	0	0	0	177,800

BANK TAX (Article 32)

Bank Tax Receipts
History and Estimates



DESCRIPTION

The bank tax is levied by Article 32 of the Tax Law on banking corporations conducting business in New York State. As the graph above shows, Article 32 receipts have been volatile, reflecting statutory and regulatory changes and the variable profit performance of the banking sector.

Tax Rate

Article 32 bank tax liability is calculated as the greater of the following four computations:

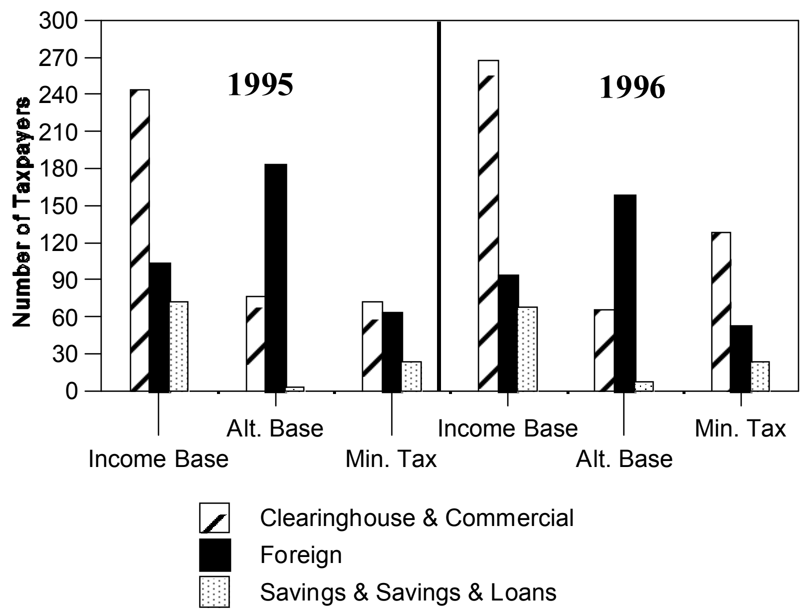
— 8.5 percent of allocated entire net income;
— 10 percent of allocated alternative entire net income (ENI without regard to specified exclusions);
— 1/10, 1/25, or 1/50 of a mill of allocated taxable assets; or
— a minimum tax of $250.

Additionally, a temporary surcharge is imposed within the Metropolitan Commuter Transportation District (MCTD), at the rate of 17 percent of the portion of tax allocable to such district.

Tax Base

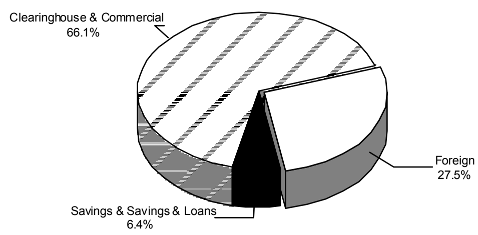
A major source of data on bank tax liability comes from the bank tax study file compiled by the Department of Taxation and Finance's Office of Tax Policy Analysis (OTPA). This study file includes tax data on all banks filing under Article 32. Between 1995 and 1996, total tax liability decreased by roughly 16 percent, from $617 million to $516.5 million. The graph below illustrates that, between 1995 and 1996, the number of taxpayers increased by 3 percent, with the majority of the increase in clearinghouse and commercial banking institutions. Additionally, between 1995 and 1996, the number of clearinghouse and commercial taxpayers paying under the minimum tax base increased by roughly 77 percent.

Number of Taxpayers by Type of Bank and by Tax Base

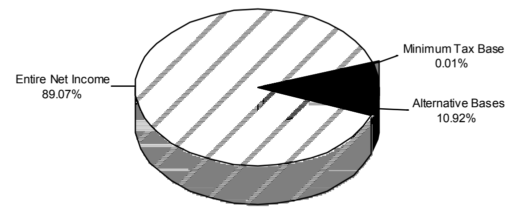


The pie charts below illustrate that clearinghouse and commercial banking institutions paid roughly 66 percent of total tax liability in 1996, while foreign banking institutions, and saving and savings and loan institutions accounted for 28 percent and 6 percent of liability, respectively. Additionally, payments under the entire net income (ENI) base comprised roughly 89 percent of total tax liability under Article 32 in 1996.

1996 Tax Base Industry Profile
(Share of Total Tax Liability)



1996 Distribution of Tax Liability
by Basis of Tax



SIGNIFICANT LEGISLATION

Tax Policy Actions

The following tax actions will significantly affect Article 32 tax collections and the tax base:

— **Net Operation Loss Deduction (NOLD):** Effective for losses incurred on or after January 1, 2001, banking corporations subject to Article 32 will be allowed to deduct losses from ENI and to carry losses forward for 15 years. The NOLD is limited to the Federal NOLD in any given year with an exception that allows taxpayers to increase the NOLD by the excess of the State bad debt deduction over the Federal bad debt deduction.

— **Rate Reduction:** Effective for taxable years beginning after June 30, 2000, the ENI tax rate for banks is reduced to 7.5 percent over a three-year period.

— **Investment Tax Credit (ITC) for Brokers or Dealers in Securities:** The ITC is currently available to banking corporations for equipment or buildings used in broker/dealer activity and in activities connected with broker/dealer operations. The ITC provides a credit of 5 percent of the cost of qualified expenditures of up to $350 million and 4 percent for qualified investment expenditures in excess of $350 million.

2000-01 RECEIPTS

Based on collections to date, total net collections for the entire period are estimated to reach $634 million, a $23.2 million increase from the 1999-2000 level. The slight increase of 3.7 percent has resulted from flat payments on 2000 liability and on decreased adjustments (credit carry forwards) from prior-year payments. The weakness in 2000 liability payments is due, at least partially, to consolidation in the banking industry which has resulted in increased in charges against income.

2001-02 PROJECTIONS

Net collections for Article 32 are projected to be $587 million, which is $47 million below the amount estimated to be received in 2000-01.

The bank tax projection is based, in part, on the underlying relationship between liability and economic activity. Given the projected slowdown in national economic growth and, more specifically, weakness in the condition of the banking sector, gross tax receipts before the impact of law changes are expected to increase by a modest 1 percent in 2001-02.

Starting in 2001-02 and thereafter, significant tax reductions already enacted are expected to negatively impact on bank tax receipts. Specifically, receipts will decline by $43 million in 2001-02, $73 million in 2002-03, and $98 million in 2003-04 due to the phase-down of the rate imposed on banks to 7.5 percent by State fiscal year 2003-04. Further, the impact of the net-operating-loss tax incentive is expected to reduce bank tax receipts by $5 million starting in 2002-03, $11 million in 2003-04, $18 million in 2004-05 and by $31 million in 2005-06.

OTHER FUNDS

Under current law, a surcharge is imposed at a rate of 17 percent of the portion of the statewide tax liability of the business that is allocated to the MCTD, and is the principal revenue source of the Mass Transportation Operating Assistance Fund (MTOA). Based on collections to date, the Article 32 contribution to MTOA for 2000-01 is projected to reach approximately $83 million, representing a 2 percent decrease from State fiscal year 1999-2000. MTOA receipts are affected by the same factors impacting overall bank tax receipts, and are expected to decrease by 1 percent in 2001-02.

GENERAL FUND

Based on collections to date, General Fund net collections for 2000-01 are projected to increase by $25 million, a 5 percent increase from State fiscal year 1999-2000, primarily driven by small increases in payments on 2000 liability.

Bank tax receipts for State fiscal year 2001-02 are expected to decline by 8 percent, primarily driven by continued economic weakness nationally and in the banking sector. Additionally, the increase in credit card delinquencies in the third quarter, a decline of 3 percent in the sales of new single-family homes in October, and further credit tightening (as reported by the Federal Reserve Senior Loan Officer Survey) suggest a significant slowdown in banking sector activity that will negatively impact future collections.

TABLE 2
GENERAL FUND RECEIPTS BY TYPE OF BANK
(thousands of dollars)

	State Banks, Trust Companies & National Banks	Savings Banks	Savings & Loan Associations	Total
	Actual			
1992-93	569,244	84,798	16,440	670,482
1993-94	784,033	45,861	20,840	850,734
1994-95	486,102	50,965	10,885	547,952
1995-96	611,513	24,455	(1,305)	634,663
1996-97	637,448	(3,003)	5,492	639,937
1997-98	700,344	1,183	5,796	707,323
1998-99	527,485	11,706	4,866	544,058
1999-2000	515,528	5,186	4,795	525,509
	Estimated			
2000-01	542,000	7,000	2,000	551,000
2001-02	496,000	7,000	2,000	505,000

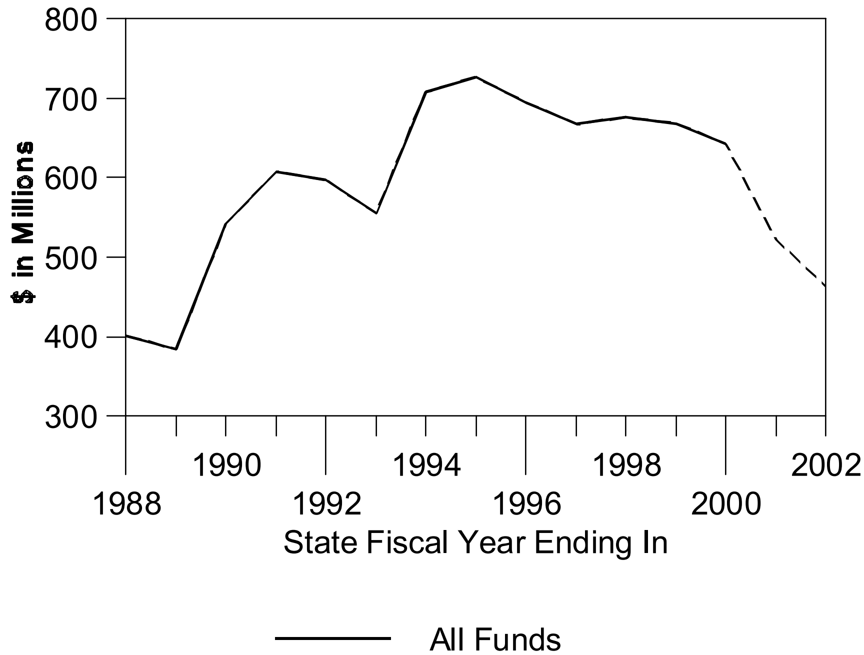
TABLE 3
BANK TAX RECEIPTS
(millions of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Refunds	Net Special Revenue Funds [1/]	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
	Actual								
1992-93	705	35	670	88	3	85	0	0	755
1993-94	905	54	851	115	4	111	0	0	962
1994-95	614	66	548	77	7	70	0	0	618
1995-96	702	67	635	98	5	93	0	0	728
1996-97	723	83	640	109	8	101	0	0	741
1997-98	765	58	707	113	8	105	0	0	812
1998-99	623	79	544	102	11	91	0	0	635
1999-2000	598	72	526	94	9	85	0	0	611
	Estimated								
2000-01	651	100	551	91	8	83	0	0	634
2001-02 (current law)	576	71	505	90	8	82	0	0	587

[1/] MCTD 17 percent surcharge deposited in the Mass Transportation Operating Assistance Fund.

CIGARETTE AND TOBACCO TAXES

Cigarette and Tobacco Taxes Receipts
History and Estimates



DESCRIPTION

Tax Rate and Base

The New York State cigarette excise tax is imposed by Article 20 of the Tax Law on the sale or use of cigarettes within the State. The current tax rate is $1.11 per package of 20 cigarettes.

The Federal government imposes a cigarette excise tax on manufacturers and first importers of cigarettes. The tax rate, currently 34 cents per pack, was increased from 24 cents per pack on January 1, 2000, and is scheduled to increase to 39 cents per pack on January 1, 2002. New York City also levies a separate cigarette excise tax of 8 cents per pack. Historical changes in State, City and Federal tax rates are shown in the following table.

STATE, FEDERAL AND NEW YORK CITY CIGARETTE EXCISE TAX RATES (since 1950)

State	Rate (cents)	Federal	Rate (cents)	New York City	Rate (cents)
Before April 1, 1959	2	Before November 1, 1951	7	Before May 1, 1959	1
April 1, 1959	5	November 1, 1951	8	May 1, 1959	2
April 1, 1965	10	January 1, 1983	16	June 1, 1963	4
June 1, 1968	12	January 1, 1991	20	January 1, 1976	8
February 1, 1972	15	January 1, 1993	24		
April 1, 1983	21	January 1, 2000	34		
May 1, 1989	33	January 1, 2002*	39		
June 1, 1990	39				
June 1, 1993	56				
March 1, 2000	111				

*Scheduled excise tax increase.

The State also imposes a tax on other tobacco products, such as chewing tobacco and cigar tobacco, at a rate of 20 percent of their wholesale price. The Federal government also imposes an excise tax on manufacturers and importers of tobacco products at various rates depending on the type of product.

Administration

State registered stamping agents, most of whom are wholesalers, purchase tax stamps from the State and affix the stamps to cigarette packages to be sold by New York State registered retailers. Purchasers of non-State stamped cigarettes, such as cigarettes sold out-of-State or on Indian reservations, must remit the cigarette excise tax directly to the Department of Taxation and Finance.

Tax Evasion

Cigarette tax evasion is a serious problem in New York and elsewhere in the Northeast. Widespread evasion not only reduces State and local revenues, but also has an adverse impact on legitimate wholesalers and retailers. The Department of Taxation and Finance has acted vigorously to curb cigarette bootlegging through investigatory and enforcement efforts. Legislation, enacted in 1996, substantially increased penalties for retailers and wholesalers who sell unstamped or illegally stamped packages of cigarettes.

The positive effects of this enforcement legislation were realized in 1999, with an increase in the number of new retailer license applications. This increase, as well as an enhanced State enforcement presence, may have led to a less severe decline in taxable cigarette consumption than would otherwise have been realized. Also, increased cigarette excise tax rates in neighboring states (e.g., New Jersey's January 1, 1998, doubling of its excise tax to 80 cents per pack of cigarettes) reduced the incentive to evade or avoid the New York tax in 1998-99 and 1999-2000.

CIGARETTE TAX RATES IN STATES BORDERING NEW YORK*
(cents per pack)

	2000	1999	1998	1997	1996	1995
Connecticut	50	50	50	50	50	50
Massachusetts	76	76	76	76	76	51
New Jersey	80	80	80	40	40	40
New York	111	56	56	56	56	56
Pennsylvania	31	31	31	31	31	31
Vermont	44	44	44	44	44	44

* Highest rate in effect during calendar year.

Effective March 1, 2000, New York raised its tax by 55 cents to $1.11 per pack, the highest rate in the nation. As a result, the Governor signed comprehensive legislation in 2000 targeted at combating cigarette bootlegging and Internet sales.

SIGNIFICANT LEGISLATION

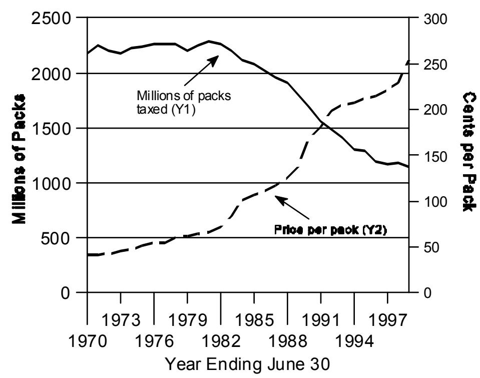
Subject	Description	Effective Date
Legislation Enacted in 1996		
Enforcement Provisions	Increased penalties and fines for selling unstamped cigarettes, violation of retail dealer and vending machine registration provisions, and providing inaccurate registration information.	December 3, 1996
Legislation Enacted in 1999		
Cigarette Tax Increase	Increased the cigarette excise tax from 56 cents to $1.11 per pack, as part of the Health Care Reform Act of 2000.	March 1, 2000
Legislation Enacted in 2000		
Underage Smoking	Increased penalties for illegal sales of tobacco products to minors.	September 1, 2000
Enforcement Provisions	Created civil and criminal penalties for persons who sell and ship cigarettes to persons who are not licensed or registered cigarette dealers or agents.	November 16, 2000
Enforcement Provisions*	Created civil and criminal penalties for carriers who transport cigarettes to persons who are not licensed or registered cigarette dealers or agents.	January 1, 2001
Safe Cigarettes	Required the promulgation and imposition of fire-safety standards for cigarettes and rolled tobacco products sold in New York.	January 1, 2003

* This legislation has been the subject of a lawsuit, delaying the effective date until at least March 16, 2001.

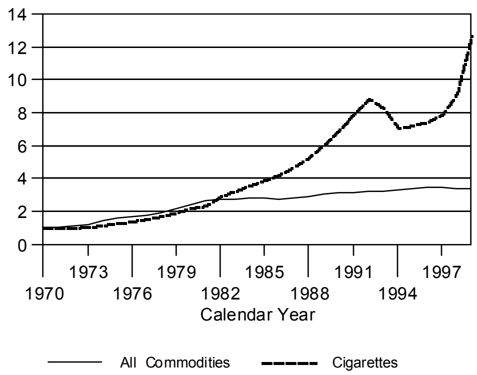
BRIEF REVIEW OF RECEIPTS HISTORY

Taxable cigarette consumption in New York has declined by nearly 50 percent since 1970 due to increases in prices, growing public awareness of the adverse health effects of smoking, smoking restrictions imposed by governments, anti-smoking education programs, and changes in consumer preferences toward other types of tobacco. The following graphs summarize some of these trends.

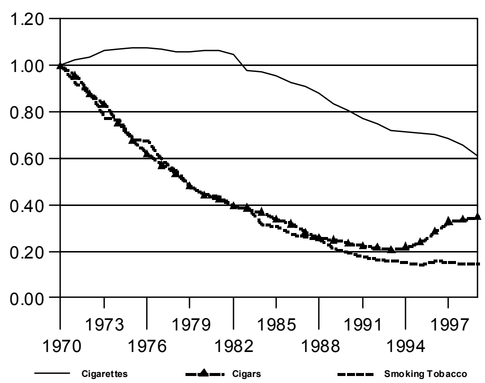
Historical State Cigarette Consumption and Prices



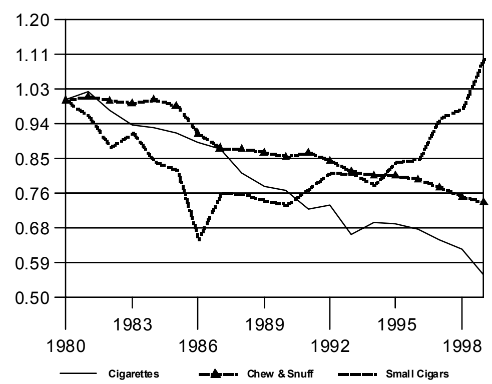
Producer Price Indexes
(Based to 1970=1)



U.S. Tobacco Consumption
(Per Capita, Indexed 1970=1)



Taxable Sales of Tobacco
(Per Capita, Indexed 1980=1)



2000-01 RECEIPTS

Total cigarette and tobacco receipts are estimated at $1,011 million, an increase of $339.2 million, or 50.5 percent from 1999-2000. This change is the result of legislation which increased the State cigarette tax by 55 cents per pack effective March 1, 2000, as part of the Health Care Reform Act of 2000. Through December, total cigarette and tobacco tax receipts are estimated at $804.3 million, an increase of $296.7 million, or 58 percent over comparable receipts in 1999-2000. Receipts growth is not expected to continue at this level for the remainder of the fiscal year, due primarily to the payment of a one-time floor tax in May and October.

Underlying taxable cigarette consumption continued to decline in 2000-01. The decline in consumption is partially attributable to the State tax increase. Additionally, since the Tobacco Settlement was signed in November 1998, the producer price index (which does not include taxes) for cigarettes has increased by 46 percent, as tobacco companies have attempted to recoup the cost of the settlement through price increases. Also, restrictions on cigarette advertising and a general increase in the awareness of the health consequences of smoking have contributed to long-term declining trends in cigarette consumption.

2001-02 PROJECTIONS

Total cigarette and tobacco tax revenue is projected to be $894.1 million, a decline of $116.9 million, or 11.6 percent from State fiscal year 2000-01.

The long-term factors reducing cigarette consumption will continue to exert negative pressure on receipts. In addition, Federal tax increases will have a significant effect on taxable cigarette consumption in 2001-02, as will the 14 cent per pack increase in prices announced by cigarette manufacturers in December 2000. As cigarette prices will be high in New York relative to the surrounding states, there will be an added incentive for smokers to purchase bootlegged cigarettes or cigarettes sold through mail order or on the Internet. Legislation addressing these tax compliance issues was recently signed into law by the Governor, but a restraining order was issued, which will delay the effective date until at least March 16, 2001. Overall, taxable cigarette consumption is projected to decrease by 7.7 percent in 2001-02 relative to 2000-01.

Legislation submitted with this Budget will alter the method of taxing moist snuff from 20 percent of the wholesale price to 39 cents per ounce. This will increase State fiscal year 2001-02 receipts by an estimated $161,000.

OTHER FUNDS

Of the $1.11 per pack total cigarette tax, 49.55 percent will be deposited in the Tobacco Control and Insurance Initiatives Pool established in the Health Care Reform Act of 2000. State fiscal year 2000-01 receipts dedicated to the pool will total an estimated $489.2 million.

Receipts dedicated to the pool in 2001-02 will total a projected $430.7 million.

GENERAL FUND

In both 2000-01 and 2001-02, the General Fund will receive 50.45 percent of the $1.11 per pack total cigarette tax.

General Fund cigarette and tobacco tax receipts for 2000-01 are estimated at $521.8 million, a decline of $121.4 million, or 18.9 percent, from 1999-2000. The estimate includes $22.8 million of nonrecurring floor tax revenue. Through December, General Fund cigarette tax receipts were an estimated $396.4 million, a decline of $92.5 million, or 18.9 percent, while tobacco tax receipts and other fees have remained flat, at $18.8 million.

For 2001-02, General Fund tax receipts are projected to be $463.4 million. The tax on tobacco products and license fees is expected to total $24.9 million, an increase of $1.2 million from 2000-01. This increase is largely due to a continuation of the consumption trends and an expected shift of cigarette smokers to tobacco products, including roll-your-own tobacco, as a result of the significant price increases for cigarette.

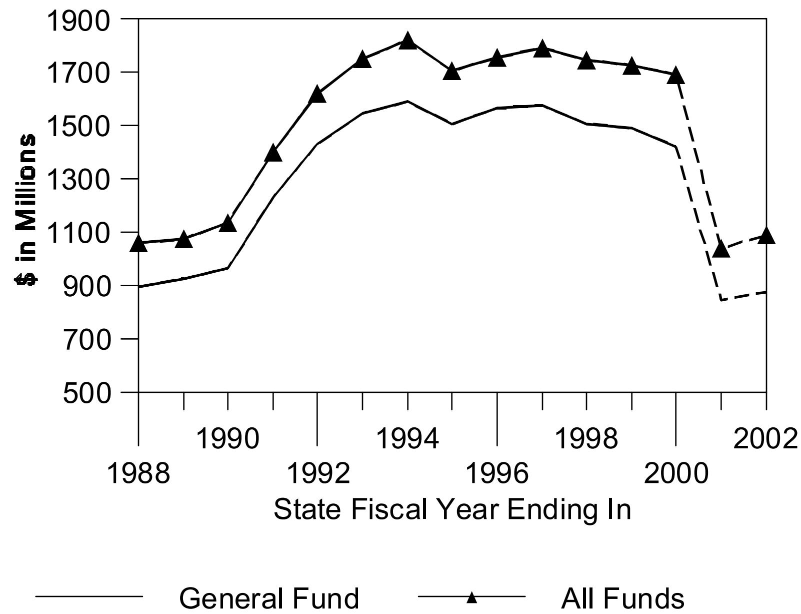
CIGARETTE AND TOBACCO TAXES
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
				Actual			
1992-93	560,584	5,497	555,087	0	0	0	555,087
1993-94	716,103	8,485	707,618	0	0	0	707,618
1994-95	734,134	7,638	726,496	0	0	0	726,496
1995-96	700,691	7,275	693,416	0	0	0	693,416
1996-97	675,756	8,724	667,032	0	0	0	667,032
1997-98	680,950	5,447	675,503	0	0	0	675,503
1998-99	671,699	5,118	666,581	0	0	0	666,581
1999-2000	648,609	5,451	643,159	0	0	0	643,159
				Estimated			
2000-01*	526,390	4,590	521,800	0	0	0	521,800
2001-02*							
(current law)	467,300	4,000	463,300	0	0	0	463,300
(proposed law)	467,400	4,000	463,400	0	0	0	463,400

* Note: In 2000-01, an estimated $489.2 million will be deposited in the Tobacco Control and Insurance Initiatives Pool, and in 2001-02, a projected $430.7 million will be deposited.

CORPORATION AND UTILITIES TAXES (Article 9)

Corporation and Utilities Taxes (Article 9)
History and Estimates



DESCRIPTION

Article 9 of the Tax Law imposes taxes on a number of industries, including public utilities, newly organized or reorganized corporations, out-of-State corporations doing business in New York State, transportation and transmission companies, and agricultural cooperatives. The primary sources of Article 9 receipts come from the public utility, telecommunications, and transportation industries. Most Article 9 taxpayers that conduct business in the Metropolitan Commuter Transportation District (MCTD) are subject to a 17 percent surcharge on their liability attributable to the MCTD. Surcharge receipts plus portions of other Article 9 taxes are deposited in the Mass Transportation Operating Assistance Fund (MTOAF). Recent statutory and regulatory changes will diminish the role of traditional utilities as the primary source of Article 9 receipts.

Tax Rates and Base

The pie chart in the Historical Receipts presentation depicts the share of total 1999-2000 Article 9 General Fund collections accounted for by each section of law.

Section 180 assesses an organization tax upon newly incorporated or reincorporated domestic (in-State) corporations. The tax is imposed at a rate of 1/20 of 1 percent of the total amount of the par value (the nominal or face value of a security) of the stock that the corporation is authorized to issue; for shares of "no-par" value the rate is five cents per share. The tax also applies to any subsequent change in the capital structure on stocks (adjustment to the par value, a change in the number of "no-par" value stocks, etc.) or newly authorized stock.

Section 181 imposes a license fee on out-of-State corporations for the privilege of exercising a corporation franchise or conducting business in a corporate or organized capacity in New York State at a rate equivalent to the organization tax imposed by section 180. An annual maintenance fee of $300 is also imposed.

Section 183 provides for a franchise tax on transportation and transmission companies including telecommunications, trucking, railroad, and other transportation companies. The tax is imposed using the highest of the following three alternatives: a rate of 1.5 mills on each dollar of the net value of capital stock allocated to New York State; a tax rate of 3/8 of a mill per dollar of par value for each 1 percent of dividends paid on capital stock if dividends amount to 6 percent or more; or a minimum tax of $75.

Section 184 is imposed on gross earnings of transportation and local telecommunications corporations from all sources in the State, including an allocated portion of receipts from interstate transportation-related transactions. The tax rate on telephone companies subject to section 184 of Article 9 is 0.375 percent, as of July 1, 2000. All toll revenues from international, interstate, and inter-Local Access Transport Areas (LATAs) services and 30 percent of intra-LATA toll revenues are excluded from the tax base. Under this section, railroad and trucking companies that elect to remain subject to Article 9 taxes pay the tax at a rate of 0.375 percent for periods beginning in July 2000 and thereafter.

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

Legislation enacted with the 2000-01 Enacted Budget repealed section 186 retroactive to January 1, 2000. This section had imposed a franchise tax on public utilities including waterworks, gas, electric, steam heating, lighting and power companies. These companies are now taxed under Article 9-A of the Tax Law (corporate franchise tax).

Section 186-a imposes a tax on gross income from furnishing utility services (including both energy and lighting public utilities). Recent statutory changes reduced the tax rates under section 186-a. Further, the 2000-01 legislation established a separate tax rate imposed on commodity sales (the actual utility product), and on the sale of transmission/distribution services used to transport and deliver utility services to homes and businesses. The commodity portion of the section 186-a tax will be eliminated January 1, 2005. The tax rate schedule for the commodity and transmission/distribution portions of the current tax is described in the table below.

TABLE 1
TAX RATES OF SECTION 186-A

Effective Date	Type	Rate (percentage)
Prior to January 1, 2000	Commodity	3.25
	Transmission/Distribution	3.25
January 1, 2000	Commodity	2.10
	Transmission/Distribution	2.50
January 1, 2001	Commodity	2.00
	Transmission/Distribution	2.45
January 1, 2002	Commodity	1.90
	Transmission/Distribution	2.40
January 1, 2003	Commodity	0.85
	Transmission/Distribution	2.25
January 1, 2004	Commodity	0.40
	Transmission/Distribution	2.125
January 1, 2005	Commodity	0.00
	Transmission/Distribution	2.00

That part of the section 186-a tax imposed on the transmission/distribution of electric and gas utility services for nonresidential customers will be eliminated through a phased-in exclusion of gross receipts according to the following schedule. When fully phased in on January 1, 2005, only the residential portion of transmission/distribution services will remain taxable under section 186-a, at a rate of 2.0 percent.

TABLE 2
PHASE-IN SCHEDULE FOR EXCLUSION OF T&D NONRESIDENTIAL CUSTOMERS

Effective Date	Rate (Percentage)
Calendar Year 2000	0
Calendar Year 2001	0
Calendar Year 2002	25
Calendar Year 2003	50
Calendar Year 2004	75
Calendar Year 2005	100

Section 186-e imposes a tax on the gross receipts generated from telecommunications services. This rate was reduced to 2.5 percent on January 1, 2000.

Section 189, effective August 1, 1991, imposes a tax on the importation of natural gas for use by the importer. The cost used in the calculation of the tax is the wellhead cost of the natural gas. Recent reforms will phase down the rate over a five-year period and eliminate the tax effective January 1, 2005. Taxpayers producing or extracting natural gas from their own wells for their own use are exempt from this tax, as is natural gas used by congenerators for host site energy production.

TABLE 3
TAX RATES OF SECTION 189

Effective Date	Rate (Percentage)
Prior to January 1, 2000	4.25
January 1, 2000	2.10
January 1, 2001	2.00
January 1, 2002	1.90
January 1, 2003	0.85
January 1, 2004	0.40
January 1, 2005	0.00

Payment of the Tax

The first payments of the year's liability, under the franchise taxes imposed by Article 9 (corporation tax), Article 9-A (general business tax), or Article 32 (bank tax), are considered payments of section 180 or 181 liability. After the New York State Department of Taxation and Finance determined that maintenance fee receipts paid by corporations together with their other franchise tax remittances should be reflected in the Department's accounts as section 181 liabilities, adjustments were taken in 1996-97 and 1997-98 for remittances for corporations' franchise taxes for liability years ending in 1993, 1994 and 1995. Such adjustments are not a net cash gain to the financial plan, however, because the roughly $34 million and $20 million increases in section 181 receipts are fully offset by reductions in other tax articles, primarily the corporation franchise tax.

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

SIGNIFICANT LEGISLATION

The following list highlights significant legislation enacted since 1994 affecting Article 9 taxes:

Subject	Description	Effective Date
Legislation Enacted in 1994		
Temporary Business Tax Surcharge	Reduced the surcharges for sections 183, 184, 186, and 186-a from 15 percent to 10 percent, to 5 percent, and finally to 0 percent over three years.	January 1, 1994

Subject	Description	Effective Date
Legislation Enacted in 1995		
Telecommunications Act of 1995	Restructured the transmission portion of section 184 to apply to only local telecommunication services. Also, all toll revenues from interstate, and inter-LATAs services were exempted.	January 1, 1995
	Enacted section 186-e, which imposed a 3.5 percent excise tax on receipts from telecommunications services.	
	Replaced the property factor with a Goldberg allocation. Under the Goldberg allocation method, receipts are allocated to New York if the call originates or terminates in this State and is charged to a services address in this State, regardless of where the charges for such services are billed or ultimately paid.	
	Shifted the access deduction from inter-exchange carriers and local carries who are ultimate sellers to initial sellers.	
Section 184	Exempted 30 percent of intra-LATA toll receipts.	January 1, 1996
Legislation Enacted in 1996		
Trucking and Railroad Companies	Allowed these companies the option of being taxed under the general corporate franchise tax.	January 1, 1997
	Reduced the rate on section 184 for these companies from 0.75 percent to 0.6 percent.	
Legislation Enacted in 1997		
Power for Jobs Program	Created a new tax credit against section 186-a, to compensate utilities for revenue losses associated with participation in the program. (The program makes low-cost power available to businesses, small businesses and not-for-profit corporations for job retention and creation.) The credit is allowed to the utility providing power to retail customers selected by the Power Allocation Board.	1997
Alternative Fuels Vehicle Credit	Created a credit equaling 50 percent of the incremental costs (capped at $5,000 per vehicle); 60 percent of the cost of clean-fuel components (capped at $5,000 or $10,000 per vehicle depending on weight); and 50 percent of the cost of new clean-fuel refueling property.	January 1, 1998
Rate Reductions	Reduced section 184 tax rate from 0.75 percent to 0.375 percent.	January 1, 1998
	Reduced section 186-a and section 186-e tax rates from 3.5 percent to 3.25 percent as of October 1, 1998 and to 2.5 percent on January 1, 2000.	
Credit for Employers Who Hire Persons With Disabilities	Created credit equaling 35 percent of the first $6,000 of qualified wages (maximum of $2,100 per employee).	January 1, 1998
Legislation Enacted in 1999		
MTOA Fund	Increased the percent of collections from section 183 and section 184 to be distributed to the MTOA Fund from 54 percent to 64 percent on January 1, 2000, and to 80 percent on January 1, 2001.	January 1, 2000 January 1, 2001
Section 189	Exempted generation plants that import natural gas for the production of electricity.	January 1, 2001

Subject	Description	Effective Date
Section 183	Eliminated the excess dividends base for those local telecommunications companies with fewer than one million access lines.	January 1, 2002
Legislation Enacted in 2000		
Utility Tax Reform	Section 186 tax is repealed. Section 186-a and section 189 tax are phased-out over a five-year period. Elimination of the gross receipts tax for manufacturers and industrial energy customers retroactive to January 1, 2000; elimination of the tax for all other business customers over a five-year period. For residential consumers the commodity tax is eliminated and the transmission/distribution rate of the 186-a tax is reduced from 2.5 percent to 2.0 percent.	January 1, 2000
Power for Jobs	Provides an additional 300 megawatts of low-cost power to businesses across New York through the Power for Jobs program.	January 1, 2001

BRIEF REVIEW OF RECEIPTS HISTORY

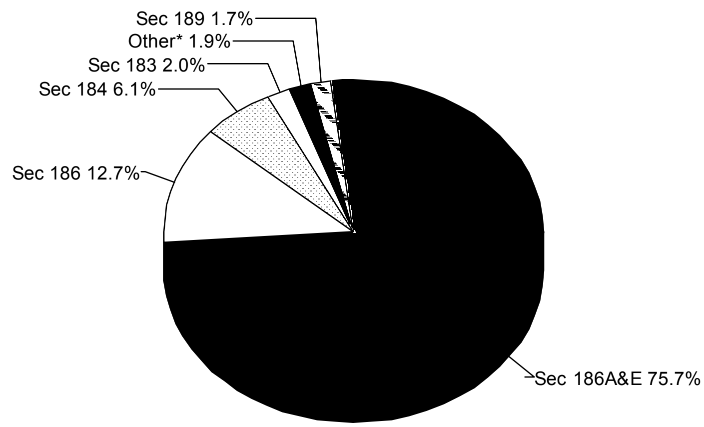
For State fiscal years 1990-91 through 1999-2000, Article 9 receipts have been highly variable. To a great extent, this volatility is the product of statutory changes. Average baseline growth (growth from residential, commercial and industrial electricity, natural gas services, and telecommunication services) was 3.29 percent, after correcting for law changes.

History of General Fund

The pie charts below show the breakdown of collections, by section of law, for All Funds and the General Fund. For State fiscal years 1990-91 through 1999-2000, the General Fund has averaged 87.2 percent of All Funds. However, this percentage is expected to decline to 79.1 percent in 2000-01 and 78.4 percent in 2001-02, due to the increased percentage of collections from sections 183 and 184 that have been earmarked to the MTOAF, sections 186-a and 186-e rate reductions, and statutory changes enacted in 2000.

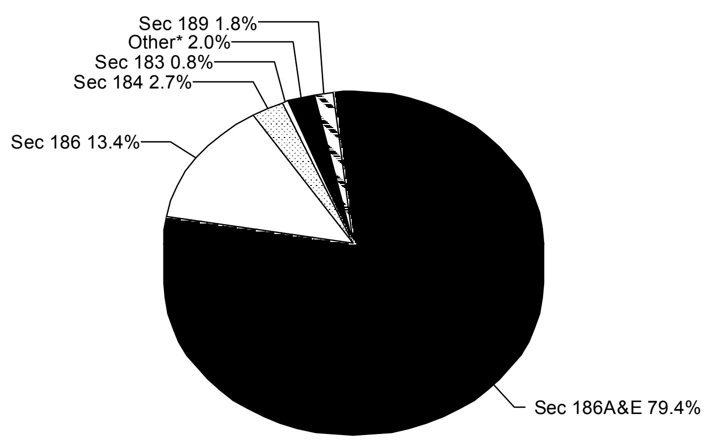
1999-2000 Article 9 Tax Receipts

All Funds Percent Distribution by Section



Other* includes 180, 181, and 185

General Fund Percent Distribution by Section



Other* includes 180, 181, and 185

History of Other Funds

Special Revenue Funds (SRFs) are dedicated funds used to support activities that are outside the scope of the General Fund. For Article 9, there are two such revenue streams.

Section 205 of the Tax Law requires that portions of the taxes imposed under sections 183 and 184 to be deposited in the Metropolitan Mass Transportation Operating Assistance Account of the MTOAF. The table below reports the statutory allocation of tax receipts by fund.

TABLE 4
SECTIONS 183 AND 184 DISTRIBUTION TO FUNDS
SINCE 1982
(percentage)

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

Additionally, the MCTD business tax surcharge applies to Article 9. Taxpayers that do business within the MCTD (which includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester) are subject to a 17 percent surcharge on their liability attributable to the MCTD area.

2000-01 RECEIPTS

Corporations and utilities taxes for 2000-01 are expected to yield total All Funds receipts of $1,040 million. This is a decline of 38.5 percent compared to 1999-2000.

All Fund collections through December 2000 are estimated to be $740 million, a decrease of $495 million from the comparable period through December 1999. Total receipts for 2000-01 include an estimated $20 million in audit collections. After adjusting for net refunds, year-to-year cash collections are expected to decline by approximately $652 million or 38.5 percent.

The primary factors examined when estimating corporation and utilities tax collections include the consumption of electricity and natural gas, and the associated price of each commodity. The tables below report annual consumption and prices of electricity and natural gas and estimates of sales for 2000 and 2001. The information shown for the years 1991 to 1999 is based on published reports of the Public Service Commission. The magnitudes for 2000 and 2001 are estimates based on forecasts of general economic conditions for these years. The quantities in the table reflect sales to ultimate consumers and exclude sales for resale.

TABLE 5
CALENDAR YEAR HISTORY OF ELECTRICITY AND NATURAL GAS SALES
1991 TO 2001
(quantity in millions)

	Electricity Sales (kilowatt hours)	Percent Change	Gas Sales (M cubic feet)	Percent Change
1991	112,426	0.1	523.8	(2.7)
1992	111,478	(0.8)	589.2	12.5
1993	112,352	0.8	595.1	1.0
1994	113,369	0.9	627.7	5.5
1995	112,771	(0.5)	627.5	0.1
1996	113,660	0.8	635.5	1.3
1997	114,087	0.4	613.6	(3.5)
1998	112,820	(1.1)	509.5	(17.0)
1999	110,029	(2.5)	501.6	(1.6)
2000 (est.)	108,451	(1.4)	534.1	6.5
2001 (est.)	109,285	0.8	543.0	1.7

TABLE 6
CALENDAR YEAR HISTORY OF ELECTRICITY AND NATURAL GAS PRICES
1991 TO 2001

	Electricity Price	Percent Change	Gas price	Percent Change
1991	10.75	6.6	6.74	1.3
1992	10.92	1.6	6.78	0.6
1993	11.49	5.2	7.38	8.9
1994	11.68	1.6	7.57	2.6
1995	11.89	1.8	7.10	(6.2)
1996	11.96	0.6	8.06	13.6
1997	11.96	(0.0)	8.22	1.9
1998	11.53	(3.6)	8.42	2.5
1999	11.36	(1.5)	8.22	(2.3)
2000 (est.)	11.29	(0.6)	9.58	16.6
2001 (est.)	11.18	(1.0)	11.24	17.4

All of section 186-e receipts and three-quarters of 184 receipts in recent years have come from telecommunications companies. New services and the explosion in data communications have increased call and message volume, while competition and deregulation have held down prices. Telecommunications companies' gross receipts are estimated to increase by more than 4 percent for 2000.

Legislation enacted in 1996 to lower section 184 taxes on rail and trucking companies is estimated to reduce collections by $12 million in 2000-01. The rate reductions enacted in 1997 are estimated to reduce collections in 2000-01 by $417 million. The Power For Jobs tax credit program, first enacted in 1997, accelerated in 1998 and expanded in 2000 legislation, will reduce receipts by an estimated $100 million. Legislation enacted in 2000 is estimated to reduce collections in 2000-01 by $256 million.

2001-02 PROJECTIONS

Corporation and utilities taxes for 2001-02 are expected to yield total All Fund receipts of $1,089 million. This is an increase of 4.7 percent compared to 2000-01.

For 2001, the consumption of electricity is projected to grow nearly 1 percent, while natural gas consumption will increase over 1.7 percent. For that same time period, the price of electricity is projected to decline by 1 percent and the price of natural gas is estimated to grow by nearly 17 percent. Factors such as the substitution of cheaper fuel types, the severity of the weather, and the availability of oil or natural gas all influence energy consumption and energy prices. Telecommunications companies' receipts are expected to grow approximately 4 percent.

Apart from underlying economic activity and related changes in the price and quantity of utility services consumed, collections will be affected by scheduled tax rate reductions. The rail and trucking legislation enacted in 1996, pertaining to section 184, is estimated to reduce collections by $12 million in 2001-02. The rate reductions enacted in 1997 are estimated to reduce collections in 2001-02 by approximately $390 million. The Power for Jobs tax credit program, first enacted in 1997 and accelerated by legislation enacted in 1998 and 2000, will reduce receipts by an estimated $98 million. Legislation enacted in 2000 is estimated to reduce collections in 2001-02 by $214 million. Collections of prior-year liabilities, after audit, are projected at $20 million in 2001-02. Thus, under current law, total receipts are projected at $1,089 million.

OTHER FUNDS

As mentioned previously, a portion of Article 9 receipts are deposited to two special revenue funds. The section 183 and 184 collections deposited in the MTOAF will total an estimated $82 million for 2000-01 and $97 million for 2001-02.

The MTCD business tax surcharge, will result in deposits of an estimated $113 million for 2000-01 and $117 million for 2001-02 into the MTOAF.

GENERAL FUND

General Fund collections through December 2000 are estimated to be $616 million, a decrease of $444 million from the comparable period through December 1999. These receipts for 2000-01 include an estimated $20 million in audit collections. The estimate for 2000-01 is $845 million. This results in a year-to-year cash collections decline of $573 million or 40 percent.

For 2001-02, the General Fund collections are estimated at $875 million. This includes an estimated $20 million in audit receipts, offset by $17 million in refunds.

Risks

The forecast assumes average temperature ranges during 2001 and 2002. Continued milder-than-average weather could reduce heating or cooling energy demand and lower consumption below the current forecast. Prices are sensitive to supply and demand conditions in the commodity markets, as well as general inflation. Continued growth in the U.S. economy will require continued growth in oil and natural gas production to meet domestic demand. Ongoing changes in the regulation of electric services and natural gas distribution and sale have the potential to interact with our tax structure in unpredictable ways.

The telecommunications forecast assumes the continuation of steady growth, especially within the Information Technology (IT), wireless, and Internet markets. However, if market saturation begins to occur in any sector, demand could fall resulting in consumption below the current forecast. Further, prices are sensitive to changes in supply and demand, disposable income, business market conditions, changes in technology, and general inflation.

TABLE 7
CORPORATION AND UTILITIES TAX RECEIPTS BY SECTION (ARTICLE 9)
(millions of dollars)

Section of Law	Type of Companies	Collections [1/] 1999-2000 Actual	2000-01 Estimated	2001-02 Projected
180	Organizations and reorganizations	3.0	2.0	2.0
181	Foreign corporations and maintenance fees	24.6	24.0	24.0
183	Transportation and transmission companies	29.7	30.0	30.0
184	Additional tax on transportation and transmission companies	90.3	91.0	91.0
185	Agricultural cooperatives	0.1	0.1	0.1
186	Water, steam, gas, electric, light and power companies	189.4	(47.0)	0.0
186a & e	Public utilities/telecommunication	1,126.5	808.9	812.9
189	Natural gas importers	25.2	18.0	12.0
	Subtotal	1,488.7	927.0	972.0
		Special Revenue Funds		
	Less Other Funds MTOAF [2/]	70.4	82.0	97.0
	Net General Fund	1,418.3	845.0	875.0

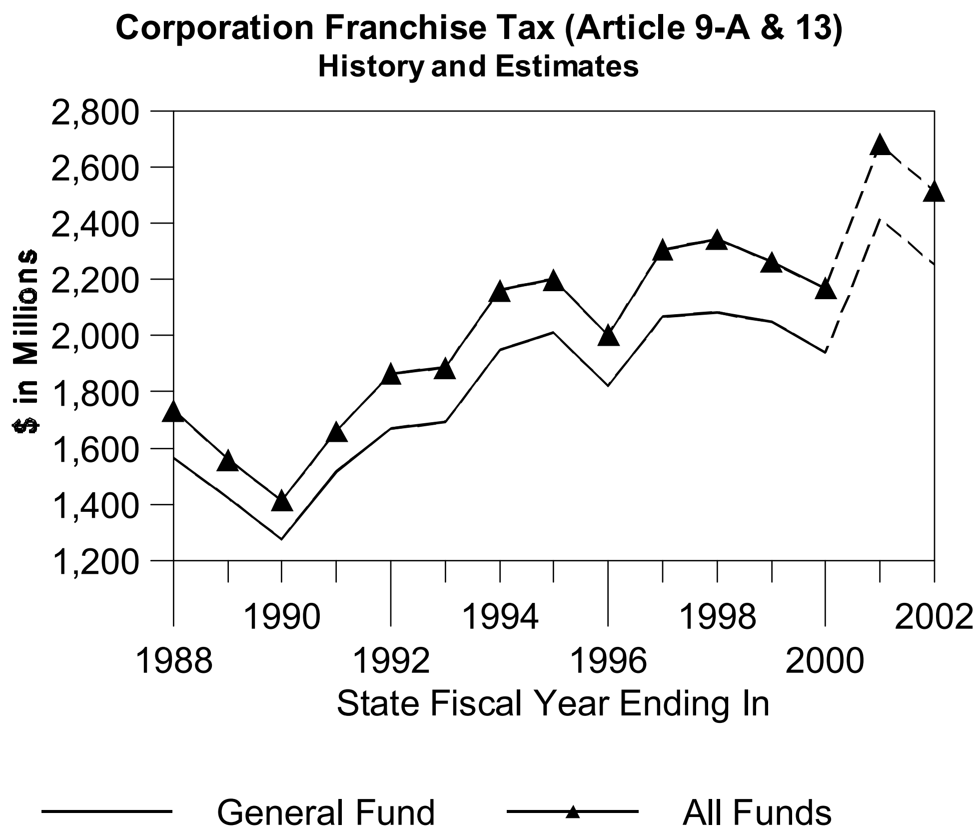
[1/] Receipts from the regional business tax surcharge are excluded.
[2/] Per statute, 54 percent of sections 183 and 184 receipts in 1998 and 1999, 64 percent in 2000, and 80 percent in 2001 and thereafter, are dedicated to the MTOAF.

TABLE 8
ALL FUNDS RECEIPTS FROM
CORPORATION AND UTILITIES TAXES (ARTICLE 9)
(millions of dollars)

	Gross General Fund	Refunds	Net General Fund	Gross Special Revenue Funds	Refunds	Net Special Revenue Funds [1/]	Capital Projects Funds	Gross Debt Service	All Funds Net Collections
	Actual								
1992-93	1,549	5	1,544	206	1	205	0	0	1,749
1993-94	1,604	12	1,592	232	1	231	0	0	1,823
1994-95	1,574	69	1,505	204	3	201	0	0	1,706
1995-96	1,581	14	1,567	190	1	189	0	0	1,756
1996-97	1,616	39	1,577	214	2	212	0	0	1,789
1997-98	1,517	13	1,504	264	2	262	0	0	1,766
1998-99	1,506	17	1,489	240	2	238	0	0	1,727
1999-2000	1,444	26	1,418	276	2	274	0	0	1,692
	Estimated								
2000-01	862	17	845	197	2	195	0	0	1,040
2001-02	892	17	875	216	2	214	0	0	1,089

[1/] Receipts from the MTA business tax surcharge and funds dedicated to MTOAF sections 183 and 184

CORPORATION FRANCHISE TAX (Article 9-A and 13)



DESCRIPTION

The corporation franchise tax is levied by Article 9-A of the Tax Law on domestic corporations for the privilege of exercising their corporate franchise and on foreign corporations for the privilege of doing business, employing capital, owning or leasing property, or maintaining an office in New York.

Corporate franchise tax receipts have historically been characterized by significant volatility. These fluctuations can be attributed to several factors, such as variations in the rate of corporate profit growth; changes in the profit performance of important New York industries, such as financial service companies; and Tax Law and administrative changes, such as allowing railroad and trucking companies to elect to be taxed under Article 9-A and the deregulation of electric utility companies.

Tax Rate

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

1. Federal taxable income allocated to New York and modified by the exclusion, deduction, or addition of certain items and reduced by tax credits at a current rate of 8.0 percent.

2. An alternative net income base, which equals entire net income adjusted to reflect certain Federal tax preference items and adjustments and State-specific net operating loss (NOL) modifications, at a current rate of 2.5 percent.
3. A capital base at a rate of 0.178 percent. Allocated business and investment capital form the capital base with a maximum annual tax of $350,000.
4. A fixed dollar minimum, which ranges from $100 to $1,500, depending on the size of the corporation's gross payroll, including general executive officers, during the applicable tax period.

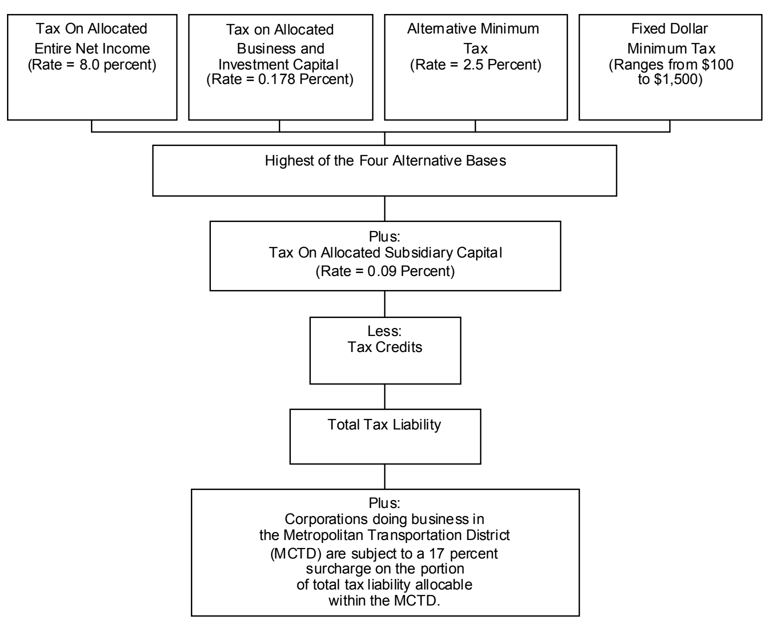
For tax years ending after June 1990 and before July 1994, a temporary State business surcharge of 15 percent of tax, after the application of any credits, was in effect. The surcharge fell to 12.5 percent during 1994, to 7.5 percent during 1995, to 2.5 percent during 1996, and was eliminated during 1997. Since 1990, S corporations have also been required to pay tax based on a differential rate, computed as the difference between the Article 9-A rate and the Article 22 rate.

Article 13 of the Tax Law levies a tax of 9 percent on the unrelated business income of otherwise tax-exempt organizations operating in the State.

Additionally, legislation first enacted in December 1982, and subsequently extended, imposes a temporary surcharge on business taxes to support mass transportation in the Metropolitan Commuter Transportation District (MCTD). The MCTD comprises New York City, Long Island, and the counties of Dutchess, Orange, Putnam, Rockland and Westchester. The surcharge rate is 17 percent of tax otherwise due, allocable to the district, after deduction of allowable credits.

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

Article 9-A Flowchart

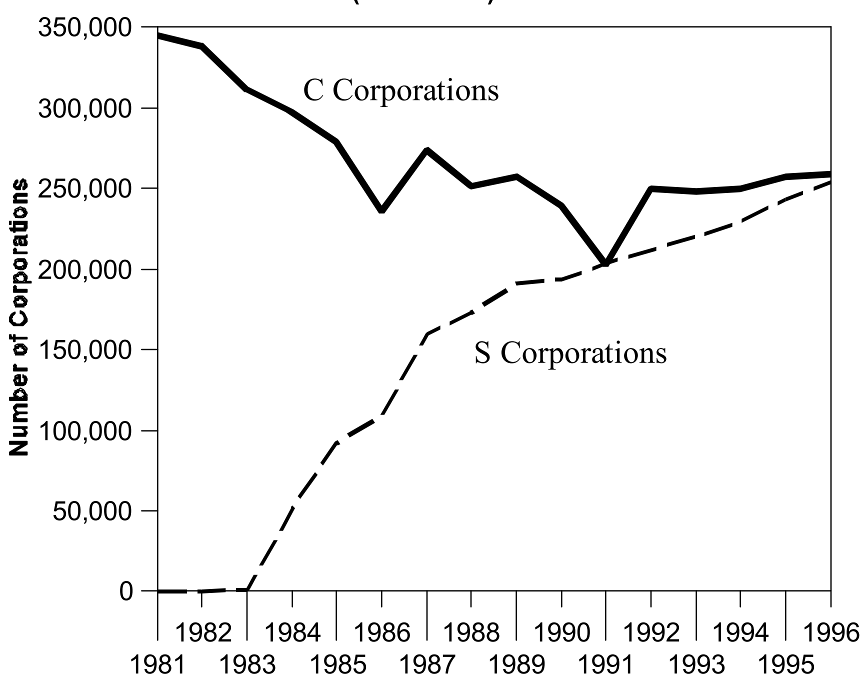


Tax Base

The corporation franchise tax is made up of business entities classified as either C corporations or S corporations. In the 1996 tax year, C corporations accounted for approximately 90 percent of total tax liability. Corporations that elect S corporation status pay an "entity" tax, which is calculated as the difference between the corporation franchise tax and the personal income tax rate. In addition to the entity tax, the individual shareholders of the S corporation pay tax on their shares under the personal income tax.

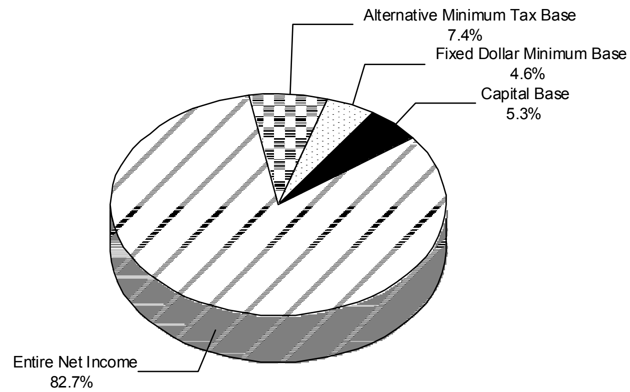
The New York State Department of Taxation and Finance's Office of Tax Policy Analysis compiles tax study files which include all corporations filing under Article 9-A except fixed dollar minimum tax filers and S corporations. The latest tax study file is 1996, which includes data items from the tax returns for each corporation. The 1996 tax study file indicates that 259,285 taxpayers paid as C corporations, while 254,236 taxpayers paid as S corporations. The chart below illustrates that, since 1982, the number of S corporations increased, while the number of C corporations decreased and then stabilized. S corporations grew in number because of State and Federal Tax Law advantages for small businesses which made S corporation elections attractive.

Number of S Corps and C Corps
(1981-1996)



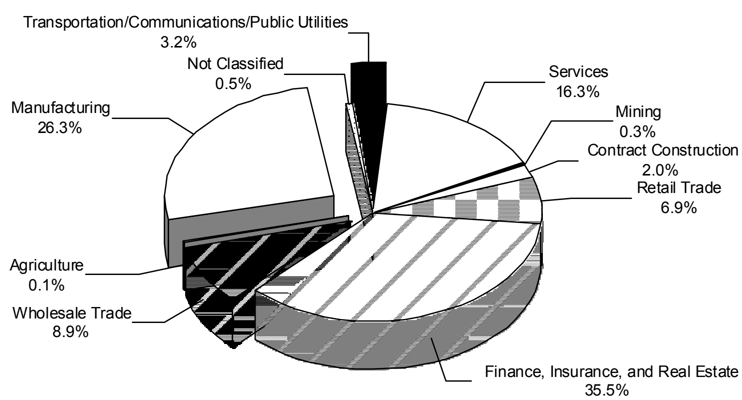
Several characteristics of C corporations are noteworthy. In 1996, about 83 percent of liability was paid under the entire net income base. The alternative minimum tax is the second largest base, at 7.4 percent of liability. (See pie chart.)

1996 Distribution of Tax Liability by Basis of Tax



The next chart shows the distribution of tax liability by major industry sector. Liability paid by the finance, insurance, and real estate sector (FIRE) made up almost 36 percent of total tax liability paid by C corporation taxpayers in 1996, with the manufacturing sector paying 26 percent of liability.

1996 Tax Base Industry Profile:
(Share of Total Tax Liability of C Corporation Taxpayers)

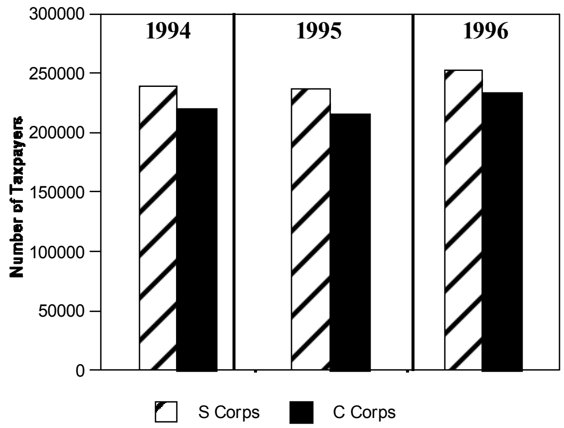


Source: New York State Department of Taxation and Finance
*Excludes S corporations taxable under Article 9-A.

The FIRE sector's share of total C corporation tax liability increased by about 5 percent from 1995. In contrast, the manufacturing sector's share of total tax liability decreased by slightly more than 1 percent. Historically, the FIRE and manufacturing sectors have accounted for 50 percent to 60 percent of total corporate franchise tax liability of C corporations. In 1996, they accounted for roughly 62 percent of total tax liability.

Although New York State is dominated by the presence of major corporations, small businesses (fewer than 100 employees) make up the vast majority of taxpayers under Article 9-A. In 1996, roughly 232,878 of C corporations and 252,482 of S corporations were small businesses. As the bar graph illustrates, the number of small businesses grew by roughly 7 percent between 1995 and 1996.

Number of Small Businesses by S Corp and C Corp Status
(1994-1996)



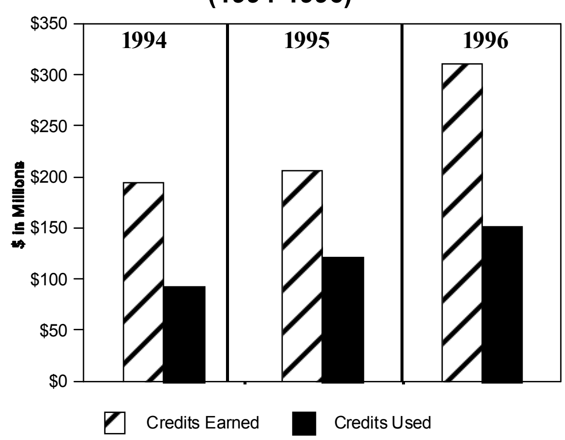
SIGNIFICANT LEGISLATION

The corporate franchise tax structure includes various exclusions, exemptions and other statutory devices designed to reduce State tax liability. The distribution of these benefits varies widely among firms. The primary objective of these provisions is to provide economic incentives to stimulate the New York economy and to eliminate tax inequities across firms.

Credits

As the graph indicates, the amount of credits earned and available to reduce entire net income (ENI) liability exceeds the amount of credits used. Additionally, since 1994, the number of credits earned has increased significantly. This trend is expected to continue as more targeted tax credits, such as the investment tax credit (ITC), are used by businesses in the State. The ITC accounts for the majority of the tax credit base. In 1996, the ITC accounted for about 88 percent of all tax credits used and for about 83 percent of all tax credits earned. It is anticipated that the amount of ITC credit used will increase due to the alternative minimum tax (AMT) rate reductions and the ability to apply credits against the AMT for corporations within an Empire Zone. Historically, Tax Law provisions prevented taxpayers from using the ITC to reduce final tax liability below the fixed dollar minimum tax. Further, a taxpayer's ability to receive the full benefit of certain tax incentives has been limited by the AMT. Legislation enacted in 2000, however, made it possible to apply the employment incentive credit and the newly created tax reduction credit against

Total Credits Used and Credits Earned
(1994-1996)



the AMT if the taxpayer is within an Empire Zone. Additionally, the tax reduction credit for qualified Empire Zone enterprises may be applied against the fixed dollar minimum tax, which may reduce the taxpayer's corporate franchise tax liability to zero.

Tax Policy Actions

The 2000-01 Enacted Budget included the following tax policy actions which will significantly affect Article 9-A tax collections:

— **Energy Restructuring:** For taxable years beginning on or after January 1, 2000, energy companies, previously taxed under section 186 of Article 9 will now be subject to the Article 9-A corporate franchise tax.

— **Financial Service Customer Sourcing:** For taxable years beginning on or after January 1, 2001, financial service taxpayers under Article 9-A will now allocate certain receipts by customer location

— **Small Business Rate Reduction:** For taxable years beginning on or after June 30, 2003, small businesses with entire net income of $200,000 or less will pay a lower tax rate of 6.85 percent.

— **S Corporation Rate Reduction:** For tax years beginning on or after June 30, 2003, the differential tax rate imposed on S corporations will be reduced by 45 percent.

— **Empire Zones:** For tax years beginning on or after January 1, 2001, Economic Development Zones will be transformed to Empire Zones, effectively providing for virtual "tax-free" zones for certain businesses. The enhanced benefits include a tax credit for real property taxes, a tax reduction credit, and a sales and use tax exemption.

2000-01 RECEIPTS

Based on collections to date, net collections are projected to reach approximately $2,682 million, a $515 million increase from 1999-2000. The increase is primarily attributable to broad-based increases in payments on 2000 liability. Adjustments to current-year payments from prior liability periods were consistent with prior-year patterns. There were no unusual credit carry forwards by taxpayers to offset 2000 cash payments. In addition, the initiation of Article 9-A payments by electric and gas utilities served to significantly increase receipts from this tax. Receipts were depressed due to the impact of roughly $170 million in already enacted tax reductions.

2001-02 PROJECTIONS

Corporate franchise tax receipts are estimated to decrease by 6 percent in 2001-02. The decline is due to several factors. The growth in economic activity, at both the national and state level, is projected to be considerably less robust than in the previous year. In addition, weakness in both mergers and acquisition and initial public offering activity are expected to adversely affect earnings by Wall Street corporations.

In addition, proposed Tax Law changes will reduce receipts. These tax actions include the gradual elimination of the alternative minimum tax and the movement to a single-factor sales formula for the apportionment of manufacturers net income. See the Tax Reduction Package section contained in this Appendix for more details.

Further, corporate franchise tax receipts were adjusted to reflect a revision to estimates of the Empire Zone Program enacted with the 2000-01 Budget. The program was originally anticipated to reduce franchise tax receipts by $10 million in 2001-02. It is now expected the program will reduce receipts by an additional $70 million in 2001-02.

OTHER FUNDS

Under current law, a surcharge is imposed at a rate of 17 percent of the portion of the statewide tax liability of the business that is allocated to the MCTD and is the principal revenue source of the Mass Transportation Operating Assistance Fund (MTOA). Based on collections to date, the Article 9-A MTOA contribution for 2000-01 is projected to reach approximately $270 million, an 18 percent increase from 1999-2000. As with General Fund receipts, the surcharge collections are affected by the energy utility restructuring, the volatility of the financial services sector, and general growth in business activity for the current tax year. Consistent with our overall estimates, and the fact that the MTOA is protected from the corporation franchise tax reduction, 2001-02 State fiscal year collections are expected to decrease by roughly 2.6 percent.

GENERAL FUND

Based on collections to date, General Fund net collections for 2000-01 are projected to increase by 24 percent from 1999-2000. The increase in General Fund collections is primarily driven by the energy restructuring and strong growth in current tax year collections.

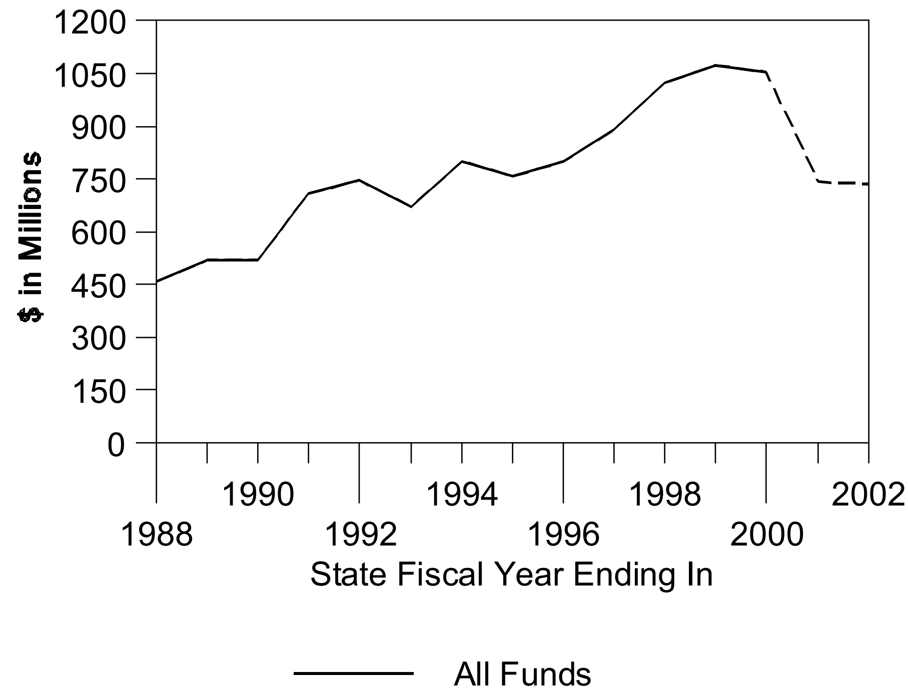
CORPORATE FRANCHISE TAX RECEIPTS
(millions of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Refunds	Net Special Revenue Funds [1/]	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
	Actual								
1992-93	2,013	342	1,691	210	16	194	0	0	1,885
1993-94	2,216	268	1,948	232	18	214	0	0	2,162
1994-95	2,289	277	2,012	206	20	186	0	0	2,198
1995-96	2,216	396	1,820	217	35	182	0	0	2,002
1996-97	2,414	347	2,067	273	35	238	0	0	2,305
1997-98	2,381	300	2,081	289	27	262	0	0	2,343
1998-99	2,479	429	2,050	243	31	212	0	0	2,262
1999-2000	2,420	482	$1,938	272	43	229	0	0	2,167
	Estimated								
2000-01	2,870	458	2,412	308	38	270	0	0	2,682
2001-02									
(current law)	2,710	433	2,277	302	37	265	0	0	2,543
(proposed law)	2,679	427	2,252	300	37	263	0	0	2,515

[1/] Mass Transportation Operating Assistance Fund

ESTATE TAXES

Estate Tax Receipts
History and Estimates



DESCRIPTION

Current Law

New York imposes a tax on the estates of deceased State residents, and on that part of a nonresident's estate made up of real and tangible personal property located within New York State.

The New York estate tax is statutorily set to be equal to the Federal credit for state death taxes allowed against the Federal estate tax, or the part of the credit allocated to New York where the resident decedent owned real or tangible personal property outside of New York State, or where a non-resident decedent owned real or tangible personal property in New York State. Because the New York estate tax is allowed as a credit, dollar for dollar, against the Federal estate tax, the New York tax imposes no additional tax cost on the estate.

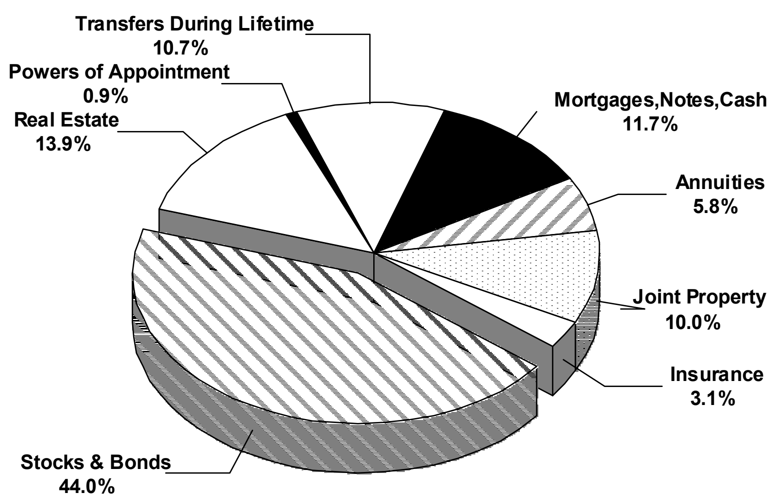
Effective February 1, 2000, and applicable to estates of individuals dying on or after that date, the requirement to file a New York State estate tax return is essentially the same as the requirement to file a Federal return. This means that beginning February 1, 2000, if no Federal estate tax return is required, no New York State return is required. On that date, the filing threshold was $675,000, and increases to $1 million will be phased in by the year 2006.

For those dying before February 1, 2000, New York's tax rates ranged from 2 percent of the first $50,000 of net taxable transfers to 21 percent of net taxable transfers in excess of $10.1 million. For those dying on or after October 1, 1998, and before February 1, 2000, the maximum unified credit was $10,000, which eliminated the State estate tax for estates valued up to $300,000.

Factors Affecting Yield

The recent yield of this tax has been heavily influenced by three factors: Tax Law changes, variations in the relatively small number of large estates, and the value of stocks and bonds, usually the largest component of taxable estates.

Components of Taxable Gross Estates 1997-98



Source: New York State Department of Taxation and Finance

The enactment of various Tax Law changes has had a significant impact on collections in recent years. Historically, fluctuating security prices and the varying number of large estates have caused wide fluctuations in collections. Recent tax reductions have substantially reduced estate tax collections from the smallest estates, so volatility in receipts is expected to increase. This results from the elimination of a large number of small estates from the base of the tax and the more random nature of collections from large estates.

SIGNIFICANT LEGISLATION

The major statutory changes of the past several years are reported below.

Subject	Description	Effective Date
Legislation Enacted in 1991		
Tax Liability	Increased estimated tax payable from 80 percent to 90 percent.	June 12, 1991

Subject	Description	Effective Date
Legislation Enacted in 1994		
Unified Credit for Estate and Gift Taxes	Increased credit from $2,750 to $2,950, thereby eliminating the tax on taxable gifts/estates of $115,000 or below, up from $108,600.	June 9, 1994
Legislation Enacted in 1995		
Deduction	Authorized a principal residence deduction of $250,000 (maximum).	
Legislation Enacted in 1997		
Unified Credit for Estate and Gift Taxes	Increased credit from $2,950 to $10,000, thereby eliminating the tax on taxable gifts of $300,000 or below.	January 1, 1999
	Increased credit to eliminate tax on taxable estates of $300,000 or below.	October 1, 1998
	Increased credit to eliminate tax on taxable estates of $675,000 or below.	February 1, 2000
	Increased credit to eliminate tax on taxable estates of $700,000 or below.	February 1, 2002
	Increased credit to eliminate tax on taxable estates of $850,000 or below.	February 1, 2005
	Increased credit to eliminate tax on taxable estates of $950,000 or below.	February 2, 2006
	Increased credit to eliminate tax on taxable estates of $1,000,000 or below.	February 1, 2006
Estate Tax Rate	Set the New York estate tax rates equal to the Federal credit for State estate taxes paid.	February 1, 2000
Gift Tax	Repealed.	January 1, 2000
Tax Liability Due Date	Increased from six to seven months.	October 1, 1998
	Increased from seven to nine months (same as Federal).	February 1, 2000
Legislation Enacted in 1998		
Closely-Held Business	Interest on deferred payments of estate tax where estate consists largely of a closely-held business reduced from 4 percent to 2 percent.	January 1, 1998
Legislation Enacted in 1999		
Family-Owned Business Deduction	Family-owned business exclusion repealed and replaced with family-owned business deduction, conforming to Federal changes.	December 31, 1997
Penalty and Interest	Penalty and interest waived on estate tax associated with a cause of action that was pending on the date of death, or which was associated with the decedent's death. The waiver is applicable from the date the return disclosing the cause of action if filed.	July 13, 1999

2000-01 RECEIPTS

In developing projections for estate tax receipts, the value of household net worth is used to forecast receipts from estates that make payments of less than $4 million. A distributional analysis is utilized to estimate receipts and the number of estates where payments exceed $4 million.

Estimated net estate tax collections of $567.4 million for the first nine months of 2000-01 are 22 percent lower than collections during the comparable period in 1999-2000. Although household net worth grew by an estimated 4.8 percent in 2000-01, the recent tax cuts more than offset these gains and receipts have declined significantly.

Estimated nine-month collections from estates with payments of at least $4 million are $157.5 million or 19 percent higher than the comparable period in 1999-2000. Collections from large estates with tax payments of at least $0.5 million but less than $4 million decreased by $8.5 million to $170.9 million. Similarly, small estate payments (payments of less than $0.5 million) also experienced a decrease of $74 million, down 18 percent to $271.8 million from the similar period of 1999-2000. These declines largely reflect both the recent weakness in the equity markets and the impact of previously enacted tax reductions.

Collections through nine months of 2000-01 from the Tax Department's Case and Resource Tracking System (CARTS — primarily audit collections) have reached $15.3 million, a decline of about 40 percent from the same period of 1999-2000.

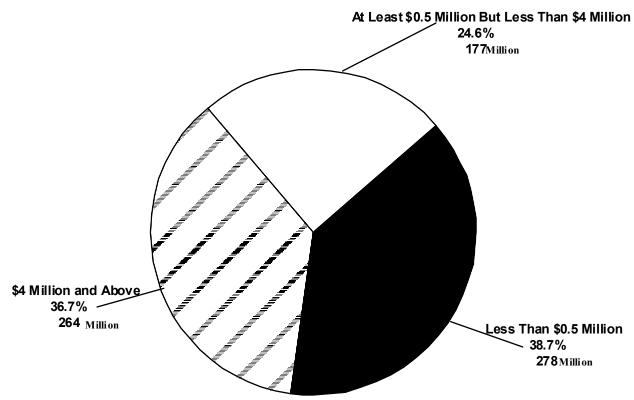
For the 2000-01 fiscal year, gross estate tax receipts, not including refunds, are estimated to total $741.6 million, composed of $264.7 million from estates with payment of $4 million or more, $277 million from estates with payments between $500,000 and $4 million, and $199.9 million from small estates. Net estate tax receipts of $716.6 million in 2000-01 include refunds, which are anticipated to reach $50 million, and CARTS collections of $25 million. It is estimated that the effects of the aforementioned tax cuts have reduced total receipts by $330.0 million.

2001-02 PROJECTIONS

The combination of increasing the Federal unified credit to exclude estates valued at less than $675,000 and the first full-year effect of moving to a pickup tax will offset the 5.9 percent increase in the base of the tax.

Including CARTS collections of $24 million and refunds of $40 million, net estate tax receipts are projected to be $734.1 million in 2001-02.

Share of Tax Payments
(1999-2000 Estimated)



Share of Tax Payment
(2000-01 Projections)

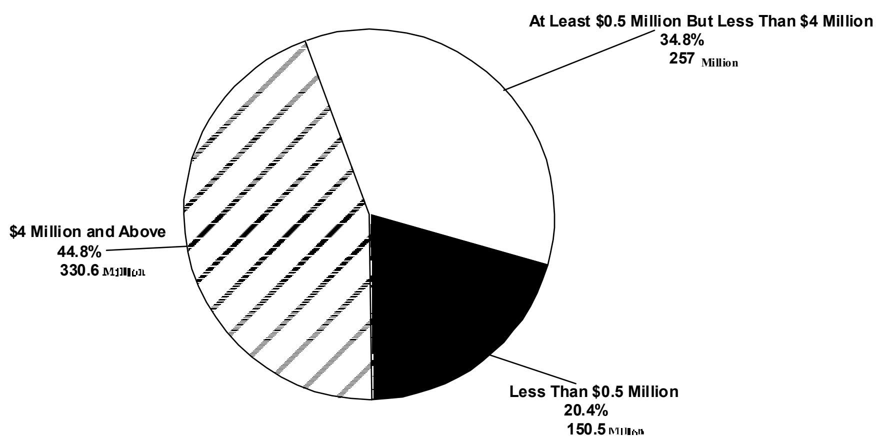


TABLE 1
ESTATE TAX COLLECTIONS — PRIOR TO REFUNDS
(millions of dollars)

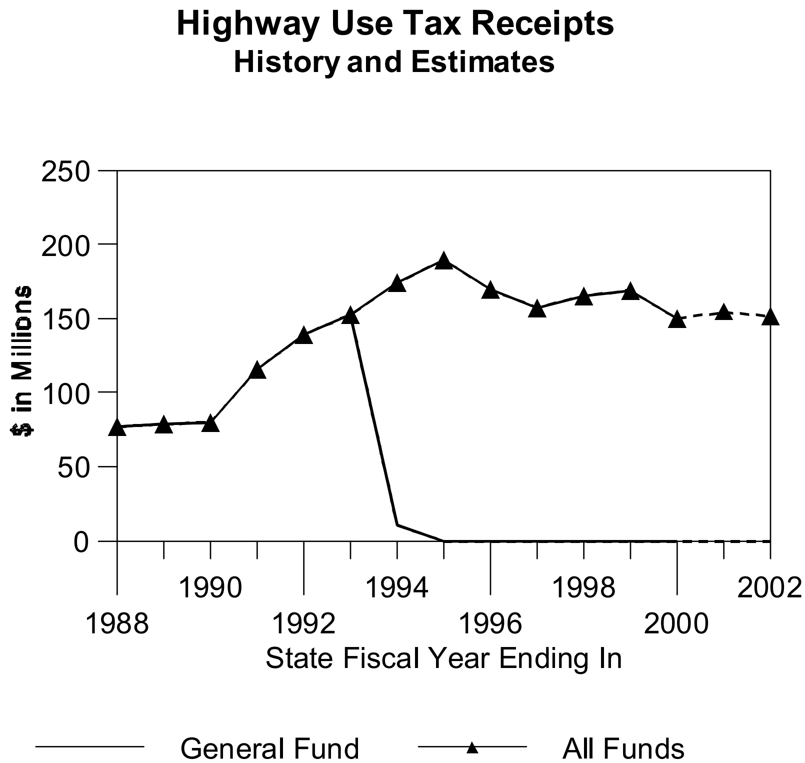
	Extra Large Estates [1/]		Large Estates [2/]		All Large Estates		Small Estates [3/]	Grand Total
	Number	Taxes	Number	Taxes	Number	Taxes	Taxes	Taxes
1990-91	16	151.0	94	115.2	110	266.2	385.6	651.8
1991-92	11	158.7	111	149.9	122	308.6	398.5	707.1
1992-93	9	78.8	125	135.9	134	214.7	410.7	625.4
1993-94	15	163.3	127	163.5	142	326.8	434.1	760.9
1994-95	13	141.4	140	152.8	153	294.2	460.6	754.8
1995-96	9	105.1	132	158.2	141	263.3	459.8	723.1
1996-97	24	243.0	123	151.3	147	394.3	447.7	842.0
1997-98	23	317.4	160	195.6	183	513.0	454.8	967.8
1998-99	19	221.8	215	259.5	234	481.3	511.7	993.0
1999-2000	14	176.8	188	229.6	204	514.1	460.9	975.0
	Estimated							
2000-01	20	210.5	199	277.0	215	541.7	174.9	716.6
2001-02 Projected	18	215.9	173	276.6	190	607.3	126.8	734.1

1/ Liability of at least $4.0 million.
2/ Liability of at least $0.5 million but less than $4.0 million.
3/ Liability less than $0.5 million.

TABLE 2
ESTATE TAX
(thousands of dollars)

	General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
	Actual						
1993-94	760,901	40,660	720,241	0	0	0	720,241
1994-95	754,844	59,250	695,594	0	0	0	695,594
1995-96	723,097	44,399	678,698	0	0	0	678,698
1996-97	842,015	50,457	791,558	0	0	0	791,558
1997-98	967,785	48,424	919,361	0	0	0	919,361
1998-99	993,086	46,641	946,445	0	0	0	946,445
1999-2000	1,028,698	53,526	975,172	0	0	0	975,172
	Estimated						
2000-01	766,700	51,000	716,600	0	0	0	716,600
2001-02	774,100	40,000	734,100	0	0	0	734,100

HIGHWAY USE TAX



DESCRIPTION

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

Truck Mileage Tax

The truck mileage tax is levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds, or an unloaded weight in excess of 8,000 pounds for trucks and 4,000 pounds for tractors. The tax is imposed at rates graduated according to the gross vehicle weight. The tax is calculated by multiplying the number of "laden" or "unladen" miles traveled on public highways of the State by the appropriate tax rate.

In addition, a supplemental tax equal to the truck mileage tax was imposed prior to January 1, 1999. After January 1, 1999, the supplemental tax was reduced by 50 percent, and after April 1, 2001, the supplemental tax will be reduced by an additional 20 percent.

TRUCK MILEAGE TAX RATES

Gross Weight Method

Laden Miles

Gross Weight of Vehicle	Mills Per Mile
18,001 to 20,000	6.0
20,001 to 22,000	7.0
(increased gradually to)	
74,001 to 76,000	35.0
76,001 and over	add 2 mills per ton and fraction thereof

Unladen Miles

Unloaded Weight of Truck	
18,001 to 20,000	6.0
20,001 to 22,000	7.0
(increased gradually to)	
28,001 to 30,000	10.0
30,001 and over	add 5/10 of a mill per ton and fraction thereof

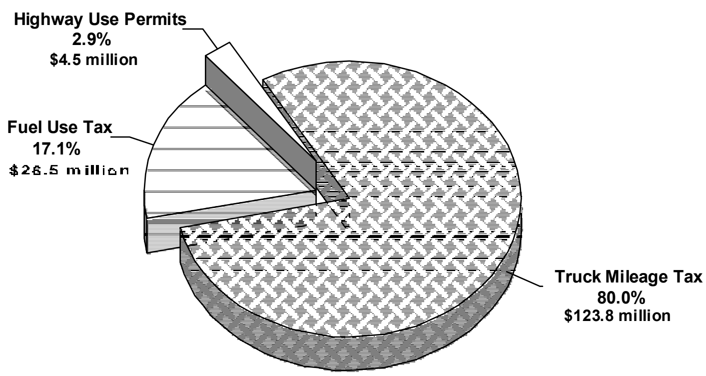
Unloaded Weight of Tractor	
7,001 to 8,500	6.0
5,501 to 10,000	7.0
(increased gradually to)	
16,001 to 18,000	10.0
18,001 and over	add 5/10 of a mill per ton and fraction thereof

Unloaded Weight Method

Unloaded Weight of Truck	Mills Per Mile
8,001 to 9,000	4.0
9,001 to 10,000	5.0
(increased gradually to)	
22,501 to 25,000	22.0
25,001 and over	27.0

Unloaded Weight of Tractor	
4,001 to 5,500	6.0
5,501 to 7,000	10.0
(increased gradually to)	
10,001 to 12,000	25.0
12,001 and over	33.0

Highway Use Tax Components — Estimated 2000-2001
Receipts = $154.8 Million



Highway Use Permits

Highway use permits are used to denote those vehicles subject to the highway use tax. The permits are issued triennially at a cost of $15 for an initial permit. Additionally, special permits are issued for the transportation of motor vehicles, for automotive fuel carriers, and for trips into New York State not to exceed 72 hours.

Fuel Use Tax

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

SIGNIFICANT LEGISLATION

A significant number of statutory changes have been made to the highway use tax since its inception. The following table summarizes the major highway use tax legislation enacted since 1995.

SIGNIFICANT HIGHWAY USE TAX LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1995		
Fuel Use Tax Rate Cut	Reduced the diesel fuel excise tax rate from ten cents per gallon to eight cents per gallon. As a result, the diesel fuel tax component of the fuel use tax was also reduced to eight cents per gallon.	January 1,1996
Legislation Enacted in 1998		
Supplemental Tax	Reduced the truck mileage supplemental tax by 50 percent.	January 1, 1999
Legislation Enacted in 2000		
Supplemental Tax	Reduced the truck mileage supplemental tax by 20 percent.	April 1, 2001

2000-01 RECEIPTS

Net highway use tax receipts for 1999-2000 were $150.2 million, including truck mileage tax receipts of $119.1 million, fuel use tax receipts of $23.2 million, and highway use permit fees of $7.9 million.

In the current fiscal year, national and New York economic growth contributed to an increased demand for trucking. Estimated truck mileage tax receipts for the first nine months of 2000-01 were 4.3 percent greater than the comparable period in 1999-2000. Estimated fuel use tax receipts for the first nine months of 2000-01 were 13.6 percent greater than the comparable 1999-2000 period due primarily to higher fuel prices.

Based on collection experience to date, and expectations of an economy growing, but more slowly, highway use taxes will continue to grow. Net truck mileage tax receipts are projected at $123.8 million, fuel use tax receipts at $26.5 million, and permit fees at $4.5 million, which reflect the change from a peak triennial renewal year to a regular renewal year, bringing total estimated highway use tax receipts for 2000-01 to $154.8 million.

2001-02 PROJECTIONS

Total highway use tax receipts for 2001-02 are projected at $151.3 million. The base of the truck mileage tax is expected to increase by about 2.5 percent as a result of continued but slow economic growth. Tax Law changes enacted with the 2000-01 Budget will reduce the truck mileage supplemental tax by 20 percent. This will reduce truck mileage tax receipts by approximately $8.5 million. Net truck mileage tax receipts are estimated at $118.3 million. Due to the continuing effect of increased fuel prices, the sales tax component of the fuel use tax is estimated to increase by more than 14 percent. Thus, fuel use tax receipts are expected to grow to $28.6 million. Permit fees of $4.3 million reflect a regular renewal year.

OTHER FUNDS

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

GENERAL FUNDS

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

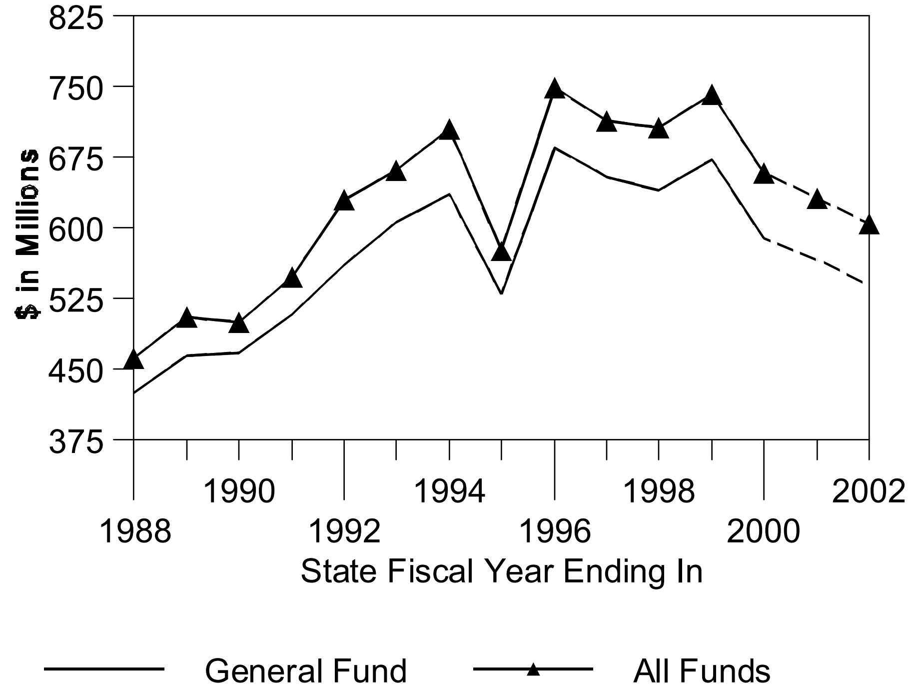
HIGHWAY USE TAX RECEIPTS — ALL FUNDS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Gross Capital Projects Funds [1/]	Refunds	Net Capital Projects Funds [1/]	Debt Service Funds	All Funds Net Collections
	Actual								
1992-93	154,375	2,130	152,245	0	0	0	0	0	152,245
1993-94	10,897	0	10,897	0	166,071	2,723	163,348	0	174,245
1994-95	0	0	0	0	191,738	2,577	189,161	0	189,161
1995-96	0	0	0	0	174,377	4,373	170,004	0	170,004
1996-97	0	0	0	0	164.226	6,912	157,314	0	157,314
1997-98	0	0	0	0	167,644	2,834	164,810	0	164,810
1998-99	0	0	0	0	171,525	2,858	168,667	0	168,667
1999-2000	0	0	0	0	151,994	1,769	150,225	0	150,225
	Estimated								
2000-01	0	0	0	0	156,800	2,000	154,800	0	154,800
2001-02	0	0	0	0	153,300	2,000	151,300	0	151,300

[1/] Dedicated Highway and Bridge Trust Fund

INSURANCE TAXES

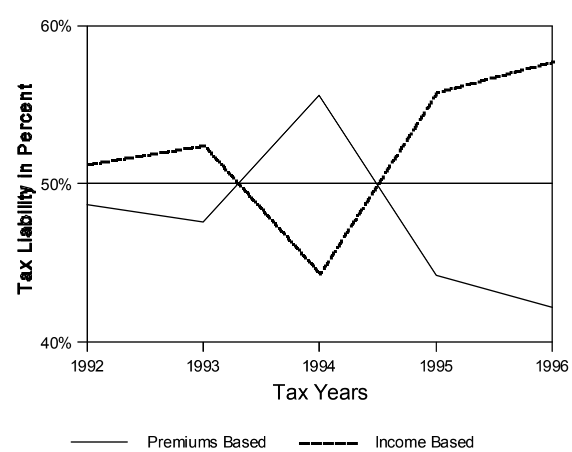
Insurance Taxes Receipts
History and Estimates



DESCRIPTION

The State collects taxes from insurance corporations, insurance brokers and certain insureds under the Tax Law and the Insurance Law. In addition, those Article 33 taxpayers that do business in the Metropolitan Commuter Transportation District (MCTD), which includes the counties of New York, Bronx, Kings, Queens, Richmond, Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk and Westchester, are subject to a 17 percent surcharge on their tax liability attributable to the MCTD area.

Article 33 Tax Liability by Base of Tax
(for 1992-96, before limitations and credits)



Article 33 of the Tax Law

Article 33 of the Tax Law imposes a franchise tax on insurance corporations for the privilege of doing business or otherwise exercising a corporate franchise in New York. The insurance tax has two components; a franchise tax based on alternative bases including net income and an additional franchise tax based on premiums.

The franchise tax component of the insurance tax is comprised of four alternative bases for calculating the tax. Tax is paid under the base generating the largest tax. In addition, there is a 0.08 percent tax rate applied to allocated subsidiary capital allocated to New York. The four alternative bases and rates are described in the following table.

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

Base	Rate
Allocated entire net income	— 8.50 percent for taxable years beginning after June 30, 2000, and before July 1, 2001. — 8.00 percent for taxable years beginning after June 30, 2001, and before July 1, 2002. — 7.50 percent for taxable years beginning on or after July 1, 2002.
Allocated business and investment capital	— 1.6 mill
Allocated income and officers' salaries	— 9.00 percent
Minimum tax	— $250

Tax is allocated to New York for corporations based on a formula, which apportions income based on weighted ratios of premiums (with a weight of nine) and wages (with a weight of one), earned or paid in New York to the total amounts earned or paid.

The additional franchise tax on premiums is a tax on gross premiums, less refunded premiums, written on risks located or resident in New York. This tax is added to the highest of the alternatives from the net income base. The rate of the premiums tax is determined by the type of insurance covered and the type of insurer. Table 2 reports the appropriate rates.

TABLE 2
PREMIUM TAX RATES
BY TYPE OF INSURER

Type of Premium	Type of Insurer	Rate
Life, accident and health	Life and health	0.7 percent
Accident and health	Property and casualty	1.0 percent
Property and casualty	Property and casualty	1.3 percent

The total liability of these two components, less Empire Zone (EZ) and Zone Equivalent Area (ZEA) credits, cannot exceed a cap calculated as a percent of taxable premiums. This cap, as shown in Table 3, differs by type of insurer. After application of the cap, taxpayers may then claim credits other than EZ and ZEA credits, against total tax liability.

TABLE 3
LIMITATION ON TAX
BY TYPE OF INSURER

Type of Insurer	Cap Level
Life insurers	— 2.0 percent of taxable premiums.
All others	— 2.4 percent of taxable premiums for taxable years beginning after June 30, 2000, and before July 1, 2001. — 2.2 percent of taxable premiums for taxable years beginning after June 30, 2001, and before July 1, 2002. — 2.0 percent of taxable premiums for taxable years beginning on or after July 1, 2002.

Article 33-A of the Tax Law

Chapter 190 of the Laws of 1990 established a tax on independently procured insurance under Article 33-A of the Tax Law. This tax is imposed on any individual, corporation or other entity purchasing or renewing an insurance contract covering certain property and casualty risks located in New York from an insurer not authorized to transact business in New York under a certificate of authority from the Superintendent of the Insurance Department.

Insurance Law

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

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

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

The Insurance Law also imposes a premiums tax on a licensed excess lines insurance broker, when a policy covering a New York risk is procured through such broker from an unauthorized insurer (an unauthorized insurer is an insurer not authorized to do business in New York). Transactions involving a licensed excess lines broker and an insurer not authorized to do business in New York are permissible under limited circumstances delineated in Article 21 of the Insurance Law. The tax is imposed at a rate of 3.6 percent of premiums covering risks located in New York.

Metropolitan Commuter Transportation District Business Tax Surcharge

Insurance corporations and other corporations doing business in the New York metropolitan region are subject to a 17 percent temporary business tax surcharge on tax liability within the MCTD region. Receipts from this tax surcharge are deposited in a special revenue fund, the Mass Transportation Operating Assistance Fund, dedicated to mass transit assistance in the New York metropolitan region.

SIGNIFICANT LEGISLATION

Credits

Table 4 lists the major tax credits available under Article 33.

TABLE 4
DESCRIPTION OF MAJOR TAX CREDITS

Credit	Description
Retaliatory	Allows up to 90 percent of retaliatory taxes paid to other states by New York domiciled or organized insurers.
Fire Insurance Tax	Allows for taxes paid on certain fire insurance premiums.
Investment in Certified Capital Companies (CAPCOs)	Equals 100 percent of amount invested in CAPCOs for taxable years beginning after 1998. The credit is claimed at 10 percent per year for ten years. The original statewide cap was $100 million. It has been increased to $130 million.
Special Additional Mortgage Recording Tax (SAMRT)	Provides up to 100 percent of SAMRT paid. A carryfoward is allowed.
Investment Tax Credit (ITC)	Allows insurance taxpayers that are brokers/dealers in securities to claim a credit for equipment or buildings used in broker/dealer activity and in activities connected with broker/dealer operations.
Long-Term Care Insurance	Creates a 10 percent credit for cost of purchasing long-term care insurance as defined in the Insurance Law.
Low-Income Housing	Mirrors the structure of the existing Federal low-income housing tax credit. In addition, the State program expands the Federal program to include more moderate-income households. Generally, the amount of the credit is the applicable percentage, depending on whether a building is new, existing, or federally subsidized, of the qualified basis of each eligible low-income building.
Empire Zones Program	Provides tax incentives in Empire Zones. The enhanced benefits of this program include a tax credit on real property taxes paid, a tax reduction credit, and a sales and use exemption.

Further, there are also several types of insurance contracts which are exempt from the franchise tax. These include, but are not limited to, annuity contracts and certain health insurance contracts for insureds aged 65 years and older as provided under section 4236 of the Insurance Law.

Certain corporations and other entities which provide insurance are exempt from State franchise taxes and the regional business surcharge. Non-profit medical expense indemnity corporations and other health service corporations, organized under Article 43 of the Insurance Law, are exempt from these State taxes. Health maintenance organizations (HMOs) and Blue Cross/Blue Shield corporations are examples of such corporations.

Recent Legislative Changes

The following list highlights significant legislation enacted since 1994 affecting insurance taxes:

INSURANCE TAX LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1994		
Temporary Business Tax Surcharge	Reduces the surcharge from 15 percent to 10 percent, 5 percent, and 0 percent over three years.	January 1, 1994
Legislation Enacted in 1997		
Premium Tax Rate for Life Insurers	Reduces the premium tax rate from 0.8 percent to 0.7 percent.	January 1, 1998
Cap on Tax Liability	Reduces the limitation on tax liability for life insurers from 2.6 percent to 2.0 percent.	January 1, 1998
Credit for Investment in Certified Capital Companies (CAPCO's)	Credit equals 100 percent of amount invested in CAPCO's for taxable years beginning after 1998. The rate equals 10 percent per year for ten years. There is a statewide cap of $100 million.	January 1, 1999
Captive Insurance Companies	Allows the formation of captive insurance companies. Subject to a special premiums tax with a top rate of 0.4 percent or $5,000. This is in lieu of the premiums and income-based tax.	January 1, 1998
Legislation Enacted in 1999		
CAPCO's	The statewide cap was increased by $30 million to $130 million.	January 1, 2001
State Insurance Fund	Conforms the State Insurance Fund tax treatment to the regular insurance tax.	January 1, 2001
Entire Net Income (ENI) Tax Rate	Reduces ENI tax rate over a three year period: — 8.5 percent for taxable years beginning after June 30, 2000, and before July 1, 2001. — 8.0 percent for taxable years beginning after June 30, 2001, and before July 1, 2002. — 7.5 percent for taxable years beginning on or after July 1, 2002.	June 30, 2000
Cap on Tax Liability	Reduces the limitation on tax liability for non-life insurers over a three-year period: — 2.4 percent for taxable years beginning after June 30, 2000, and before July 1, 2001. — 2.2 percent for taxable years beginning after June 30, 2001, and before July 1, 2002. — 2.0 percent for taxable years beginning on or after July 1, 2002.	June 30, 2000
Legislation Enacted in 2000		
CAPCO's	The statewide cap was increased by $150 million to $280 million.	January 1, 2003
Investment Tax Credit	Insurance taxpayers that are brokers/dealers in securities may claim a credit for equipment or buildings used in broker/dealer activity and in activities connected with broker/dealer operations.	Available for property placed in service between January 1, 2002, and October 1, 2003.

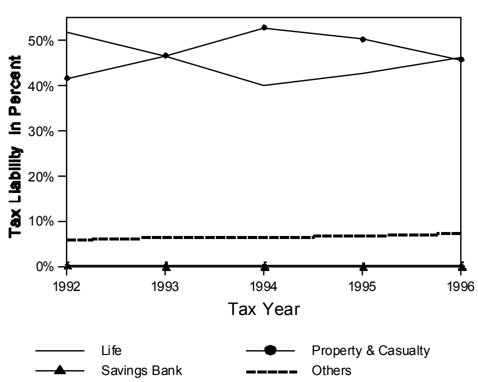
Subject	Description	Effective Date
Long-Term Care Insurance Credit	Creates a 10 percent credit for cost of purchasing long-term care insurance as defined in the Insurance Law.	January 1, 2002
Low-Income Housing	Mirrors the structure of the existing Federal low-income housing tax credit. In addition, it is expanded to include more moderate-income households. The amount of the credit is the applicable percentage, depending on whether a building is new, existing, or federally subsidized, of the qualified basis of each eligible low-income building.	January 1, 2000
Empire Zones Program	Provides Qualified Empire Zone Enterprises (QEZE) tax incentives in Empire Zones. Transforms the current Economic Development Zones into virtual "tax-free" zones for certain businesses. The enhanced benefits of this program include a tax credit on real property taxes paid, tax reduction credit, and sales and use exemption.	January 1, 2001

2000-01 RECEIPTS

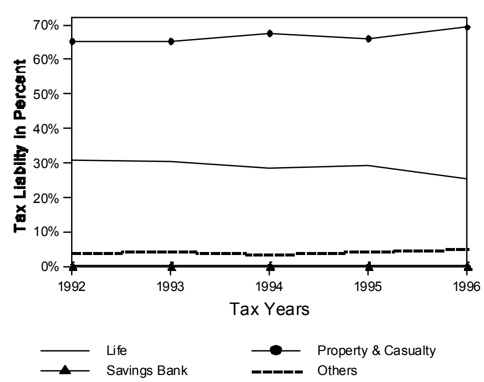
The estimate of All Fund receipts for 2000-01 is $631.3 million, a decline of 4.1 percent over the prior State fiscal year.

Graphs 1 and 2 illustrate, for the 1992-1996 period, that the Property/Casualty and Life/Health sectors combined have historically accounted for over 90 percent of tax liability.

Article 33 Net Income Tax Liability
(for 1992-1996, by Insurer)



Article 33 Premium Tax Liability
(for 1995, by Insurer)



Property and Casualty Companies

The property and casualty sector is the largest sector of the industry and represents over half of the State's insurance tax collections. The property and casualty sector typically accounts for over 60 percent of premium tax liability and 45 percent of net income tax liability. The five largest lines of business under property and casualty lines of business are automobile, workers' compensation, commercial multi-peril, general liability, and homeowners multi-peril. They account for approximately 80 percent of premiums. The table below lists the property and casualty New York premiums from 1993 through 1999 and estimates for 2000 and 2001.

TABLE 5
PROPERTY AND CASUALTY INSURANCE
NEW YORK CALENDAR YEAR PREMIUMS
(millions of dollars/percent)

Lines of Insurance	1993	1994	1995	1996	1997	1998	1999	2000 (est.)	2001 (est.)
Automobile	8,125	8,572	8,913	9,466	9,490	9,631	9,594	9,740	9,945
percent change		*5.50*	*3.98*	*6.20*	*0.26*	*1.49*	*(0.38)*	*1.52*	*2.10*
Workers' Compensation	3,555	3,769	3,650	3,121	2,725	2,686	2,752	2,794	2,845
percent change		*6.02*	*(3.15)*	*(14.49)*	*(12.70)*	*(1.41)*	*2.46*	*1.53*	*1.83*
Commercial Multi-Peril	2,006	2,043	2,139	2,097	2,031	2,071	2,002	2,031	2,091
percent change		*1.84*	*4.70*	*(1.96)*	*(3.15)*	*1.99*	*(3.33)*	*1.45*	*2.95*
General Liability	1,939	1,981	1,853	1,851	2,091	2,734	1,825	1,871	1,963
percent change		*2.17*	*(6.45)*	*(0.11)*	*12.99*	*30.90*	*(33.25)*	*2.52*	*4.92*
Homeowners Multi-Peril	1,761	1,868	1,966	2,053	2,133	2,181	2,230	2,251	2,347
percent change		*6.05*	*5.27*	*4.43*	*3.91*	*2.33*	*2.25*	*0.94*	*4.26*
Other	560	3,689	3,567	3,574	3,620	3,642	3,608	3,665	3,754
percent change		*12.03*	*(3.31)*	*0.20*	*1.29*	*0.61*	*(0.93)*	*1.58*	*2.42*
TOTAL P/C PREMIUMS	20,909	21,922	22,088	22,162	22,090	22,945	22,011	22,352	22,945
Annual Increase/Decrease *percent change*		*4.85*	*0.75*	*0.34*	*(0.32)*	*3.87*	*(4.07)*	*1.55*	*2.65*

Net premiums for property and casualty companies overall are expected to grow by 1.6 percent. This is the result of slower growth in the homeowners multi-peril and workers' compensation lines, due in part from increased competition within the personal-lines market. Somewhat offsetting this slow growth is stronger expected growth in the automobile, commercial multi-peril, and general liability lines of business.

Property and casualty net income tax liability is estimated to grow by almost 2.5 percent. This estimate reflects the combination of smaller underwriting losses with growth in net investment income for the property and casualty companies. The growth in net investment income results from moderate growth in interest rates and equity markets.

Also affecting net income tax liability are payouts of policies. The industry is required to honor claims from catastrophes that occurred this year, as well as to continue paying claims for prior-year catastrophic events.

Life and Health Companies

Life and health insurance is the second largest sector of the industry and represents approximately a third of the State's insurance tax collections. Premiums for life and health companies are expected to grow by only 3 percent on a year-over-year basis. This weak growth is due, in part, to the continuation of recent factors inhibiting growth including: increased competition from banks, mutual funds and other financial institutions; shifting demographics (population shift to the south and west, population aging, etc.); and the weak operating performance of the industry overall.

2001-02 PROJECTIONS

All Funds collections for 2001-02 are projected at $604 million, a decrease of 4.3 percent. Due to continued consolidation in the industry overall and the shedding of non-core lines of business by both the property and casualty and the life and health companies, most industry analysts believe that the industry will remain in a low-pricing cycle over the next year. With the resulting stagnation in premium volumes, the industry continues to depend on the stock and bond market performance to offset underwriting losses. Growth in the equity market is expected to moderate over the next year. Estimated collections for the year will also be depressed due to the increased competition resulting from the entry of banks and other financial service companies into the market after the repeal of the Glass-Steagall Act. Finally, collections will be lower due to the reduction in the ENI rate to 8.5 percent and the reduction in the cap on non-life insurers to 2.4 percent.

The forecast of receipts from property and casualty insurers is based on an increase in premium liability of 2.7 percent, primarily resulting from modest growth in the automobile sector. Assuming no extraordinary catastrophes and less vibrant stock and bond markets, net income tax liability for property and casualty companies is projected to increase by only 0.9 percent.

The competitive forces, which have marked the last few years, will continue to hold down growth in the life and health insurance industry. The future role of life and health insurers in the health care field and a sluggish insurance market are major risks to the forecast.

The forecast assumes that the life and health industry will grow modestly through the 2001 tax year. The New York share of premiums written will remain approximately 8 percent of the national market, and premiums written are expected to grow 3.0 percent per year. Net income tax liability for this sector is projected to grow 1.1 percent.

OTHER FUNDS

There is a surcharge of 17 percent upon companies tax liability attributed to the MCTD region and is deposited in the Mass Transportation Operating Assistance Fund. For 2000-01, the deposit is estimated at $64.3 million and $64.0 million for 2001-02.

GENERAL FUND

General Fund collections through December 2000 are estimated to be $395 million, a decrease of $15 million from the comparable period in 1999. These receipts for 2000-01 include an estimated $23 million in audit collections. The estimate for all of 2000-01 is $567 million.

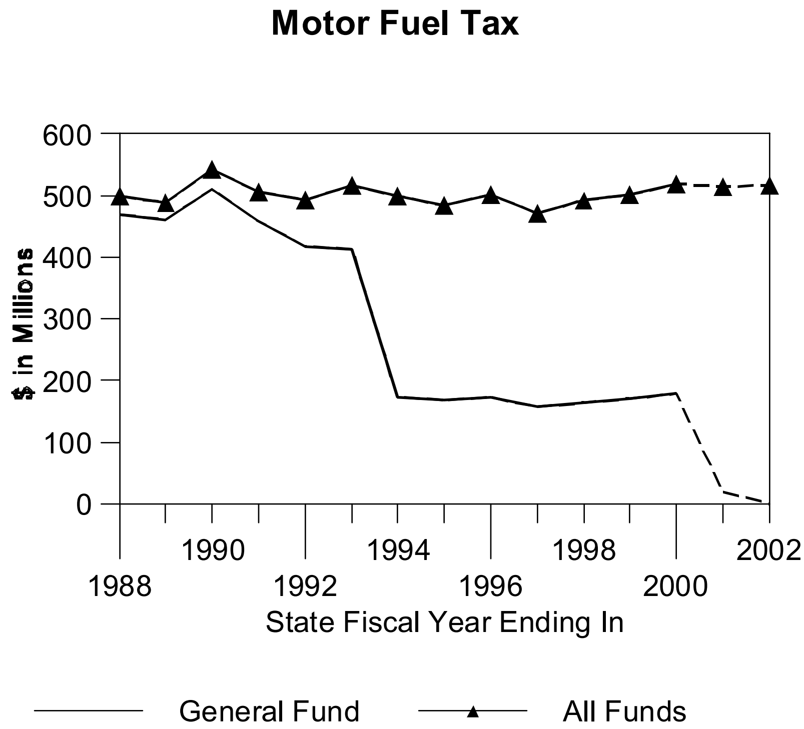
For 2001-02, General Fund collections are estimated at $540 million. This includes an estimated $20 million in audits, offset by $30 million in refunds. The table below provides the receipts estimate for 2000-01 and the forecast for 2001-02, as well as a history of receipts for 1992-93 through 1999-2000.

TABLE 6
INSURANCE TAX RECEIPTS
(millions of dollars)

	Tax Law		Insurance Law							
	Gross General Fund	Refunds	Net	Net General Fund	Gross Special Revenue Funds	Refunds	Net Special Revenue Funds [1/]	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
	Actual									
1992-93	593.7	30.2	43.2	606.7	57.5	4.5	53.0	0	0	659.7
1993-94	644.5	25.1	16.5	635.9	72.7	3.7	69.0	0	0	704.9
1994-95	538.7	36.2	27.5	530.0	50.4	4.3	46.1	0	0	576.1
1995-96	700.3	28.8	13.5	685.0	68.1	3.9	64.2	0	0	749.2
1996-97	649.5	28.8	32.8	653.5	67.7	7.6	60.1	0	0	713.6
1997-98	629.1	14.0	25.6	640.7	68.8	2.8	66.0	0	0	706.7
1998-99	681.8	35.0	25.9	672.7	75.6	5.6	70.0	0	0	742.7
1999-2000	635.1	45.2	(0.9)	589.0	79.6	10.4	69.2	0	0	658.2
	Estimated									
2000-01	587.0	40.0	20.0	567.0	70.3	6.0	64.3	0	0	631.3
2001-02	550.0	30.0	20.0	540.0	70.0	6.0	64.0	0	0	604.0

[1/] Mass Transportation Operating Assistance Fund

MOTOR FUEL TAX



DESCRIPTION

Motor fuel and diesel motor fuel taxes are levied by Article 12-A of the Tax Law upon the sale, generally for highway use, of gasoline and diesel fuel, respectively. The aggregate rate of tax imposed on each gallon of gasoline and diesel fuel is eight cents.

The motor fuel tax is levied primarily on fuel used in motor vehicles operated on the public highways of the State or in recreational motor boats operated on the State's waterways. Exemptions, credits and refunds are allowed for certain other uses of gasoline and diesel motor fuel.

Exemptions from the motor fuel tax include:

— kerosene and crude oil (this exemption does not apply to the diesel motor fuel tax);
— fuel not used in motor vehicles. "Motor vehicle" is defined as any vehicle propelled by power, except muscular power. However, vehicles such as boats (other than pleasure craft), road building machinery and tractors used exclusively for agricultural purposes are excluded from the definition of motor vehicles;
— fuel used in tanks of vehicles entering New York State;
— sales to State, local and Federal governments, the United Nations and qualifying Indian nations;
— certain hospitals that qualify as exempt organizations under section 1116(a)(4) of the Tax Law; and
— sales on qualified Indian reservations.

Other exemptions apply only to the diesel motor fuel tax, including certain sales for heating purposes and sales of kero-jet fuel for use in airplanes.

Full and partial refunds and credits of tax paid are available for:
— fuel used by omnibus carriers or taxicabs;
— fuel used by nonpublic school operators, exclusively for education-related purposes;
— fuel consumed by volunteer ambulance services; and
— fuel used by certain commercial fishing vessels.

Administration

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

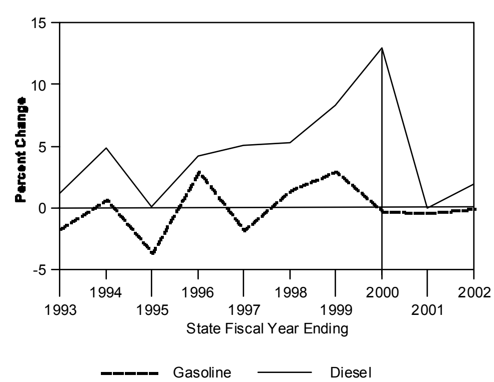
Since 1988, collection and remittance of taxes on diesel fuel have been conformed to the statutory procedures used for gasoline. Taxes on diesel motor fuel are now collected upon the first non-exempt sale in the State. Prior to that time, the diesel motor fuel tax was collected at the time of retail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

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

Consumption History

As the following graph illustrates, diesel consumption has been quite strong since 1994-95, reflecting robust demand resulting from strong economic growth. Gasoline consumption has grown more slowly, but spiked in 1998-99 at least partially due to low gasoline prices during that period.

Gasoline and Diesel Reported Gallons — Percent Change



SIGNIFICANT LEGISLATION

The major statutory changes of the past several years are reported below.

Subject	Description	Effective Date
Legislation enacted in 1995		
Tax Liability	Reduced the diesel motor fuel tax from 10 cents to 8 cents per gallon.	January 1, 1996
Exemption	Provided an up-front exemption from the motor fuel excise tax for retail sales of aviation gasoline.	September 1, 1995
Legislation enacted in 2000		
Distribution	Increased the percentage of motor fuel receipts dedicated to highway construction and transit.	April 1, 2000

TABLE 1
MOTOR FUEL TAX FUND DISTRIBUTION
(percent)

Effective Date	General Fund	DHBTF [1/]	EHF [2/]	DMTTF [3/]
Prior to April 1, 1993				
Gasoline	78.1	0.0	21.9	0.0
Diesel	78.1	0.0	21.9	0.0
Prior to April 1, 2000				
Gasoline	28.1	50.0	21.9	0.0
Diesel	78.1	0.0	21.9	0.0
Prior to April 1, 2001				
Gasoline	0.0	67.7	21.9	10.4
Diesel	28.1	31.5	21.9	18.5
After April 1, 2001				
Gasoline	0.0	67.7	21.9	10.4
Diesel	0.0	49.2	21.9	28.9

1/ Dedicated Highway and Bridge Trust Fund.
2/ Emergency Highway Reconditioning and Preservation Fund and the Emergency Highway Construction and Reconstruction Fund.
3/ Dedicated Mass Transportation Trust Fund.

2000-01 RECEIPTS

All Funds receipts for the first nine months of the fiscal year were an estimated $390 million, $4.3 million, or 1.1 percent below the comparable period in 1999-2000. Gasoline receipts decreased by $3.8 million (1.1 percent), while diesel receipts decreased by $0.6 million (1.1 percent).

For the remainder of the year, demand for diesel fuel is anticipated to remain roughly constant as growth in the State's economy moderates. Overall diesel consumption is expected to remain at 1999-2000 levels. Gasoline consumption is expected to decrease by 0.4 percent from 1999-2000 due largely to the continued high price of this fuel.

Total motor fuel tax receipts are estimated at $515 million, a decrease of $3.8 million, or 0.7 percent from 1999-2000. Gasoline receipts are estimated to decrease by $3.4 million (0.7 percent) and diesel receipts to decrease by $0.4 million (0.6 percent).

2001-02 PROJECTIONS

The gasoline and diesel consumption estimates for 2001-02 reflect higher estimated fuel prices and moderating economic growth. All Funds receipts are projected to grow by 0.2 percent, an increase of $1.3 million. Gasoline receipts are projected to remain at $447.3 million. Diesel receipts are projected to increase by $1.3 million (1.9 percent).

OTHER FUNDS

Motor fuel tax revenues are by law distributed to five funds: the General Fund, Dedicated Highway and Bridge Trust Fund, the Dedicated Mass Transportation Trust Fund, the Emergency Highway Reconditioning and Preservation Fund, and the Emergency Highway Construction and Reconstruction Fund.

Since April 1, 1992, receipts attributable to 1-3/4 cents of the tax on each gallon of gasoline and diesel fuel sold in the State have been earmarked to the Emergency Highway Reconditioning and Preservation Fund and the Emergency Highway Construction and Reconstruction Fund. These funds were established, respectively, in 1972 and in 1983, to finance certain highway construction needs. In 1991-92, the amount per gallon earmarked to each of these funds was five-eighths of one cent. This amount was three-eighths of one cent in 1990-91; and one-quarter of one cent prior to April 1, 1990. Effective April 1, 2003, these funds will be eliminated and the receipts distributed to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund.

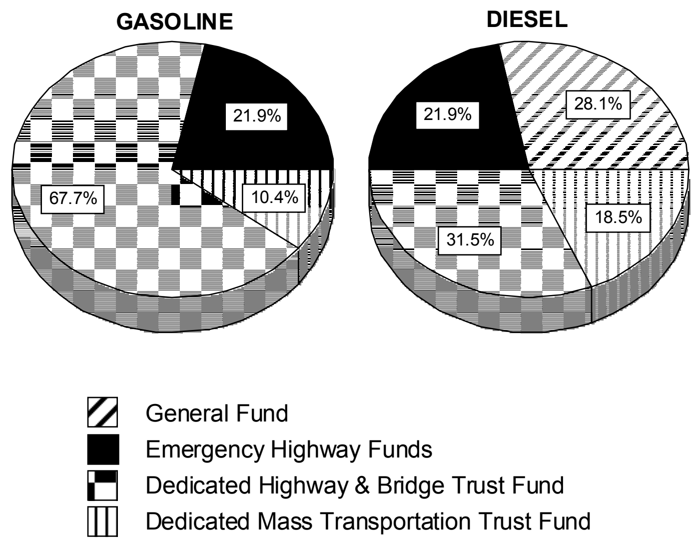
Since April 1, 1993, one-half of the gasoline tax has been deposited in the Dedicated Highway and Bridge Trust Fund established to help finance the reconstruction, replacement, reconditioning and preservation of highways and bridges in the State.

Effective April 1, 2000, 4 cents per gallon of the gasoline tax have been earmarked to the Dedicated Highway and Bridge Trust Fund; 2-1/4 cents are allocated to the pooled funds for highway construction and mass transit; and 1-3/4 cents are directed to the Emergency Highway Reconditioning and Preservation Fund and the Emergency Highway Construction and Reconstruction Fund.

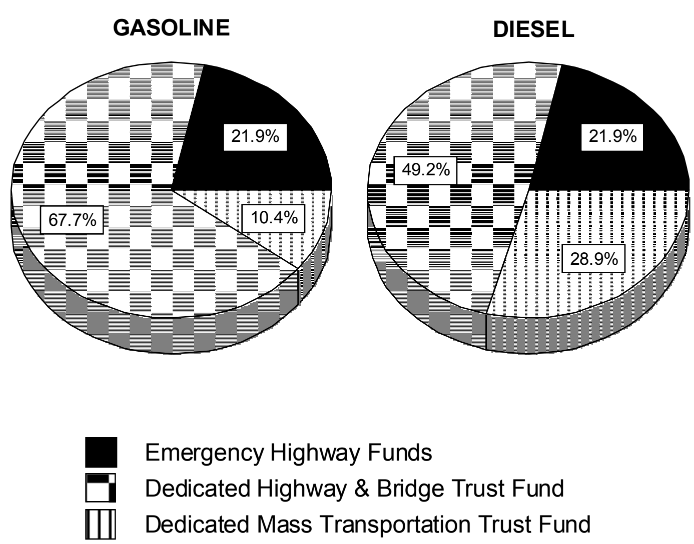
Additionally, 4 cents of the diesel tax have been earmarked to the pooled funds; 1-3/4 cents allocated to the Emergency Highway Reconditioning and Preservation Fund and the Emergency Highway Construction and Reconstruction Fund; and the remaining 2-1/4 cents directed to the General Fund. Beginning April 1, 2001, all diesel tax funds currently allocated to the General Fund will be directed to the pooled funds.

The percentage distribution of motor fuel tax revenue by fund in State fiscal year 2000-01 and 2001-02 are displayed in Charts 1 and 2.

2000-01 Motor Fuel Tax Deposits by Fund



2001-02 Motor Fuel Tax Deposits by Fund



GENERAL FUND

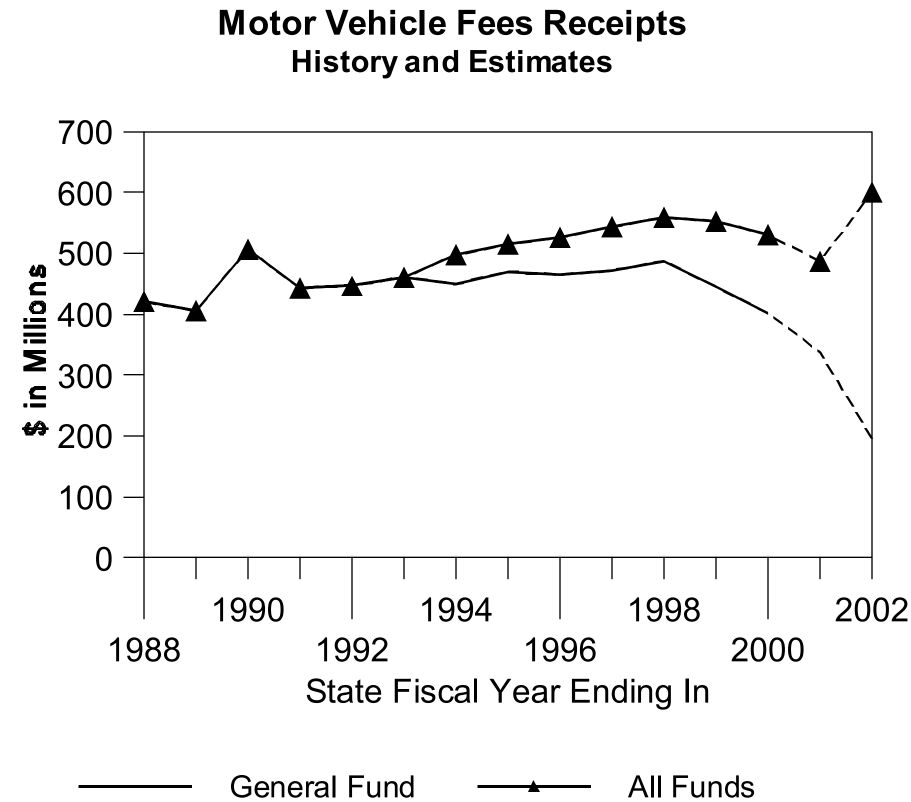
Deposits to the General Fund for 2000-01 are projected to be $19 million. In 2001-02, no motor fuel receipts will be deposited in the General Fund.

TABLE 2
MOTOR FUEL TAX RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Net Special Revenue Funds [3]	Net Capital Projects Funds [1]	Net Debt Service Funds [2]	All Funds Net Collections
	Actual						
1992-93	425,654	12,686	412,968	0	0	102,913	515,881
1993-94	180,180	6,546	173,634	0	212,211	113,806	499,651
1994-95	174,483	5,515	168,968	0	212,514	103,480	484,962
1995-96	178,545	4,948	173,597	0	220,460	107,425	501,482
1996-97	161,813	4,282	157,531	0	210,835	103,143	471,509
1997-98	169,018	3,763	165,255	0	218,897	107,562	491,713
1998-99	180,906	9,758	171,148	0	221,288	109,882	502,318
1999-2000	185,134	5,201	179,933	0	225,358	113,482	518,773
	Estimated						
2000-01	19,565	565	19,000	59,100	324,200	112,700	515,000
2001-02	0	0	0	66,500	336,900	112,900	516,300

[1] Dedicated Highway and Bridge Trust Fund.
[2] Emergency Highway Reconditioning and Preservation Fund and Emergency Highway Construction and Reconstruction Fund.
[3] Dedicated Mass Transportation Trust Fund.

MOTOR VEHICLE FEES



DESCRIPTION

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

Registration Requirements and Exemptions

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

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

Fee Schedules

Most vehicle registration fees in New York are based on weight. Two important exceptions are buses, which are charged according to seating capacity, and semitrailers, which are registered for a flat fee. The main registration fees are as follows:

MAIN REGISTRATION FEES

Type of Vehicle	Weight of Vehicle	Annual Fee (dollars)
Passenger vehicle	Each 100 lbs. or major fraction thereof up to 3,500 lbs.	0.645
	Plus: for each 100 lbs or major fraction thereof above 3,500 lbs.	0.97
Passenger vehicle – minimum fee		10.35
Passenger vehicle – maximum fee		56.06
Passenger vehicle propelled by electricity		12.94
Auto truck and light delivery vehicle	Each 500 lbs. maximum gross weight or fraction thereof	2.88
Tractors (registered separately from semitrailers)	Each 100 lbs. maximum gross weight or fraction thereof	1.21
Trailers	Each 500 lbs. maximum gross weight or fraction thereof	4.31
Semitrailers – pre-1989 model year		23.00 per year
Semitrailers – model year 1989 or later		69.00 for period of 5.5 years to 6.5 years
Bus – seating capacity 15 to 20 passengers		59.80

The other main source of motor vehicle fees are driver licensing fees. The main categories of license fees are listed below.

MAIN LICENSING FEE CATEGORIES

Type of License	Fee (dollars)
Initial application	10.00
Learner's permit	2.50 – for each six months
Learner's permit – commercial driver's license	7.50 – for each six months
License renewal	2.50 – for each six months
License renewal – commercial driver's license	7.50 – for each six months

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

Administration

Traditionally, registration and licensing have taken place at the central and district offices of the Department of Motor Vehicles, by mail and at county clerk's offices in most counties. The county clerks were historically compensated with a fixed portion of each fee, but more recently, they receive a percentage of gross receipts.

COUNTY CLERKS' RETENTION SCHEDULE

Type of Retention	Period
Fixed portion of each fee.	Until December 31, 1996
8.1 percent of gross receipts.	From January 1, 1997
9.3 percent of gross receipts.	From July 1, 1998
12.7 percent of gross receipts.	From April 1, 1999

SIGNIFICANT LEGISLATION

Below is a summary of significant statutory or administrative changes in recent years that have had a bearing on revenues from motor vehicle fees.

Subject	Description	Effective Date
Legislation Enacted in 1991		
Registration fees	A 15 percent surcharge imposed on vehicle registration fees.	August 1, 1991 through June 30,1992
Legislation Enacted in 1992		
Licenses	Annual fee for renewal of operator's license raised to $5, for commercial driver's license to $15.	June 1, 1992
Registration fees	Surcharge incorporated into base registration fees.	July 1, 1992
Administrative Changes 1992		
Photo image fee	Photo image fee raised to $2.25.	April 1, 1992
License plates	Standard plate fee increased to $5.75; vanity plate fee increased to $9.50.	April 1, 1992
Administrative Changes 1996		
Licenses	License renewal period extended to five years.	April 1, 1996
Legislation Enacted in 1997		
Licenses	Original license period extended to five years.	September 1, 1997
Motorcycles	Add $2.50 to annual fee for registration and $0.50 for each six months to license or permit and earmark both to Motorcycle Safety Fund.	January 1, 1998
Administrative Changes 1997		
Photo image fee	Photo image fee raised to $3.00.	April 1, 1997

Subject	Description	Effective Date
Legislation Enacted in 1998		
Registration fees	Fees on passenger vehicle registration reduced 25 percent.	July 1, 1998
Administrative Changes in 2000		
License plates	Reissuance.	January 1, 2001
Licenses	License renewal period extended to eight years.	April 1, 2000

2000-01 RECEIPTS

Gross receipts for 2000-01 are estimated at $523 million. The estimate for receipts from registrations is $395 million, and the estimate for receipts from licenses and other fees is $128 million. An estimated $36 million in refunds and county clerk retention will result in estimated net receipts from motor vehicle fees of $487 million. The estimate reflects the reissuance of new registration plates in the last quarter of the State fiscal year, and the extension of a driver's license renewal to eight years. Importantly, the estimate reflects lower than normal license renewals for this year, due primarily to the 1996 shift in the length of the renewal period from four years to five years.

2001-02 PROJECTIONS

Gross receipts for 2001-02 are estimated at $638 million. The estimate for receipts from registrations is $400 million and for receipts from licenses and other fees is $238 million. An estimated $37 million in refunds and county clerk retention will result in estimated net receipts from motor vehicle fees of $601 million. The estimate includes several proposals discussed in more detail below.

OTHER FUNDS

The Dedicated Highway and Bridge Trust Fund

A portion of motor vehicle fee receipts is distributed to the Dedicated Highway and Bridge Trust Fund, a capital fund. Since April 1, 1993, a percentage of registration fees has been earmarked to this fund. The percentage dedicated to the fund has been adjusted several times.

Moreover, starting in 2001-02, pursuant to Chapter 63, Laws of 2000, an additional 23.5 percent of registration fees is earmarked to (1) the Dedicated Highway and Bridge Trust Fund and (2) the Dedicated Mass Transportation Trust Fund; of this additional dedication, 63 percent will be allocated to (1) and 37 percent to (2). Other moneys from non-registration fees will be shared in the same proportion.

Legislation submitted with the Budget, effective April 1, 2001, earmarks additional moneys from non-registration fees now deposited in the General Fund to the Dedicated Highway and Bridge Trust Fund.

In fiscal year 2000-01, the Dedicated Highway and Bridge Trust Fund will receive an estimated $149 million.

In fiscal year 2001-02, the Dedicated Highway and Bridge Trust Fund will receive a projected $374.4 million and the Dedicated Mass Transportation Trust Fund will receive a projected $32 million.

A summary of recent and projected dedication amounts are set out in the table below.

DISTRIBUTION FROM REGISTRATION FEES
(percentage)

Effective Date	General Fund	Dedicated Highway and Bridge Trust Fund	Dedicated Mass Transportation Trust Fund
Prior to April 1, 1993	0.0	0.0	0.0
April 1, 1993	87.0	13.0	0.0
April 1, 1994	83.0	17.0	0.0
January 1, 1995	80.0	20.0	0.0
April 1, 1998	72.0	28.0	0.0
July 1, 1998	66.0	34.0	0.0
March 1, 1999	54.5	45.5	0.0
April 1, 2001	31.0	60.3	8.7

DISTRIBUTION OF GENERAL FUND AMOUNTS OTHER THAN REGISTRATION FEES
(thousands of dollars)

Effective Date	General Fund	Dedicated Highway and Bridge Trust Fund	Dedicated Mass Transportation Trust Fund
April 1, 2001 Current Law	NA	5,300	3,100
April 1, 2001 Proposed Law	NA	169,000	NA

GENERAL FUND

In Fiscal Year 2000-01, the General Fund will receive an estimated $338 million in motor vehicle fees. In Fiscal Year 2001-02, the General Fund will receive a projected $194.6 million based on proposed law.

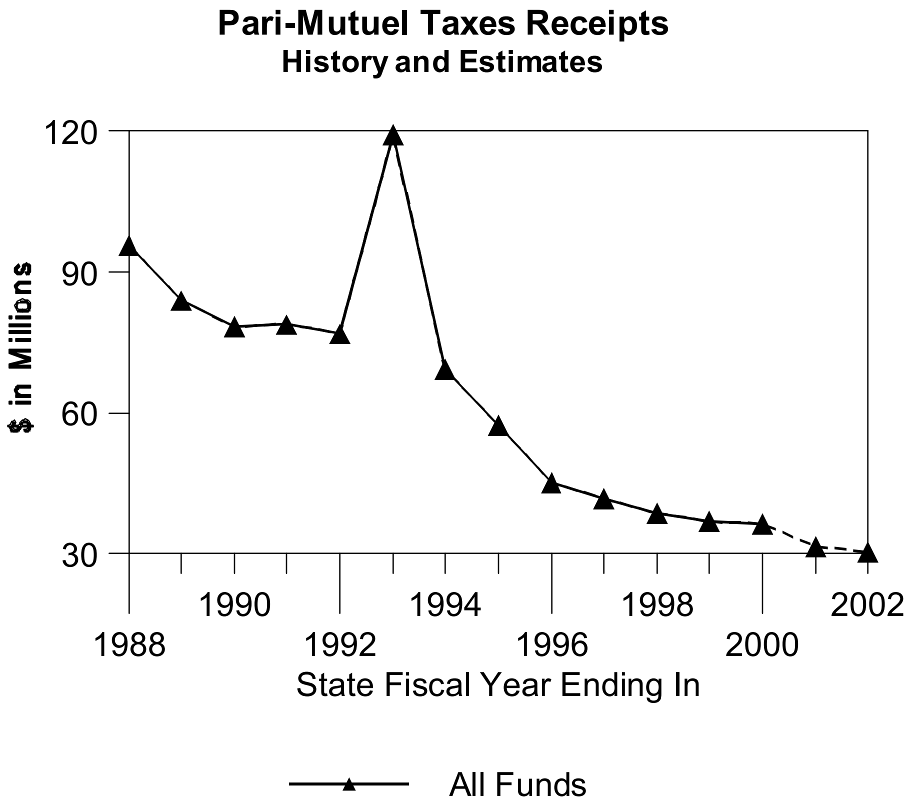
Legislation submitted with this Budget, effective April 1, 2001, will (a) allow motorists, for an additional one-time fee of $10, to purchase license plates with backgrounds that portray various regions of the State and (b) double boat registration fees. In addition, a planned administrative change will increase the duration of commercial drivers' license renewals from five to eight years.

MOTOR VEHICLE FEE RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Less: County Clerks' Retention	Net General Fund	Special Revenue Funds [1]	Capital Projects Funds [2]	Debt Service Funds	All Funds Net Collections
	Actual							
1992-93	493,837	18,422	15,113	460,302	0	0	0	460,302
1993-94	482,312	16,570	15,748	449,994	0	46,655	0	496,649
1994-95	502,802	16,258	16,678	409,866	0	45,128	0	514,994
1995-96	500,181	18,958	16,663	464,560	0	62,390	0	526,950
1996-97	511,195	21,596	17,206	472,033	0	71,442	0	543,475
1997-98	517,178	11,436	19,324	486,418	0	73,096	0	559,514
1998-99	478,085	13,795	20,135	444,155	0	108,174	0	552,329
1999-2000	436,571	17,924	17,176	401,471	0	129,899	0	531,370
	Estimated							
2000-01	373,600	18,000	17,600	338,000	0	149,000	0	487,000
2001-02								
(current law)	389,800	18,000	19,000	352,800	32,000	205,400	0	590,200
(proposed law)	231,600	18,000	19,000	194,600	32,000	374,400	0	601,000

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

PARI-MUTUEL TAXES



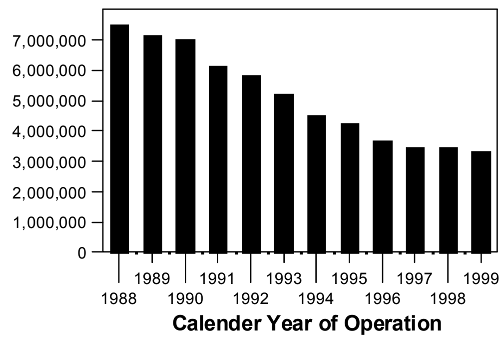
DESCRIPTION

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

To foster the New York agriculture and breeding industries, a portion of the takeout is allocated to the State's thoroughbred and standardbred (harness) horse breeding and development funds. During fiscal year 1999-2000, $13 million and $7 million was allocated to the thoroughbred and harness funds, respectively.

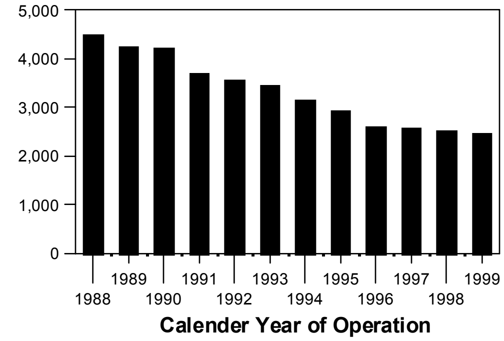
Over the last two decades, the rise in OTB activity and simulcasting, which now accounts for 80 percent of the statewide handle, has been accompanied by corresponding declines in handle and attendance at racetracks.

New York State Tracks
(Total Attendance)



Source: New York State Racing and Wagering Board

New York State Tracks
(Average Daily Attendance)



Source: New York State Racing and Wagering Board

To encourage the continuing viability of the industry, the State authorized higher takeouts to support capital improvements at non-New York Racing Association (NYRA) tracks and, more importantly, reduced its on-track tax rates up to 90 percent at thoroughbred and harness tracks. The State also assumed the costs for regulation and drug testing and increased the takeout on NYRA wagers involving two horses, while lowering the takeout on NYRA wagers involving one horse.

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

SIGNIFICANT LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1994		
Tax Rates	Lowered rates on all wagers at harness tracks and at the Finger Lakes Race Association to 0.5 percent and provided credits up to 0.4 percent based on OTB simulcast handle of respective track.	September 1, 1994
Expanded Betting	Authorized widespread in-home simulcasting experiments, simulcasts of flat racing bridging the time gap between the end of New York flat racing and the beginning of harness racing, and tripled the number of out-of-State harness track simulcasts.	July 6, 1994
Breakage	Allotted the State's share of all OTB breakage to horse breeding funds.	July 6, 1994
Legislation Enacted in 1995		
Tax Rates	Lowered rate on regular bets (involving one horse) at NYRA from 5 percent to 4 percent and reduced the tax on NYRA wagers at OTB in half: from 1.1 percent to 0.5 percent on regular and multiple (involving two horses) bets, and from 3.1 percent to 1.5 percent on exotic (involving three or more) bets.	June 1, 1995

Subject	Description	Effective Date
Takeout	Increased the takeout on NYRA wagers involving two horses (multiple bet) from 17 percent to 20 percent, while lowering the takeout on NYRA wagers involving one horse (regular bet) from 17 percent to 15 percent.	June 1, 1995
Legislation Enacted in 1998		
Tax Rates	Established the tax rate on all simulcast races at 1.5 percent for the initial race of the day and at 1.0 percent for later races, if NYRA is running. If NYRA is not racing, the tax rate on these races are 1.0 percent and 0.5 percent, respectively.	January 1, 1998
	Extended authorizations for lower tax rates for on-track and off-track bets on NYRA through June 30, 2002.	
Franchise Fee	Eliminated NYRA franchise fee.	January 1, 1998
Legislation Enacted in 1999		
Tax Rates	Cut the tax rate on NYRA regular bets to 2.6 percent each from 3.0 percent.	September 10, 1999
	Cut the tax rate on NYRA regular bets to 1.6 percent.	April 1, 2001

2000-01 RECEIPTS

Increases in simulcast handle, especially from out-of-State races, is expected to offset the continued decline in on-track handle. As a result, the total 2000-01 statewide betting handle (both on- and off-track) is expected to increase to $2.9 billion from last year's handle of $2.8 billion.

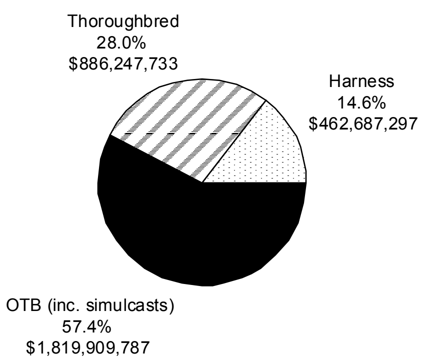
Total thoroughbred on-track handle, including simulcasts, is estimated at $662 million, down slightly from the prior year. The continuing decline in wagering on live harness races is being offset, in part, by increased simulcasting, with lower tax rates. Total harness handle is estimated at $193.6 million. Handle at off-track betting corporations is estimated to increase to $2.0 billion, up 2.5 percent.

Thoroughbred revenues are expected to decline by 8.8 percent to $15.6 million, largely the result of the enactment of lower tax rates. OTB receipts are estimated to decrease by 18 percent to $15 million. A $3.8 million refund from OTB to Connecticut (due to a settlement of a court case) accounts for the decrease in OTB receipts. Receipts from harness tracks are expected to stay constant at $0.9 million, resulting in total pari-mutuel tax receipts of $31.5 million.

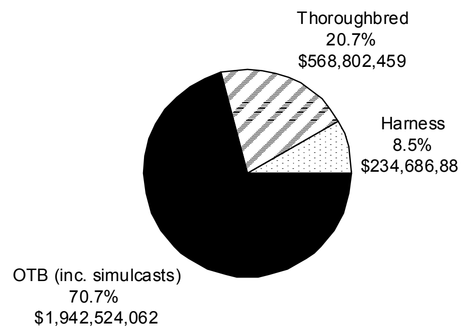
2001-02 PROJECTIONS

The pari-mutuel projections for 2001-02 assume a full racing season. In total, State pari-mutuel tax receipts are projected at $30.5 million for 2001-02.

Share of Pari-Mutuel Handles
(1991)



Share of Pari-Mutuel Handles
(1999)



Total on-track thoroughbred handle is projected to decline 4.1 percent, while receipts will decline 32 percent as a result of previously enacted tax cuts. A projected NYRA handle of $511.9 million, including betting on out-of-State races, will produce $8.8 million in tax receipts; NYRA intrastate simulcasting revenues of $35.7 million will provide an additional $0.6 million in receipts.

Harness racing handle is projected to increase to $202.7 million, generating tax receipts of $0.9 million, including $0.6 million in revenue from intertrack wagers on thoroughbred simulcasts. Yonkers Raceway is projected to provide $0.2 million, and Vernon Downs, Saratoga Raceway, Buffalo Raceway, and Monticello are each expected to provide less than $0.1 million in receipts.

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

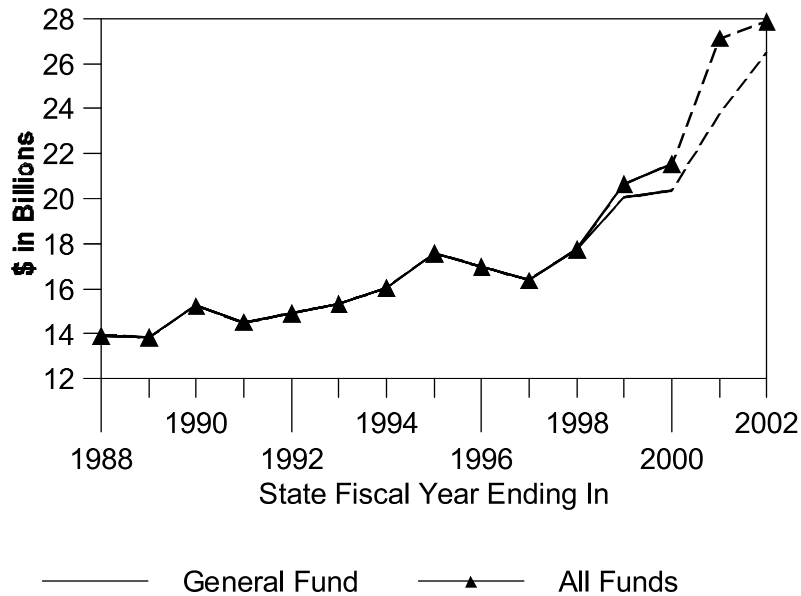
GENERAL FUND RECEIPTS FROM PARI-MUTUEL TAXES
(millions of dollars)

	General Fund			Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Collections
	Flat	Harness	OTB				
	Actual						
1992-93	87.6 [1/]	4.7	26.9	0	0	0	119.2
1993-94	37.8	5.9	25.5	0	0	0	69.2
1994-95	34.3	2.8	20.2	0	0	0	57.3
1995-96	24.0	1.2	19.9	0	0	0	45.1
1996-97	20.5	1.1	20.1	0	0	0	41.7
1997-98	19.5	1.0	18.0	0	0	0	38.5
1998-99	18.6	0.9	17.4	0	0	0	36.9
1999-2000	16.8	0.9	18.3	0	0	0	36.0
	Estimated						
2000-01	15.6	0.9	15.0	0	0	0	31.5
2000-02	10.6	0.9	19.0	0	0	0	30.5

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

PERSONAL INCOME TAX

Personal Income Tax Receipts
History and Estimates



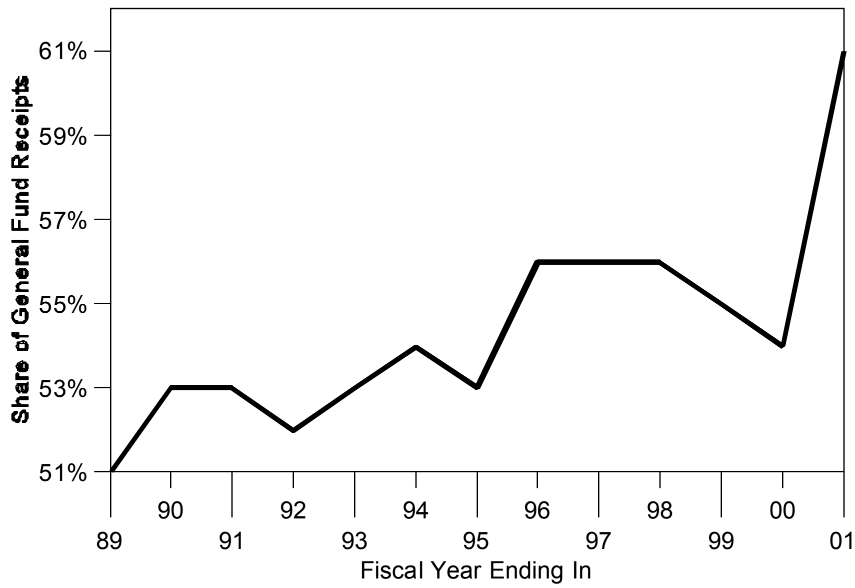
DESCRIPTION

The personal income tax is New York State's largest source of tax revenue. It is estimated that, during State fiscal years 2000-01 and 2001-02, the personal income tax will account for more than one-half of total General Fund receipts.

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

Tax Base

PIT Receipts as Share of General Fund Receipts



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

The State's tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications, including: (1) the inclusion of investment income from debt instruments issued by other states and municipalities and the exclusion of income on certain Federal obligations; and (2) the exclusion of pension income received by Federal, New York State and local government employees, private pension and annuity income up to $20,000 ($40,000 for married couples filing jointly), and any Social Security income and refunds otherwise included in Federal adjusted gross income.

Beginning in 1991, the new Federal limit on itemized deductions for taxpayers with Federal adjusted gross income (AGI) above a certain threshold is applied for State personal income tax purposes. This threshold amount, set at $100,000 ($50,000 for married couples filing separately) in 1991, was indexed for subsequent inflation. In 2000, the threshold is $128,950 ($64,475 for married couples filing separately). Otherwise, allowable itemized deductions, except for medical expenses, casualty and theft losses, and interest payments, are reduced by the lower of either 3 percent of Federal adjusted gross income in excess of the threshold amount or 80 percent of allowable itemized deductions.

Basic Tax Structure

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

TABLE 1
PERSONAL INCOME TAX
TOP RATE, STANDARD DEDUCTIONS AND DEPENDENT EXEMPTIONS
1994 - 1997
(dollars)

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

TABLE 2
CURRENT TAX SCHEDULES
(dollars)

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

SIGNIFICANT LEGISLATION

Credits

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

Credit	Description
Earned Income Tax Credit (EITC)	Allowed at a rate of 7.5 percent of the Federal credit in 1994, 10 percent in 1995, and 20 percent in 1996 and later. Starting in 1996, the EITC is offset by the amount of the household credit. For 2000, the credit was raised to 22.5 percent of the Federal credit. The credit is scheduled to increase to 25 percent of the Federal credit for 2001, to 27.5 percent of the Federal credit for 2002, and to 30 percent of the Federal credit in 2003 and after. The credit is fully refundable for New York residents whose credit amount exceeds tax liability.

Credit	Description
Household Credit	Permitted for individuals in amounts declining from $75 to $20, as their household income rises to $28,000. For married couples and heads of households, in amounts declining from $90 to $20, as their household income rises to $32,000. This latter category is also eligible for additional amounts based on the number of eligible exemptions and income level. Legislation in 1995 continued the credit permanently.
Child and Dependent Care Credit	Allowed at a rate of 20 percent or more of the comparable Federal credit. In 1997, the credit became refundable and equal to 60 percent of the Federal credit for those with incomes under $10,000, with a phase-down until it was 20 percent for incomes of $14,000 and above. In 1998, the percentage of the Federal credit increased to 100 percent for those with incomes less than $17,000, with this percentage gradually phasing down to 20 percent for those with incomes of $30,000 or more. For 1999, the phase-down from 100 percent to 20 percent began at incomes of $35,000 and ended at incomes of $50,000. For 2000 and later years, the credit as a share of the Federal credit equals 110 percent for incomes up to $25,000, phases down from 110 percent to 100 percent for incomes between $25,000 and $40,000, equals 100 percent for incomes between $40,000 and $50,000, phases down from 100 percent to 20 percent for incomes between $50,000 and $65,000, and equals 20 percent for incomes over $65,000. The credit is fully refundable for New York residents whose credit amount exceeds tax liability.
Real Property Tax Circuit Breaker Credit	Based on a more inclusive definition of income than that used generally in the income tax. For eligible taxpayers over the age of 65, the credit ranges downward from $375 as income rises to $18,000; for other taxpayers, the credit can be as high as $75.
Agricultural Property Tax Credit	Permitted a credit for allowable school district property taxes paid by an eligible farmer on qualified agricultural property. A farmer must derive at least two-thirds of his or her Federal gross income from farming to be eligible. If a farmer's qualified acreage exceeds the base acreage stipulated for that tax year, the credit is reduced to less than the full amount of school property taxes paid. Base acreage is 100 acres for 1997, and 250 acres in 1998 and later tax years. Legislation in 1997, applying to 1998 and later years, extended the credit to additional farmers by: (1) altering the eligibility test to require that farm income be at least two-thirds of gross income less $30,000; (2) reducing adjusted gross income by farm debt principal payments when determining the credit phase-out; and (3) making the credit available based on sales from maple syrup, cider, and farm wineries. In 1998, the base acreage level was accelerated to 250 acres for the 1998 tax year; prior to this legislation, the 1998 base acreage level had been set at 175 acres. In 1999, legislation expanded the farmer's credit to include agricultural land set aside or retired under a Federal supply management or soil conservation program.
Rehabilitation Credit for Historic Barns	Effective for tax years starting in 1997 and after. This credit equals 25 percent of a taxpayer's qualified rehabilitation expenses incurred in restoring a pre-1936 agricultural barn.

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

Recent Statutory Changes

The following major tax law changes have had a significant impact on personal income tax receipts.

Subject	Description	Effective Date
Legislation Enacted in 1994		
Tax Reform Deferral	Continued deferral of the remainder of the tax cut enacted in the Tax Reform and Reduction Act of 1987.	1994 tax year

Subject	Description	Effective Date
Earned Income Tax Credit	Created a State credit as a percentage of the Federal amount. The rates were set at 7.5 percent of the Federal credit in 1994, 10 percent in 1995, 15 percent in 1996, and 20 percent for 1997 and after.	1994 and after
Legislation Enacted in 1995		
Standard Deduction	Increased the standard deduction over three years.	1995 and after
Tax Rate Schedule	Reduced the top tax rate from 7.875 percent to 6.85 percent and raised bracket thresholds over three years.	1995 and after
Earned Income Tax Credit	Accelerated into 1996 from 1997 the credit of 20 percent of the Federal amount, but offset it by the household credit.	1996
Legislation Enacted in 1996		
Child and Dependent Care Credit	Increased the credit for taxpayers with adjusted gross incomes of less than $14,000 and made the credit refundable for residents beginning in 1996.	1996 and after
Agricultural Property Tax Credit	Created the credit.	1997 and after
Legislation Enacted in 1997		
Child and Dependent Care Credit	Increased credit to 100 percent of the Federal credit for incomes up to $17,000, phasing down to 20 percent for incomes of $30,000 or more.	1998 and after
Agricultural Property Tax Credit	Allowed $30,000 to be subtracted from income before calculating the percent of income from farming to qualify for the credit; subtracted principal payments on farm debt in calculation of the income to which the credit phase-out applies.	1998 and after
Solar Energy Credit	Created a credit for residential investment in solar electric generating equipment.	1998 and after
College Choice Tuition Savings Program	Created the New York State College Choice Tuition Savings Program.	1998 and after
Legislation Enacted in 1998		
Child and Dependent Care Credit	Increased the credit to 100 percent of the Federal credit for incomes up to $35,000, phasing down to 20 percent for incomes of $50,000 or more.	1999 and after
School Tax Relief Program (STAR)	Accelerated the fully effective senior citizens' school property tax exemption and began deposit of a portion of personal income tax receipts into the STAR fund.	1998-99 school year
Legislation Enacted in 1999		
Earned Income Tax Credit	Increased EITC to 22.5 percent of the Federal credit in 2000 and 25 percent of the Federal credit for subsequent tax years.	2000 and after
Agricultural Property Tax Credit	Expanded credit to include land set aside or retired under a Federal supply management or soil conservation program. Also increased "base acreage" by acreage enrolled or participating in a Federal environmental conservation acreage reserve program.	2001 and after
Qualified Emerging Technology Credit (QETC)	Extended credit to individual investors, including partners in partnerships and shareholders of subchapter S corporations.	2000 and after

Subject	Description	Effective Date
Legislation Enacted in 2000		
Earned Income Tax Credit	Increased the State's EITC to 30 percent of the Federal credit over a two-year period, beginning in 2002. The expansion will first increase the EITC to 27.5 percent of the Federal credit in 2002 and then to 30 percent of the Federal credit in 2003.	2002 and after
Child Care Credit	Increased the credit to 110 percent of the Federal credit for those with incomes up to $25,000, phased down from 110 percent to 100 percent for incomes between $25,000 and $40,000, equal to 100 percent for incomes between $40,000 and $50,000, phased down from 100 percent to 20 percent for incomes between $50,000 and $65,000, and equal to 20 percent for incomes greater than $65,000.	2000 and after
Long-Term Care Insurance Credit	Created a long-term care insurance credit equal to 10 percent of a taxpayer's long-term care insurance premium.	2002 and after
Marriage Penalty	Reduced the marriage penalty by increasing the standard deduction for taxpayers who are married filing jointly from $13,000 to $14,600 in three stages.	2001 and after
College Tuition Credit	Created a deduction for the amount of tuition paid, up to $10,000, for attendance at a qualified institution of higher education. Also, the legislation provides the alternative of a refundable tax credit equal to 4 percent of such tuition. The credit will be at least the lesser of tuition paid or $200. The college tuition deduction will be implemented in four stages.	2001 and after
Petroleum Tank Credit	Created a two-year, $500 personal income tax credit for homeowners who replace a residential fuel oil storage tank.	2001 and 2002
Alternative Energy Fuel Cell Credit	Created an alternative energy fuel cell credit equal to 20 percent of the cost of purchasing and installing a fuel cell to supply power to the taxpayer's home.	2003 and after

Proposed Legislation

Legislation proposed with this Budget includes a conservation donor tax credit, an historic homes rehabilitation credit, an initiative designed to benefit farmers which includes a farmland restoration credit and the extension of the farmers' school tax credit to rented farmland, and co-STAR, a county property tax relief program for seniors and farmers which includes added New York City personal income tax relief for senior citizens.

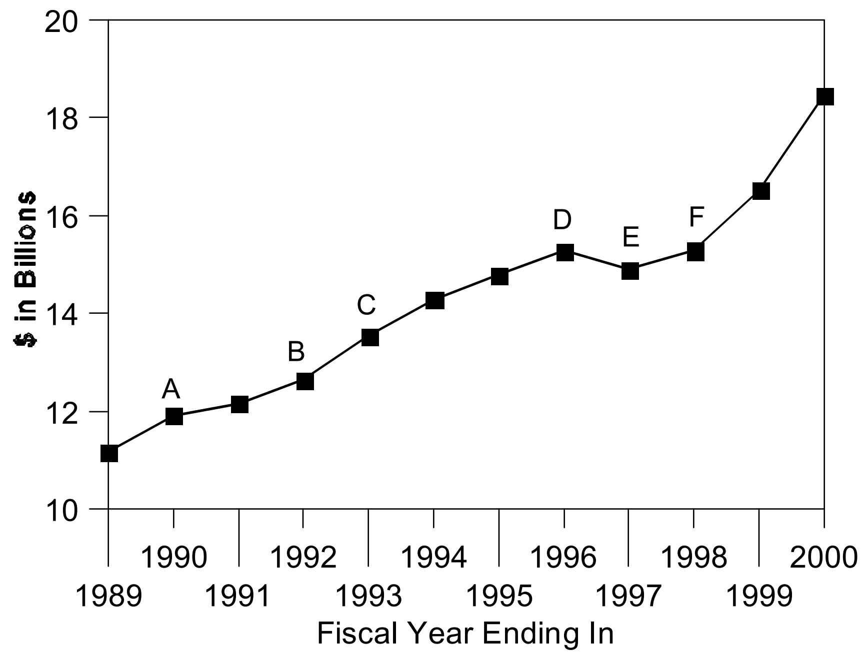
Withholding Changes

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

Effective Date	Feature	Changes
10/1/89	Standard Deduction	Increased to $5,000 for single taxpayers and to $5,500 for married taxpayers.
	Rate Schedule	Adopted 1989 rate schedule, with top rate at 7.875 percent.
10/1/91	Rate Schedule	Changed for taxpayers with taxable wages in excess of $90,000 annually to account for the Federal limitation on itemized deductions and for the State tax table benefit recapture.
7/1/92	Rate Schedule	Changed for taxpayers with taxable wages in excess of $150,000 annually to account for the State tax table benefit recapture.

Effective Date	Feature	Changes
7/1/95	Standard Deduction Rate Schedule	Increased to $5,650 for single individuals, $6,150 for married couples. Lowered maximum rate to 7.59 percent, reduced the number of tax brackets.
4/1/96	Standard Deduction Rate Schedule	Increased to $6,300 for single individuals, $6,800 for married couples. Lowered maximum rate to 7 percent, broadened the wage brackets to which the rates apply.
1/1/97	Standard Deduction Rate Schedule	Increased to $6,975 for single individuals, $7,475 for married couples. Lowered maximum rate to 6.85 percent, broadened the wage brackets to which the rates apply.

Personal Income Tax Withholding



The above graph shows the history of withholding collections since 1988-89, with the timing of withholding table changes indicated.

Refund Reserve Account Transactions

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

TABLE 3
MARCH 31 PERSONAL INCOME TAX REFUND RESERVE ACCOUNT BALANCES AND EFFECTS OF CHANGES ON REPORTED COLLECTIONS
(millions of dollars)

Year Ending March 31	Year End Balance	Change from Prior Year	Effect of Change in Year-End Balance on Reported General Fund Receipts
2000	3,966.9	1,661.0	Decreased receipts by 1,661.0
1999	2,305.9	(86.3)	Increased receipts by 86.3
1998	2,392.2	530.4	Decreased receipts by 530.4
1997	1,861.8	1,183.5	Decreased receipts by 1,183.5
1996	678.4	400.4	Decreased receipts by 400.4
1995	278.0	(861.6)	Increased receipts by 861.6
1994	1,139.6	468.5	Decreased receipts by 468.5
1993	671.1	641.9	Decreased receipts by 641.9
1992	29.2	29.2	Decreased receipts by 29.2
1991	0.0	(48.6)	Increased receipts by 48.6
1990	48.6	48.6	Decreased receipts by 48.6
1989	0.0	0.0	No effect

As part of the State's multi-year effort to end the Spring Borrowing through the Local Government Assistance Corporation (LGAC), State funds were deposited annually from 1993-94 through 1995-96 in the refund reserve account. The amounts deposited were $114 million in 1993-94, $136 million in 1994-95, and $271 million in 1995-96. LGAC funds in the refund reserve, totaling $521 million at the end of 2000-01, are available to finance refunds issued in the Spring of 2001, but must be restored to the reserve by March 31, 2002.

Since 1994-95, when the EITC was created, additional funds have been deposited in the refund reserve account at the end of each fiscal year to pay for a portion of the cost of new tax reductions. Typically, an amount equal to one-quarter of a tax reduction's cost for a specific tax year has been deposited in the account on the following March 31. This practice reflects the sound fiscal policy of paying for a tax reduction in a timely fashion and provides funds to pay additional refunds during April and May.

The following table shows the amounts of reserve at the end of each fiscal year and the purposes for which the funds were reserved.

TABLE 4
PURPOSES OF MARCH 31 PERSONAL INCOME TAX REFUND RESERVE ACCOUNT BALANCES
(millions of dollars)

Date, March 31 of	LGAC	Net Tax Reduction [1/]	Reserves for Other Purposes	Total
1995	250	21	7	278
1996	521	32	125	678
1997	521	73	1,268	1,862
1998	521	90	1,781	2,392
1999	521	7	1,778	2,306
2000	521	25	3,421	3,967
2001 est.	521	51	1,279	1,851

[1/] For EITC starting in 1995 (and subsequent increments), agricultural property tax credit starting in 1997, and child care credit enhancements starting in 1999. Reduced by $100 million starting in 1999 due to the payment of additional refunds in the January to March period.

Timing of the Payment of Refunds

For many years, the payment of refunds during the final quarter of the State's fiscal year (i.e., the January-March period) had been explicitly modified to minimize potential year-end imbalances in the State's General Fund. This practice was made possible because the statute required merely that all refunds on timely filed claims (due no later than April 15, absent an approved request for an extension) be made by July 15 (i.e., within three months of the statutory due date) to avoid State liability for interest on late refunds. Effective since 1995, refunds must be paid within 45 days of the statutory due date to avoid State liability for interest.

Tax Tribunal Decision

In July 1997, the State's Tax Appeals Tribunal delivered a decision regarding the proper computation of State itemized deductions for certain high-income taxpayers. The new computation takes into consideration the interaction between State and Federal itemized deductions in determining State and local income taxes. The Tribunal's decision, which by law the State cannot appeal, in effect, reduces personal income tax liability.

Components of Adjusted Gross Income and Estimated Tax Liability

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

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

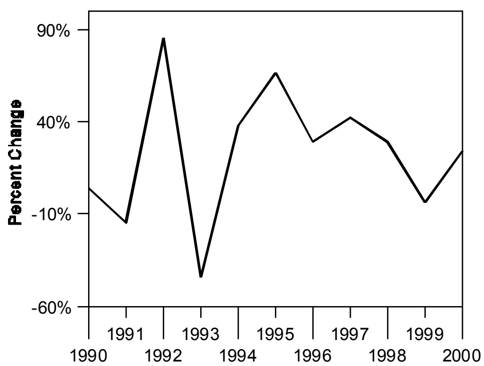
Component of Income	1993	1994	1995	1996	1997	1998	1999	2000	2001
	Actual						Estimated		
NYSAGI									
amount	297,112	301,362	321,124	347,891	383,179	417,996	452,373	491,957	514,777
% change	0.8	1.4	6.6	8.4	10.1	9.1	8.2	8.8	4.6
Wages									
amount	237,972	242,771	253,551	266,334	285,919	309,614	328,748	358,697	376,632
% change	(0.4)	2.0	4.4	5.0	7.4	8.3	6.2	9.1	5.0
share of NYSAGI	80.1	80.6	79.0	76.5	74.6	74.1	72.7	72.9	73.2
Capital Gains									
amount	13,365	12,032	14,086	22,441	31,563	38,929	49,492	53,512	53,303
% change	41.3	(10.0)	17.1	59.3	40.7	23.3	27.1	8.1	(0.4)
share of NYSAGI	4.5	4.0	4.4	6.4	8.2	9.3	10.9	10.9	10.4
Interest and Dividends									
amount	18,567	19,630	22,680	23,534	24,652	24,807	25,442	26,336	27,126
% change	(10.8)	5.7	15.5	3.8	4.8	0.6	2.6	3.5	3.0
share of NYSAGI	6.2	6.5	7.1	6.8	6.4	5.9	5.6	5.4	5.3
Taxable Pension									
amount	13,078	15,694	16,620	17,391	18,953	18,891	19,958	21,020	22,071
% change	14.5	20.0	5.9	4.6	9.0	(0.3)	5.6	5.3	5.0
share of NYSAGI	4.4	5.2	5.2	5.0	4.9	4.5	4.4	4.3	4.3
Business and Partnership Income									
amount	20,639	19,666	25,868	31,425	35,288	37,142	40,314	43,588	46,192
% change	5.4	(4.7)	31.5	21.5	12.3	5.3	8.5	8.1	6.0
share of NYSAGI	6.9	6.5	8.1	9.0	9.2	8.9	8.9	8.9	9.0
All Other Incomes/ Adjustments*									
amount	(6,509)	(8,430)	(11,680)	(13,142)	(13,195)	(11,387)	(11,581)	(11,195)	(10,546)
% change	24.6	29.5	38.6	12.5	0.4	(13.7)	1.7	(3.3)	(5.8)

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

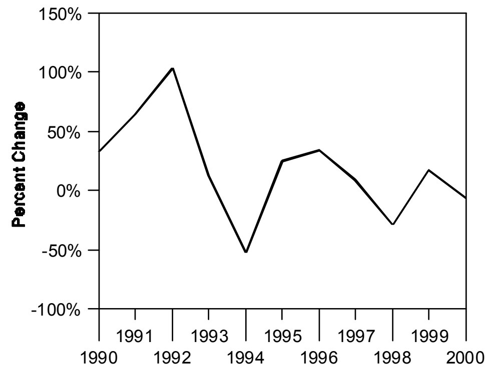
Strong performances in the financial sector in recent years have resulted in a significant shift in the capital gains share of AGI. From 1993 to 2000, the share of capital gains in AGI is estimated to have more than doubled from 4.5 percent to 10.9 percent. Over the same period the share of wages in AGI is estimated to have decreased from 80.1 percent to 72.9 percent. Business and partnership income also shows strong growth between 1993 and 2000, though somewhat smaller than capital gains, and accounts for an estimated 8.9 percent of AGI in 2000. The AGI data suggest that much of the rapid growth in liability in recent years can be attributed to the large increases in realized gains and business income.

Changes in timing of year-end bonus payments also affect the growth rates of AGI. Bonuses in the financial and insurance sector represent more than half of the total bonuses paid out each year. Under traditional patterns, about 40 percent of financial and insurance sector bonuses for a given year are paid in December, with the balance distributed in the beginning of the following year. In the 1992-93 cycle, however, a large share of the bonuses normally paid in January and February 1993 was accelerated into December 1992 to avoid potential Federal tax increases in 1993. It is estimated that as much as 75 percent of financial and insurance bonuses were paid that month. This unusual pattern recurred in the 1993-1994 period. Bonuses for 1994 through 1999, however, returned to the more traditional pattern, where it is estimated that approximately 30 percent of financial and insurance bonuses were paid at the end of the calendar year, while 70 percent were paid early in the following year. It is expected, given current financial performance, that a somewhat lower percentage of bonuses will be paid in early 2001.

Change in 1st Quarter Bonuses



Change in 4th Quarter Bonuses



1998 and 1999 Liability

Based on tax collections, total liability for 1998 was approximately $19.6 billion. Of this amount, $19.0 billion was accounted for by the 8.4 million returns covered in the annual study of personal income tax returns prepared by the New York State Department of Taxation and Finance. The balance reflects liability received with fiduciary returns, late filed returns and other transactions excluded from the annual study. The AGI amount in the tax study for 1998 was $418 billion, yielding an average effective tax rate of 4.5 percent.

As in 1997 and 1998, 1999 saw a significant increase in income concentrated in the high income segment of taxpayers, a result of a strong performance in the financial sector. AGI is estimated to have grown more than 8 percent, to $452 billion, in 1999. Wages and salaries are estimated to have increased about 6.2 percent. Following 41 percent growth in 1997 and 23 percent growth in 1998, capital gains are estimated to have risen about 27 percent in 1999. Interest and dividend income is estimated to have increased 2.6 percent, following growth of 0.6 percent in 1998. Business net income and income derived from partnerships and S corporations are expected to have risen 8.5 percent following a 5.3 percent increase in 1998.

Legislation, passed in June 1995, implemented the final phase of the personal income tax cut in the 1997 tax year, increasing the standard deduction, and reducing the maximum tax rate imposed on taxable income, compared to 1996. The resulting 1999 liability, as extrapolated from the 1998 study file, is estimated to be more than $21 billion, producing close to 11 percent growth compared to 1998. The effective tax rate is estimated to be close to 4.7 percent.

Under the Federal Taxpayer Relief Act of 1997, the Federal government reduced the tax rate on capital gains effective after May 7, 1997. In addition, starting in 1998, other Federal law changes affected New York AGI and liability. Some of these changes include the introduction of Education IRAs and "Roth IRAs." Both are estimated to have had minimal impact on New York liability for the 1998 and 1999 tax years.

2000 AGI and Liability

By most indicators, the State economy remained relatively strong in 2000, though slowing somewhat in the latter part of the year. AGI is estimated to have grown 8.8 percent, to $492 billion. Wages and salaries are estimated to have increased 9.1 percent, reflecting continued employment gains and healthy bonus performance, largely linked to 1999 market activity. Interest and dividend income is estimated to have risen 3.5 percent. Liability was affected by a smaller projected increase in capital gains realizations of about 8 percent. Over the 1998 through 2000 period, however, capital gains realizations are estimated to have increased more than 37 percent. Business net income, and income derived from partnerships and S corporations are estimated to have grown about 8 percent between 1999 and 2000.

Estimated liability is projected to have increased 11 percent, to $23.4 billion.

In addition to being fully implemented for qualified senior citizens, the STAR program entered its second phase for all other New York residential homeowners who itemize their deductions.

2001 AGI and Liability

In 2001, AGI is expected to grow approximately 4.6 percent, moderating from the strong growth of the last few years. The increase in wages and salaries is projected to be 5.0 percent. Bonuses in 2001 are expected to increase less rapidly (only 2.4 percent) than the strong growth of 2000 (which was more than 19 percent). Financial sector bonuses are expected to remain flat in 2001. Capital gains realizations are also expected to show no growth. The other components of income are expected to grow, in aggregate, by about 6.4 percent. Under current law, estimated liability is projected to increase 5.4 percent, to $24.7 billion.

Risks in Liability Estimates

The composition of the income components for the 2000 and 2001 liability years contributes to significant risk in the personal income tax liability estimates, and, consequently, in the personal income tax fiscal year cash estimates. Indeed, the liability forecasts assume continued moderate growth in bonuses and flat capital gains income. Both of these income components tend to exhibit much more volatility than most other components of income. The concentration of large amounts of income from these sources among high income taxpayers — who have the highest effective tax rates — compounds the risk for the liability and fiscal year cash estimates. If actual bonus or capital gains incomes vary much from the forecast values, personal income tax collections could be much different than forecasted collections. (See section entitled Sources of Volatility in the Economic Backdrop section of this Appendix.)

2000-01 RECEIPTS

Based on current economic conditions, total personal income tax receipts for the 2000-01 fiscal year are now estimated at $27,118 million.

Key risks for the remainder of the fiscal year include the amount of withholding tax collections to be received during the first quarter of 2001 and the balance of estimated payments received on 2000 liability.

The current forecast assumes that estimated payments on 2000 liability will end the year approximately 11 percent higher than comparable payments on 1999 liability. As already noted, this increase is due in part to the financial market's strong performance in early 2000, and the consequent impact on bonus payments and realized capital gains.

Withholding collections, which increased 11.3 percent through the first nine months of the fiscal year, are expected to increase 2.5 percent for the remainder of 2000-01. The strong year-to-date increase in withholding is due to increased wages resulting from stronger than expected employment and average wage gains. The lower growth expected for the remainder of the year reflects slowing wage growth accompanied by weak bonus growth from the high levels of the prior year.

Without refund reserve transactions and changes in the timing of refund payments, net receipts are estimated to grow to $25,502 million, an increase of 10 percent from comparable 1999-2000 receipts. The components of the estimate are detailed in Table 6, and are based on estimated collections of $20.7 billion through December.

TABLE 6
PROJECTED FISCAL-YEAR COLLECTION COMPONENTS
ALL-FUNDS
(millions of dollars)

	1999-2000 (Actual)	2000-01 (Estimated)	2001-02 (Projected)
Receipts			
Withholdings	18,461	20,027	21,036
Estimated Payments	5,835	6,450	6,730
Current Year	4,668	5,200	5,430
Prior Year*	1,166	1,250	1,300
Final Returns	1,429	1,671	1,730
Current Year	105	105	105
Prior Year*	1,324	1,566	1,625
Delinquent Collections	512	535	540
Gross Receipts	26,236	28,683	30,036
Refunds			
Prior Year*	2,124	2,296	2,045
Previous Years	132	155	155
Current Year	460	960	960
State-City Offset*	325	270	275
Total Refunds	3,041	3,681	3,435
Reserve Transactions	(1,661)	2,116	1,251
Net Receipts	21,533	27,118	27,852

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

The planned balance in the refund reserve account on March 31, 2001, is $1.85 billion. Of this amount, $521 million is attributable to Local Government Assistance Corporation (LGAC) transactions in 1993-94 ($114 million), 1994-95 ($136 million) and 1995-96 ($271 million). These transactions are part of the State's multi-year effort to end the Spring Borrowing and, while $521 million is available to finance refunds to be issued in the Spring of 2001, it must be restored to the reserve by March 31, 2002. To continue the practice of depositing a portion of the cost of new personal income tax reductions in the reserve fund, $51 million in additional funds will be deposited in the reserve account on March 31.

An added risk to the estimate of 2000-01 receipts results from the timing of bonus payments paid by financial services companies. A large portion of these bonuses is paid in the first quarter of the calendar year. As a result, these results are not available when the 2000-01 estimates were constructed.

2001-02 PROJECTIONS

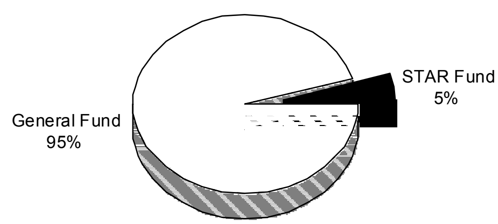
Based on current law, net personal income tax receipts are expected to increase by 2.7 percent, to $27,852 million, in 2001-02. Reported receipts include the net increase to collections of $1.25 billion from transactions in the refund reserve account.

Withholding receipts are projected to rise by 5 percent. Final payments related to 2000 returns are expected to increase by $59 million from 1999 returns, reflecting continued strong liability growth.

The other major component of collections, estimated payments on 2001 income, will grow moderately. This is consistent with expected non-wage income growth in 2001, the high base level of 2000 estimated tax payments, and lower growth in capital gains realizations following the high 1997 through 1999 levels that resulted, at least partially, from the 1997 Federal capital gains changes.

OTHER FUNDS

STAR Share of Net Receipts



Legislation enacted in 1998 created the School Tax Relief (STAR) Fund to help provide school tax reductions under the STAR program, accelerated the fully effective level of the enhanced senior citizens school property tax exemption into 1998-99, and accelerated the final level of the New York City personal income tax credit into the 1998 tax year for taxpayers age 65 or more. In 2000-01, dedicated personal income tax receipts of $1,877 million will be deposited in the School Tax Relief Fund. This amount is $17 million more than estimated at the time of the Mid-Year Update. In 2001-02, it is estimated that receipts of $1,371 million will be deposited in the Fund. This represents STAR costs for the year after use of $1,200 million in STAR reserves deposited in 2000-01.

GENERAL FUND

General Fund net personal income tax receipts are estimated at $23,791 million in 2000-01 and $26,481 million in 2001-02.

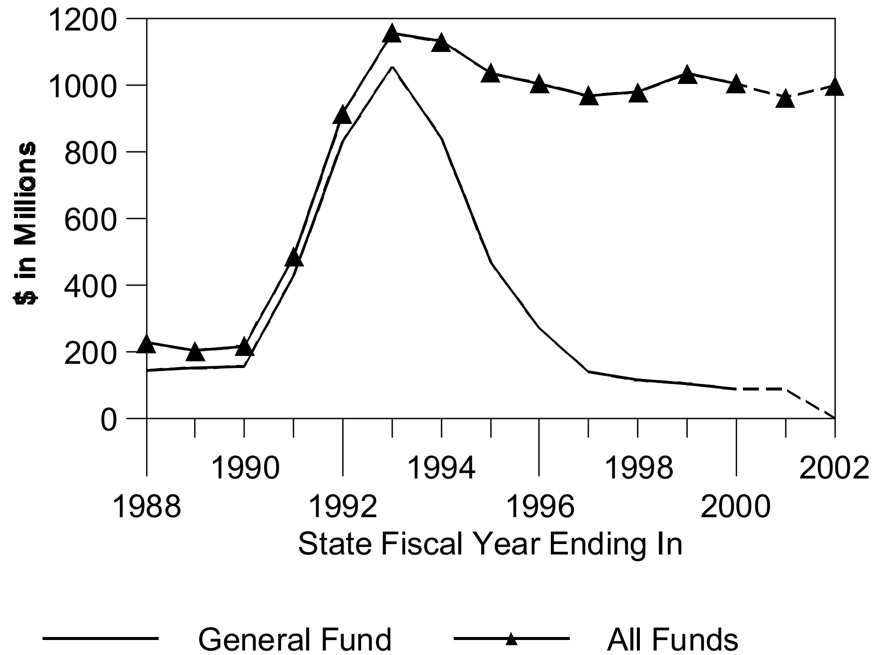
TABLE 7
PERSONAL INCOME TAX RECEIPTS
(millions of dollars)

	Gross General Fund	Refunds & Reserve Transactions	Net General Fund	Special Revenue Funds [1]	Capital Projects Funds [2]	Debt Service Funds	All Funds Net Collections
	Actual						
1992-93	18,074	2,755	15,319	0	0	0	15,319
1993-94	18,727	2,693	16,034	0	0	0	16,034
1994-95	19,028	1,438	17,590	0	0	0	17,590
1995-96	19,857	2,859	16,998	0	0	0	16,998
1996-97	20,238	3,867	16,371	0	0	0	16,371
1997-98	21,088	3,329	17,759	0	0	0	17,759
1998-99	23,371	2,709	20,080	582	0	0	20,662
1999-2000	26,236	4,703	20,339	1,195	0	0	21,534
	Estimated						
2000-01	28,683	1,565	23,791	3,077	250	0	27,118
2001-02							
(current law)	30,036	2,184	26,481	1,371	0	0	27,852
(proposed law)	30,036	2,184	26,481	1,371	0	0	27,852

[1] STAR Fund.
[2] Debt Reduction Reserve Fund

PETROLEUM BUSINESS TAXES

Petroleum Business Taxes Receipts
History and Estimates



DESCRIPTION

Article 13-A of the Tax Law imposes a privilege tax on petroleum businesses operating in the State, based upon the quantity of various petroleum products imported for sale or use in the State. The tax is collected monthly in conjunction with State motor fuel taxes (Article 12-A). Article 13-A also imposes the petroleum business carrier tax on fuel purchased outside New York and consumed within the State. The carrier tax is collected quarterly with the fuel use tax portion of the highway use tax (see section titled Highway Use Tax). Specifically exempted from Article 13-A taxes are fuel used for manufacturing, residential or not-for-profit organization heating purposes, fuel sold to governments, kerosene other than kero-jet fuel, crude oil, liquefied petroleum gas (LPG), and certain bunker fuel.

Tax Rates and Indexing

Petroleum business tax (PBT) rates have two components: the base tax, whose rates vary by product type; and the supplemental tax, which is imposed, in general, at a uniform rate. Both components are partially indexed to reflect petroleum price changes. Table 1 displays the current per gallon PBT rates for 2000 and 2001. Table 2 displays estimated rates for 2002, which reflect changes due to indexing.

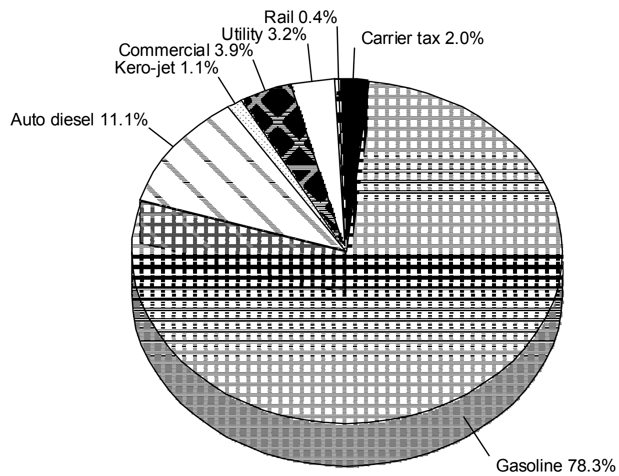
TABLE 1
ACTUAL PETROLEUM BUSINESS TAX RATES
(cents per gallon)

Petroleum Products	2000 Base	2000 Supp	2000 Total	Jan.-Mar. 2001 Base	Jan.-Mar. 2001 Supp	Jan.-Mar. 2001 Total	Apr.-Dec. 2001 Base	Apr.-Dec. 2001 Supp	Apr.-Dec. 2001 Total
Automotive fuel									
Gasoline and other non-diesel	8.00	5.40	**13.40**	8.40	5.60	**14.00**	8.40	5.60	**14.00**
Diesel	8.00	3.65	**11.65**	8.40	3.85	**12.25**	8.40	3.85	**12.25**
Aviation gasoline	8.00	5.40	**13.40**	8.40	5.60	**14.00**	8.40	5.60	**14.00**
Net rate after credit	5.40	0.0	**5.40**	5.60	0.0	**5.60**	5.60	0.0	**5.60**
Kero-jet fuel	5.40	0.0	**5.40**	5.60	0.0	**5.60**	5.60	0.0	**5.60**
Non-automotive diesel fuels	7.30	5.40	**12.70**	7.60	5.60	**13.20**	7.60	5.60	**13.20**
Commercial gallonage after credit	7.30	0.0	**7.30**	7.60	0.0	**7.60**	7.60	0.0	**7.60**
Electric utility after credit	2.43	5.40	**7.83**	2.52	5.60	**8.12**	2.52	5.60	**8.12**
Nonresidential heating after credit	7.30	0.0	**7.30**	7.60	0.0	**7.60**	6.10	0.0	**6.10**
Residual petroleum products	5.70	5.40	**11.10**	5.90	5.60	**11.50**	5.90	5.60	**11.50**
Commercial gallonage after credit	5.70	0.0	**5.70**	5.90	0.0	**5.90**	5.90	0.0	**5.90**
Electric utility after credit	0.87	5.40	**6.27**	0.86	5.60	**6.46**	0.86	5.60	**6.46**
Nonresidential heating after credit	5.70	0.0	**5.70**	5.90	0.0	**5.90**	4.70	0.0	**4.70**
Railroad diesel fuel	8.00	3.65	**11.65**	8.40	3.85	**12.25**	8.40	3.85	**12.25**
Net rate after exemption/refund	6.70	0.0	**6.70**	7.10	0.0	**7.10**	7.10	0.0	**7.10**

TABLE 2
ESTIMATED PETROLEUM BUSINESS TAX RATES
(cents per gallon)

Petroleum Products	Jan.-Aug. 2002 Base	Jan.-Aug. 2002 Supp	Jan.-Aug. 2002 Total	Sept.-Dec. 2002 Base	Sept.-Dec. 2002 Supp	Sept.-Dec. 2002 Total
Automotive fuel						
Gasoline and other non-diesel	8.80	5.80	**14.60**	8.80	5.80	**14.60**
Diesel	8.80	4.05	**12.85**	8.80	4.05	**12.85**
Aviation gasoline	8.80	5.80	**14.60**	8.80	5.80	**14.60**
Net rate after credit	5.80	0.0	**5.80**	5.80	0.0	**5.80**
Kero-jet fuel	5.80	0.0	**5.80**	5.80	0.0	**5.80**
Non-automotive diesel fuels	7.90	5.80	**13.70**	7.90	5.80	**13.70**
Commercial gallonage after credit	7.90	0.0	**7.90**	7.90	0.0	**7.90**
Electric utility after credit	2.60	5.80	**8.40**	2.60	5.80	**8.40**
Nonresidential heating after credit	6.30	0.0	**6.30**	4.30	0.0	**4.30**
Residual petroleum products	6.10	5.80	**11.90**	6.10	5.80	**11.90**
Commercial gallonage after credit	6.10	0.0	**6.10**	6.10	0.0	**6.10**
Electric utility after credit	0.84	5.80	**6.64**	0.84	5.80	**6.64**
Nonresidential heating after credit	4.90	0.0	**4.90**	3.30	0.0	**3.30**
Railroad diesel fuel	8.80	4.05	**12.85**	8.80	4.05	**12.85**
Net rate after exemption/refund	7.50	0.0	**7.50**	7.50	0.0	**7.50**

PBT Components (Share of 1999-2000 Receipts)



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

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

Legislation in 1994 provided that beginning January 1, 1996, and annually thereafter, tax rates would again be indexed, but rates could not increase or decrease by more than 5 percent per year. In addition to the 5 percent cap on rate changes, the statute required that the basic and supplemental rates be rounded to the nearest tenth of one cent. As a result, tax rates usually do not exactly match changes in the index.

Based on the index, PBT rates for 1999 and 2000 declined by 5 percent, but are scheduled to increase by 5 percent for 2001. Projections used in this Budget call for the index for January 1, 2002, to increase by more than 5 percent, triggering a rate increase of up to 5 percent for 2002.

TABLE 3
PETROLEUM BUSINESS TAX INDEX
(percent)

Year	Fuel Price Change	PBT Index
1992	16.47	16.47
1993	(14.40)	0.00
1994	(0.46)	0.00
1995	(8.72)	0.00
1996	4.41	4.41
1997	6.57	5.00
1998	7.96	5.00
1999	(18.60)	(5.00)
2000	(7.85)	(5.00)
2001	55.53	5.00
2002*	7.75	5.00

* Estimated

Payments

Under 1992 legislation, businesses with yearly motor fuel and petroleum business tax liability of more than $5 million are required to remit, using electronic funds transfer, their total tax liability for the first 22 days of the month, within three business days. The tax for the balance of the month is paid with the monthly returns filed by the twentieth of the following month.

SIGNIFICANT LEGISLATION

Numerous statutory changes have been made to the petroleum business tax during the last several years. The following is a list which summarizes the major legislation impacting petroleum business tax collections since 1995.

Subject	Description	Effective Date
Legislation Enacted in 1995		
Aviation Fuels	Effectively eliminated the supplemental tax imposed on aviation gasoline and kero-jet fuel and reduced the base tax rate for those products to a rate that is equivalent to the statutory supplemental tax rate. To maintain the first import system, which imposes the petroleum business tax on aviation gasoline upon importation, and still allow retail sellers of aviation gasoline to sell such product at a reduced rate, distributors of aviation gasoline must remit the full tax imposed on that product and may subsequently take a credit for the difference between the full rate and the reduced rate.	September 1, 1995
Not-for-profit Organizations	Provided full exemption for heating fuel that is for the exclusive use and consumption of certain not-for-profit organizations.	January 1, 1996
Legislation Enacted in 1996		
Railroads	Exempted diesel motor fuel used for railroads from the supplemental portion of the tax and reduced the base rate by 1.33 cents per gallon.	January 1, 1997
Commercial Heating	Provided full exemption from the supplemental tax imposed on distillate and residual fuels used by the commercial sector for heating.	March 1, 1997

Subject	Description	Effective Date
Manufacturing	Expanded to a full exemption, the partial exemption provided for residual and distillate fuels used in manufacturing.	January 1, 1998
Diesel Supplemental Tax	Reduced by three-quarters of one cent per gallon the supplemental tax imposed on diesel motor fuel.	January 1, 1998
	Reduced by an additional one cent per gallon the supplemental tax imposed on diesel motor fuel.	April 1, 1999
Utilities	Increased by one-half cent per gallon the base tax credit for residual and distillate fuels used by utilities to generate electricity.	April 1, 1999
Legislation Enacted in 1997		
Vessels	Created a credit or refund for fuel used in vessels that was purchased in the State and consumed outside the State; clarified that the export credit/refund applies to export for use, as well as sale; stated that the legal incidence of the tax is on consumers; and limited the judicial remedies available to taxpayers.	April 1, 1984
Legislation Enacted in 1999		
Commercial Heating	Reduced 20 percent the petroleum business tax rates on commercial gallons for space heating by.	April 1, 2001
Mining and Extraction	Provided for reimbursement of petroleum business tax imposed on fuels used for mining and extraction.	April 1, 2001
Legislation Enacted in 2000		
Minimum Tax	Eliminated the minimum taxes on petroleum businesses and aviation fuel businesses under the PBT.	March 1, 2001
Commercial Heating	Reduced by 33 percent the petroleum business tax rates on commercial gallons for space heating.	September 1, 2002

In past years, proceeds of the petroleum business tax have been shared by the General Fund and the Mass Transportation Operating Assistance Fund (MTOAF). Prior to the 1990 revisions, the General Fund received 72.7 percent and MTOAF received 27.3 percent or a guaranteed amount. The 1990 statute converted the tax from a gross receipts tax to a cents-per-gallon tax, expanded the tax yield, and limited the MTOAF share to slightly more than 17.7 percent of the nonsurcharge proceeds — the dollar equivalent of its share prior to the expansion. Carrier tax receipts are deposited in the General Fund until April 1, 2001.

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

Legislation enacted in 2000 redistributed PBT receipts. Effective April 1, 2001, all PBT General Fund receipts, including carrier tax receipts, will be redistributed to the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund.

Statutory changes to the allocation of the PBT by fund type are reported in Table 4.

TABLE 4
PBT BASE TAX FUND DISTRIBUTION
(percent)

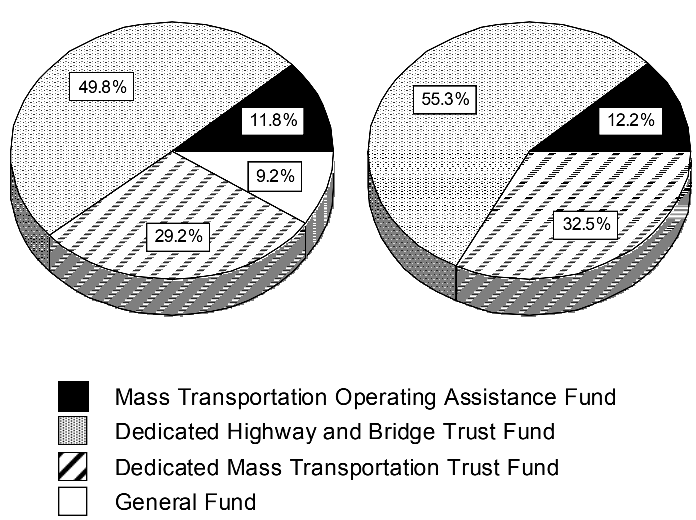
Effective Date	General Fund	MTOAF [1]	Dedicated Funds Pool [2]
Prior to April 1, 1993	82.3	17.7	0.0
April 1, 1993	28.3	17.7	54.0
September 1, 1994	22.4	18.6	59.0
September 1, 1995	18.0	19.2	62.8
April 1, 1996	17.4	19.3	63.3
January 1, 1997	14.5	19.3	66.2
January 1, 1998	12.4	19.5	68.1
April 1, 1999	10.7	19.5	69.8
April 1, 2001	0	19.7	80.3

[1] This is split between the Public Transportation System Operating Assistance Account and the Metropolitan Mass Transportation Operating Assistance Account.
[2] This pool is split 37 percent to the Dedicated Mass Transportation Trust Fund and 63 percent to the Dedicated Highway and Bridge Trust Fund.

2000-01 RECEIPTS

Petroleum business tax receipts derived from motor fuel and diesel motor fuel are estimated to follow the same consumption trends as fuel subject to the motor fuel excise tax. (See section titled Motor Fuel Tax.) Residual fuels used by utilities are estimated to increase due to the decrease in the relative price of residual fuel oil compared to natural gas.

PBT Receipts 2000-01 and 2001-02



Estimated collections through December from the petroleum business tax, including audit receipts, surcharges and the carrier tax, were $727.1 million, 7.2 percent below comparable receipts in 1999-2000. Based on these collection trends, petroleum business tax receipts for the year are estimated at $962.0 million. The estimate of receipts for 2000-01 reflects the 5 percent decrease in PBT rates that took effect on January 1, 2000, and the 5 percent increase effective January 1, 2001.

2001-02 PROJECTIONS

The forecast assumes no increase in gasoline consumption and a 1.9 percent increase in diesel consumption. The demand for residual fuels consumed by utilities is projected to increase modestly due to lower residual fuel prices relative to natural gas prices.

Projected 2001-02 receipts of $999.0 million assume that fuel inventories will remain stable. The estimate also reflects: (1) 1999 legislation reducing taxes on commercial heating by 20 percent; (2) reimbursement of tax on fuels used for mining and extraction; and (3) 2000 legislation eliminating PBT minimum taxes. In addition, receipts for 2001-02 anticipate that the index used to set PBT rates in January 2002 will increase by 5 percent.

OTHER FUNDS

In 1999-2000, the petroleum business tax provided MTOAF receipts of $113.1 million, Dedicated Highway and Bridge Trust Fund receipts of $505.7 million, and Dedicated Mass Transportation Trust Fund receipts of $297.0 million.

Petroleum business taxes in 2000-01 are expected to provide MTOAF receipts of $113.8 million, Dedicated Highway and Bridge Trust Fund receipts of $478.9 million, and Dedicated Mass Transportation Trust Fund receipts of $281.3 million.

Legislation enacted in 2000 significantly increased the flow of PBT funds to the Dedicated Funds Pool. Effective April 1, 2001, all PBT receipts currently deposited in the General Fund, including the balance of the basic tax and the carrier tax, will be deposited in the Dedicated Funds Pool. As a result, petroleum business tax receipts in 2001-02 are projected at $121.8 million for MTOAF, $552.6 million for the Dedicated Highway and Bridge Trust Fund, and $324.6 million for the Dedicated Mass Transportation Trust Fund.

GENERAL FUND

In 1999-2000, petroleum business tax receipts of $89.1 million were deposited in the General Fund. General Fund receipts in 2000-01 are estimated at $88 million.

Legislation enacted in 2000 provided that all PBT receipts currently deposited in the General Fund will be deposited in the Dedicated Funds Pool. As a result, no PBT receipts will be deposited in the General Fund in 2001-02.

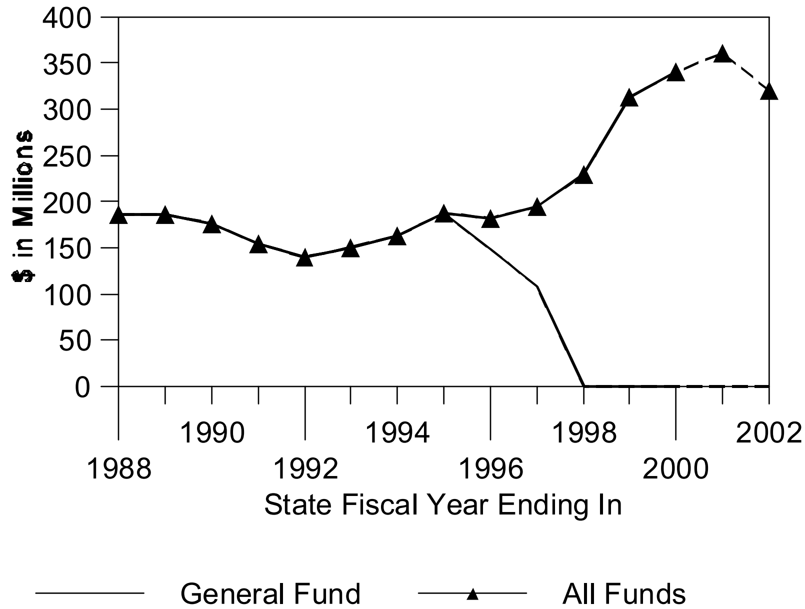
PETROLEUM BUSINESS TAX RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Gross Special Revenue Funds [1/]	Refunds	Net Special Revenue Funds [1/]	Gross Capital Projects Funds [2/]	Refunds	Net Capital Projects Funds [2/]	All Funds Net Collections
	Actual									
1992-93	1,083,798	10,797	1,073,001	100,578	1,002	99,576	0	0	0	1,172,577
1993-94	870,846	16,218	854,628	240,167	4,473	235,694	56,070	1,044	55,026	1,145,348
1994-95	482,522	7,558	474,964	347,434	5,442	341,992	232,626	3,644	228,982	1,045,938
1995-96	275,989	3,439	272,550	303,167	3,778	299,389	429,192	5,349	423,843	995,782
1996-97	143,469	2,570	140,899	379,155	6,791	372,364	462,341	8,281	454,060	967,323
1997-98	116,573	2,477	114,096	396,454	8,424	388,030	486,846	10,345	476,501	978,627
1998-99	103,485	1,218	102,267	422,123	4,742	417,381	519,132	5,829	513,303	1,034,169
1999-2000	90,286	1,146	89,141	414,867	4,810	410,057	511,595	5,932	505,663	1,004,861
	Estimated									
2000-01	89,600	1,600	88,000	402,500	7,400	395,100	487,900	9,000	478,900	962,000
2001-02	0	0	0	451,900	5,500	446,400	559,500	6,900	552,600	999,000

[1/] Dedicated Mass Transportation Trust Fund and Mass Transportation Operating Assistance Fund.
[2/] Dedicated Highway and Bridge Trust Fund.

REAL ESTATE TRANSFER TAX

Real Estate Transfer Tax Receipts
History and Estimates



DESCRIPTION

The New York State real estate transfer tax is imposed by Article 31 of the Tax Law on each conveyance of real property or interest therein, when the consideration exceeds $500, at a rate of $4 per $1,000 of consideration. Prior to May 1983, the rate was $1.10 per $1,000 of consideration. The tax became effective August 1, 1968. An additional tax, effective July 1, 1989, is imposed on conveyances of residential real property for which the consideration is $1 million or more. The rate is 1 percent of the consideration attributable to residential property.

Typically, the party conveying the property (grantor) is responsible for payment of the tax, either through the purchase of adhesive documentary stamps or by the use of a metering machine or through other devices, provided by the Commissioner of Taxation and Finance.

The tax rate imposed on conveyances into new or existing real estate investment trusts (REITS) is $2 per $1,000 of consideration. The following governmental entities are exempt from the real estate transfer tax: New York State (including agencies, instrumentalities, subdivisions, and public corporations); the United States (including agencies and instrumentalities); and the United Nations. If an exempt entity is the grantor in a transfer, the tax burden falls upon the grantee. Significant exemptions from the tax are: conveyances to an exempt governmental agency, conveyances given pursuant to the Federal bankruptcy act, and mere change of identity conveyances. A deduction from the taxable consideration is allowed for any lien or encumbrance remaining at the time of sale involving a one-, two-, or three-family house or individual residential condominium unit.

Administration

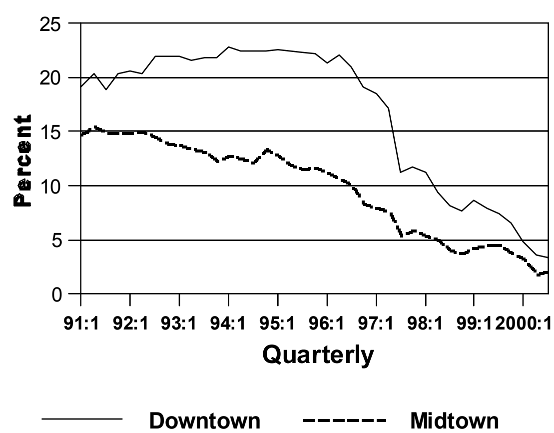
For deeded transfers, the tax is paid to a recording agent (generally, the county clerk). For non-deeded transactions, payments are made directly to the Commissioner of Taxation and Finance. All payments are due to the recording agent within 15 days of the transfer. For counties with more than $1.2 million in liability during the previous calendar year, payments received between the first and fifteenth day of the month are due to the Commissioner by the twenty-fifth day of the same month. Payments received in such counties between the sixteenth and the final day of the month are due to the Commissioner by the tenth day of the following month. Payments from all other counties are due to the Commissioner by the tenth day of the month following their receipt. Although the county payment schedule is statutory, it is not useful for predicting monthly cash flows due to the unpredictable payment behavior of some large counties.

2000-01 RECEIPTS

Reported collections during the first nine months of 2000-01 are estimated to be $287.5 million, an increase of 13.4 percent from 1999-2000 collections for the comparable period.

During the first six months of the fiscal year, collections were driven by double-digit real estate price increases. Prices on residential properties downstate continued to escalate sharply over the first half of 2000. Receipts from nonresidential transactions have also risen from year-ago levels, largely the result of strong demand for rental space in Manhattan from a diverse group of business consumers. Vacancy rates in Manhattan have declined steadily since the early part of 1993. After a slight rise in early 1999, vacancy rates resumed their decline and now are at levels not seen since the early 1980's. During the third quarter of 2000, the vacancy rate in downtown Manhattan reached 3.3 percent while the rate in midtown was 2.2 percent.

Vacancy Rates in Manhattan



Source: C.B. Richard Ellis

For the remainder of the fiscal year, receipts growth is expected to slow. Overall, the number of transactions during the past five months were below year-ago levels, almost certainly the result of the steady rise in mortgage rates since early 1999. Additionally, demand for nonresidential property is expected to cool, as stock market uncertainties temper demand for space by the financial sector, and unprofitable companies are eliminated from the market picture.

FISCAL YEAR LIABILITY THROUGH OCTOBER
(millions of dollars)

Region	1999-2000 Liability	2000-01 Liability	Percent Change
Manhattan	36.0	43.2	20.0
Other Four Boroughs	29.3	32.4	10.6
Long Island	42.0	47.3	12.5
Rest of State	58.3	73.0	25.2
Central Office*	37.9	42.5	12.1

*Through November

Collections for the remainder of the fiscal year are expected to be $72.5 million, a decline of 16 percent from 1999-2000 collections for the same period. Net All Funds receipts are estimated at $360 million, up 5.8 percent.

2001-02 PROJECTIONS

Mortgage rates are expected to increase during the early part of 2001-02. Accordingly, taxable transactions are expected to continue to decline. Residential prices are expected to remain roughly constant. The factors which negatively affected nonresidential receipts during 2000-01 will continue to do so in 2001-02. Net All Funds receipts are expected to decrease to $320 million, down 11.1 percent from the record setting levels of State fiscal year 2000-01.

OTHER FUNDS

During 2000-01, the statutory amount of real estate transfer tax receipts diverted to the Environmental Protection Fund is $112 million. Legislation submitted with this Budget will increase this amount to $132 million in State fiscal year 2001-02 and thereafter. The remainder of real estate transfer tax receipts, estimated at $248 million in 2000-01 and $188 million in 2001-02, are to be deposited in the Clean Water/Clean Air Bond Debt Service Fund.

GENERAL FUND

The General Fund will receive no direct deposit of real estate transfer tax receipts in 2000-01 or 2001-02. However, the balance of the Clean Water/Clean Air Fund, not needed for debt service, is transferred to the General Fund.

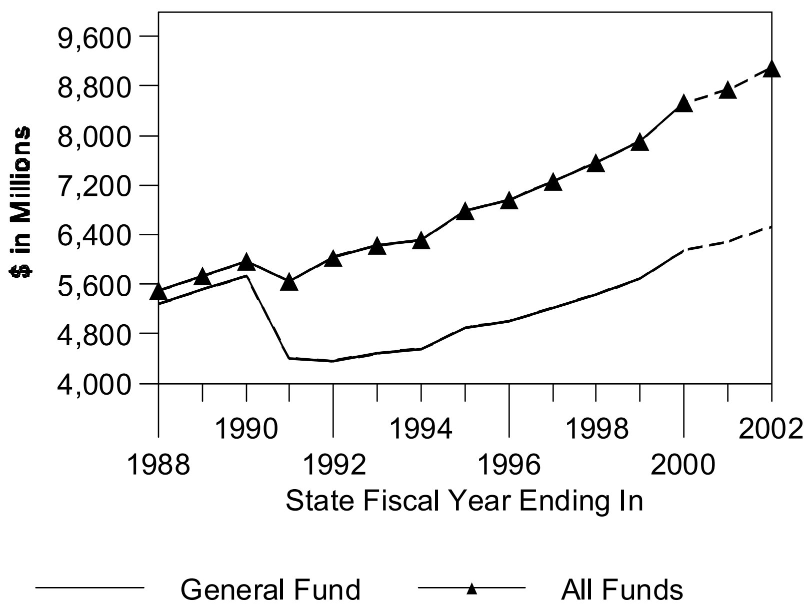
REAL ESTATE TRANSFER TAX RECEIPTS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds [1]	Gross Debt Service Funds [2]	Refunds	Debt Service Funds [2]	All Funds Net Collections
	Actual								
1992-93	150,085	532	149,553	0	0	0	0	0	149,553
1993-94	163,174	618	162,556	0	0	0	0	0	162,556
1994-95	187,801	278	187,523	0	0	0	0	0	187,523
1995-96	148,505	307	148,198	0	33,500	0	0	0	181,698
1996-97	107,859	371	107,488	0	87,000	0	0	0	194,488
1997-98	0	0	0	0	87,000	142,747	115	142,632	229,632
1998-99	0	0	0	0	112,000	200,383	14	200,369	312,369
1999-2000	0	0	0	0	112,000	228,334	104	228,230	340,230
	Estimated								
2000-01	0	0	0	0	112,000	248,100	100	248,000	360,000
2001-02									
(current law)	0	0	0	0	112,000	208,100	100	208,000	320,000
(proposed law)	0	0	0	0	132,000	188,100	100	188,000	320,000

[1] Environmental Protection Fund.
[2] Clean Water/Clean Air Bond Debt Service Fund.

SALES AND USE TAX

Sales and Use Tax Receipts
History and Estimates



DESCRIPTION

The sales and compensating use tax, which accounted for over 16 percent of 1999-2000 General Fund revenues, not including transfers from other funds, is the second largest State tax revenue source behind the personal income tax. The tax is levied on sales or uses within the State of most tangible personal property and on selected services.

Tax Rate

The tax, imposed by Article 28 of the Tax Law, was enacted in 1965 at the rate of 2 percent. The tax rate was increased to 3 percent in 1969 and to the current 4 percent rate in 1971.

Counties and cities are authorized to impose the tax at up to a combined 3 percent rate. However, 20 counties and 4 cities (including New York City) have sought and received temporary legislative authority to impose at a higher rate. Thus, the combined State-local sales and use tax rate exceeds 7 percent in many instances. More than 70 percent of the State's population resides in areas where the tax rate is 8 percent or higher. An additional 0.25 percent sales and use tax is imposed in the 12-county Metropolitan Commuter Transportation District (MCTD). The entire proceeds from the MCTD tax are earmarked for the Mass Transportation Operating Assistance Fund (MTOAF).

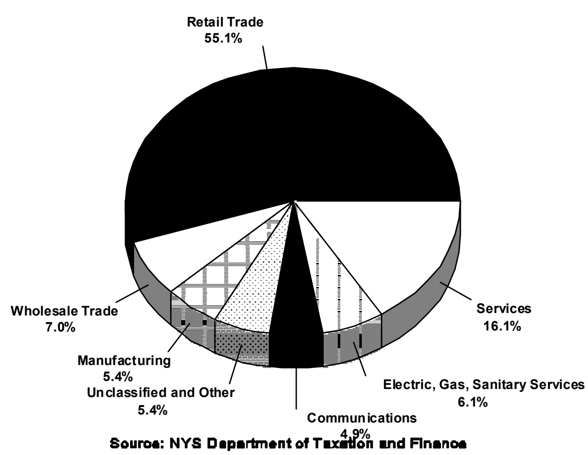
Base of Tax

In general, all retail sales of tangible personal property are taxed unless specifically exempt, but services are taxable only if they are enumerated in the Tax Law.

Specifically, the sales tax is applied to receipts from the retail sale of:
— tangible personal property (unless specifically exempt);
— certain gas, electricity, refrigeration and steam, and telephone service;
— selected services;
— food and beverages sold by restaurants, taverns and caterers;
— hotel occupancy; and
— certain admission charges and dues.

Examples of taxable services include information services, installing or maintaining tangible personal property, and protective and detective services. An additional 5 percent sales tax is imposed on the receipts from the sale of telephone entertainment services that are exclusively delivered aurally.

Industry Shares of Taxable Sales and Purchases
September 1998 to February 1999



Source: NYS Department of Taxation and Finance

Although numerous exemptions of tangible personal property from tax have been enacted (see discussion below), 55 percent of total taxable sales and purchases are accounted for by the retail trade industry. This includes, for example, automobile dealers, eating and drinking establishments, and general merchandise stores. The service industry, including hotels, automobile repair and business services, at 16 percent of the statewide total, accounts for the next largest share of taxable sales and purchases.

States are currently constrained by United States Supreme Court decisions limiting which out-of-state vendors can be required to collect the sales tax on a state's behalf. In general, a vendor must have some physical presence or nexus in a state to be required to collect that particular state's sales tax. Thus, a compensating use tax complements the sales tax, and is imposed on the use of taxable property or services in-state, if the transaction has not already been subject to tax. This would include, for example, taxable items purchased via mail order or over the Internet if the vendor has no nexus with New York. The use tax also applies to certain uses of self-produced property or services. With some exceptions, the base of the use tax mirrors the base of the sales tax. The use tax is remitted by the purchaser directly to the New York State Department of Taxation and Finance, but low compliance for certain transactions is a continuing issue.

Exemptions

A myriad of exemptions from the sales tax have been enacted over the life of the tax. Broad exemptions have been provided for sales for resale and for machinery and equipment used in production or in research and development. This prevents multiple taxation of the same property or tax pyramiding. Additionally, items including food, medicines, medical supplies, residential energy, and clothing and shoes costing less than $110 have been excluded from the sales tax to lessen its regressiveness.[1]

Other exemptions, such as sales to exempt organizations, certain vending machine sales and certain other coin-operated sales, are also provided. Legal, medical and other professional services, sales of real property, and rental payments are also beyond the scope of the sales tax.

Administration

Persons selling taxable property or services are required to register with the Department of Taxation and Finance as sales tax vendors. Vendors generally are required to remit the tax quarterly. However, vendors that collect more than $300,000 of tax in one of the immediately preceding four quarters must remit the tax monthly, by the twentieth of the month following the month of collection. Vendors collecting less than $3,000 yearly may elect to file annually, in June. Prior to June 1998, the threshold for opting to file annually was $250 in tax collected.

Vendors collecting more than $1 million annually in State and local tax are required to remit the tax by electronic funds transfer (EFT). Collections for the first 22 days of the month must be remitted electronically or by certified check within three business days thereafter. Legislation enacted in 1992 started the EFT program, originally with the threshold for mandatory participation at $5 million in annual tax liability. Legislation in 1994 and 1995 reduced the threshold to $4 million and to the current $1 million threshold, respectively. Approximately 34 percent of the tax is remitted via EFT.

To reduce tax evasion, special provisions for remitting the sales tax on gasoline motor fuel and cigarettes have been enacted. Since 1985, the sales tax on gasoline has been remitted by the first importer of the fuel into New York. The tax is prepaid at a per gallon rate based on regional prices. Legislation, enacted in 1995, required prepayment of the sales tax on cigarettes. The tax is prepaid by cigarette agents at the same time as they pay for cigarette excise tax stamps.

Sales tax vendors are allowed to retain a portion of the sales tax that they have collected both as partial compensation for the administrative costs of collecting and remitting the tax and as an incentive for timely payment of the tax to the State. The vendor credit, enacted in 1994, is currently 3.5 percent of tax liability up to a maximum of $150 per quarter for returns filed on time.

---

[1] Taxing a good or service is regressive if low-income persons pay a relatively greater share of their income on the taxed good or service than higher-income persons.

SIGNIFICANT LEGISLATION

Numerous statutory changes have been made to the sales tax since its inception. The following summarizes the major sales tax legislation enacted since 1995.

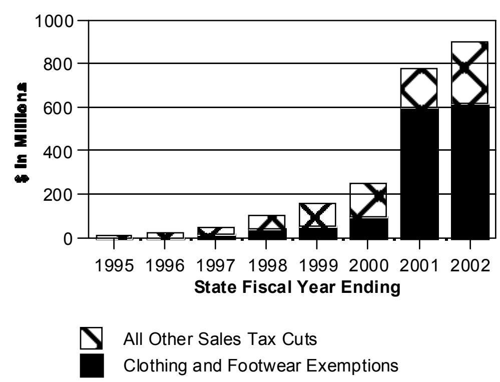
Subject	Description	Effective Date
Legislation Enacted in 1995		
Homeowners' Associations	Exempted dues paid to homeowners' associations operating social or athletic facilities for their members.	September 1, 1995
Meteorological Services	Exempted the sale of meteorological information services.	September 1, 1995
Legislation Enacted in 1996		
Clothing and Footwear	Exempted clothing and footwear priced under $500 for the one-week period of January 18-24, 1997.	January 18-24, 1997
Promotional Materials	Expanded the exemption for certain printed promotional materials distributed by mail to customers in New York State.	March 1, 1997
Legislation Enacted in 1997		
Buses	Provided an exemption for buses used to transport persons for hire, and related parts and services.	December 1, 1997
Clothing and Footwear	Exempted clothing priced under $100 for the one-week periods of September 1-7, 1997, and September 1-7, 1998.	September 1-7, 1997, September 1-7, 1998
	Permanently exempted clothing priced under $100.	December 1, 1999
Homeowner Association Parking	Exempted parking services sold by a homeowners' association to its members.	December 1, 1997
Various Coin-Operated Devices	Raised the exemption threshold for bulk vending machine sales to 50 cents from 25 cents, exempted coin-operated car washes, exempted coin-operated photocopying costing under 50 cents, and exempted certain hot food and beverages sold through vending machines.	December 1, 1997
Vendor Allowance	Increased the sales tax vendor allowance from 1.5 percent to 3.5 percent of State tax collected capped at $150 per quarter.	March 1, 1999
Legislation Enacted in 1998		
Clothing and Footwear	Included footwear in the September 1-7, 1998, temporary clothing exemption and raised exemption threshold to $500 from $100.	September 1-7, 1998
	Exempted clothing and footwear priced under $500 during the January 17-24, 1999 period.	January 17-24, 1999
	Included footwear in the permanent clothing exemption beginning on December 1, 1999, and raised exemption threshold from $100 to $110.	December 1, 1999
Coin Telephones	Increased the exemption threshold for coin-operated telephone calls to 25 cents from 10 cents.	September 1, 1998
College Textbooks	Exempted textbooks purchased by college students which are required for their courses.	June 1, 1998

Subject	Description	Effective Date
Computer Hardware	Exempted computer system hardware used to design and develop computer software for sale.	June 1, 1998
Internet Access Service	Codified State policy of exempting charges for Internet access services.	February 1, 1997
Materialmen	Allowed certain materialmen (i.e., building materials suppliers) to remit sales tax returns on either a cash or an accrual basis.	June 1, 1999
Telephone Central Office Equipment	Expanded existing exemption for telephone central office equipment to include such equipment or apparatus used in amplifying, receiving, processing, transmitting, and re-transmitting telephone signals.	September 1, 1998
Legislation Enacted in 1999		
Clothing and Footwear	Changed the effective date of the permanent exemption for clothing and footwear priced under $110 from December 1, 1999, to March 1, 2000.	March 1, 2000
	Temporarily exempted clothing and footwear priced under $500 for the periods of September 1-7, 1999, and January 15-21, 2000.	September 1-7, 1999; January 15-21, 2000
Computer Hardware	Provided an exemption for computer system hardware used to design and develop Internet web sites for sale.	March 1, 2001
Farm Production	Expanded the farm production exemption to include fencing and certain building materials. Converted the refund for tax paid on motor vehicles to an exemption.	March 1, 2001
Telecommunications Equipment	Exempted machinery and equipment used to upgrade cable television systems to provide telecommunications services for sale and to provide Internet access service for sale.	March 1, 2001
Theater	Exempted certain tangible personal property and services used in the production of live dramatic or musical arts performances.	March 1, 2001
Legislation Enacted in 2000		
Farm Production	Exempted property, building materials and utility services used in farm production. Expanded definition of farms to include commercial horse boarding operations.	September 1, 2000
Internet Data Centers	Exempted computer hardware and software purchased by Internet Data Centers (web site hosting facilities) operating in New York. Included required equipment such as air conditioning systems, power systems, raised flooring, cabling, and the services related to the exempted property.	September 1, 2000
Vending Machines	Exempted food and drink sold through a vending machine that costs 75 cents or less.	September 1, 2000
Telecommunications Equipment and Communications Services	Exempted property used to provide telecommunications services, Internet access services, or a combination thereof. Also, exempted certain services to the exempted property, such as installation and maintenance. Provided a three-year exemption for machinery and equipment used to upgrade cable television systems to a digital-based technology.	September 1, 2000

Subject	Description	Effective Date
Radio and Television Broadcasting	Exempts machinery and equipment (including parts, tools and supplies) and certain services used for production and transmission of live or recorded programs. A broadcaster includes Federal communications licensed radio and television stations, television networks, and cable television networks.	September 1, 2000
Pollution Abatement	Exempts manufacturing and industrial pollution control equipment and machinery.	March 1, 2001
Transmission and Distribution of Electricity and Gas	Phases out and eliminates over three years, the sales tax on the separately purchased transmission of electricity and gas.	September 1, 2000
Qualified Zone Enterprise	Exempts property and services used or consumed by qualified businesses within Economic Development Zones.	March 1, 2001
Purchase of Gas or Electricity from Outside of New York	Imposed a compensating use tax on purchases of gas or electricity from vendors located outside of New York	June 1, 2000

The tax cuts enacted since 1994-95 have had a substantial impact on sales tax receipts. In State fiscal year 1997-98, the sales tax savings accruing to taxpayers was $103 million. Taxpayers saved an additional $53 million in 1998-99, an additional $90 million in 1999-2000, and are estimated to save an additional $531 million in 2000-01. In total, these tax cuts are expected to save taxpayers over $777 million in 2000-01.

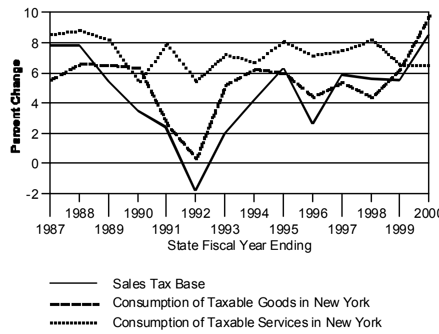
Value of Sales Tax Cuts Enacted Since 1994



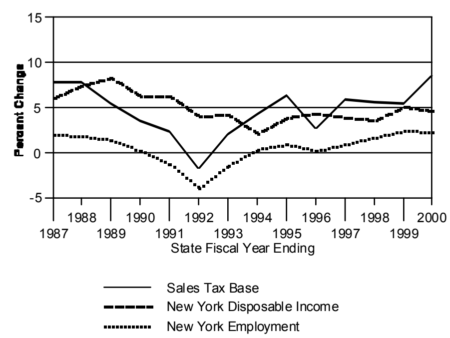
BRIEF REVIEW OF RECEIPTS HISTORY

The years since the late 1980s represent a good example of the relationship between sales tax receipts and underlying economic factors. State fiscal years 1986-87 and 1987-88 were marked by growth in the continuing sales tax base of over 8 percent, which is clearly related to the strong employment and income growth in New York and the associated robust growth in the consumption of goods and services taxable in New York. Conversely, State fiscal years 1988-89 through 1991-92 were characterized by slower growth or actual declines in the sales tax base, and this parallels declines in New York employment, New York disposable income, and taxable consumption. State fiscal years 1992-93 through 1996-97 witnessed improved growth rates in New York taxable consumption, but the State's economy came out of the recession more slowly and employment and personal income grew more modestly than the nation as a whole. This resulted in growth in the sales tax base that, although improved from the early 1990s, was moderate compared to prior periods. Since State fiscal year 1997-98, base sales tax receipts have grown over 5 percent per year reflecting the robust economy and continued strength in taxable consumption, State employment and disposable income.

Historical Growth in State Sales Tax Base and Taxable Consumption



Historical Growth in State Sales Tax Base, Income and Employment



2000-01 RECEIPTS

State fiscal year 2000-01 receipts from the State 4 percent sales tax are estimated at $8,393 million, an increase of $207 million, or 2.5 percent, above 1999-2000. Growth in the underlying sales tax base is estimated at a healthy 8.4 percent. Year-to-date sales and use tax receipts are $6,346 million, 3.1 percent, or $190 million, above the comparable period in 1999-2000.

The strong growth in receipts, despite the clothing exemption effective March 1, 2000, can be attributed largely to the prospering State and national economies. Taxable consumption of goods in New York is expected to grow by 8.3 percent in 2000-01 and taxable consumption of services to grow by 6.7 percent.

Several other factors have impacted 2000-01 sales tax receipts, including:

— A carry-over of $6 million in receipts from State fiscal year 1999-2000 due to the year-end closeout process;

— Taxpayer savings of nearly $600 million from the clothing and footwear exemptions that began March 1, 2000;

— Taxpayer savings of $35 million from the impact of tax cuts enacted in 2000, including exemptions for farm production equipment, Internet data centers, vending machines, communication services, and pollution abatement equipment; and

— Audit and compliance receipts from the Case Resource and Tracking System (CARTS) program, which are projected to increase by $26 million over 1999-2000 levels.

2001-02 PROJECTIONS

The current economic forecast projects slower growth in the factors believed to impact the level of taxable sales and associated sales tax receipts. Slower growth in State personal income, employment, and taxable consumption is anticipated. These factors combine to produce a still healthy increase of 5.1 percent in the continuing sales tax base.

Cash receipts from the State's 4 percent sales tax in 2001-02 are projected to be $322 million (3.8 percent) above 2000-01 levels. The difference between base and cash growth is due to exemptions, some of which became effective September 1, 2000, and some of which will become effective March 1, 2001. It should be noted that hold-harmless provisions in the Tax Law prevent the clothing exemption from decreasing receipts that would have otherwise been available from the 0.25 percent MCTD tax in the Mass Transportation Operating Assistance Fund. Further, sales and use tax receipts were adjusted to reflect a revision to estimates of the Empire Zone Program enacted with the 2000-01 Budget. The program was originally anticipated to reduce receipts by $10 million in 2001-02. It is now expected the program will reduce receipts by an additional $30 million in 2001-02.

The primary risk factor for the sales and use tax estimate is the economic forecast, which provides the basis for the projection of growth in the taxable sales base. Unexpected slowdowns in income or employment would affect consumption and, therefore, impact the level of taxable sales.

OTHER FUNDS

The Local Government Assistance Corporation (LGAC) was created in 1990 to help the State eliminate its annual spring borrowing. To pay the debt service on the bonds issued by LGAC, the State has diverted the yield of one-fourth of net sales and use tax collections from the 4 percent statewide sales tax to the Local Government Assistance Tax Fund (LGATF). LGATF received $2,046 million in 1999-2000 and will receive an estimated $2,098 million in 2000-01 and $2,178 million in 2001-02. LGATF receipts in excess of debt service requirements on LGAC bonds are transferred to the General Fund.

The Mass Transportation Operating Assistance Fund was created in 1981 to finance State public transportation needs. MTOAF derives part of its revenues from the 0.25 percent sales and compensating use tax imposed in the Metropolitan Commuter Transportation District. MTOAF, which received $346 million in sales and use tax receipts in 1999-2000, will receive an estimated $360 million in 2000-01 and $367 million in 2001-02.

GENERAL FUND

Direct deposits to the General Fund for 2000-01 are estimated to be $6,296 million, an increase of $155 million, or 2.5 percent, over 1999-2000 receipts. General Fund receipts in 2001-02 are projected to be $6,537 million, a 3.8 percent increase from the current year.

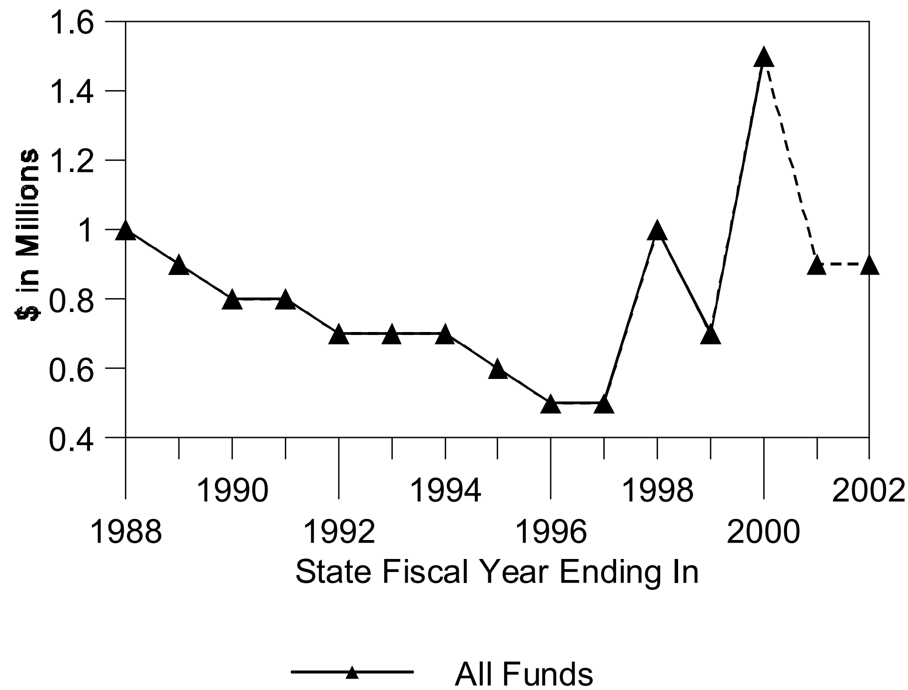
SALES AND USE TAX RECEIPTS — ALL FUNDS
(thousands of dollars)

	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds [1]	Capital Projects Funds	Debt Service Funds [2]	All Funds Net Collections
	Actual						
1992-93	4,514,288	27,538	4,486,750	241,589	0	1,504,019	6,232,358
1993-94	4,578,362	18,785	4,559,577	248,163	0	1,514,826	6,322,566
1994-95	4,918,969	21,151	4,897,818	263,607	0	1,627,246	6,788,671
1995-96	5,036,299	41,451	4,994,848	292,199	0	1,665,744	6,953,791
1996-97	5,265,260	40,212	5,225,048	289,129	0	1,746,575	7,260,752
1997-98	5,466,602	24,254	5,442,348	305,949	0	1,813,532	7,561,829
1998-99	5,728,834	32,136	5,696,698	321,405	0	1,893,821	7,911,924
1999-2000	6,182,347	41,388	6,140,959	345,646	0	2,045,844	8,532,449
	Estimated						
2000-01	6,332,500	36,700	6,295,800	360,000	0	2,097,500	8,753,300
2001-02	6,574,900	38,100	6,536,800	367,000	0	2,178,300	9,082,100

[1] Mass Transportation Operating Assistance Fund
[2] Local Government Assistance Tax Fund

OTHER TAXES

Other Taxes Receipts
History and Estimates



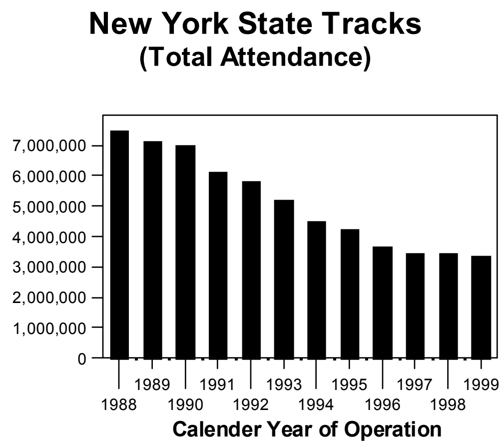
RACING ADMISSIONS TAX

A 4 percent tax is levied on the charge for admissions to racetracks and simulcast theaters throughout the State. Expanded interstate competition and growth in off-track betting activity within New York, as well as the proliferation of casinos within and outside New York State, have led to declines in total paid attendance at tracks (see charts below) and in receipts from this source. Collections in 1996-97 were substantially reduced due to poor weather that resulted in a reduction in the number of racing days.

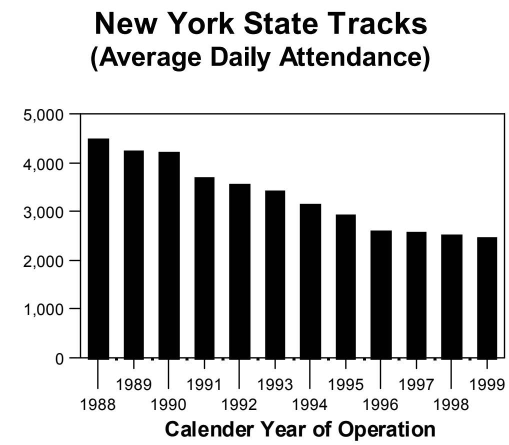
2000-01 Receipts and 2001-02 Projections

Given the successful extended racing season at Saratoga Race course during the summer of 2000, 2000-01 collections are estimated at $300,000.

Receipts for 2001-02 are projected to remain constant at $300,000. It is estimated that increased attendance at simulcast facilities and during the Saratoga racing season will be offset by continued modest admissions declines at other New York racetracks.



Source: New York State Racing and Wagering Board



Source: New York State Racing and Wagering Board

BOXING AND WRESTLING EXHIBITIONS TAX

A 5.5 percent tax is levied on gross receipts from boxing and wrestling exhibitions, including receipts from broadcast and motion picture rights. Single events of high spectator interest, such as a heavyweight championship fight, can influence the yield of the tax substantially, causing receipts to vary considerably from year to year.

2000-01 Receipts and 2001-02 Projections

Based on estimated collections through the first nine months of the current fiscal year, 2000-01, receipts are expected to reach $600,000. The continued growth of on-site wrestling and boxing events are expected to increase base receipts.

Receipts for the boxing and wrestling exhibitions tax are expected to remain constant at $600,000 for fiscal year 2001-02.

GENERAL FUND RECEIPTS FROM OTHER TAXES
(thousands of dollars)

	General Fund		Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Collections
	Admissions	Exhibitions				
	Actual					
1992-93	405	336	0	0	0	741
1993-94	399	262	0	0	0	661
1994-95	357	277	0	0	0	634
1995-96	310	182	0	0	0	492
1996-97	272	232	0	0	0	504
1997-98	310	639	0	0	0	949
1998-99	294	400	0	0	0	694
1999-2000	280	1,220	0	0	0	1,500
	Estimated					
2000-01	300	600	0	0	0	900
2001-02	300	600	0	0	0	900

MISCELLANEOUS TAXES

AUTO RENTAL TAX

Since June 1, 1990, the State has imposed a 5 percent tax on charges for any rental or use in New York State of a passenger car with gross vehicle weight of 9,000 pounds or less, that has seating capacity for nine or fewer passengers. The tax applies to a vehicle rented by a resident or a nonresident, regardless of where the vehicle is registered. The tax does not apply to a car lease covering a period of a year or more.

2000-01 Receipts and 2001-02 Projections

Receipts from the auto rental tax are influenced by the overall health of the economy, including consumer and business spending, and by the strength of the State's tourism industry. Collections for the first nine months of the current fiscal year are estimated to be $30.8 million, down 9.3 percent, or $2.3 million from the comparable period of the prior fiscal year. Previous year receipts were especially high due to strong auto rental activity during the summer of 1999. Based on collections to date and the expectation of steady but moderate growth in the economy for the remaining months of the fiscal year, General Fund auto rental tax receipts for 2000-01 are estimated at $36.5 million.

Continued but reduced growth in both the economy and the demand for auto rentals is projected to increase 2001-02 receipts to $38.3 million, or $1.8 million over 2000-01 levels.

CONTAINER TAX

From September 1, 1990, until November 30, 1995, New York State imposed a two cent tax on all nonrefillable soda containers that are in the State's bottle and can recycling deposit system. The deposit system was created in 1983 by the New York State Returnable Container Law, which imposes a refundable five cent deposit on bottles and cans of soda and beer, as well as wine cooler containers. Legislation enacted in 1995, effective December first of that year, cut the container tax to one cent per container. Legislation enacted in 1997 repealed the container tax effective October 1, 1998.

2000-01 Receipts and 2001-02 Projections

Container tax receipts for State fiscal year 2000-01 are expected to be approximately $7,000. This reflects the repeal of the tax effective October 1, 1998, and the net effect of audit collections and refunds. Receipts for 2001-02 are projected to be zero.

GIFT TAX

Until the gift tax repeal on January 1, 2000, New York was one of only five states that imposed a gift tax as a complement to the transfer tax on estates to equalize the tax burden on lifetime transfers. Like the estate tax, the base of this levy was derived from the Federal tax base, with exclusions for transfers of property located outside the State. The tax was imposed on a lifetime basis — taxable gifts made during a taxpayer's lifetime, after allowable exclusions, were taxed in aggregate as one gift.

2000-01 Receipts and 2001-02 Projections

Net gift tax collections for the first nine months of 2000-01 are estimated to be $26.3 million, a decrease of 29 percent from the same period in 1999-2000. Net collections for all of 2000-01 are expected to be $28 million, consisting of $32 million in gross receipts and $4 million in refunds. Net receipts for 2001-02 are projected to total $2 million, consisting of $3 million in audit receipts and $1 million in refunds.

HOTEL OCCUPANCY TAX

From June 1, 1990, through August 31, 1994, New York State imposed a special hotel and motel occupancy tax at the rate of 5 percent of the daily charge for hotel or motel rooms or suites. Exemptions were provided for permanent residents and for rooms where the daily rate was less than $100.

On September 1, 1994, the State repealed the State hotel and motel occupancy tax, saving taxpayers approximately $75 million annually. State and, to a lesser extent, City hotel tax reductions have been credited with contributing to the recent boom in New York City hotel occupancy and revenues.

2000-01 Receipts and 2001-02 Projections

Hotel occupancy tax receipts for State fiscal year 2000-01 are expected to be approximately $7,000 which reflect audit efforts and residual payments. Net residual payments for the remainder of 2000-01 and for 2001-02 are projected to be zero.

REAL PROPERTY GAINS TAX

The real property gains tax, enacted in 1983, was repealed on July 13, 1996. All property transferred after June 15, 1996, is exempt from the provisions of the real property gains tax. This tax was levied at a rate of 10 percent of the gain from sales of New York commercial property of $1 million or greater, including anything of value arising from land ownership, such as air rights or zoning credits. This tax was unique to New York State, and its elimination has made real property located in New York more appealing to investors.

2000-01 Receipts and 2001-02 Projections

Remaining collections stem primarily from deferred installment payments for tax liability arising from sales of condominium and cooperative housing for projects that were still being sold at the time of the gains tax repeal and collections from assessments processed through the Case and Assessment Resources Tracking System (CARTS). These collections are estimated to be $4 million through December, with an additional $1.5 million expected by the end of the State fiscal year. Total refunds for the year are estimated to be $1.5 million. As a result, net real property gains tax collections for 2000-01 are estimated to be $4 million.

Collections from outstanding installments and CARTS will produce a projected $3.8 million in 2001-02. Refunds of $0.5 million of prior year liability will result in a projected net real property gains tax collections of $3.3 million for 2001-02.

RECEIPTS FROM MISCELLANEOUS TAXES
(thousands of dollars)

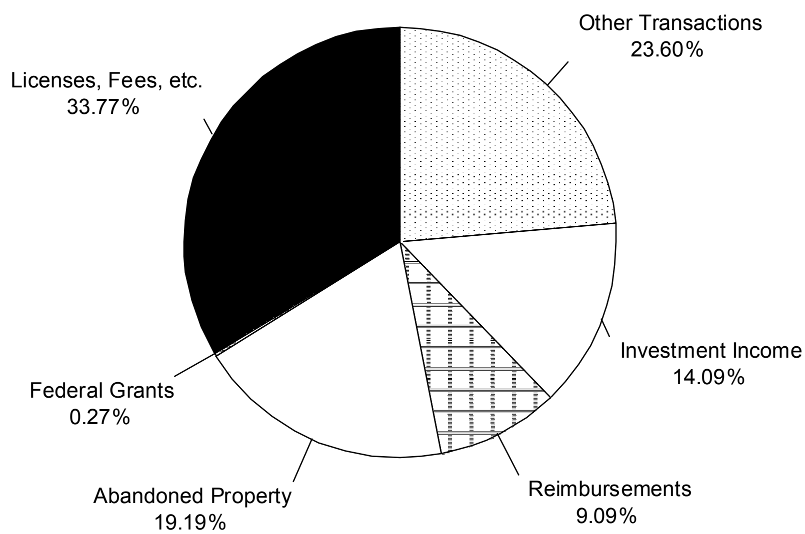
	Gross General Fund	Refunds	Net General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	All Funds Net Collections
	Actual						
1992-93	434,583	14,650	419,933	0	0	0	419,933
1993-94	349,978	30,050	319,928	0	0	0	319,928
1994-95	315,590	26,670	288,920	0	0	0	288,920
1995-96	349,274	47,037	302,237	0	0	0	302,237
1996-97	229,498	31,999	197,499	0	0	0	197,499
1997-98	233,182	38,675	194,507	0	0	0	194,507
1998-99	218,542	11,310	207,232	0	0	0	207,232
1999-2000	148,282	15,107	133,175	0	0	0	133,175
	Estimated						
2000-01	74,000	5,500	68,500	0	0	0	68,500
2001-02	45,100	1,500	43,600	0	0	0	43,600

MISCELLANEOUS RECEIPTS
General Fund

DESCRIPTION

Miscellaneous Receipts cover a broad range of unrelated revenue sources with significant recurring income derived from abandoned property, investment earnings, fees, licenses, fines, and various reimbursements to the State's General Fund. Each year, the reported receipts are also affected by various nonrecurring transactions.

Main Components



SIGNIFICANT LEGISLATION

Chapter 56, Laws of 1998, initiated a phase-out of assessments on private health facility providers. Chapter 407, Laws of 1999, accelerated the phase-out to December 1999.

Chapter 57, Laws of 2000, provides amnesty on interest and penalties for private health facilities who pay any outstanding assessments by March 31, 2001.

1999-2000 RECEIPTS

In State fiscal year 1999-2000, Miscellaneous Receipts totaled $1,647 million. Major revenue sources in that year included: $316 million in unclaimed and abandoned property; $232 million in interest earnings on short-term investments and bank accounts (this amount is net of certain expenses incurred in providing banking services to various State agencies); $556 million in fees, licenses, fines, royalties, and rents; $159 million in medical provider assessments; $150 million in reimbursements; and $4 million in Federal grants. In addition, the receipts included $3 million from the Energy Research and Development Authority (ERDA) and $227 million in Health Care Reform Act (HCRA) and New York Perspective Hospital Reimbursement Methodology Act (NYPHRM) payments.

2000-01 RECEIPTS

Miscellaneous Receipts are estimated at $1,500 million in 2000-01, a decrease of $147 million from the prior year. The estimate includes receipts of $328 million in unclaimed and abandoned property; $353 million in net investment earnings; $500 million in fees, licenses, fines, royalties and rents; $149 million in medical provider assessments; $158 million in reimbursements; $4 million in Federal grants; $1.5 million from the ERDA; $3 million from Power Authority of the State of New York (PASNY); and $3.5 million in a one-time payment from audit recoveries. The estimate for unclaimed and abandoned property reflects the early results of an interagency cooperative project. Investment earnings reflect large balances and high interest rates.

2001-02 PROJECTIONS

Miscellaneous Receipts are projected at $1,429 million in 2001-02, a decrease of $71 million from the amount estimated for 2000-01. This projection includes receipts of $343 million in unclaimed and abandoned property; $285 million in net investment earnings; $155 million in reimbursements; $483 million in fees, licenses, fines, royalties and rents; $133 million in continuing medical provider assessments; $4 million in Federal grants; $25 million from the PASNY; and $1.2 million from the ERDA. As in 2000-01, the estimate for unclaimed and abandoned property reflects the results of the interagency cooperative project. Investment earnings in 2001-02 reflect lower balances and estimated lower interest rates than those in 2000-01.

GENERAL FUND
MISCELLANEOUS RECEIPTS
(millions of dollars)

	1997-98	1998-99	1999-2000	2000-01	2001-02
	Actual			Estimated	
License, Fees, Etc.	490	451	556	500	483
Federal Grants	4	4	4	4	4
Abandoned Property	270	293	316	328	343
Reimbursements	199	156	150	158	155
Investment Income	125	215	232	353	285
Other Transactions	510	468	389	157	159
Total	1,598	1,587	1,647	1,500	1,429

MISCELLANEOUS RECEIPTS
Special Revenue Funds

Miscellaneous receipts deposited to special revenue funds represent approximately 20 percent of total special revenue receipts, excluding transfers from other funds. These receipts include State University of New York (SUNY) tuition and patient income, lottery receipts for education, programs funded by HCRA 2000, assessments on regulated industries, and a variety of fees and licenses, all of which are dedicated to support specific programs.

STATE UNIVERSITY INCOME

The majority of special revenue receipts that support the State University's operations are provided by tuition, patient revenue, and user fees. SUNY's three teaching hospitals at Brooklyn, Stony Brook and Syracuse receive patient revenue from third-party payors including Medicare, Medicaid, Blue Cross, commercial insurers, and individuals. User fees, which include fees for food, parking, career placement and recreation, are generated from service users, including students, faculty, staff, and the public.

LOTTERY

A portion of the receipts from the sale of lottery tickets is earmarked for the support of education, as well as administrative costs associated with Lottery operations. The Lottery is discussed in detail in a separate section.

INDIGENT CARE

The Indigent Care Fund allows the State to claim Federal reimbursement for payments to hospitals that provide care for the medically indigent. The State makes payments in the first instance from a bad debt and charity care pool funded with non-Federal Medicaid dollars, and money from various payors including Blue Cross, commercial insurers, and hospitals.

HCRA TRANSFER FUND

The Health Care Reform Act of 2000 (HCRA) provides funding for several health and mental hygiene programs including prescription drug assistance for the elderly, supplemental Medicare insurance, and other public health services.

ALL OTHER

The remaining revenues in this category include fees, licenses, and assessments collected by State agencies primarily to support all or specific components of their operations. Receipts from assessments primarily reflect reimbursements from regulated industries, which fund the administrative costs of State agencies charged with their oversight. State agencies funded entirely from assessments include the Banking Department, the Insurance Department, the Public Service Commission, and the Workers' Compensation Board.

MISCELLANEOUS RECEIPTS
SPECIAL REVENUE FUNDS
(millions of dollars)

	1997-98	1998-99	1999-2000	2000-01	2001-02
	Actual			Estimated	
State University income	1,545	1,561	1,622	1,663	1,797
Lottery	1,658	1,576	1,496	1,589	1,638
Indigent care	574	666	763	858	858
HCRA transfer fund	0	0	0	296	291
All other	1,754	2,010	2,200	2,344	2,328
Total	5,531	5,813	6,081	6,750	6,912

LOTTERY

DESCRIPTION

In 1966, New York State voters approved a referendum authorizing a State lottery, and ticket sales commenced under the auspices of the Division of the Lottery (the Division). Under the original lottery legislation, a lotto-type game was offered with 30 percent of gross receipts earmarked to prizes, 55 percent to education, and the remaining 15 percent representing a limit on administrative expenses. Since then, numerous games have been introduced with varying prize payout schedules to make them attractive to the consumer.

The Division manages the sale of lottery tickets and operates as an independent agency within the Department of Taxation and Finance. It currently operates four types of games:

— Instant games, in which most prizes are won immediately;
— Lotto games, which are pari-mutuel, pick-your-own-numbers games offering large top prizes with drawings conducted nine times weekly: seven 5-of-39 draws (Take 5), and two 6-of-51 draws (Lotto 51). For the Lotto 51 game, the value of any top prize not won is added to the top prize in the subsequent drawing;
— Daily numbers games, which are fixed-odds games with daily drawings in which players select either a three digit number (Daily Numbers) or a four digit number (Win 4); and
— Keno-like games, which are pari-mutuel pick-your-own 10-of-80 numbers games with drawings conducted either daily (Pick 10) or every five minutes (Quick Draw) during certain intervals. The Division pays top prizes of $500,000 in Pick 10 and $100,000 in Quick Draw.

Under current law, the Comptroller, pursuant to an appropriation, distributes all net receipts from the lottery directly to school districts for the purposes of providing school aid. This aid includes special allowances for textbooks for all school children and additional amounts for pupils in approved State-supported schools for the deaf and the blind.

The minimum statutory allocation to education for Lotto 51 games is 45 percent of ticket sales; for Take 5, Win 4, numbers and Pick 10 games, 35 percent; for instant games, 20 percent; and for Quick Draw, 25 percent. After the earmarking for prizes, the Division uses a portion of net sales (not exceeding 15 percent) for its administrative expenses and the remainder is available to support education.

SIGNIFICANT LEGISLATION

Subject	Description	Effective Date
Legislation Enacted in 1994		
Limit on Draws per Day	The tickets for Pick 10, Take 5, and Lotto games are to be sold only once a day.	April 1, 1994
Unclaimed Prize Money	The use of unclaimed prize money to supplement other games by the Division is limited to 16 weeks per year.	April 1, 1994
Annual Plan	The Division is required to submit an annual report to the Legislature, the Governor, and the Division of the Budget each year.	April 1, 1994

Subject	Description	Effective Date
Legislation Enacted in 1995		
Quick Draw	Authorized Quick Draw.	April 1, 1995
	Sixty percent prize payout.	
	Drawings for the game can be held no more than 13 hours each day, of which only eight consecutive hours can be operated.	
	If there is no license for the sale of alcohol, then the premises have to be a minimum of 2,500 square feet.	
	If there is a license to sell alcohol, then at least 25 percent of the gross sales must be from sales of food.	
Legislation Enacted in 1999		
Instant Games	Authorized a 65 percent prize payout.	April 1, 1999
	Reduced the percent dedicated to education from 30 percent to 20 percent.	

1999-2000

Net lottery receipts from sales totaled $1,221.7 million for 1999-2000. After including $128.0 million from surplus administrative funds and miscellaneous receipts, total current receipts were $1,349.7 million. Disbursements in support of education were capped at $1,345 million, which required $4.7 million in lottery receipts to be carried into 2000-01.

2000-01 RECEIPTS

Total sales of all lottery games, estimated at $4.09 billion, are expected to provide $1,275.1 million for education in revenue from current ticket sales, is up $53.4 million or 4.4 percent above 1999-2000. After including $154.7 million from unspent administrative allowances, a $4.7 million carry-in from 1999-2000, and miscellaneous income, total net lottery receipts earned for education in 2000-01 are expected to total $1,434.5 million. The 2000-01 lottery appropriation caps disbursements to education at $1,393 million. As a result, there will be a $41.5 million carry-out from 2000-01 into 2001-02.

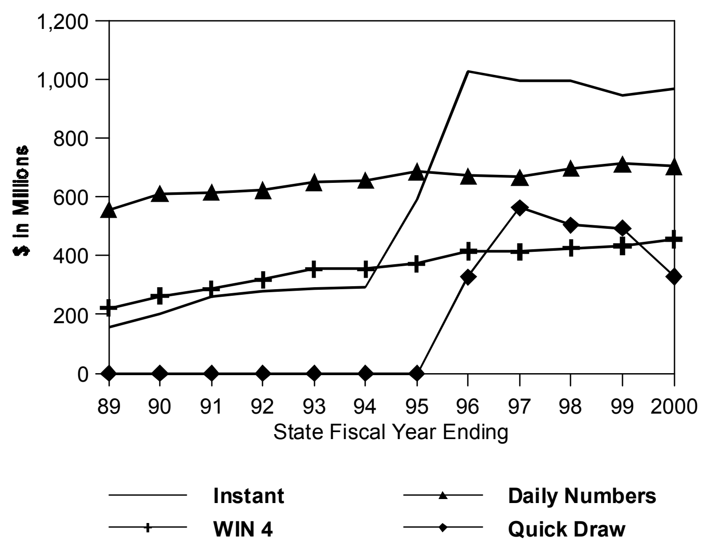
Legislation passed in 1999 allowed the Division to increase the prize payout on instant tickets from 55 percent to 65 percent. On October 2, 1999, the Division began to introduce some games with the higher prize payout. By March 31, 2001, the transition will be complete and all instant games will offer a 65 percent prize payout. This has resulted in an increase in sales, which had been dropping by about 6 percent annually. Sales were up 2.4 percent in 1999-2000 and are expected to be up another 33 percent in 2000-01. Due to the increased prize payouts, there was a significant increase in revenue from sales which was somewhat offset by the new allocation to education. As a result, revenue from instant ticket sales is expected to increase from $257.5 million in 1999-2000 to $273.3 million in 2000-01. This change reversed a two-year decline in revenue from instant games. As the higher payout games become more mature, it is expected that sales and revenue growth will moderate.

A gradual weakening in Lotto sales has developed over the past several years, stemming from several factors: (1) dilution of interest in ordinary jackpots given raised expectations of exceptionally large jackpots, resulting from the Big Game and Power-Ball games offered in other states; (2) increased competition from Indian casinos in and around

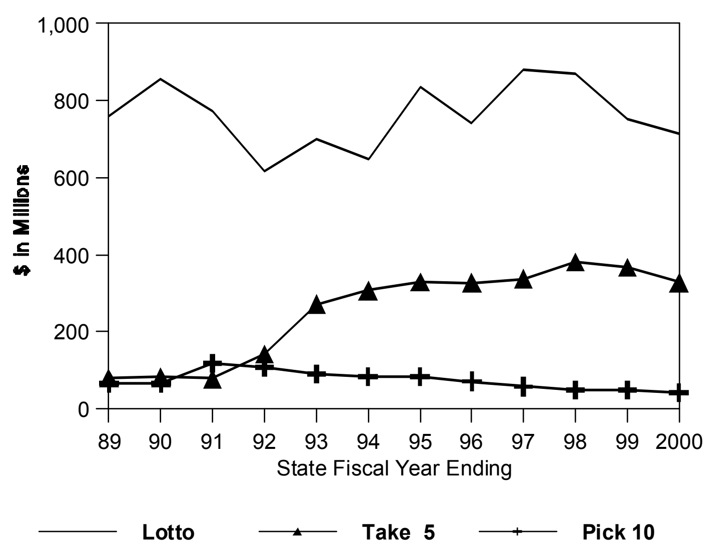
New York; (3) reduced consumer interest, based on the maturity of the game, and (4) a decline in the number of very large jackpots. This same phenomenon of declining trends in Lotto sales has been experienced in most states with similar Lotto structures.

In addition, the Lotto Millennium game, which was started on October 1, 2000, and concluded November 4, 2000, accounted for $121 million in sales and $54.5 million in revenue. However, the success of this promotion appears to have siphoned off a portion of Lotto 51 sales.

Fixed Odds/Instant Prize Game Sales



Pari-Mutuel Prize Game Sales



Numbers game sales are benefitting from the addition of new agents and player awareness. Quick Draw sales in 2000-01 are expected to be up 51 percent compared to 1999-2000. This represents a rebound from a four-month shutdown, due to a temporary sunset of legislative authorization from April through July of 1999. The number of draws per week for Take 5 was increased from four to seven days on September 10, 2000. The estimated additional revenues for fiscal year 2000-01 are $27.8 million. Pick 10 is continuing the downtrend exhibited in recent years.

TABLE 1
COMPONENTS OF LOTTERY RECEIPTS
(millions of dollars)

	1996-97 Actual	1997-98 Actual	1998-99 Actual	1999-2000 Actual	2000-01 Estimated	Current Law 2001-02 Projected	Proposed Law 2001-02 Projected
Instant Game	298.4	298.5	283.2	257.5	273.3	280.3	280.3
Lotto Games [1/]	399.0	395.9	338.3	345.5	316.2	238.1	347.8
Take-5 Games	118.3	133.9	128.9	115.0	134.3	149.6	139.6
Daily Numbers Games	233.7	243.9	249.2	246.6	246.9	249.3	249.3
Win-4 Games	149.0	151.7	157.0	159.5	162.8	164.4	164.4
Pick 10 Games	20.2	17.4	17.0	15.1	14.5	12.0	12.0
Quick Draw	140.7	125.8	123.4	82.5	124.1	2.4	125.3
Subtotal	1,359.3	1,367.1	1,297.0	1,221.7	1,275.1	1,096.1	1318.7
Administrative Surplus [2/]	168.8	166.8	145.4	128.0	154.7	120.6	165.1
Current Receipts Subtotal	1,527.9	1,533.9	1,442.4	1,349.7	1,429.8	1,216.7	1,483.8
Carry-In from Prior Year	5.3	0.0	0.0	0.0	4.7	41.5	41.5
Carry-Out from Current Year	0.0	0.0	0.0	(4.7)	(41.5)	0.0	0.0
Net Receipts for Education	1,533.2	1,533.9	1,442.4	1,345.0	1,393.0	1,258.2	1525.3

1/ Includes receipts from Millennium Millions and the proposed Multistate games.
2/ Reflects miscellaneous income and the balance of the 15 percent administrative allowance, after deducting actual expenses, vendor allowances, and agent commissions.

2001-02 PROJECTIONS

Current Law

Lottery sales for 2001-02 are projected at $3.6 billion, and current receipts for the support of education at $1,258.2 million (see Table 1). This includes a carry-in of $41.5 million from the prior year, and $120.6 million in administrative surplus and miscellaneous receipts.

Lotto sales are expected to decrease by $179.2 million from 2000-01, in part due to the age of the game and the absence of a Millennium Millions game. Lotto revenues would likewise decline by $94 million. The Quick Draw game will sunset on March 31, 2001, and, if not renewed, current law would allow only $2.4 million in Quick Draw receipts from sales in 2000-01 but not deposited until 2001-02. Therefore, there would be a net 2001-02 revenue loss of $151.8 million.

Instant Games are expected to produce $101.7 million in additional sales in 2001-02, due to the addition of new staff, implementation of a new marketing schedule, and the full-year effect of the change to a 65 percent prize payout. These changes are expected to produce $20.3 million in additional revenue from sales.

Sales from Take-5 games are projected to increase by $43.8 million from State fiscal year 2000-01, reflecting the first full-year impact of going from four to seven days of prize drawings. This would produce additional revenue from sales of $15.3 million. Daily Numbers and Win-4 sales are expected to increase by $7.1 million and $4.6 million, respectively, which will increase revenue by $4 million. Sales from Pick 10 are expected to decrease by $7.0 million, due to the substitution of the more popular Take-5 and Instant games, and revenues will drop by $2.5 million.

Proposed Law

Legislation submitted with this Budget will allow the Division to enter into multi-jurisdictional agreements to conduct multi-state lotto games with a 50 percent prize payout. This new game is expected to produce significant new revenue for education but will siphon off sales and revenue from Lotto and Take-5. Thus, the projected additional net revenue for fiscal year 2001-02 is $125 million for lottery aid for education from the multi-state lottery. The legislation will also make Quick Draw permanent and preserve $151.8 million in net receipts for education.

In addition, the Division is requesting appropriations to continue with the implementation of the Instant Game Two-Week Call Cycle. The Division marketing representatives will visit selected high-selling retailers every two weeks and take a more active part in managing the lottery business for the retailers. Initial staff were hired in October 2000 and the Two-Week Call Cycle began in November 2000 in parts of the State. Additional staff requested in the 2001-02 Executive Budget will increase revenue by $11 million for the fiscal year.

With the continuation of Quick Draw, the addition of the Multi-state game, and staffing for the Instant Game Two-Week Call Cycle, total sales of all Lottery games are estimated to be $4.4 billion. This will provide net Lottery receipts of $1,318.7 million. Disbursements of $1,525.3 million will be used for education, including $165.1 million from surplus administrative funds and a $41.5 million carry-in from the prior fiscal year.

Impact

TABLE 2
NET LOTTERY RECEIPTS FOR EDUCATION
(thousands of dollars)

----------------------- Actual ------------------------	
1992-93	961,000
1993-94	1,054,000
1994-95	1,161,850
1995-96	1,441,300
1996-97	1,533,203
1997-98	1,533,904
1998-99	1,442,427
1999-2000	1,345,000
-------------------- Estimated --------------------	
2000-01	1,393,000
2001-02 (current law)	1,258,200
(proposed law)	1,525,300

MISCELLANEOUS RECEIPTS
Capital Projects Funds

Miscellaneous receipts in the Capital Projects fund type include reimbursements from the proceeds of bonds sold by public authorities, fees, and other sources of revenue dedicated to specific funds primarily for environmental or transportation capital purposes.

REIMBURSEMENT FROM AUTHORITY BOND PROCEEDS

Pursuant to statutory authorizations, State agencies enter into contractual arrangements with public authorities to provide for the financing of State capital projects. The State makes payments directly for projects and is reimbursed by the public authority from the proceeds of bonds. The amount of reimbursements received annually is a direct result of the level of bondable capital spending in that year and the timing of bond sales. As bondable spending fluctuates with the progress of capital programs, so do the bond receipts reimbursing such spending. Reimbursements from authority bond proceeds will account for approximately 89 percent of all miscellaneous receipts flowing to capital project funds in 2001-02. Compared to the current year, reimbursements from authority bond proceeds will remain flat — increases in education reimbursements related to the RESCUE program and other reimbursements related to the Strategic Investment Program are offset by comparable decreases in transportation and public protection reimbursements.

STATE PARKS FEES

User fees and other revenues generated by State parks are deposited into the State Parks Infrastructure Fund. These revenues, which are projected at $22 million in 2001-02, will be used to finance improvements in the State's park system.

ENVIRONMENTAL REVENUES

Miscellaneous receipts from environmental revenues are projected to increase from $37 million in 2000-01 to $96 million in 2001-02. The $59 million net increase is primarily attributable to $36 million in industry fees which will be deposited to the new Remedial Program Transfer Fund and used to partially finance the industry's 50 percent share of the cost of State Superfund projects. The balance of the $59 million net increase is driven by a $20 million reimbursement necessary to satisfy an advance disbursement used to support the development of the Hudson River Park in New York City.

Environmental revenues also include receipts that are deposited to the Environmental Protection Fund from the sale of surplus State lands, leases of coastal State property, settlements, and the sale of environmental license plates. Other environmental revenues from settlements with individuals and other parties who are liable for damage caused to State environmental properties are deposited in the Natural Resource Damages Fund.

ALL OTHER

Various other moneys are received in the Capital Projects funds to support capital programs and to reimburse the State for capital spending on behalf of municipalities and public authorities, such as the Housing Finance Agency. The remaining receipts are repayments of moneys advanced or loaned to municipalities, authorities, and private corporations.

MISCELLANEOUS RECEIPTS
CAPITAL PROJECTS FUNDS
(millions of dollars)

	1997-98	1998-99	1999-2000	2000-01	2001-02
	Actual			Estimated	
Authority Bond Proceeds					
Transportation	480	697	859	908	703
Public protection	213	351	245	210	188
Education	169	117	280	241	314
Mental hygiene	215	132	118	129	105
Housing	50	70	66	98	108
Other	97	92	45	51	225
State Park Fees	23	27	25	19	22
Environmental Revenues	29	25	40	37	96
All Other	49	56	97	68	76
Total	1,325	1,567	1,775	1,761	1,837

MISCELLANEOUS RECEIPTS
Debt Service Funds

Miscellaneous receipts in the Debt Service fund type include patient revenues, fees, interest income, and other revenues. These revenues are dedicated in the first instance for the payment of lease-purchase agreements, contractual obligations, and debt service, and support about 15 percent of the State's debt service payments. These revenues have been pledged as security for bonds issued for mental hygiene and health facilities, and dormitories, or are used by the State to pay debt service on general obligation housing bonds. After such requirements are satisfied, the balance of most miscellaneous receipts, together with other receipts and transfers, flow back to the General Fund or to Special Revenue funds which are used to offset the General Fund share of State operations.

MENTAL HYGIENE RECEIPTS

Payments from patients and various third-party payers, including Medicare and insurance companies, for services provided by the mental hygiene agencies are deposited in the Mental Health Services Fund as miscellaneous receipts. Additionally, portions of State and local assistance and Federal Medicaid payments to not-for-profit community facilities are earmarked to pay their share of debt service, and are also deposited as miscellaneous receipts in the Mental Health Services Fund. These receipts, together with the transferred Medicaid money, secure bonds sold by the Dormitory Authority for State and community mental hygiene facilities.

DORMITORY FEES

Miscellaneous receipts in the State University of New York (SUNY) Dormitory Fund are composed primarily of fees charged to SUNY students for room rentals in the dormitories. The receipts of the Fund are pledged for debt service on bonds sold by the Dormitory Authority for the construction and improvement of the dormitories pursuant to a lease agreement.

HEALTH PATIENT RECEIPTS

Patient care reimbursements at the Department of Health's hospitals (Roswell Park Cancer Institute Corporation and the Helen Hayes Hospital) and veterans' homes (Oxford, New York City and Western New York) are deposited into the Health Income Fund. Similar to mental hygiene receipts, these receipts are composed of payments from Medicaid, Medicare, insurance, and individuals and are pledged as security for bonds sold by the Dormitory Authority for the construction and improvement of Health Department facilities.

ALL OTHER

The all other miscellaneous receipts category for 2000-01 reflects the deposit of $250 million in the Debt Reduction Reserve Fund (DRRF) from one-time moneys received by the State as part of its revenues under the tobacco settlement agreement. This deposit, together with an additional one-time deposit to DRRF of $250 million from the 1999-2000 surplus, increased the 2000-01 DRRF balance to $750 million. As planned, $500 million of DRRF deposits will be used in 2000-01 and the $250 million balance will be used in 2001-02 to decrease high cost debt and increase pay-as-you-go spending — generating $1.2 billion in lower debt service costs.

MISCELLANEOUS RECEIPTS
DEBT SERVICE FUNDS
(millions of dollars)

	1997-98	1998-99	1999-2000	2000-01	2001-02
	Actual			Estimated	
Mental hygiene patient receipts	266	269	267	263	240
SUNY dormitory fees	194	202	221	221	262
Health patient receipts	145	126	90	87	86
All other	34	33	33	279	26
Total	639	630	611	850	614

FEDERAL GRANTS

To qualify to receive Federal grants, the State must comply with guidelines established by the Federal government. Each Federal grant must be used pursuant to Federal laws and regulations. Also, the State is required to follow specific cash management practices regarding the timing of cash draws from the Federal government pursuant to regulations for each grant award. In most cases, the State finances spending in the first instance, then receives reimbursement from the Federal government.

Total receipts from the Federal government are projected at $24.77 billion in 2000-01 and $26.29 billion in 2001-02. These revenues represent approximately 32 percent of total receipts in governmental funds, excluding general obligation bond proceeds, and are deposited into the Special Revenue and the Capital Projects fund types.

SPECIAL REVENUE FUNDS

Federal grants account for approximately three-quarters of all special revenue receipts and are used to support a wide range of programs at the State and local government level. Medicaid is the single largest program supported by Federal funds.

Medicaid provides care, treatment, maintenance, medical supplies, and professional services to eligible persons. The State receives moneys from the Federal government to make payments to providers for both State-operated and non-State-operated facilities. The State-operated category includes facilities of the Offices of Mental Health and Mental Retardation and Developmental Disabilities and the Department of Health, as well as teaching hospitals of the State University. These facilities receive Medicaid funds for the delivery of eligible services to patients. Receipts for State-operated facilities represent 13 percent of total Federal Medicaid reimbursements, while receipts for non-State-operated facilities represent the remaining 87 percent.

Other Federal grants in the Special Revenue Funds support programs administered primarily by the departments of Education, Family Assistance, Health, and Labor. These programs include Welfare, Foster Care, Food and Nutrition Services, and Supplementary Educational Services.

CAPITAL PROJECTS FUNDS

Federal grants in the Capital Projects fund type finance transportation planning, engineering, and construction projects. Federal grants also support local wastewater treatment projects financed through the State's Revolving Loan Fund. Other Federal grants are for the rehabilitation of state armories, eligible housing programs, and other environmental purposes.

FEDERAL GRANTS
(millions of dollars)

	General Fund	Special Revenue Funds: Medicaid	Special Revenue Funds: Welfare	Special Revenue Funds: All Other	Total Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total All Funds
	Actual							
1995-96	0	11,849	2,041	5,326	19,216	1,011	0	20,227
1996-97	0	12,424	1,743	4,838	19,005	1,043	0	20,048
1997-98	0	13,183	2,219	5,109	20,511	1,132	0	21,643
1998-99	0	13,612	1,488	6,322	21,422	1,219	0	22,641
1999-2000	0	14,532	1,017	6,635	22,184	1,381	0	23,565
	Estimated							
2000-01	0	15,073	1,100	7,195	23,368	1,401	0	24,769
2001-02	0	16,035	1,459	7,341	24,835	1,451	0	26,286

PART III

CAPITAL PROGRAM AND FINANCING PLAN

CAPITAL PROGRAM AND FINANCING PLAN

HIGHLIGHTS

A SUCCESSFUL STRATEGY FOR REFORMING STATE DEBT PRACTICES

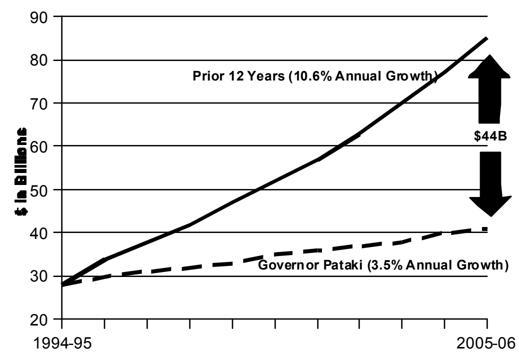
Governor Pataki's Executive Budget for 2001-02 builds upon an already successful strategy for reforming the State's debt management practices by reducing both the growth and costs of State-supported debt — ensuring that targeted investments in the State's capital infrastructure are responsibly financed and remain affordable. Under the Governor's leadership:

— The landmark Debt Reform Act of 2000 has been enacted.

— The growth in State debt has been reduced by two-thirds.

— The Debt Reduction Reserve Fund (DRRF) will generate approximately $1.2 billion in lower debt service costs.

Growth In State Debt Has Been Reduced by Two-Thirds



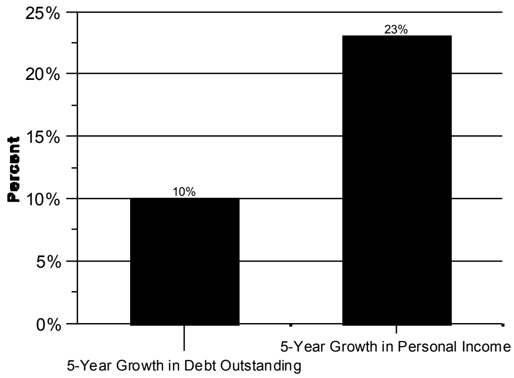
The success of the State's improved debt and fiscal practices has been acknowledged by the financial community — the State's credit rating has been upgraded three times in just three years by Standard and Poor's to AA, its highest level since 1979.

To ensure that the costs of State debt are further reduced, the Governor will resubmit his Constitutional Debt Reform bill, expand the ability of the State to use lower cost "revenue-backed" debt, and increase the pay-as-you-go component of spending for critical transportation projects.

KEY DEBT AFFORDABILITY MEASURES IMPROVE

Through a combination of responsible reform initiatives, including the implementation of the Debt Reform Act of 2000, the use of the Debt Reduction Reserve Fund, financing strategic capital investments with a prudent mix of pay-as-you-go resources and State-supported bonds, and effectively managing the State's debt portfolio, debt affordability measures continue to improve. New debt service costs as a percent of All Funds receipts and new State debt levels as a percent of personal income will both be well below the caps established with the Debt Reform Act. Over the Five-Year Plan:

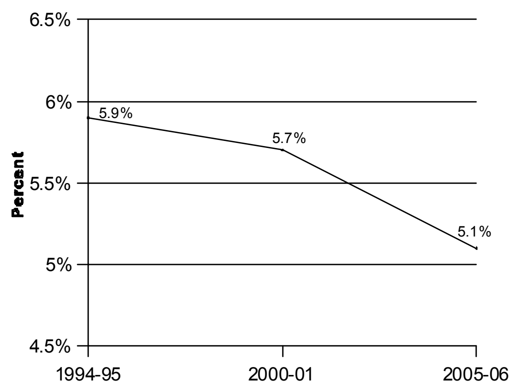
Growth in Personal Income Outpaces Growth in Debt



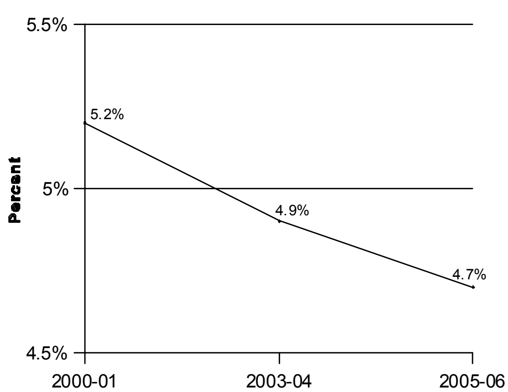
— The average annual growth in total State-supported debt outstanding (debt outstanding as of March 31, 2000 and projected new debt outstanding issued on and after April 1, 2000) is projected to be 2 percent— less than the average annual growth in personal income of about 4.2 percent.

Debt as a Percent of Personal Income Declines

— Total debt outstanding declines as a percent of personal income— from about 5.7 percent in 2000-01 to about 5.1 percent in 2005-06.



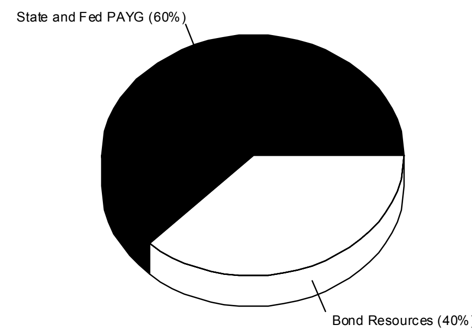
Debt Service Costs Decline As a Percent of Revenues



— Total debt service costs as a percent of All Funds Revenues decline from 5.2 percent in 2000-01 to about 4.7 percent in 2005-06.

— The portion of capital spending financed with State and Federal pay-as-you-go (PAYG) resources averages 60 percent from 2001-02 to 2005-06, an increase from the current year level of 57 percent.

60 Percent of Capital Spending Financed with Cash Resources



THE DEBT REFORM ACT OF 2000 — ENSURING CAPITAL INVESTMENTS ARE RESPONSIBLY FINANCED AND AFFORDABLE

The enactment of the Governor's Debt Reform Act of 2000 ensures the responsible management of the State's debt portfolio. Effective April 1, 2000, the Act:

- — Imposed a phased-in cap on new debt outstanding of 4 percent of personal income, reflecting a one-third decline from the current level of 6 percent.
- — Imposed a phased-in cap on new debt service costs of 5 percent of All Funds receipts, ensuring that the amount of resources devoted to debt service costs remains affordable and stable.
- — Restricted the use of debt to financing capital works and purposes.
- — Reduced the maximum term of debt to 30 years, ensuring that exceptionally long maturities do not dramatically increase debt service costs.

New debt issuances projected for 2000-01 and for each year of the Five-Year Capital Program and Financing Plan are well below the limitations and caps imposed by the Debt Reform Act and reflect a prudent balance between financing important capital projects with State-supported bonds and pay-as-you-go resources.

CONSTITUTIONALLY IMPROVING DEBT PRACTICES

The Governor will resubmit his Constitutional Debt Reform bill to ensure that the statutory provisions of the Debt Reform Act remain in place for generations to come and provide new improvements in the State's practices. The Governor's bill will:

- — Make permanent the caps and limitations imposed by the Debt Reform Act.
- — Ban "back door" borrowing.
- — Authorize a limited amount of Revenue Debt.
- — Ensure that at least one-half of all new debt is approved by the voters.
- — Authorize multiple general obligation bond act proposals.

USING THE DEBT REDUCTION RESERVE FUND TO DRAMATICALLY REDUCE TAXPAYER COST

In 1998-99, the Governor created the Debt Reduction Reserve Fund (DRRF), establishing the policy of setting aside available one-time resources to reduce State-supported debt and taxpayer costs. The $750 million deposited to date in DRRF will lower debt service costs by $1.2 billion.

As planned, $500 million in DRRF funds will be used in 2000-01 — about $425 million to defease high-cost debt and $75 million to finance bonded capital projects with cash — saving taxpayers about $800 million in planned debt service costs. The $250 million DRRF balance will be used in 2001-02 to provide pay-as-you-go resources to facilitate the completion of key transportation projects. Using DRRF to pay cash for these essential projects will continue the State's progress toward improving infrastructure conditions without issuing additional bonds, saving taxpayers about $400 million in avoided debt service costs.

ENHANCING THE STRUCTURE OF STATE-SUPPORTED DEBT TO REDUCE BORROWING COSTS

A new statutory Revenue Debt structure is proposed to gradually lower debt service costs and improve the marketability and creditworthiness of State-supported debt. This proposal will expand the State's existing "revenue-backed" debt structure by providing a pledge of 25 percent of the broad-based personal income tax receipts to "guarantee" the State will satisfy the debt service obligations due on new revenue-backed bonds. This proposal is designed to:

— Reduce borrowing costs and expand the investor base for State obligations by providing the marketplace with a new, highly-rated, secure debt instrument.

— Permit the State to consolidate its current bonding programs and provide the statutory framework for the issuance of Constitutional Revenue Debt.

OVERVIEW

The Five-Year Capital Program and Financing Plan is submitted with the Executive Budget in accordance with section 22-c of the State Finance Law. It consists of two sections, the Financing Plan and the Capital Program Plan, which provide capital planning and financing information for the current fiscal year and the five-year period from 2001-02 through 2005-06. The recommendations reflected in the Plan, including capital disbursements, debt issuances, debt retirements, State-supported debt levels, and debt service costs, are consistent with Article VII legislation which provides specific bonding authorizations and budget bills which provide required debt service appropriations. As required by statute, the Plan is updated following the enactment of the State Budget.

The Financing Plan section provides a summary of agency capital spending by financing source and on a program, agency and issuer basis. It also shows the level of debt issuances, retirements, outstanding State-supported debt and the resultant impact on future debt service costs.

The Capital Program Plan section describes agency capital goals and objectives, including a discussion of recommended projects and changes from prior year plans. Also included in this section are the recommended methods for financing new and ongoing capital programs or initiatives, and agency schedules of projected appropriations, commitments and disbursements. The agency narratives also provide a summary of each agency's capital maintenance efforts.

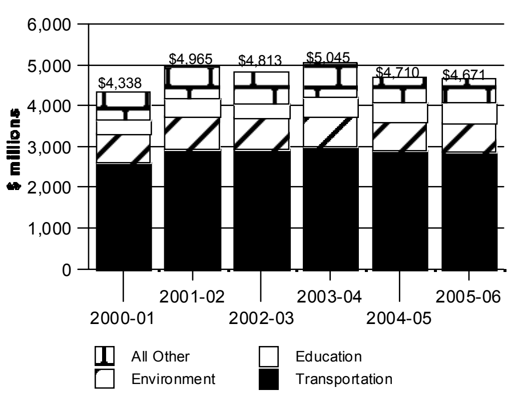
FINANCING PLAN

This section discusses the financing sources for each agency's capital program. Projected levels of spending by fiscal year are arrayed according to the expected source of funding. These include State and Federal pay-as-you-go resources, and proceeds from general obligation and authority bonds.

The Financing section of the Capital Program and Financing Plan presents the State's current assumptions about future Federal grants, general obligation bond authorizations, the use of State-supported debt, General Fund transfers, and support from other resources. The capital spending and financing receipts presented in this section correspond to the financial projections contained in the Executive Budget. Five-year financial plans for the Capital Projects Funds and the Debt Service Funds are also included to provide the reader with a consolidated summary of all financial activity described in this Plan. Finally, this section includes schedules of bond issuances, retirements, debt outstanding and associated debt service costs for all State-supported debt. This information is provided separately for each program, by issuer.

CAPITAL SPENDING FOCUSED ON HIGH PRIORITY CAPITAL INVESTMENTS

Capital Spending Targeted to Essential Investments

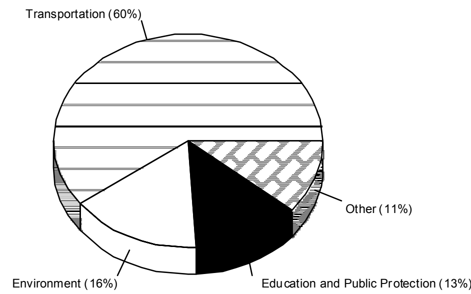


The Five-Year Capital Plan will continue to finance sound investments in high priority capital projects. Total recommended capital spending over the Plan of $24.2 billion will average $4.8 billion annually and will focus on targeted capital projects that promote economic development and technological innovations, provide safe, state-of-the-art facilities to educate our children, preserve the environment, and protect the health and safety of New Yorkers. To support these diverse capital investments, the Executive Budget recommends capital appropriations and reappropriations of about $40 billion (net of transfers). Virtually all of the recommended new appropriations are targeted for the preservation of existing facilities.

Capital Projects Funds spending in 2001-02 is projected at $5 billion, or $627 million higher than 2000-01. The largest increases are attributable to transportation ($309 million), housing, economic development and other areas ($143 million), the environment ($123 million) and education ($74 million). These increases are partially offset by the return to more typical spending levels for public protection as prison capacity expansion projects near completion. Capital spending over the remaining years of the Plan will remain level at roughly $4.8 billion annually. Changes in out-year spending levels primarily reflect the completion of commitments for the Strategic Investment Program, programs to support business incubators, youth facilities, and the Hudson River Park.

Transportation spending, primarily for improvements to the State's highways and bridges, continues to account for the largest share of total spending— 60 percent. Another 16 percent is for environmental purposes, including the Clean Water/Clean Air Bond Act and approximately 13 percent is projected for education and public protection. The remaining 11 percent will be spent in other areas, including mental hygiene, economic development and housing.

Capital Spending for Critical Investments



CAPITAL PROJECTS
CAPITAL SPENDING BY FINANCING SOURCES
2000-2001 THROUGH 2005-2006
(Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Financing Source						
State Pay-As-You-Go	1,081,648	1,595,879	1,348,198	1,364,844	1,166,153	1,099,298
Federal Funds Pay-As-You-Go	1,393,697	1,439,884	1,500,230	1,583,506	1,705,126	1,748,129
General Obligation Bonds	275,381	274,881	269,726	237,130	204,664	177,455
Authority Bonds	1,587,746	1,654,360	1,695,233	1,859,177	1,634,241	1,645,816
Total	4,338,472	4,965,004	4,813,387	5,044,657	4,710,184	4,670,698

CAPITAL PROJECTS
PERCENTAGE MIX OF FINANCING SOURCES
2000-2001 THROUGH 2005-2006

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Financing Source						
State Pay-As-You-Go	25	32	28	27	25	24
Federal Funds Pay-As-You-Go	32	29	31	31	36	37
General Obligation Bonds	6	6	6	5	4	4
Authority Bonds	37	33	35	37	35	35
Total	100	100	100	100	100	100

Key spending recommendations included in the Plan are discussed below.

- The State's transportation infrastructure is an essential component of the State's overall commitment to making investments that encourage commerce, business growth and job creation. The Executive Budget recommends the use of additional pay-as-you-go resources to accelerate the completion of important transportation projects. While the Five-Year Capital Plan reflects the voter turndown of the Transportation Infrastructure Bond Act this past November, the Executive Budget will use $250 million in pay-as-you-go resources from the Debt Reduction Reserve Fund to increase the construction levels of the Department of Transportation's (DOT) Highway and Bridge Construction Program to $1.75 billion in 2001-02 and 2002-03, its highest level ever. Responsibly financing these recommended increases with DRRF resources will save taxpayers about $400 million in avoided debt service costs. Beyond 2002-03, the Capital Plan anticipates that an increase in Federal aid under the 2003 Transportation Act will continue to support higher levels of transportation spending. When engineering costs and programs for other modes of transportation are added, capital spending for transportation will average $2.9 billion annually over the Five-Year Capital Plan.
- The DOT Plan continues to support local transportation programs. Funding for the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program will be $348 million in 2000-01 and are projected to total $1.4 billion over the Capital Plan.
- Clean Water/Clean Air Bond Act appropriations and reappropriations are recommended for the balance of the $1.75 billion Bond Act approved by the voters in 1996 to finance spending for air and water quality improvements and the restoration of industrial sites. Annual spending during the Five-Year Plan from the Environmental Protection Fund will average $123 million. New appropriations of $150 million, an increase of $25 million, are recommended to finance important environmental projects, including resources to continue to develop the Hudson River Park in New York City. Beginning in 2001-02, pay-as-you-go disbursements of $105 million annually from the new Remedial Program Transfer Fund will finance the cleanup of hazardous substance sites and will continue to support the cleanup of hazardous waste sites after the 1986 Environmental Quality Bond Act funds are fully committed.
- Capital appropriations and reappropriations of over $1.8 billion are provided for the Department of Correctional Services. Public protection spending will average $200 million over the five-years, reflecting the completion of the new maximum security prison in Seneca County.
- New appropriations and reappropriations of $4.9 billion will continue to support the Governor's multi-year Capital Investment Plan for the State and City Universities of New York. The Capital Investment Plan will finance critical health and safety projects; preservation and handicapped access projects; the rehabilitation of existing facilities and the construction of new facilities to meet current academic needs; and the use of technology for instruction, research and community service at SUNY and CUNY campuses. Included in this amount is an additional $535 million in appropriations to expand and renovate SUNY dormitory facilities to continue to provide safe housing and respond to the needs of a diverse and growing student population.
- New appropriations and reappropriations of $1 billion will continue to facilitate the construction and preservation of the State's low and moderate-income housing stock. The Capital Plan includes average annual spending of $105 million to maintain State support for low and moderate-income rental and home ownership and homeless housing programs.

— New appropriations and reappropriations of over $2 billion are recommended for Mental Hygiene projects. Spending will support essential health and safety, rehabilitation and maintenance projects needed to preserve and maintain both State and community-based facilities operated and/or licensed by the Office of Mental Health, the Office of Mental Retardation and Developmental Disabilities, and the Office of Alcoholism and Substance Abuse Services.

— Plans for the construction, rehabilitation, consolidation and renovation of State office buildings to achieve space efficiencies and reduce operational costs will continue. The Plan projects that spending for the rehabilitation of the Alfred E. Smith State Office Building (AESOB) will continue through 2004-05. In addition, the Plan includes a new appropriation of $21 million in 2002-03 to provide cash resources for a new parking garage that is expected to be developed in conjunction with AESOB renovations.

— A combination of $60 million in redirected Community Enhancement Facilities Assistance Program (CEFAP) bonding authorization and $40 million in cash resources will fund the 2001-02 Executive Budget's $100 million high-technology recommendation to support research facilities, business incubators, business parks, and other initiatives, including "Centers of Excellence," which will directly link university researchers with high-technology business and industry leaders. Additional General Fund spending of $183 million over the next five years will provide a total of $283 million for these and other important high-technology initiatives, and will leverage more than $700 million in Federal, university, and private funds to spur high technology job growth.

— The Plan continues to include funding to expand capacity and replace the Harlem Valley Youth Facility. Spending for the new youth facility is anticipated to occur over the first several years of the Plan.

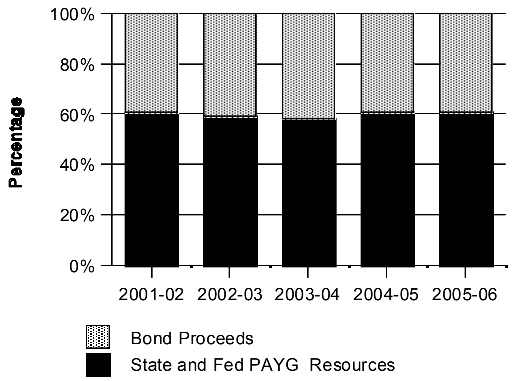
CAPITAL SPENDING BY FUNCTION
2000-2001 THROUGH 2005-2006
(Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Transportation	2,608,442	2,917,419	2,917,335	2,995,444	2,901,910	2,880,672
Environment and Recreation						
Clean Water/Clean Air Bonds, Environmental Protection Fund and Remedial Program Transfer Fund	290,920	393,164	394,164	399,164	369,164	369,164
Federal and Other Programs	408,362	428,950	413,309	362,618	342,465	341,222
Education	352,230	426,030	327,430	446,530	447,404	487,240
Public Protection	259,686	203,478	194,125	201,225	201,225	201,225
Mental Hygiene	149,445	183,969	201,658	205,691	182,406	172,965
Housing and Economic Development	188,800	284,300	196,075	249,475	114,200	99,200
Other	80,587	127,694	169,291	184,510	151,410	119,010
Total	4,338,472	4,965,004	4,813,387	5,044,657	4,710,184	4,670,698

THE STATE'S DEBT REFORM STRATEGY CONTINUES TO REDUCE DEPENDENCE ON BOND FINANCING

Capital spending in the Plan is financed by State and Federal pay-as-you-go resources, State general obligation bonds, and public authority State-supported bonds. The successful implementation of the Debt Reform Act of 2000 and the prudent use of the Debt Reduction Reserve Fund to finance bond-financed capital projects with cash continue to ensure that about 60 percent of annual spending for critical capital investments is financed with pay-as-you-go resources.

60 Percent of Spending Financed with PAYG Resources



The Plan's prudent use of pay-as-you-go resources reduces the State's dependence on bond financing, ensuring that new debt issuances remain well within the caps and limitations imposed by the Debt Reform Act. Over the Plan, the share of capital spending financed with State and Federal pay-as-you-go resources remains at roughly 60 percent annually. The portion of the Plan financed with bond proceeds is similarly projected at 40 percent.

Over the Five-Year Plan, 60 percent of total capital spending will be financed with cash resources— with 27 percent of total capital spending attributable to State pay-as-you-go resources and 33 percent attributable to Federal grants. The percentage of the Plan financed with authority bond proceeds and general obligation bonds is 35 percent and five percent, respectively. Reducing the State's dependency on bond-financing ensures that by the last year of the Plan, 61 percent of total spending will be financed by a combination of State and Federal pay-as-you-go resources.

CAPITAL PROJECTS FINANCED BY
STATE AND FEDERAL PAY-AS-YOU-GO RESOURCES
2000-2001 THROUGH 2005-2006
(Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Transportation						
Department of Transportation	1,675,716	2,192,451	2,009,435	2,061,171	1,984,615	1,953,412
Thruway Authority	2,000	2,000	2,000	2,000	2,000	2,000
Environment and Recreation						
Department of Environmental Conservation	288,026	397,631	396,641	401,736	400,951	425,917
Environmental Facilities Corporation	0	6,250	0	0	0	0
Office of Parks, Recreation and Historic Preservation	25,411	28,912	27,259	27,116	26,214	26,525
Olympic Regional Development Authority	0	0	0	0	0	0
Hudson River Park Trust	21,767	30,000	40,000	18,000	0	0
Department of Agriculture and Markets	3,500	2,965	2,000	2,000	2,000	2,000
Energy Research and Development Authority	13,900	15,250	13,900	13,900	13,900	15,400
Public Protection						
Department of Correctional Services	34,000	1,500	1,500	0	0	0
Division of State Police	6,086	4,253	4,600	2,800	2,800	2,800
Division of Military and Naval Affairs	9,600	9,725	10,025	10,425	10,425	10,425
Education						
State Education Department	3,630	3,630	3,630	3,630	3,630	3,140
City University of New York	9,100	9,100	9,100	9,100	9,100	9,100
State University of New York:						
Senior Colleges	95,000	95,800	96,200	122,800	141,174	141,500
Community Colleges	3,500	3,500	3,500	3,500	3,500	3,500
Mental Hygiene						
Office of Mental Health	29,443	32,644	34,609	36,400	37,818	37,500
Office of Mental Retardation and Developmental Disabilities	35,915	38,176	38,342	41,215	41,634	43,070
Office of Alcoholism and Substance Abuse Services	5,609	6,173	5,749	5,867	5,883	6,114
Housing and Economic Development						
Division of Housing and Community Renewal	14,785	13,575	13,575	10,575	10,575	10,575
Urban Development Corporation	71,525	0	0	25,000	15,000	0
Other						
Office of General Services	50,150	52,200	59,500	60,000	53,200	50,800
Office of Children and Family Services	2,650	10,289	9,706	4,730	1,400	1,000
Office of Temporary and Disability Assistance	3,000	7,500	1,750	0	0	0
Department of Health	60,794	51,850	53,001	73,978	105,000	102,189
Department of State	460	460	460	460	460	460
Office of Science, Technology, and Academic Research	8,000	2,000	0	0	0	0
Judiciary	1,778	17,929	11,946	11,947	0	0
Total State and Federal Pay-As-You-Go Financing	2,475,345	3,035,763	2,848,428	2,948,350	2,871,279	2,847,427

STATE PAY-AS-YOU-GO

State pay-as-you-go financing refers to payments for capital programs on a current basis from current State revenues. Pay-as-you-go resources include: General Fund taxes; other taxes and user fees set aside or dedicated for specific capital programs; repayments from local governments and public authorities for their share of projects; and transfers from other funds, including the General Fund.

Over the Five-Year Plan, $6.6 billion in State pay-as-you-go resources are devoted to financing capital projects. State-pay-as-you-go spending of $1.6 billion in 2001-02, reflects the use of Debt Reduction Reserve Fund moneys to pay cash for bond-financed capital projects. The $250 million DRRF balance will be used to provide pay-as-you-go resources to finance essential transportation projects.

The largest dollar component of State pay-as-you-go financing is for the Dedicated Highway and Bridge Trust Fund, which receives a significant portion of the petroleum business tax, the motor fuel tax, and motor vehicle fees, and all of the highway use tax. Receipts deposited into the Trust Fund are used to finance projects on a pay-as-you-go basis and to pay debt service on bonds to finance the balance of the five-year transportation plan. The Executive Budget's three-year Financial Plan reflects the reclassification of spending for snow and ice removal from the General Fund to the Dedicated Highway and Bridge Trust Fund. An equivalent increase in Dedicated Fund taxes and fees will continue to finance these costs with pay-as-you-go resources. Over the Five-Year Plan, approximately $8 billion in existing taxes and fees will be deposited to the Fund.

Capital spending supported by General Fund receipts is classified as a transfer to the various Capital Projects Funds. The General Fund transfer, which is reflected in total State pay-as-you-go spending, is projected at $340 million in 2001-02 and will average $366 million annually over the Plan. The General Fund transfer primarily finances minor rehabilitation projects of State facilities of the Office of General Services, the Department of Environmental Conservation and the Department of Mental Hygiene. Beginning in 2001-02, General Fund transfers in support of capital projects will include $69 million annually to the Remedial Program Transfer Fund to continue the Governor's commitment to Superfund spending and the cleanup of hazardous waste sites.

State pay-as-you-go resources derived from statutorily dedicated revenues which finance projects for environmental and recreational purposes are projected to average approximately $234 million annually. Beginning in 2001-02, the Environmental Protection Fund (EPF) will receive $132 million in real estate transfer taxes annually, an increase of $20 million from the prior year. The EPF will also receive other miscellaneous revenues, which will average $17 million annually over the Five-Year Plan. The EPF is the largest environmental fund with average annual spending of $123 million, while the State Park Infrastructure Fund (SPIF), supported exclusively by park fees and other miscellaneous revenues, is expected to finance an average of $25 million annually of improvements to the State's park system. Annual spending of $105 million from the new Remedial Program Transfer Fund is financed with State General Fund resources ($69 million) and miscellaneous receipts from industry fees ($36 million).

CAPITAL PROJECTS FINANCED BY STATE PAY-AS-YOU-GO RESOURCES 2000-2001 THROUGH 2005-2006 (Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Transportation						
Department of Transportation	525,151	956,146	712,701	682,040	482,414	405,397
Thruway Authority	2,000	2,000	2,000	2,000	2,000	2,000
Environment and Recreation						
Department of Environmental Conservation	147,491	256,681	255,467	261,186	260,951	285,917
Environmental Facilities Corporation	0	6,250	0	0	0	0
Office of Parks, Recreation and Historic Preservation	25,211	26,412	26,309	26,216	26,214	26,525
Olympic Regional Development Authority	0	0	0	0	0	0
Hudson River Park Trust	21,767	30,000	40,000	18,000	0	0
Department of Agriculture and Markets	3,500	2,965	2,000	2,000	2,000	2,000
Energy Research and Development Authority	13,900	15,250	13,900	13,900	13,900	15,400
Public Protection						
Department of Correctional Services	0	1,500	1,500	0	0	0
Division of State Police	6,086	4,253	4,600	2,800	2,800	2,800
Division of Military and Naval Affairs	6,300	6,300	6,600	7,000	7,000	7,000
Education						
State Education Department	3,630	3,630	3,630	3,630	3,630	3,140
City University of New York	9,100	9,100	9,100	9,100	9,100	9,100
State University of New York:						
Senior Colleges	95,000	95,800	96,200	122,800	141,174	141,500
Community Colleges	3,500	3,500	3,500	3,500	3,500	3,500
Mental Hygiene						
Office of Mental Health	29,443	32,644	34,609	36,400	37,818	37,500
Office of Mental Retardation and Developmental Disabilities	35,915	38,176	38,342	41,215	41,634	43,070
Office of Alcoholism and Substance Abuse Services	5,609	6,173	5,749	5,867	5,883	6,114
Housing and Economic Development						
Division of Housing and Community Renewal	4,785	3,575	3,575	575	575	575
Urban Development Corporation	71,525	0	0	25,000	15,000	0
Other						
Office of General Services	50,150	52,200	59,500	60,000	53,200	50,800
Office of Children and Family Services	2,650	10,289	9,706	4,730	1,400	1,000
Office of Temporary and Disability Assistance	3,000	7,500	1,750	0	0	0
Department of Health	5,697	5,146	5,054	24,478	55,500	55,500
Department of State	460	460	460	460	460	460
Office of Science, Technology, and Academic Research	8,000	2,000	0	0	0	0
Judiciary	1,778	17,929	11,946	11,947	0	0
Total State Pay-As-You-Go Financing	1,081,648	1,595,879	1,348,198	1,364,844	1,166,153	1,099,298

FEDERAL PAY-AS-YOU-GO

Federal pay-as-you-go spending includes spending financed by grants from the Federal Government, primarily for highways and bridges, drinking water and water pollution control facilities, correctional facilities and housing. Over the Plan, Federal grants account for 33 percent of all spending.

The largest components of Federal pay-as-you-go spending are for transportation and the environment (including Federal spending for Department of Health Safe Drinking Water projects), averaging $1.4 billion and almost $190 million per year, respectively. Beginning in 2003-04 and thereafter, the Capital Plan anticipates additional Federal aid under the 2003 Transportation Act of approximately $120 million annually.

CAPITAL PROJECTS FINANCED BY FEDERAL GRANTS PAY-AS-YOU-GO RESOURCES 2000-2001 THROUGH 2005-2006 (Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Transportation						
Department of Transportation	1,150,565	1,236,305	1,296,734	1,379,131	1,502,201	1,548,015
Environment and Recreation						
Department of Environmental Conservation	140,535	140,950	141,174	140,550	140,000	140,000
Office of Parks, Recreation and Historic Preservation	200	2,500	950	900	0	0
Public Protection						
Division of Military and Naval Affairs	3,300	3,425	3,425	3,425	3,425	3,425
Department of Correctional Services	34,000	0	0	0	0	0
Housing and Economic Development						
Division of Housing and Community Renewal	10,000	10,000	10,000	10,000	10,000	10,000
Other						
Department of Health	55,097	46,704	47,947	49,500	49,500	46,689
Total Federal Grants Pay-As-You-Go Financing	1,393,697	1,439,884	1,500,230	1,583,506	1,705,126	1,748,129

GENERAL OBLIGATION BOND FINANCING

General obligation bond financing of capital projects is accomplished through the issuance of full faith and credit State bonds which have been authorized by the voters. The Plan assumes the continued implementation of eight previously authorized Bond Acts (four for transportation and four for environmental and recreational programs). Most of the general obligation spending over the five years is financed by the 1996 Clean Water/Clean Air Bond Act; 1988 ACTION bonds for highways and bridges; and the 1986 Environmental Quality Bond Act, which primarily funds hazardous waste remediation. Spending authorizations from the remaining five bond acts will be virtually depleted by the end of the Plan.

Spending supported by general obligation bonds totals six percent in 2001-02, primarily from the voter-approved 1996 Clean Water/Clean Air Bond Act and 1986 Environmental Quality Bond Act. Capital spending supported by general obligation bonds declines to four percent by the end of the Plan, reflecting the impact of the spend-down from authorizations other than the Clean Water/Clean Air Bond Act. Overall, this category accounts for five percent of the Plan's capital spending.

No additional general obligation bonding is anticipated to replace the $3.8 billion Transportation Infrastructure Bond Act defeated by the voters in November 2000. Additional spending to accelerate the completion of essential transportation projects will be financed with additional State pay-as-you-go resources.

CAPITAL PROJECTS FINANCED BY GENERAL OBLIGATION BONDS 2000-2001 THROUGH 2005-2006 (Thousands of Dollars)

Transportation	**2000-2001**	**2001-2002**	**2002-2003**	**2003-2004**	**2004-2005**	**2005-2006**
Department of Transportation						
Action -1988	16,000	14,000	12,000	10,000	8,000	6,000
Infrastructure Renewal - 1983	5,000	5,000	5,000	5,000	5,000	5,000
Energy Conservation - 1979	200	200	200	200	200	200
Transportation Capital Facilities - 1967	1,600	1,200	800	400	400	400
Environment and Recreation						
Department of Environmental Conservation						
Clean Water/Clean Air 1996	122,290	118,755	118,755	138,755	138,755	138,755
EQBA 1986	57,000	75,000	70,000	50,000	50,000	24,791
EQBA 1972	9,031	492	2,130	1,106	1,100	1,100
Pure Waters 1965	3,100	3,725	4,800	800	800	800
Office of Parks, Recreation and Historic Preservation						
Clean Water/Clean Air 1996	1,453	0	0	0	0	0
EQBA 1986	8,450	5,700	5,632	460	0	0
EQBA 1972	0	400	0	0	0	0
Department of Agriculture and Markets						
Clean Water/Clean Air 1996	500	0	0	0	0	0
Environmental Facilities Corporation						
Clean Water/Clean Air 1996	292	292	292	292	292	292
Energy Research and Development Authority						
Clean Water/Clean Air 1996	117	117	117	117	117	117
Other						
Department of State						
Clean Water/Clean Air 1996	348	0	0	0	0	0
Department of Health						
Clean Water/Clean Air 1996	50,000	50,000	50,000	30,000	0	0
Total General Obligation Bond Financing	275,381	274,881	269,726	237,130	204,664	177,455

AUTHORITY BOND FINANCING

Authority bond-financed capital spending is reimbursed by the proceeds of bonds sold by State public authorities pursuant to contractual agreements with the State. Consistent with the adoption of the Debt Reform Act and other efforts to control debt, the portion of the plan financed with authority bond proceeds remains relatively level at about 35 percent.

The table of authority bond-financed spending includes those capital programs for which spending is included in the State's Financial Plan. While this includes the majority of such financings, certain programs that are financed directly from bond proceeds (such as the Dormitory Authority-financed CUNY program, the Thruway Authority-financed CHIPS Program, and the Dormitory Authority-financed State mental hygiene program) are not counted as spending (although they are counted as State-supported debt), since neither the disbursements nor the receipt of bond proceeds are reflected by the Comptroller as activity from State funds or accounts.

The largest component of spending financed by authority bonds is within the Dedicated Highway and Bridge Trust Fund (51 percent). Dedicated Highway and Bridge Trust Fund bonds which are issued to support the five-year DOT Plan will average approximately $865 million annually over the Plan.

Authority bond-financed spending for non-transportation programs decreases from approximately $952 million in 2001-02 to about $732 million in 2005-06. The decline primarily reflects the "spend out" of certain economic development programs, including the Strategic Investment Program ($107 million), the J2K Pipeline for Jobs and the J2K University Programs ($36 million), and the Rochester Rhinos Stadium and the Economic Development and Natural Resources Preservation programs ($30 million).

CAPITAL PROJECTS FINANCED BY AUTHORITY BONDS 2000-2001 THROUGH 2005-2006 (Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Transportation						
Department of Transportation	907,926	702,568	887,900	916,673	901,695	913,660
Environment and Recreation						
Department of Environmental Conservation	28,000	28,000	28,000	28,000	28,000	28,000
Environmental Facilities Corporation	11,000	11,500	0	0	0	0
Public Protection						
Department of Correctional Services	210,000	188,000	178,000	188,000	188,000	188,000
Education						
State University of New York	175,000	185,000	215,000	307,500	290,000	330,000
State Education Department	66,000	129,000	0	0	0	0
Mental Hygiene						
Office of Mental Health	53,774	73,420	90,628	89,579	68,367	57,480
Office of Mental Retardation and Developmental Disabilities	4,236	8,073	8,111	8,151	6,216	6,301
Office of Alcoholism and Substance Abuse Services	20,468	25,904	24,219	24,479	22,488	22,500
Housing and Economic Development						
Division of Housing and Community Renewal	71,490	107,875	94,875	89,875	88,625	88,625
Urban Development Corporation	0	15,000	10,000	50,000	0	0
Other						
Office of Children and Family Services	6,560	34,170	60,875	52,895	22,850	11,250
Office of Science, Technology and Academic Research	0	23,750	23,750	0	0	0
Office of Temporary and Disability Assistance	23,000	0	0	0	0	0
Department of Health	10,292	0	0	0	0	0
Office of General Services	0	0	20,000	30,000	18,000	0
All State Departments and Agencies Economic Development and Other Purposes	0	122,100	53,875	74,025	0	0
Total Authority Bond Financing	1,587,746	1,654,360	1,695,233	1,859,177	1,634,241	1,645,816

FINANCIAL PLANS

The following table provides an explanation of the receipt, disbursement, transfer and general obligation bond amounts contained in the Plan and how they correspond to the applicable Governmental Funds financial plans. All amounts are reflected on a cash basis in the fiscal year during which the spending or receipt activity occurs. Since capital disbursements have been discussed in previous sections, the following information is provided as a description of the receipt categories which support capital spending. Receipts include taxes, miscellaneous receipts (authority and general obligation bond reimbursements, miscellaneous receipts and other repayments), Federal grants, and transfers from other Governmental Funds.

Taxes dedicated to capital programs are estimated to account for approximately 30 percent of the total receipts supporting capital spending during the Plan. A large portion of the existing petroleum business tax, motor fuel tax, and motor vehicle fees and all of the highway use tax will finance spending from the Dedicated Highway Bridge and Trust Fund. Over the Five-Year Plan, total annual Dedicated Trust Fund taxes will average approximately $1.5 billion annually. The Executive Budget's three-year Financial Plan reflects the reclassification of approximately $170 million in spending for snow and ice removal from the General Fund to the Dedicated Highway and Bridge Trust Fund. An equivalent increase in Dedicated Fund taxes and fees will continue to finance these costs with pay-as-you-go resources. Over the Five-Year Plan, approximately $8 billion in existing taxes and fees will be deposited to the Fund. In addition, beginning in 2001-02, real estate transfer taxes deposited into the Environmental Protection Fund will increase by $20 million, to $132 million annually.

Miscellaneous receipts also include receipts, such as State park and environmental fees, which are deposited into capital projects funds for specific programs, but not directly linked to spending levels. Those receipts will be used to reduce State debt and taxpayer costs. Authority bond proceeds, which reimburse the State for capital disbursements, are linked directly to spending, although these receipts may not be received in the same fiscal year in which spending activity transpires. For example, some design work or site acquisition may occur prior to construction and the sale of bonds. For this Plan, miscellaneous receipts are projected to comprise 33 percent of capital projects funds receipts. A further description of this receipts category is provided in the "Explanation of Receipt Estimates" section of this Appendix.

Federal grants reimburse the State for the Federal share of construction projects. Reimbursements are received primarily for spending on transportation, environment and recreation, housing and public protection projects. Federal grants are anticipated to provide 29 percent of capital projects receipts in this Plan.

The balance of capital project financing, eight percent, is supported by transfers from other funds. The primary transfer in support of capital spending is made from the State's General Fund and is comprised of transfers to the Capital Projects Fund for routine project spending and to the Remedial Program Transfer Fund for the cleanup of hazardous substance sites and to continue the cleanup of hazardous waste sites after the 1986 Environmental Quality Bond Act funds are committed. Over the five years of the Plan, the transfer from the General Fund represents approximately one percent of total State General Fund spending.

CAPITAL PROJECTS FUNDS FINANCIAL PLAN
PREPARED ON THE CASH BASIS OF ACCOUNTING
(Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Opening funds balance	(18,707)	(38,481)	(73,880)	(70,187)	(93,388)	(121,621)
Receipts:						
Taxes	1,218,900	1,546,900	1,664,300	1,740,600	1,664,800	1,674,900
Miscellaneous receipts	1,760,582	1,837,436	1,878,105	2,037,026	1,766,303	1,777,844
Federal grants	1,400,817	1,451,434	1,509,780	1,593,056	1,713,576	1,756,579
Total receipts	4,380,299	4,835,770	5,052,185	5,370,682	5,144,679	5,209,323
Disbursements:						
Grants to local governments	816,745	991,289	795,456	762,475	629,294	587,774
State operations	0	0	0	0	0	0
Debt service	0	0	0	0	0	0
Capital projects	3,521,727	3,973,715	4,017,931	4,282,182	4,080,890	4,082,924
Total disbursements	4,338,472	4,965,004	4,813,387	5,044,657	4,710,184	4,670,698
Other financing sources (uses):						
Transfers from other funds	340,344	647,611	371,020	408,481	423,074	467,959
Transfers to other funds	(637,945)	(790,776)	(866,125)	(989,107)	(1,084,802)	(1,171,929)
Bond and note proceeds	236,000	237,000	260,000	231,400	199,000	176,000
Use of Debt Reduction Reserve Fund	0	0	0	0	0	0
Net other financing sources (uses)	(61,601)	93,835	(235,105)	(349,226)	(462,728)	(527,970)
Changes in fund balance	(19,774)	(35,399)	3,693	(23,201)	(28,233)	10,655
Closing fund balance	(38,481)	(73,880)	(70,187)	(93,388)	(121,621)	(110,966)

DEBT FINANCING

Financing the construction of, and improvements to, long-term capital assets through borrowing is an integral part of the State's Capital Program and Financing Plan. This section describes the impact of bond-financed capital spending on the amount of State -supported debt and debt service expenditures throughout the Plan. Supporting this analysis are separate tables for debt issuances, debt retirements, debt outstanding and debt service.

DEBT REFORM ACT OF 2000

The Capital Program and Financing Plan continues to recommend new debt issuances that are well within the constraints established by the Debt Reform Act for the current year and for each year of the Five-Year Plan. The Act applies to all new debt issued on and after April 1, 2000 and imposes phased-in caps on new debt outstanding as a percent of personal income and new debt service costs as a percent of All Funds receipts. Since the caps imposed by the Act are absolute limits that should not be reached, the Executive Budget recommends new debt issuances and initiatives that ensure that both State debt levels and costs remain well below those limits.

The Act requires that the final annual limitations on the issuance of State-supported debt and debt service costs be calculated by October 31 of each year. For example, the first such calculation will be made on or before October 31, 2001 and apply to debt outstanding and debt service costs as of March 31, 2001 for all new debt issued on and after April 1, 2000. If the calculations for new State-supported debt outstanding and debt service costs are less than the amounts permitted under the Act, new State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service cap is exceeded, the State would be precluded from contracting new State-supported debt until the next annual cap calculation is made and State-supported debt is found to be within the appropriate limitations.

As shown in the following table, debt issuances reflected in the Plan ensure that debt outstanding and debt service costs on debt issued on and after April 1, 2000 are projected to remain well below the Act's absolute limits.

DEBT OUTSTANDING
($millions)

Year	CAP %	Maximum Debt Authorized	Capital Plan Recommendation	Recommendation Below CAP
2000 -01	.75%	$4,896	$2,722	$2,174
2001 -02	1.25%	8,533	6,027	2,507
2002 -03	1.65%	11,710	8,668	3,043
2003 -04	1.98%	14,653	11,067	3,586
2004 -05	2.32%	17,826	13,104	4,722
2005 -06	2.65%	21,234	15,032	6,202

DEBT SERVICE COSTS
($ millions)

Year	CAP %	Maximum Debt Service Costs Authorized	Capital Plan Recommendation	Recommendation Below CAP
2000 -01	.75%	$613	$81	$532
2001 -02	1.25%	1,052	482	570
2002 -03	1.65%	1,420	781	639
2003 -04	1.98%	1,761	1,082	679
2004 -05	2.32%	2,126	1,296	830
2005 -06	2.65%	2,532	1,532	1,000

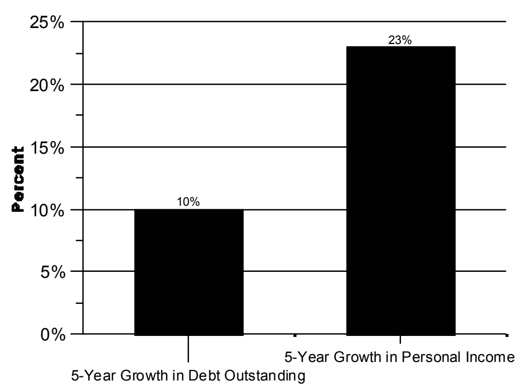
DEBT OUTSTANDING LEVELS REMAIN AFFORDABLE

The implementation of the debt outstanding caps imposed by the Debt Reform Act of 2000 and the prudent use of the Debt Reduction Reserve Fund (DRRF) have significantly reduced the growth in State-supported debt, which is directly supported by taxpayers. From 1994-95 to 2005-06, the average annual growth in total State debt is restricted to 3.5 percent.

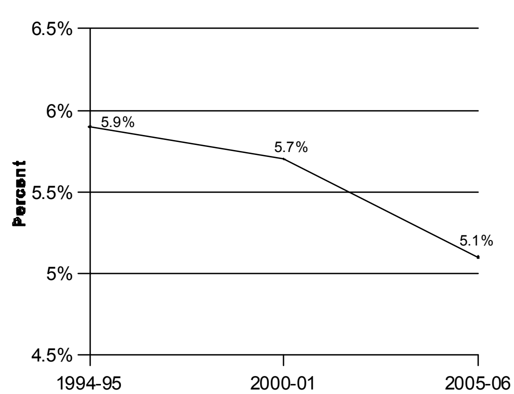
Capping new debt levels to 4 percent of personal income ensures that the growth in debt does not out pace the growth in personal income — a measure commonly used by the financial community to assess affordability. Over time, the debt outstanding cap imposed by the Debt Reform Act ensures that New York's total debt burden is reduced from its current level of about 5.7 percent of State personal income to no more than 4 percent — a one-third reduction. Over the Five-Year Plan:

— The average annual growth in total debt outstanding of 2 percent is significantly less than the projected average annual growth in personal income of 4.2 percent.

Growth in Personal Income Outpaces State Debt



Debt as a Percent of Personal Income Declines



— Total debt outstanding as a percent of personal income will decline from 5.7 percent in 2000-01 to 5.1 percent in 2005-06.
— New debt outstanding as a percent of personal income will be well below the Debt Reform Act's phased-in caps, which grow from .75 percent in 2000-01 to 2.65 percent in 2005-06.

Debt Levels Moderate

Over the Plan, total debt outstanding will increase from $38 billion in 2001-02 to $41 billion in 2005-06, or by an annual average of 1.6 percent, which reflects the use of $750 million from DRRF to defease high cost debt and pay cash for capital projects.

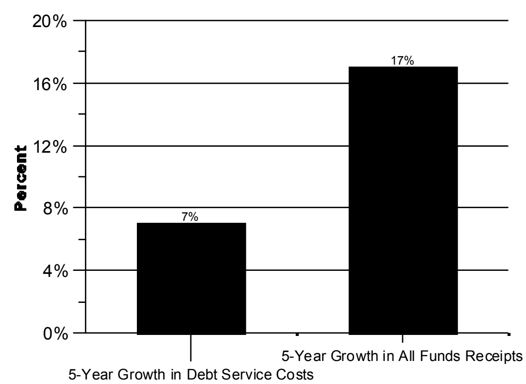
Over the Plan period, Emergency Highway bonds issued by the Thruway, Pension Bonds issued by the Dormitory Authority, and Empire State Plaza Bonds issued by Albany County will be retired. By 2005-06, the last year of the Plan, the majority of State-supported debt outstanding will be attributable to transportation (33 percent) and education (23 percent). The remaining balance will have financed important capital projects for health and mental health (10 percent), public protection (10 percent), LGAC (10 percent), and environmental and other programs (14 percent).

DEBT SERVICE COSTS REMAIN AFFORDABLE

The debt service table shows the amount of resources devoted to financing the principal and interest costs on new and currently outstanding State-supported debt. The table includes projected total annual debt service by program and issuer, and includes debt service on general obligation bonds, as well as lease-purchase and contractual obligations issued by State agencies, public authorities, and municipalities through financing agreements with the State. Over the Five-Year Plan:

— The average annual growth in total debt service costs of 1.3 percent is less than the average annual growth in All Funds receipts of 3.2 percent.
— Total debt service costs as a percent of All Funds receipts will decline from 5.2 percent in 2000-01 to 4.7 percent in 2005-06.
— New debt service costs as a percent of All Funds receipts will be well below the Debt Reform Act's phased-in caps, which grow from .75 percent in 2000-01 to 2.65 percent in 2005-06.

Growth In Receipts Outpaces Debt Service Costs



Using the Debt Reduction Reserve Fund to Reduce Taxpayer Costs

As planned, $500 million of DRRF deposits have been used in 2000-01, of which $421 million was used to defease high cost Dormitory Authority Mental Hygiene bonds and SUNY Educational Facilities bonds, Housing Finance Agency SCOR bonds, and Environmental Facilities Corporation State Revolving Fund bonds. The balance will be used to pay cash for bond-authorized capital projects. In 2001-02, the $250 million DRRF balance will be used to provide pay-as-you-go resources to finance the timely completion of essential transportation projects. Overall, the prudent use of the $750 million DRRF investment will save taxpayers $1.2 billion in lower debt service costs.

The Five-Year Plan reflects debt service savings from the $750 million DRRF investment of $57 million in 2001-02, $79 million in 2002-03, $77 million in 2003-04, $82 million in 2004-05, and $81 million in 2005-06. Over the life of the debt, the DRRF investment saves taxpayers $1.2 billion in avoided debt service costs.

Expanding the Use of Revenue-Backed Debt to Reduce Debt Service Costs

To build upon the historic adoption of the Debt Reform Act and other debt management initiatives that have already reduced borrowing costs, the Executive Budget will recommend legislation that is intended to improve the marketability and creditworthiness of State-supported debt by establishing a new statutory Revenue Debt structure to gradually enhance the State's debt profile. This proposal will expand the State's existing "revenue-backed" debt to provide a structure that will pledge 25 percent of the broad-based personal income tax receipts to "guarantee," subject to appropriation, that the State will satisfy the debt service obligation due on the new revenue-backed bonds. The proposal is designed to:

— Reduce borrowing costs by approximately $20 million in 2001-02.
— Expand the investor base for State obligations by providing the marketplace with a new, highly-rated, secure debt instrument.
— Permit the State to consolidate its current bonding programs and provide the statutory framework for the issuance of Constitutional Revenue Debt.

The current interest rate environment remains relatively favorable for municipal bond issuers. The Division forecasts that long-term fixed rates will range from 5.2 percent to 6.7 percent throughout the Capital Plan period. Short-term rates are expected to average about 4 percent.

DEBT ISSUANCES

Projected debt issuances will finance strategic capital investments which will continue to support the State's transportation infrastructure, encourage economic development and job creation, improve educational facilities, protect the environment, and maintain correctional and mental hygiene facilities. Over the Five-Year Plan, average annual debt issuances will decline by 7.4 percent. Average annual issuances of approximately $2.9 billion are detailed below.

General obligation bonds will be issued to continue to implement projects financed by the voter-approved Clean Water/Clean Air Act and other prior bond acts, predominantly the 1986 Environmental Quality Bond Act.

Debt issuances to support the Department of Transportation's Highway and Bridge Construction Program will average $916 million annually. Consistent with transportation's share of overall capital spending, it accounts for the largest share of the Plan's debt issuances, or 32 percent. In conjunction with additional State and Federal pay-as-you-go resources, these issuances will support construction letting levels of $1.75 billion annually. Projected issuances also include $290 million in annual issuances to support local highway and bridge capital projects.

Average annual issuances of approximately $558 million over the Plan will continue to support commitments for the SUNY and CUNY multi-year Capital Investment Plan. In conjunction with additional pay-as-you-go resources, the Plan includes new issuances of $316 million to expand and renovate SUNY dormitory facilities to continue to provide safe housing for a growing student population. SUNY dormitory bond issuances are fully supported by dormitory fees and rents charged to the residing population.

The Plan's projected issuances will continue to support programs that foster economic development, including the Jobs 2000 Pipeline for Jobs, the NYSTAR Capital Facilities Program (University Facilities), and the Strategic Investment Program. In addition, through a combination of $60 million in redirected Community Enhancement Facilities Assistance Program (CEFAP) bonding authorization and $40 million in cash resources, the Five-Year Capital Plan will support the Governor's $100 million high-technology recommendation to fund research facilities, business incubators, business parks, and other initiatives, including "Centers of Excellence", which will directly link university researchers with high-technology business and industry leaders.

Annual average issuances of $415 million will support capital projects for public protection, including the maintenance and rehabilitation of correctional and youth facilities ($231 million) and mental hygiene facilities ($184 million).

Projected COPs issuances of $56 million in 2000-01 reflect the financing of various components of new welfare computer systems that are vital to augment case management capacity and to comply with Federal data requirements. COPs issuances of approximately $308 million in 2001-02 include $167 million to complete the purchase of the new welfare computer systems. COPs issuances over the remaining years of the Plan are projected to average $77 million annually and will support the purchase of equipment, computers and vehicles for various State agencies.

Projected debt issuances also reflect debt management strategies that reduce borrowing costs, including the use of shorter-term maturities to coordinate the useful life of assets and the terms by which they are financed and the policy of not using capitalized interest on bonds sold for projects which are not revenue-generating facilities.

Continuing the Use of Short -Term Debt Instruments

Consistent with rating agency guidelines, the State will continue to diversify its debt portfolio by prudently increasing the share of short-term debt instruments (i.e., variable rate debt and a limited amount of interest rate swaps) as a percentage of total debt outstanding. The use of short-term debt instruments is expected to broaden the market base for State-supported debt and, since short-term instruments have historically been less expensive than long-term obligations, generate debt service savings. The Plan includes current and new issuances of variable rate debt for State general obligation bonds, Housing Finance Agency (HFA) bonds, Local Government Assistance Corporation (LGAC) bonds, and Urban Development Corporation (UDC) Correctional and Youth Facilities bonds. Market conditions permitting, the Plan continues to reflect the issuance of swaps (interest rate exchanges) under a limited, experimental program for LGAC, Dormitory Authority SUNY Educational Facilities, and UDC Correctional Facilities.

By the end of 2001-02, it is anticipated that approximately $2.5 billion, or about 6.5 percent, of total State-supported debt will be short-term. The State expects to gradually increase this percentage by one percent annually to approximately 11 percent by the last year of the Plan.

Short-Term Debt Instruments
Percentage of Total Debt Outstanding

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Short-Term Debt Outstanding (Thousands)	$2,088,000	$2,483,000	$3,172,000	$3,600,000	$4,007,000	$4,367,000
Percentage of Total Debt Outstanding	5.6%	6.5%	8.1%	9.0%	9.9%	10.7%

The Division of the Budget will continue to coordinate State-supported debt issuances to reduce market crowding and the competition among programs to improve the marketing of State-supported debt. It is expected that the opportunities for credit consolidation through the expanded use of Revenue Debt will facilitate efforts to coordinate the sale schedule.

DEBT RETIREMENTS

The retirements table presents the annual repayment of principal for State-supported debt for each fiscal year within the Plan. It accounts for retirements as of the payment date due to bondholders, rather than the actual date the State makes the cash payment. For instance, if principal payments are due on April 1, the bonds are considered outstanding on March 31, even if the State makes payments to the trustee prior to that date. Retirements from both outstanding State-supported debt and debt expected to be issued during the course of the Plan are included in the retirements table.

The rate at which State-supported debt is retired or paid off has a significant impact on the State's ability to utilize bonds for its capital programs. The Plan's significant reductions in State debt issuances, and efforts to expand the amount of debt issued with shorter-term maturities, including bonds issued for the Community Enhancement Facilities Assistance Program, the Strategic Investment Program, high technology projects, and the continued use of ten year maturities for taxable programs have a positive impact on the relationship of retirements to new issuances.

The higher levels of retirements in 2000-01 for SUNY educational facilities, mental hygiene facilities and housing reflect the use of $421 million in DRRF deposits to defease outstanding high cost debt in these programs. Over the Plan, retirements of State-supported debt are projected to average $2.1 billion.

BOND AUTHORIZATIONS

Legal authorizations for the State to enter into contractual agreements with public authorities are provided in the enabling statutes of each authority. Those statutes generally contain limits, or caps, on the amount of bonds that can be issued for a program. As the bond cap is reached, or additional bondable appropriations are enacted, legislation is also enacted to raise the statutory caps to the level necessary to accommodate bondable capital needs.

Bond caps can provide authorizations to finance a single year’s appropriations, such as for corrections, or can be for multi-year periods. In addition, the authorizations specify whether the cap is on the total bonds sold, including cost of issuance (gross), or only for project costs (net).

The bond authorizations included in the Executive Budget reflect the recommended increases in existing bondable appropriations for correctional and youth facilities and housing programs and new appropriations for the renovation of the Alfred E. Smith Office Building. The remaining authorizations reflect the reduction in bonding authorization for the Community Enhancement Facilities Assistance Program (CEFAP) from the redirection of $60 million in bonding authorization to the new Urban Development Corporation program for high technology research and business incubators and from the use of $21 million in DRRF deposits to finance CEFAP projects with pay-as-you-go resources.

Bond Authorizations
(Thousands of Dollars)

Issuer	Program	Current Cap	Recommended Cap	Type of Cap
Urban Development Corporation	Correctional Facilities	4,550,693	4,778,593	Gross
Urban Development Corporation	Youth Facilities	328,515	339,068	Gross
Housing Finance Agency	Housing	1,235,000	1,285,000	Net
Urban Development Corporation	Alfred E. Smith Office Building	NA	72,000	Net
Urban Development Corporation, Dormitory Authority	Community Enhancement Facilities Assistance Program	425,000	344,000	Net
Urban Development Corporation	High Technology Research and Business Incubators Initiative	NA	60,000	Net

STATE-SUPPORTED DEBT
PROJECTED BONDS OUTSTANDING
2000-2001 THROUGH 2005-06
(Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
GENERAL OBLIGATION	4,342,995	4,167,786	4,039,622	3,927,209	3,799,898	3,650,034
LOCAL GOVERNMENT ASSISTANCE CORPORATION	4,728,215	4,620,895	4,527,340	4,428,200	4,292,940	4,149,853
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	1,900,434	2,204,654	2,181,240	2,154,976	2,126,355	2,095,399
Dormitory Authority						
Albany County Airport	38,620	37,145	35,595	33,965	32,255	30,465
Thruway Authority:						
Emergency Highway	77,845	19,595	0	0	0	0
Consolidated Local Highway Improvement	2,333,910	2,451,471	2,665,653	2,834,895	2,991,144	3,131,147
Dedicated Highway & Bridge	4,205,677	4,705,009	5,340,326	5,952,650	6,486,651	6,998,382
Education						
Dormitory Authority:						
SUNY Educational Facilities	4,080,035	4,206,683	4,338,569	4,452,635	4,560,611	4,668,518
SUNY Dormitory Facilities	348,375	484,975	569,474	648,289	649,382	671,443
SUNY Upstate Community Colleges	452,618	479,408	504,826	529,149	552,382	574,054
CUNY Educational Facilities	3,176,522	3,238,064	3,287,503	3,333,716	3,372,512	3,401,372
State Education Department	73,245	71,575	69,820	67,990	66,065	64,045
Library for the Blind	17,880	17,290	16,670	16,030	15,360	14,655
SUNY Athletic Facilities	25,200	25,200	25,200	25,200	24,270	23,305
RESCUE	69,960	196,105	179,449	161,880	143,348	123,799
Judicial Training Institute	16,105	15,675	15,165	14,630	14,070	13,485
Health						
Dormitory Authority/DOH	454,750	438,675	428,195	417,155	405,490	393,155
Mental Hygiene						
Dormitory Authority/MCFFA:	3,639,108	3,691,496	3,713,022	3,734,033	3,741,429	3,752,458
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	3,389,742	3,501,765	3,587,179	3,676,231	3,757,354	3,830,087
Youth Facilities	157,690	167,311	217,387	262,026	273,674	271,994
Environment						
Environmental Facilities Corp:						
Riverbank Park	62,350	61,120	59,520	57,840	56,085	54,240
Water Pollution Control	177,800	176,382	178,281	175,917	167,863	163,429
Pilgrim Sewage Treatment	9,400	9,000	8,600	8,200	7,800	7,300
State Park Infrastructure	12,830	12,055	11,235	10,370	9,460	8,495
Fuel Tanks	14,570	12,265	9,915	7,515	5,060	2,550
Pipeline for Jobs (Jobs 2000)	11,660	23,020	21,269	19,388	17,367	15,195
Energy Res & Dev Authority	77,655	66,690	55,160	43,065	30,360	17,005
Urban Development Corp/ESDC:						
Pine Barrens	14,515	13,955	13,370	12,755	12,110	11,435
State Building/Equipment						
Urban Development Corp/ESDC:						
Empire State Plaza	89,888	77,674	65,912	55,108	45,120	36,032
State Buildings	15,058	14,551	14,005	13,416	12,782	12,098
State Capital Projects	241,995	235,295	228,260	220,780	212,835	204,395
Albany County-ESP	3,870	0	0	0	0	0
Dormitory Authority						
State Buildings	90,410	88,815	162,510	159,766	156,897	153,887
Certificates of Participation	434,485	537,684	419,564	327,976	331,573	326,432
Housing						
Housing Finance Agency	1,014,599	1,072,455	1,120,103	1,162,137	1,202,775	1,239,210
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	340,585	316,405	292,220	268,040	242,100	214,280
UDC/ESDC/DA						
University Technology Centers	189,205	177,676	167,412	156,813	145,806	134,317
Onondaga Convention Center	44,185	42,880	41,505	40,060	38,525	36,895
Sports Facilities	130,815	142,830	138,267	133,419	128,242	122,762
Community Enhancement Facilities	233,000	242,340	273,796	219,446	163,815	117,654
University Facilities (Jobs 2000)	0	25,175	49,673	48,296	46,833	45,278
Natural Resources Preservation	28,355	24,170	19,790	15,195	10,375	5,320
Child Care Facilities	0	31,800	30,945	30,037	29,075	28,053
High Tech	0	0	10,600	62,809	58,040	52,962
Strategic Investment Program	0	117,810	144,602	194,809	147,394	97,692
Other State Purposes						
Dormitory Authority						
Pension Refinancing	369,455	229,010	78,915	0	0	0
Total Other Financing Arrangements	28,064,401	29,703,153	30,790,704	31,758,607	32,490,643	33,164,680
TOTAL STATE-SUPPORTED DEBT	37,135,611	38,491,833	39,357,666	40,114,016	40,583,481	40,964,567

STATE-SUPPORTED DEBT
PROJECTED DEBT SERVICE
2000-01 THROUGH 2005-06
(Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
BANs - COMMERCIAL PAPER	890	0	0	0	0	0
GENERAL OBLIGATION	681,250	636,022	604,809	555,153	532,608	523,541
LOCAL GOVERNMENT ASSISTANCE CORPORATION	334,992	307,518	309,004	339,645	348,250	352,933
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	147,263	165,000	165,000	165,000	165,000	165,000
Dormitory Authority						
Albany County Airport	3,533	3,509	3,512	3,510	3,510	3,510
Thruway Authority:						
Emergency Highway	56,193	58,476	19,472	0	0	0
Consolidated Local Highway Improvement	203,427	230,445	257,015	284,671	311,974	339,278
Dedicated Highway & Bridge	407,923	510,309	593,084	693,410	762,912	822,725
Education						
Dormitory Authority:						
SUNY Educational Facilities	342,185	363,324	380,307	404,482	421,744	441,934
SUNY Dormitory Facilities	38,034	49,812	58,669	63,751	63,630	62,839
SUNY Upstate Community Colleges	24,713	34,911	37,713	40,556	43,828	47,227
CUNY Educational Facilities	288,919	320,188	332,626	347,724	362,107	376,568
State Education Department	5,782	5,831	5,820	5,824	5,821	5,822
Library for the Blind	1,557	1,600	1,598	1,594	1,596	1,599
SUNY Athletic Facilities	1,180	1,212	1,212	1,677	2,141	2,141
RESCUE	0	24,861	27,399	27,399	27,399	27,399
Judicial Training Institute	1,258	1,385	1,387	1,388	1,388	1,386
Health						
Dormitory Authority/DOH	37,456	36,337	34,593	34,589	34,584	34,588
Mental Hygiene						
Dormitory Authority/MCFFA:	333,533	341,246	351,067	361,090	373,855	385,998
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	250,162	272,240	291,354	301,462	311,885	322,650
Youth Facilities	15,454	16,045	19,162	23,009	25,665	26,924
Environment						
Environmental Facilities Corp:						
Riverbank Park	4,523	4,836	4,841	4,835	4,839	4,837
Water Pollution Control	39,892	42,988	39,610	44,191	49,907	46,005
Pilgrim Sewage Treatment	717	706	684	661	639	713
State Park Infrastructure	1,475	1,472	1,476	1,476	1,473	1,476
Fuel Tanks	2,623	2,621	2,571	2,523	2,475	2,422
Pipeline for Jobs (Jobs 2000)	0	1,830	3,620	3,467	3,467	3,467
Energy Res & Dev Authority	14,638	14,638	14,627	14,629	14,636	8,374
Urban Development Corp/ESDC:						
Pine Barrens	1,287	1,278	1,281	1,282	1,280	1,281
State Building/Equipment						
Urban Development Corp/ESDC:						
Empire State Plaza	25,482	32,872	34,432	37,247	34,432	34,436
State Buildings	19,077	21,190	21,190	21,190	21,190	21,190
State Capital Projects	20,122	20,122	20,127	20,124	20,123	20,120
Albany County-ESP	9,984	2,077	0	0	0	0
Dormitory Authority						
State Buildings	5,986	5,969	8,012	10,190	10,211	10,200
Certificates of Participation	119,342	208,506	197,470	166,271	81,583	90,925
Housing						
Housing Finance Agency	99,801	98,190	111,482	118,199	121,065	128,646
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	41,857	41,939	41,944	41,939	41,946	41,945
UDC/ESDC/DA:						
University Technology Centers	21,518	24,683	22,969	22,964	22,961	22,961
Onondaga Convention Center	3,831	3,877	3,880	3,878	3,881	3,884
Sports Facilities	10,975	10,972	12,534	12,390	12,361	12,479
Community Enhancement Facilities	36,840	42,880	43,824	66,242	62,897	53,472
University Facilities (Jobs 2000)	0	0	2,469	4,737	4,470	4,470
Natural Resource Preservation	5,419	5,417	5,423	5,424	5,433	5,455
Child Care Facilities	0	0	3,118	2,795	2,795	2,795
High Tech	0	0	0	1,576	9,411	8,837
Strategic Investment Program	0	0	27,861	38,459	57,584	56,899
Other State Purposes						
Dormitory Authority						
Pension Refinancing	162,929	162,924	162,935	0	0	0
Debt Reduction	421,545	0	0	0	0	0
Total Other Financing Arrangements	3,228,432	3,188,717	3,369,369	3,407,823	3,510,097	3,654,880
TOTAL STATE-SUPPORTED DEBT SERVICE	4,245,563	4,132,257	4,283,182	4,302,621	4,390,955	4,531,354

STATE-SUPPORTED DEBT
PROJECTED BONDS ISSUANCES
2000-2001 THROUGH 2005-06
(Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
GENERAL OBLIGATION	280,725	237,000	260,000	231,400	199,000	176,000
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	0	415,700	0	0	0	0
Thruway Authority:						
Consolidated Local Highway Improvement	364,465	217,819	321,180	309,520	303,775	303,160
Dedicated Highway & Bridge	921,367	744,722	941,174	971,672	955,797	968,481
Education						
Dormitory Authority:						
SUNY Educational Facilities	243,495	265,000	265,000	265,000	265,000	265,000
SUNY Dormitory Facilities	0	159,000	106,000	100,700	21,200	42,400
SUNY Upstate Community Colleges	79,000	37,100	37,100	37,100	37,100	37,100
CUNY Educational Facilities	158,823	169,600	169,600	169,600	169,600	169,600
RESCUE	69,960	136,740	0	0	0	0
Judicial Training Institute	16,105	0	0	0	0	0
Mental Hygiene						
Dormitory Authority/MCFFA:	143,470	199,171	174,446	181,134	183,070	182,006
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	224,795	199,280	188,680	199,280	199,280	199,280
Youth Facilities	0	16,674	59,228	56,069	24,221	11,925
Environment						
Environmental Facilities Corp:						
Water Pollution Control	29,680	29,680	29,680	29,680	29,680	29,680
Pipeline for Jobs (Jobs 2000)	11,660	12,190	0	0	0	0
State Building/Equipment						
Dormitory Authority:						
State Buildings	0	0	76,320	0	0	0
Certificates of Participation	56,375	307,500	76,875	76,875	76,875	76,875
Housing						
Housing Finance Agency	100,576	101,177	97,997	95,877	94,552	94,552
Economic Development						
UDC/ESDC/DA						
Sports Facilities	0	15,900	0	0	0	0
Community Enhancement Facilities	0	41,800	76,228	0	0	0
University Facilities (Jobs 2000)	0	25,175	25,175	0	0	0
Child Care Facilities	0	31,800	0	0	0	0
High Tech	0	0	10,600	53,000	0	0
Strategic Investment Program	0	117,810	48,263	81,428	0	0
Total Other Financing Arrangements	2,419,770	3,243,838	2,703,545	2,626,934	2,360,150	2,380,059
TOTAL STATE-SUPPORTED DEBT	2,700,495	3,480,838	2,963,545	2,858,334	2,559,150	2,556,059

STATE-SUPPORTED DEBT
PROJECTED RETIREMENTS
2000-2001 THROUGH 2005-06
(Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
BANs - COMMERCIAL PAPER	45,000	0	0	0	0	0
GENERAL OBLIGATION	448,782	412,209	388,163	343,813	326,311	325,864
LOCAL GOVERNMENT ASSISTANCE CORPORATION	145,620	107,320	93,555	99,140	135,260	143,087
OTHER LEASE-PURCHASE AND CONTRACTUAL-OBLIGATION FINANCING ARRANGEMENTS						
Transportation						
Metropolitan Trans Authority	56,890	111,480	23,414	26,264	28,621	30,956
Dormitory Authority						
Albany County Airport	1,415	1,475	1,550	1,630	1,710	1,790
Thruway Authority:						
Emergency Highway	55,070	58,250	19,595	0	0	0
Consolidated Local Highway Improvement	79,080	100,258	106,998	140,278	147,526	163,157
Dedicated Highway & Bridge	205,190	245,390	305,856	359,349	421,795	456,750
Education						
Dormitory Authority:						
SUNY Educational Facilities	161,280	138,352	133,114	150,934	157,025	157,093
SUNY Dormitory Facilities	23,330	22,400	21,501	21,886	20,106	20,340
SUNY Upstate Community Colleges	14,290	10,310	11,683	12,776	13,868	15,428
CUNY Educational Facilities	101,120	108,058	120,162	123,387	130,804	140,740
State Education Department	1,600	1,670	1,755	1,830	1,925	2,020
Library for the Blind	565	590	620	640	670	705
SUNY Athletic Facilities	0	0	0	0	930	965
RESCUE	0	10,595	16,655	17,569	18,532	19,549
Judicial Training Institute	0	430	510	535	560	585
Health						
Dormitory Authority/DOH	14,340	16,075	10,480	11,040	11,665	12,335
Mental Hygiene						
Dormitory Authority/MCFFA:	303,400	146,783	152,920	160,123	175,675	170,977
Public Protection						
Urban Development Corp/ESDC:						
Prison Facilities	78,334	87,257	103,267	110,228	118,157	126,547
Youth Facilities	6,010	7,053	9,151	11,430	12,573	13,605
Environment						
Environmental Facilities Corp:						
Riverbank Park	0	1,230	1,600	1,680	1,755	1,845
Water Pollution Control	72,755	31,098	27,781	32,044	37,733	34,114
Pilgrim Sewage Treatment	400	400	400	400	400	500
State Park Infrastructure	740	775	820	865	910	965
Fuel Tanks	2,265	2,305	2,350	2,400	2,455	2,510
Pipeline for Jobs (Jobs 2000)	0	830	1,751	1,881	2,021	2,172
Energy Res & Dev Authority	10,355	10,965	11,530	12,095	12,705	13,355
Urban Development Corp/ESDC:						
Pine Barrens	540	560	585	615	645	675
State Building/Equipment						
Urban Development Corp/ESDC:						
Empire State Plaza	10,347	12,214	11,762	10,804	9,988	9,088
State Buildings	471	507	546	589	634	684
State Capital Projects	3,095	6,700	7,035	7,480	7,945	8,440
Albany County-ESP	11,690	3,870	0	0	0	0
Dormitory Authority						
State Buildings	1,535	1,595	2,625	2,743	2,870	3,010
Certificates of Participation	124,930	204,301	194,994	168,464	73,277	82,016
Housing						
Housing Finance Agency	179,618	43,321	50,349	53,844	53,914	58,117
Economic Development						
Triborough Bridge and Tunnel Authority/Javits Center	24,180	24,180	24,185	24,180	25,940	27,820
UDC/ESDC/DA						
University Technology Centers	11,132	11,529	10,264	10,599	11,007	11,489
Onondaga Convention Center	1,250	1,305	1,375	1,445	1,535	1,630
Sports Facilities	3,650	3,885	4,563	4,849	5,176	5,481
Community Enhancement Facilities	27,925	32,460	44,772	54,349	55,631	46,161
University Facilities (Jobs 2000)	0	0	677	1,377	1,463	1,554
Natural Resources Preservation	0	4,185	4,380	4,595	4,820	5,055
Child Care Facilities	0	0	855	907	963	1,021
High Tech	0	0	0	791	4,769	5,078
Strategic Investment Program	0	0	21,470	31,220	47,416	49,702
Other State Purposes						
Dormitory Authority						
Pension Refinancing	131,580	140,445	150,095	78,915	0	0
Total Other Financing Arrangements	1,720,372	1,605,086	1,615,994	1,659,031	1,628,114	1,706,022
TOTAL STATE-SUPPORTED DEBT	2,359,774	2,124,616	2,097,712	2,101,984	2,089,685	2,174,973

DEBT SERVICE FUNDS FINANCIAL PLAN
PREPARED ON THE CASH BASIS OF ACCOUNTING
2000-2001 THROUGH 2005-06
(Thousands of Dollars)

	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Opening Fund Balances	$447,961	$428,301	$134,538	$135,008	$133,631	$131,270
Receipts						
Taxes	$2,708,000	$2,479,200	$2,546,900	$2,526,100	$2,631,600	$2,744,100
Miscellaneous Receipts	850,144	614,237	642,446	649,628	645,697	720,760
Federal Grants	0	0	0	0	0	0
Subtotal Receipts	$3,558,144	$3,093,437	$3,189,346	$3,175,728	$3,277,297	$3,464,860
Disbursements						
State Operations	$5,950	$7,000	$7,000	$7,000	$7,000	$7,000
Debt Service	4,125,335	3,923,751	4,085,711	4,136,352	4,309,371	4,440,429
Subtotal Disbursements	$4,131,285	$3,930,751	$4,092,711	$4,143,352	$4,316,371	$4,447,429
Other Financing Sources (Uses)						
Transfers From Other Funds	$4,794,877	$5,012,820	$5,174,033	$5,215,334	$5,403,039	$5,561,434
Transfers To Other Funds	(4,241,396)	(4,469,269)	(4,270,198)	(4,249,087)	(4,366,326)	(4,577,150)
Net Other Financing Sources (Uses	$553,481	$543,551	$903,835	$966,247	$1,036,713	$984,284
Changes in Fund Balances	($19,660)	($293,763)	$470	($1,377)	($2,361)	$1,715
Closing Fund Balances	$428,301	$134,538	$135,008	$133,631	$131,270	$132,985

CAPITAL PROGRAM PLAN

This section provides a narrative description of the purposes, goals and objectives of agencies with capital programs over the Five-Year Capital Plan. These agency narratives also highlight accomplishments, specific new initiatives, and long-term financial requirements.

The accompanying tables provide five years of appropriation, commitment and disbursement projections for each program. Commitment levels in these tables reflect the value of contracts expected to be entered into by each agency in a given year. Each agency narrative compares the Plan's recommended commitment levels with last year's levels. The reappropriation projections reflect the unexpended balance of the original appropriation, and any unused amounts continue to be shown until the project is completed.

This section also includes summary schedules of disbursements, which aggregate the information presented in the individual agency tables. These summary tables eliminate transactions which simply move monies from one fund to another and, therefore, appropriately reflect only projections of disbursements for capital projects. This adjustment provides comparability between the Plan's summary of disbursements and the State's Financial Plan.

This section of the Plan is organized programmatically. Each program area begins with a functional overview, followed by each agency's narrative and financial summary tables. The programmatic areas are transportation, environment and recreation, public protection, education, mental hygiene, housing and other.

All State agencies and authorities with State-supported capital programs have capital maintenance systems. Agencies are required to develop five-year maintenance plans, which include an assessment of assets with a replacement value of at least $5 million, that reflect an asset's age, condition, condition goals, maintenance activities, and remaining useful life. In addition, every five years, agencies are also required to perform an independent evaluation of their maintenance plans to ensure that the recommended maintenance activities are consistent with current capital needs.

The capital maintenance plan summaries are included in the agency narratives, since the maintenance plans are a critical part of an agency's five-year capital plan. Agencies with new or existing capital maintenance plans have begun to identify the financial requirements for preventive maintenance. The appropriations reflected in each agency's five-year capital plan reflect a needs-assessment which will continue to be refined as an agency implements an asset maintenance system.

TRANSPORTATION

New York's diverse transportation system has played a crucial role in the revitalization of our economy. The State's 239,000 lane miles of roads, 4,000 railroad miles, 147 public use airports, 12 major ports and over 70 mass transit systems are among our most valuable resources. These important assets are managed and maintained by a network of State agencies, public authorities, local governments and private entities.

The Executive Budget proposes a 2001-02 through 2005-06 capital program that will protect and improve our transportation facilities, providing $15.5 billion for Department of Transportation programs and $2.4 billion for State support of the capital program of the Metropolitan Transportation Authority.

DEPARTMENT OF TRANSPORTATION

The Department of Transportation (DOT) is primarily responsible for maintaining and rehabilitating the State's system of highways and bridges, which includes over 40,000 State highway lane miles and 7,500 bridges. Private contractors perform all major construction and repair work, while the Department provides seasonal maintenance and repair. The Department also oversees and funds programs that help defray local capital expenses associated with road and bridge projects, including the Consolidated Highway Improvement Program (CHIPS) and the Marchiselli Program.

The 2001-02 through 2005-06 Capital Program Plan provides for highway and bridge construction levels that will total $1.75 billion in each year of the Plan period. This represents the highest construction level ever achieved — $150 million more than 2000-01. Supporting this enhanced construction level, the Plan also provides for engineering levels of approximately $640 million in each year — a $50 million increase over 2000-01.

The enhanced construction program will be financed without an increase in State debt. Instead, the Plan will utilize $250 million from the Debt Reduction Reserve Fund.

The Capital Program Plan also provides:

- $258 million annually for local capital programs, including the CHIPS and Marchiselli programs;
- Continuation of an $80 million five-year rail freight and passenger program that will preserve and improve the State's rail system — $10 million will be appropriated in 2001-02;
- $25 million annually for the Industrial Access Program which promotes job creation and retention by encouraging business expansion with highway, rail and port projects;
- $31 million annually for Department of Transportation maintenance facilities and equipment; and
- $8 million annually to help local and State airports match Federal aviation aid.

Preventive maintenance continues to be a key component of the Department's activities. Since preventive activities extend the life of a road or bridge, they are more cost-effective in the long run than major reconstruction. For highways, the goal of keeping water and other materials away from the base of the highway is accomplished through such activities as crack sealing, pothole repair, joint repair and drainage repair. Painting, washing, joint repair and maintaining drainage are key elements to extending the life of State bridges. A total of $1.9 billion will be available for the planned preventive maintenance activities over the next five years.

The Department's maintenance activities are supported by 311 sites around the State which encompass over 700 building types, including 59 maintenance headquarters, 125 maintenance sub-headquarters, 41 salt storage areas, 20 bridge crew facilities, 2 special crew facilities, a sign shop and 64 other storage and reload sites. The average age of the infrastructure is over 30 years. The total size of the infrastructure is approximately 4 million gross square feet. The overall condition of the Department's maintenance facilities is fair and the remaining useful life is over ten years.

The Department's maintenance facilities plan consists of an annual review of its overall needs and a prioritization of its projects. The program goal is to upgrade and repair its infrastructure based on evaluation of the condition, proposed use and corresponding health, safety and environmental concerns.

TRANSIT PROGRAMS

Mass transportation systems play an essential role in the State's economic and social networks. More than 25 percent of workers in New York State travel to work via mass transportation. Mass transit systems also alleviate ill effects on air quality by relieving traffic congestion.

The Capital Program Plan will provide $2.5 billion of State support for the capital programs of transit systems throughout New York. This State assistance includes:

— Nearly $2.38 billion of State funding for the Metropolitan Transportation Authority's (MTA) capital program, including over $1 billion that was newly dedicated to the MTA's Capital Program beginning in 2000-01.

— More than $150 million of State aid for the capital programs of other transit systems throughout the State, to be used for bus acquisitions, maintenance facility improvements and other projects. In addition, a portion of the non-MTA transit dedicated fund resources will be used to enhance operating aid for these systems.

CANALS

The New York State Canal Corporation maintains, operates, develops and makes capital improvements to the 524-mile navigable waterway which includes 57 locks, numerous dams, reservoirs and water control structures. Revenues from canal tolls and other user fees are deposited into the Canal System Development Fund and, in accordance with the State Constitution, are used exclusively for the canals. Maintenance on the canals is conducted on an ongoing basis to ensure that canal facilities operate properly and that public safety is maintained.

TRANSPORTATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Aviation	87,471	8,000	8,000	8,000	8,000	8,000	40,000
Highway Facilities	8,138,936	3,782,647	3,783,583	3,767,586	3,610,337	3,571,949	18,516,102
Maintenance Facilities	61,518	31,000	31,000	31,000	31,000	31,000	155,000
Mass Transportation and Rail Freight	221,800	52,815	64,815	64,815	66,815	66,815	316,075
Ports and Waterways	1,565	0	0	0	0	0	0
Total	8,511,290	3,874,462	3,887,398	3,871,401	3,716,152	3,677,764	19,027,177
Fund Summary							
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	78,915	0	0	0	0	0	0
Capital Projects Fund - Advances	24,781	0	0	0	0	0	0
Capital Projects Fund - Aviation (Bondable)	5,266	0	0	0	0	0	0
Capital Projects Fund - Energy Conservation (Bondable)	2,130	0	0	0	0	0	0
Capital Projects Fund - Infrastructure Renewal (Bondable)	47,252	0	0	0	0	0	0
Dedicated Highway and Bridge Trust Fund	2,759,570	1,643,641	1,647,243	1,424,786	1,258,301	1,235,107	7,209,078
Dedicated Mass Transportation Fund	139,912	42,815	44,815	44,815	46,815	46,815	226,075
Engineering Services Fund	916,325	636,684	643,226	648,631	655,867	634,673	3,219,081
Federal Capital Projects Fund	4,389,083	1,490,500	1,491,000	1,692,000	1,694,000	1,700,000	8,067,500
Fiduciary funds - Misc Combined Expendble Trust Fund	81,652	50,000	50,000	50,000	50,000	50,000	250,000
NY Metro Transportation Council Account	17,833	10,822	11,114	11,169	11,169	11,169	55,443
Regional Aviation Fund	34,864	0	0	0	0	0	0
Suburban Transportation Fund	13,707	0	0	0	0	0	0
Total	8,511,290	3,874,462	3,887,398	3,871,401	3,716,152	3,677,764	19,027,177

TRANSPORTATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Aviation	8,000	8,000	8,000	8,000	8,000
Highway Facilities	3,782,647	3,783,583	3,767,586	3,610,337	3,571,949
Maintenance Facilities	31,000	31,000	31,000	31,000	31,000
Mass Transportation and Rail Freight	52,815	64,815	64,815	66,815	66,815
Total	3,874,462	3,887,398	3,871,401	3,716,152	3,677,764
Fund Summary					
Dedicated Highway and Bridge Trust Fund	1,643,641	1,647,243	1,424,786	1,258,301	1,235,107
Dedicated Mass Transportation Fund	42,815	44,815	44,815	46,815	46,815
Engineering Services Fund	636,684	643,226	648,631	655,867	634,673
Federal Capital Projects Fund	1,490,500	1,491,000	1,692,000	1,694,000	1,700,000
Fiduciary funds - Misc Combined Expendble Trust Fund	50,000	50,000	50,000	50,000	50,000
NY Metro Transportation Council Account	10,822	11,114	11,169	11,169	11,169
Total	3,874,462	3,887,398	3,871,401	3,716,152	3,677,764

TRANSPORTATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Aviation	15,750	19,925	17,671	23,549	10,400	9,100	80,645
Highway Facilities	3,196,628	3,507,594	3,514,950	3,592,953	3,513,864	3,503,950	17,633,311
Maintenance Facilities	26,832	37,784	29,766	27,083	28,880	30,040	153,553
Mass Transportation and Rail Freight	47,343	48,200	48,120	51,628	66,834	66,263	281,045
Ports and Waterways	5	3	0	0	0	0	3
Total	3,286,558	3,613,506	3,610,507	3,695,213	3,619,978	3,609,353	18,148,557
Fund Summary							
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	16,000	14,000	12,000	10,000	8,000	6,000	50,000
Capital Projects Fund - Advances	3,000	1,000	500	500	500	500	3,000
Capital Projects Fund - Aviation (Bondable)	1,600	1,200	800	400	400	400	3,200
Capital Projects Fund - Energy Conservation (Bondable)	200	200	200	200	200	200	1,000
Capital Projects Fund - Infrastructure Renewal (Bondable)	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Dedicated Highway and Bridge Trust Fund	1,423,076	1,650,714	1,593,101	1,591,213	1,382,609	1,317,557	7,535,194
Dedicated Mass Transportation Fund	38,685	39,220	37,584	38,367	43,429	49,563	208,163
Engineering Services Fund	625,439	633,696	637,800	643,534	658,145	662,632	3,235,807
Federal Capital Projects Fund	1,157,685	1,247,855	1,306,284	1,388,681	1,510,651	1,556,465	7,009,936
NY Metro Transportation Council Account	8,273	12,621	10,238	10,318	10,044	10,036	53,257
Passenger Facility Charge Fund	600	1,000	0	0	0	0	1,000
Regional Aviation Fund	6,000	6,000	6,000	6,000	0	0	18,000
Suburban Transportation Fund	1,000	1,000	1,000	1,000	1,000	1,000	5,000
Total	3,286,558	3,613,506	3,610,507	3,695,213	3,619,978	3,609,353	18,148,557

METROPOLITAN TRANSPORTATION AUTHORITY
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Metropolitan Transportation Authority	36,000	0	0	0	0	0	0
Total	36,000	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund - Advances	36,000	0	0	0	0	0	0
Total	36,000	0	0	0	0	0	0

THRUWAY AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Canal Development Program	2,450	2,000	2,000	2,000	2,000	2,000	10,000
Total	2,450	2,000	2,000	2,000	2,000	2,000	10,000
Fund Summary							
New York State Canal System Development Fund	2,450	2,000	2,000	2,000	2,000	2,000	10,000
Total	2,450	2,000	2,000	2,000	2,000	2,000	10,000

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Canal Development Program	2,000	2,000	2,000	2,000	2,000
Total	2,000	2,000	2,000	2,000	2,000
Fund Summary					
New York State Canal System Development Fund	2,000	2,000	2,000	2,000	2,000
Total	2,000	2,000	2,000	2,000	2,000

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Canal Development Program	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Total	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Fund Summary							
New York State Canal System Development Fund	2,000	2,000	2,000	2,000	2,000	2,000	10,000
Total	2,000	2,000	2,000	2,000	2,000	2,000	10,000

ENVIRONMENT AND RECREATION

The Department of Environmental Conservation (DEC) and the Office of Parks, Recreation and Historic Preservation (OPRHP) are the principal agencies responsible for preserving and protecting the State's extensive environmental, historic and cultural resources and providing recreational opportunities for its citizens. Each agency is responsible for the development and maintenance of a wide array of capital facilities integral to this mission.

A major focus of DEC and OPRHP over the next five years is the implementation of the Clean Water/Clean Air Bond Act (CWCA), proposed by the Governor, and endorsed by the voters in November 1996. The Bond Act authorized a total of $1.75 billion for projects vital to the State's environmental and economic health.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

The Department of Environmental Conservation (DEC) is charged with protecting the State's natural resources. Department responsibilities include cleaning up solid and hazardous waste disposal sites, enforcing air and water quality standards, maintaining hundreds of flood and coastal erosion projects, and stewardship of approximately four million acres of State land. The Department also provides safe opportunities for outdoor recreation including hunting, fishing, camping, hiking and other activities. DEC manages hundreds of facilities including dams, boat launch sites, campgrounds, fish hatcheries, wildlife management areas and a ski area.

DEC's capital program enhances and maintains the infrastructure necessary to provide a safe environment, and an estimated $630 million in capital disbursements will support these activities in 2001-02. DEC's Capital Plan directs resources to projects to ensure compliance with health and safety requirements and State and Federal environmental mandates. In 2001-02, new General Fund appropriations of $30.7 million are recommended to address these needs and to maintain and upgrade campgrounds, environmental centers and camps, fish hatcheries and other Department-owned buildings and facilities, maintain flood control structures, and fund shore protection projects for communities threatened by coastal erosion.

The 2001-02 Executive Budget recommends new appropriations totaling $169.6 million from the Clean Water/Clean Air (CWCA) Bond Act for projects to be administered by DEC. Another $50 million is appropriated in the Department of Health for the Safe Drinking Water Program. The CWCA Bond Act funds such important activities as: water quality improvement projects, landfill closure and recycling projects, brownfields projects, safe drinking water projects and air quality improvement projects. Combined with $1.3 billion in prior year appropriations, a total of $1.5 billion will have been made available from the Bond Act by 2001-02.

The Capital Program and Financing Plan recommends additional appropriations of $142.4 million from CWCA bonds through 2002-2003 for projects administered by DEC. Another $70 million is appropriated in the Department of Health. In total, CWCA appropriations of $1.75 billion will have been made available by 2002-2003 to support critical environmental projects.

Another key element of DEC's capital program is the Environmental Protection Fund (EPF), a dedicated fund supported by revenues of approximately $150 million annually commencing in 2001-02, a $25 million increase over the 2000-01 Capital Plan. The Executive Budget includes new appropriations of $150 million, funding a host of critical environmental and recreational activities including: local landfill closure and recycling; waterfront revitalization projects; non-point source water pollution control; farmland preservation; open space land acquisition; Hudson River Estuary Management and municipal parks projects; the Hudson River Park project; remediation projects at Onondaga Lake; the restoration and preservation of historic barns; and stewardship projects on State-owned parks and lands. Beginning in 2001-02, recommendations also include $2.8 million for the cost of staff working on EPF Open Space programs. Additional EPF appropriations of $600 million through 2005-06 will continue funding these important activities.

The Department's Capital Plan also fully supports the Governor's State Superfund Refinancing Bill which provides for annual pay-as-you-go proposed funding of $138 million — consisting of $105 million for the State Superfund and Voluntary Cleanup programs, and $33 million for the Oil Spill program. This program will be funded equally by the State and industry and will maintain the most stringent environmental and public health standards in the nation. The new State Superfund is scheduled to begin in 2001 after the existing 1986 Environmental Quality Bond Act hazardous waste funds of $1.1 billion are fully committed.

In 2001-02, the level of contract commitments projected in the Department's capital plan is $636.2 million. This is an increase of over $46.4 million from the level of 2000-01 commitments projected in the 2000-2001 capital plan. The increase is consistent with increased appropriations for several capital programs. Future year commitments are also consistent with planned appropriation levels over the next five years.

The Department's capital maintenance plan focuses on preservation and preventive maintenance at its various lands, facilities and other structures. The Department manages a vast array of assets that vary in age, condition and useful life, including: approximately 4 million acres of land; 291 boat launch sites; 290 fishing access sites; 100 flood control structures; 53 campgrounds; 13 fish hatcheries; 1 game farm; 4 environmental education camps; 4 environmental education centers; 1 tree nursery; and the Belleayre Mountain ski center. The Department is developing a computerized maintenance management system which will facilitate planning and preventive maintenance for these extensive resources.

OFFICE OF PARKS, RECREATION AND HISTORIC PRESERVATION

The Office of Parks, Recreation and Historic Preservation operates 162 State parks and 35 historic sites that provide a place for visitors to relax and learn about New York's natural, historic and recreational treasures. More than 60 million people visit the State parks each year.

New York State's park system is one of the oldest and best developed in the nation, featuring 27 golf courses, 76 developed beaches, 51 swimming pools, and more than 5,000 buildings. The majority of facilities at State parks were built more than 50 years ago. Accordingly, a primary component of the capital program is devoted to maintenance and rehabilitation of existing facilities.

For 2001-02, the capital plan supports approximately $39.6 million in capital disbursements from various sources. In the area of new appropriations, $30.5 million is recommended for capital projects from the State Park Infrastructure Fund (SPIF), a dedicated fund consisting of revenues generated from day use and camping fees at the parks, as well as other miscellaneous revenues. Support is also provided for the Office's capital program from Fiduciary funds (notably $10 million for the Niagara Observation Tower), Federal resources, and the 1986 Environmental Quality Bond Act.

In addition, funding will be available from the Environmental Protection Fund (EPF) and the Clean Water/Clean Air Bond Act to improve park facilities and protect the fragile natural resources at State parks. These funds are included in the Department of Environmental Conservation's capital budget.

The Office's five-year capital plan reflects the needs of the various parks and historic sites. A total of $169 million, mainly from the SPIF, is planned to be spent on projects that are primarily targeted at correcting health and safety risks and preserving park facilities and include actions to:

- Restore historic sites;
- Rehabilitate park utility and sanitary systems;
- Improve selected roads and bridges;
- Upgrade public comfort stations and campground wash houses;
- Maintain and improve park buildings, cabins and pool facilities; and
- Develop newly acquired park lands.

The Office's capital maintenance plan also indicates that 2001-02 investments will be concentrated in preservation and protection of its many facilities. The Office's assets consist of approximately 5,000 buildings which vary in age, condition and useful life, including: historic buildings, offices, cabins, comfort stations, maintenance/storage buildings, restaurants, visitor/nature centers, pump houses and toll booths. The Office plans to focus its 2001-02 maintenance efforts primarily on site restoration, roof repair, and exterior construction projects.

In 2001-02, preparation will continue at Bethpage State Park for the 2002 U. S. Open Golf Championship. This event, held for the first time at a public golf course, will provide substantial economic and other benefits for the State's park system and the entire Long Island community.

The level of contract commitments projected in the Office's capital plan is approximately $49 million in 2001-02, which is slightly higher than the level projected in the 2000-01 plan due mainly to $10 million in Fiduciary funding for the renovation of the Observation Tower at the Niagara Reservation. Future year commitments reflect projected activity from both new appropriations and prior year appropriations.

HUDSON RIVER PARK TRUST

The Hudson River Park Trust (HRPT) is responsible for designing, developing, constructing, and maintaining the 550 acre Hudson River Park, which will extend 5 miles along the Hudson River waterfront from Battery Park City to 59th Street. During 2001-02, the Trust will continue to refine the framework and scope of the Hudson River Park, develop detailed cost estimates, explore alternative sources of funding and continue to oversee capital design and construction for projects for the Park.

The 2001-02 Executive Budget recommends $40 million in new appropriations for the Trust for capital costs associated with the planning, design and construction of Park projects. Specifically, $20 million is provided for Park development from the Environmental Protection Fund (EPF) within the budget for the Department of Environmental Conservation. In addition, the Budget provides a State-funded advance appropriation of $20 million, which will be repaid by New York City as part of its share of the Park's continued development costs. The level of contract commitments projected in the Trust's capital plan is approximately $40 million. Additional commitments are reflected in the EPF. Future year commitments reflect projected activity from both new appropriations and current year appropriations.

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop- riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Administration	1,698	500	0	0	0	0	500
Air Resources	114,984	15,000	145,400	3,000	3,000	3,000	169,400
Clean Water Clean Air Implementation	6,027	2,592	2,592	2,592	2,592	2,592	12,960
Clean Water/Clean Air 96	91,444	25,000	0	0	0	0	25,000
Design and Construction Supervision	14	0	0	0	0	0	0
Environment and Recreation	351,835	150,000	150,000	150,000	150,000	150,000	750,000
Environmental Protection and Enhancements	27,378	0	0	0	0	0	0
Fish and Wildlife	9,292	1,800	1,000	1,000	1,000	1,000	5,800
Lands and Forests	17,027	2,782	1,000	1,000	1,000	1,000	6,782
Marine Resources	6,985	1,450	0	0	0	0	1,450
Operations	35,497	17,460	10,000	10,000	10,000	35,000	82,460
Recreation	1,294	350	700	700	700	700	3,150
Solid and Hazardous Waste Management	376,402	0	0	0	0	0	0
Solid Waste Management	284,593	150,675	105,650	105,650	105,650	105,650	573,275
Water Resources	1,046,598	276,289	187,632	187,632	187,632	187,632	1,026,817
Total	2,371,068	643,898	603,974	461,574	461,574	486,574	2,657,594
Fund Summary							
Capital Projects Fund	181,723	60,509	51,122	51,122	51,122	76,122	289,997
Capital Projects Fund - 1996 CWA (Bondable)	747,269	169,582	142,400	0	0	0	311,982
Capital Projects Fund - Advances	112,526	1,305	1,000	1,000	1,000	1,000	5,305
Capital Projects Fund - EQBA (Bondable)	65,887	0	0	0	0	0	0
Capital Projects Fund - EQBA 86 (Bondable)	376,410	0	0	0	0	0	0
Capital Projects Fund - PWBA (Bondable)	33,886	0	0	0	0	0	0
Clean Air Fund	6,276	3,000	3,000	3,000	3,000	3,000	15,000
Clean Water Clean Air Implementation Fund	6,027	2,592	2,592	2,592	2,592	2,592	12,960
Enterprise Fund	175	0	0	0	0	0	0
Environmental Protection Fund	379,213	150,000	150,000	150,000	150,000	150,000	750,000
Federal Capital Projects Fund	448,725	151,910	148,860	148,860	148,860	148,860	747,350
Financial Security Fund	1,972	0	0	0	0	0	0
Forest Preserve Expansion Fund	142	0	0	0	0	0	0
Hudson River Habitat Restor. Fund	351	0	0	0	0	0	0
Natural Resource Damages Fund	10,486	0	0	0	0	0	0
Remedial Program Transfer Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Total	2,371,068	643,898	603,974	461,574	461,574	486,574	2,657,594

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Administration	500	500	500	500	500
Air Resources	3,950	3,500	3,500	3,500	3,500
Clean Water Clean Air Implementation	2,592	2,592	2,592	2,592	2,592
Clean Water/Clean Air 96	169,600	142,400	0	0	0
Environment and Recreation	150,000	150,000	150,000	150,000	150,000
Fish and Wildlife	1,000	1,000	1,000	1,000	1,000
Lands and Forests	3,532	1,000	1,000	1,000	1,000
Marine Resources	250	200	200	200	200
Operations	17,460	10,000	10,000	10,000	35,000
Recreation	700	700	700	700	700
Solid and Hazardous Waste Management	107,000	105,000	105,000	105,000	105,000
Solid Waste Management	650	650	650	650	650
Water Resources	178,922	179,946	179,322	178,772	178,772
Total	636,156	597,488	454,464	453,914	478,914
Fund Summary					
Capital Projects Fund	60,509	51,122	51,122	51,122	76,122
Capital Projects Fund - 1996 CWA (Bondable)	169,600	142,400	0	0	0
Capital Projects Fund - Advances	1,305	1,000	1,000	1,000	1,000
Capital Projects Fund - EQBA (Bondable)	2,000	0	0	0	0
Clean Air Fund	3,000	3,000	3,000	3,000	3,000
Clean Water Clean Air Implementation Fund	2,592	2,592	2,592	2,592	2,592
Environmental Protection Fund	150,000	150,000	150,000	150,000	150,000
Federal Capital Projects Fund	140,950	141,174	140,550	140,000	140,000
Financial Security Fund	200	200	200	200	200
Natural Resource Damages Fund	1,000	1,000	1,000	1,000	1,000
Remedial Program Transfer Fund	105,000	105,000	105,000	105,000	105,000
Total	636,156	597,488	454,464	453,914	478,914

ENVIRONMENTAL CONSERVATION, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Administration	611	548	700	250	0	0	1,498
Air Resources	55,133	26,904	43,180	39,954	58,888	45,300	214,226
Clean Water Clean Air Implementation	6,027	2,592	2,592	2,592	2,592	2,592	12,960
Clean Water/Clean Air 96	4,147	9,164	7,664	17,164	14,914	13,664	62,570
Environment and Recreation	102,372	113,453	110,179	124,821	125,000	125,000	598,453
Environmental Protection and Enhancements	13,548	5,547	9,821	179	0	0	15,547
Fish and Wildlife	505	1,218	1,399	850	800	1,051	5,318
Lands and Forests	2,626	523	570	1,025	1,120	1,017	4,255
Marine Resources	324	200	200	100	0	0	500
Operations	9,253	10,155	9,996	9,814	10,761	33,050	73,776
Recreation	1,320	558	200	300	550	650	2,258
Solid and Hazardous Waste Management	75,000	75,000	70,000	50,000	50,000	24,791	269,791
Solid Waste Management	24,864	129,480	134,754	133,352	122,900	145,362	665,848
Water Resources	241,454	254,262	235,072	245,997	238,082	232,887	1,206,300
Total	537,184	629,604	626,327	626,398	625,607	625,364	3,133,300
Fund Summary							
Capital Projects Fund	49,181	50,657	49,499	50,229	50,500	75,500	276,385
Capital Projects Fund - 1996 CWA (Bondable)	125,000	119,164	119,164	139,164	139,164	139,164	655,820
Capital Projects Fund - Advances	7,360	7,012	7,152	7,450	7,400	7,400	36,414
Capital Projects Fund - EQBA (Bondable)	9,031	492	2,130	1,106	1,100	1,100	5,928
Capital Projects Fund - EQBA 86 (Bondable)	75,000	75,000	70,000	50,000	50,000	24,791	269,791
Capital Projects Fund - PWBA (Bondable)	3,100	3,725	4,800	800	800	800	10,925
Clean Air Fund	3,000	3,000	3,000	3,000	3,000	3,000	15,000
Clean Water Clean Air Implementation Fund	6,027	2,592	2,592	2,592	2,592	2,592	12,960
Environmental Protection Fund	115,920	119,000	120,000	125,000	125,000	125,000	614,000
Federal Capital Projects Fund	140,535	140,950	141,174	140,550	140,000	140,000	702,674
Financial Security Fund	500	482	482	482	31	0	1,477
Forest Preserve Expansion Fund	30	30	20	25	20	17	112
Natural Resource Damages Fund	2,500	2,500	1,314	1,000	1,000	1,000	6,814
Remedial Program Transfer Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Total	537,184	629,604	626,327	626,398	625,607	625,364	3,133,300

PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Federal Capital Projects Fund	3,284	2,500	0	0	0	0	2,500
Maintenance and Improvement of Existing Facilities	64,230	46,332	30,000	30,000	30,000	29,750	166,082
Natural Heritage Trust	300	0	0	0	0	0	0
New Facilities	2,175	850	0	0	0	0	850
Outdoor Recreation	1,013	0	0	0	0	0	0
Parks EQBA	17,582	0	0	0	0	0	0
Total	88,584	49,682	30,000	30,000	30,000	29,750	169,432
Fund Summary							
Capital Projects Fund	300	0	0	0	0	0	0
Capital Projects Fund - EQBA (Bondable)	406	0	0	0	0	0	0
Capital Projects Fund - EQBA 86 (Bondable)	17,176	0	0	0	0	0	0
Federal Capital Projects Fund	3,284	2,500	0	0	0	0	2,500
Fiduciary funds - Misc Combined Expendble Trust Fund	6,000	15,450	0	0	0	0	15,450
Misc. Capital Projects	2,767	1,250	1,000	1,000	1,000	750	5,000
Outdoor Recreation Development Bond Fund	230	0	0	0	0	0	0
Parks and Recreation Land Acquisition Bond Fund	783	0	0	0	0	0	0
State Parks Infrastructure Fund	57,638	30,482	29,000	29,000	29,000	29,000	146,482
Total	88,584	49,682	30,000	30,000	30,000	29,750	169,432

PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Federal Capital Projects Fund	2,500	0	0	0	0
Maintenance and Improvement of Existing Facilities	37,375	23,100	23,100	23,500	23,500
New Facilities	1,175	0	0	0	0
Parks EQBA	7,660	0	0	0	0
Total	48,710	23,100	23,100	23,500	23,500
Fund Summary					
Capital Projects Fund - EQBA 86 (Bondable)	7,660	0	0	0	0
Federal Capital Projects Fund	2,500	0	0	0	0
Fiduciary funds - Misc Combined Expendble Trust Fund	15,450	0	0	0	0
Misc. Capital Projects	1,000	1,000	1,000	1,000	1,000
State Parks Infrastructure Fund	22,100	22,100	22,100	22,500	22,500
Total	48,710	23,100	23,100	23,500	23,500

PARKS, RECREATION AND HISTORIC PRESERVATION, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Clean Water Clean Air Implementation	1,453	0	0	0	0	0	0
Federal Capital Projects Fund	200	2,500	950	900	0	0	4,350
Maintenance and Improvement of Existing Facilities	24,411	30,212	34,409	33,566	26,214	26,525	150,926
New Facilities	800	800	400	0	0	0	1,200
Parks EQBA	8,450	6,100	5,632	460	0	0	12,192
Total	35,314	39,612	41,391	34,926	26,214	26,525	168,668
Fund Summary							
Capital Projects Fund - EQBA (Bondable)	0	400	0	0	0	0	400
Capital Projects Fund - EQBA 86 (Bondable)	8,450	5,700	5,632	460	0	0	11,792
Clean Water Clean Air Implementation Fund	1,453	0	0	0	0	0	0
Federal Capital Projects Fund	200	2,500	950	900	0	0	4,350
Fiduciary funds - Misc Combined Expendble Trust Fund	0	4,600	8,500	7,350	0	0	20,450
Misc. Capital Projects	400	1,250	925	825	731	925	4,656
State Parks Infrastructure Fund	24,811	25,162	25,384	25,391	25,483	25,600	127,020
Total	35,314	39,612	41,391	34,926	26,214	26,525	168,668

HUDSON RIVER PARK TRUST
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Regional Development	52,000	20,000	26,000	0	0	0	46,000
Total	52,000	20,000	26,000	0	0	0	46,000
Fund Summary							
Capital Projects Fund - Advances	52,000	20,000	26,000	0	0	0	46,000
Total	52,000	20,000	26,000	0	0	0	46,000

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Regional Development	40,000	30,000	0	0	0
Total	40,000	30,000	0	0	0
Fund Summary					
Capital Projects Fund - Advances	40,000	30,000	0	0	0
Total	40,000	30,000	0	0	0

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Regional Development	21,767	30,000	40,000	18,000	0	0	88,000
Total	21,767	30,000	40,000	18,000	0	0	88,000
Fund Summary							
Capital Projects Fund - Advances	10,000	30,000	40,000	18,000	0	0	88,000
Hudson River Park Fund	11,767	0	0	0	0	0	0
Total	21,767	30,000	40,000	18,000	0	0	88,000

ENVIRONMENTAL FACILITIES CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reappropriations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Clean Water - Clean Air Implementation	0	292	292	292	292	292	1,460
Pipeline for Jobs Program	14,500	6,250	0	0	0	0	6,250
Total	14,500	6,542	292	292	292	292	7,710
Fund Summary							
Capital Projects Fund	14,500	6,250	0	0	0	0	6,250
Clean Water Clean Air Implementation Fund	0	292	292	292	292	292	1,460
Total	14,500	6,542	292	292	292	292	7,710

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Clean Water - Clean Air Implementation	292	292	292	292	292
Pipeline for Jobs Program	17,750	0	0	0	0
Total	18,042	292	292	292	292
Fund Summary					
Capital Projects Fund	17,750	0	0	0	0
Clean Water Clean Air Implementation Fund	292	292	292	292	292
Total	18,042	292	292	292	292

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Clean Water - Clean Air Implementation	292	292	292	292	292	292	1,460
Pipeline for Jobs Program	11,000	17,750	0	0	0	0	17,750
Total	11,292	18,042	292	292	292	292	19,210
Fund Summary							
Capital Projects Fund	11,000	17,750	0	0	0	0	17,750
Clean Water Clean Air Implementation Fund	292	292	292	292	292	292	1,460
Total	11,292	18,042	292	292	292	292	19,210

PUBLIC PROTECTION

The capital planning process is essential to the Department of Correctional Services (DOCS) as a means of providing adequate bed capacity and maintaining a safe and secure environment in existing facilities. The Division of State Police (DSP) and the Division of Military and Naval Affairs (DMNA) capital programs ensure that existing facilities continue to be maintained.

DEPARTMENT OF CORRECTIONAL SERVICES (DOCS)

The focus of the 2001-02 capital projects recommendation is to preserve and maintain the State's existing prison infrastructure.

DOCS is currently responsible for incarcerating convicted criminals and preparing them for successful return to the community. The capital program assists in this mission by ensuring that all housing, medical, program, and support space in 71 facilities remains functional, safe and secure.

The Department's substantial rehabilitation and preservation requirements are due to several factors, including the age of many of the State's prisons and the changing needs of the inmate population, particularly in the area of health care. "New" capacity was created during the 1980's often by converting older institutions from other uses to prisons. The focus of that effort was on security, not upgrading the structural integrity and infrastructure of these very old facilities.

The Department of Correctional Services Preventative Maintenance Program Plan addresses this situation by providing funds for system repairs and replacements necessary to keep capacity in service. Analysis indicates that the kitchen, heating, ventilation, hot water, electric and roofing systems are the major problem areas requiring appropriations.

The Capital Asset Maintenance Plan is designed to preserve the useful life of the facilities and infrastructure. In evaluating assets, DOCS has established a rating system to identify the condition of its physical plant as a tool for prioritizing essential rehabilitation projects. The following table identifies the capital asset group, age and condition of DOCS assets:

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Minimum Security	4 to 75 yrs.	15	2	0	17
Medium Security	8 to 100 yrs.	33	4	0	37
Maximum Security	0 to 150 yrs.	14	3	0	17
Support	40 to 60 yrs.	2	0	0	2
	Total	64	9	0	73

The program, consistent with the above objectives, recommends new capital project appropriations of approximately $1 billion over the next five years, and $813 million in reappropriations. These appropriations are grouped programmatically, thereby allowing the agency to manage the flow of projects, respond to emergencies and adjust priorities to accommodate changes in facility conditions.

The DOCS Capital program is funded primarily from appropriations made from the Correctional Facilities Capital Improvement Fund which is reimbursed by proceeds from bonds issued by the Empire State Development Corporation. The five year disbursement projection of $933 million includes $919 million for capital rehabilitation and $14 million for the Health Care Infrastructure Program.

The 2001-2002 through 2005-2006 Five-Year Capital Plan reflects the pressing need for capacity expansion, infrastructure maintenance and rehabilitation projects and improvements to the Department's health care facilities.

DIVISION OF STATE POLICE (DSP)

The priorities of the Division of State Police (DSP) Capital Plan are to maintain the safety and integrity of State Police facilities across the State. Total Capital disbursements for the Division are estimated at just over $4 million in 2001-02 to accommodate ongoing maintenance and improvement of State Police facilities.

The Capital Asset Maintenance Plan for the facilities of the Division of State Police is designed to preserve the useful life of the facilities and infrastructure. Over the past several years capital initiatives have been focused on the repair and replacement of roofs, windows, parking lots and access roadways, heating and ventilation systems, and improvements to facilities to meet health and safety needs. The plan for the next five years maintains the same focus.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Forensic Investigation Center	3 yrs.	1	0	0	1
Troop Headquaters	10 to 40 yrs.	9	0	0	9
Zone Headquarters	40 yrs.	0	2	0	2
Stations	1 yr.	1	0	0	1
	Total	11	2	0	13

The commitments for 2000-01 were $3.5 million which will increase to $4.3 million in 2001-02. The 2001-02 Capital Plan assumes entering into commitments for new projects to rehabilitate State Police facilities and equipment.

DIVISION OF MILITARY AND NAVAL AFFAIRS

The Division of Military and Naval Affairs operates more than 120 facilities statewide which include: more than 60 Army National Guard Armories, 28 operations and maintenance facilities, six Air Guard bases, three aviation support facilities, four training facilities and Camp Smith.

An analysis conducted by the National Guard Bureau has concluded that New York's infrastructure is the oldest in the nation and its overall condition is fair. The average age of the infrastructure is over 72 years. Total size of the infrastructure is over five million square feet.

While the Division's primary focus remains on maintaining its military readiness posture, during the past five years its mission has been broadened to include joint partnerships with local communities. The Division's capital projects planning is undertaken in the context of this restructured mission, which encompasses both Federal and State priorities.

The Division annually prepares a Five-Year Comprehensive Capital Maintenance Plan which emphasizes continued investment in maintenance and repair programs, implements technological upgrades, and addresses energy efficiency concerns. Infrastructure repair and upgrade is measured and prioritized by the affected structure condition, proposed use and corresponding health, safety and environmental concerns.

CORRECTIONAL SERVICES, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Maintenance and Improvement of Existing Facilities	519,856	235,000	205,000	205,000	205,000	205,000	1,055,000
Medical Facilities	48,775	0	0	0	0	0	0
UDC Financed and Other New Facility Capacity Expansion	244,470	0	0	0	0	0	0
Total	813,101	235,000	205,000	205,000	205,000	205,000	1,055,000
Fund Summary							
Capital Projects Fund	3,000	0	0	0	0	0	0
Correctional Facilities Capital Improvement Fund	754,455	215,000	205,000	205,000	205,000	205,000	1,035,000
Federal Capital Projects Fund	55,646	20,000	0	0	0	0	20,000
Total	813,101	235,000	205,000	205,000	205,000	205,000	1,055,000

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Maintenance and Improvement of Existing Facilities	160,000	175,000	175,000	175,000	175,000
Medical Facilities	15,000	0	0	0	0
Total	175,000	175,000	175,000	175,000	175,000
Fund Summary					
Correctional Facilities Capital Improvement Fund	175,000	175,000	175,000	175,000	175,000
Total	175,000	175,000	175,000	175,000	175,000

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Maintenance and Improvement of Existing Facilities	212,000	180,365	174,500	188,000	188,000	188,000	918,865
Medical Facilities	32,000	9,135	5,000	0	0	0	14,135
Total	244,000	189,500	179,500	188,000	188,000	188,000	933,000
Fund Summary							
Capital Projects Fund	0	1,500	1,500	0	0	0	3,000
Correctional Facilities Capital Improvement Fund	210,000	188,000	178,000	188,000	188,000	188,000	930,000
Federal Capital Projects Fund	34,000	0	0	0	0	0	0
Total	244,000	189,500	179,500	188,000	188,000	188,000	933,000

STATE POLICE, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Maintenance and Improvement of Existing Facilities	6,485	4,500	4,600	2,800	2,800	2,800	17,500
New Facilities	1,502	0	0	0	0	0	0
Total	7,987	4,500	4,600	2,800	2,800	2,800	17,500
Fund Summary							
Capital Projects Fund	7,987	4,500	4,600	2,800	2,800	2,800	17,500
Total	7,987	4,500	4,600	2,800	2,800	2,800	17,500

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Maintenance and Improvement of Existing Facilities	4,300	4,600	2,800	2,800	2,800
Total	4,300	4,600	2,800	2,800	2,800
Fund Summary					
Capital Projects Fund	4,300	4,600	2,800	2,800	2,800
Total	4,300	4,600	2,800	2,800	2,800

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Maintenance and Improvement of Existing Facilities	4,435	4,253	4,600	2,800	2,800	2,800	17,253
New Facilities	1,651	0	0	0	0	0	0
Total	6,086	4,253	4,600	2,800	2,800	2,800	17,253
Fund Summary							
Capital Projects Fund	6,086	4,253	4,600	2,800	2,800	2,800	17,253
Total	6,086	4,253	4,600	2,800	2,800	2,800	17,253

MILITARY AND NAVAL AFFAIRS, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Design and Construction Supervision	4,130	1,275	1,675	1,675	1,675	1,675	7,975
Maintenance and Improvement of Existing Facilities	12,100	8,450	8,350	8,750	8,750	8,750	43,050
Total	16,230	9,725	10,025	10,425	10,425	10,425	51,025
Fund Summary							
Capital Projects Fund	8,300	6,300	6,600	7,000	7,000	7,000	33,900
Federal Capital Projects Fund	7,930	3,425	3,425	3,425	3,425	3,425	17,125
Total	16,230	9,725	10,025	10,425	10,425	10,425	51,025

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Design and Construction Supervision	1,275	1,675	1,675	1,675	1,675
Maintenance and Improvement of Existing Facilities	8,450	8,350	8,750	8,750	8,750
Total	9,725	10,025	10,425	10,425	10,425
Fund Summary					
Capital Projects Fund	6,300	6,600	7,000	7,000	7,000
Federal Capital Projects Fund	3,425	3,425	3,425	3,425	3,425
Total	9,725	10,025	10,425	10,425	10,425

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Army National Guard	337	0	0	0	0	0	0
Design and Construction Supervision	588	2,655	950	1,275	2,150	2,200	9,230
Maintenance and Improvement of Existing Facilities	8,675	7,070	9,075	9,150	8,275	8,225	41,795
Total	9,600	9,725	10,025	10,425	10,425	10,425	51,025
Fund Summary							
Capital Projects Fund	6,300	6,300	6,600	7,000	7,000	7,000	33,900
Federal Capital Projects Fund	3,300	3,425	3,425	3,425	3,425	3,425	17,125
Total	9,600	9,725	10,025	10,425	10,425	10,425	51,025

EDUCATION

Capital planning is vital to the teaching, research and public service missions of both the State University (SUNY) and the City University (CUNY) systems. Capital Plans ensure that facilities are appropriately designed and developed to meet current and future needs and provide a safe and healthy environment for students, faculty and staff. The State Education Department's (SED) capital programs encompass the rehabilitation of schools for the deaf, the blind and Native Americans; its administrative offices; and the State Museum and State Archives.

STATE UNIVERSITY OF NEW YORK

The State University of New York is the largest public university system in the nation, with 64 campuses (including 30 community colleges) serving nearly 370,000 students. The goal of SUNY's capital program is to provide and preserve the physical infrastructure needed for the education of its students.

The 34 State-operated campuses include more than 2,000 classroom, dormitory, library, laboratory, athletic, and student activity buildings. Nearly 85 percent of SUNY's facilities exceed 20 years of age and are in need of renovation, rehabilitation and repair. Accordingly, SUNY's capital program continues to emphasize the preservation of its existing State-operated facilities. Capital priorities at SUNY's 30 community colleges include major rehabilitation as well as selected new buildings at various campuses to accommodate changing academic needs.

SUNY's capital planning process starts with the development of facility master plans for each campus to identify new construction and rehabilitation projects. For State-operated colleges, these plans are then developed into a system wide, five-year University Master Capital Plan approved by the SUNY Board of Trustees. For community colleges, master plans are submitted to the local Boards of Trustees for approval and used in developing budget requests for submission to the SUNY Board of Trustees. The Trustees then select priority projects for inclusion in SUNY's formal capital budget request.

In 1998-99, SUNY received appropriation authority for a $2 billion Multi-Year Capital Investment Program — $1.58 billion in State-supported bonding; the remainder funded by hospital and dormitory revenues and local community college sponsors. This long-term capital investment program enables the University to develop a comprehensive plan for revitalizing campuses through the rehabilitation of existing buildings; construction and adaptation of facilities to meet current academic needs; and the use of technology for instruction, research and community service.

Major components of the capital program for 2001-02 through 2005-06 include:
- Campus core projects to meet critical health, safety and preservation needs and respond to new and changing academic requirements.
- Technology and campus development projects to respond to new ways of teaching and learning.
- Campus matching projects to leverage private donations.
- System wide infrastructure projects to address such needs as underground utility projects.
- Campus improvements and quality of life projects to improve the overall appearance of SUNY campuses and their responsiveness to student needs.
- Community college capital projects ranging in scope from replacement of heating and cooling systems to construction of new academic facilities.

SUNY's Capital Investment Program will continue to emphasize projects that address health and safety, rehabilitation and preservation needs. These include projects to address code violations, meet accreditation standards, provide access for the disabled, preserve the integrity of the capital plant and address deferred maintenance. Given the age of SUNY's physical plant, more than half of the capital funding for senior colleges will be spent on campus core projects and system wide infrastructure needs. Unlike other State agencies, SUNY has the in-house capability to perform building condition surveys. As a result, the "remaining useful life" of SUNY buildings is based on the actual condition of the asset or building components, rather than age. According to this assessment, fewer than a dozen SUNY buildings have reached the end of their useful life.

In 2001-02, the third year of SUNY's Multi-Year Capital Investment program, contract commitments are projected to reach $295 million which reflect increased activity levels consistent with the awarding of major construction contracts for educational facilities. Total disbursements for both the State-operated and community colleges are estimated at $284 million in 2001-02 and will reach $475 million in 2005-06. In future years, disbursements are expected to increase commensurate with increased activity levels.

CITY UNIVERSITY OF NEW YORK

The City University of New York's physical plant is comprised of 11 senior colleges, 6 community colleges, a graduate center, law school and the Central Administration facility, serving more than 195,000 full-time and part-time students in nearly 24 million gross square feet of space.

CUNY's capital planning process begins with the development of a facility master plan for each campus which details existing and anticipated facilities necessary to accommodate projected campus enrollment needs. The facility master plans provide the framework for development of the annual capital budget request and the University's Five-Year Capital Plan.

CUNY's rehabilitation projects are identified through building condition surveys, conducted jointly by the Dormitory Authority and CUNY. New construction projects generally reflect the CUNY Board of Trustees' policy to replace leased and temporary facilities with new, university-owned structures.

Major projects at CUNY senior and community colleges are supported by bonds issued by the Dormitory Authority. The State pays the debt service on senior college projects other than Medgar Evers College. For community colleges and Medgar Evers College, debt service costs are shared with the City of New York. CUNY's minor rehabilitation projects for health, safety and preservation purposes are primarily supported by State General Fund appropriations.

The 1998-99 Budget included CUNY capital appropriations totaling $1 billion for the Governor's multi-year Capital Investment Program, which provided for additional facility and infrastructure improvements at City University senior and community colleges consistent with the University's needs and priorities. Funded projects encompass critical health and safety, preservation and handicapped access projects, as well as major renovations and new facilities at a number of CUNY campuses. Language accompanying the appropriation specified that amounts to be obligated from subsequent reappropriations were to be pursuant to a plan developed by the Governor. Concomitantly, CUNY's bond cap was increased by $660 million, for a total bonding authorization of $3.4 billion, to cover CUNY's planned bond sales for the course of the Capital Investment Program.

For 2001-02, the level of contract commitments projected in the capital plan is continued at $172 million, consistent with the multi-year Capital Investment Program.

STATE EDUCATION DEPARTMENT

The State Education Department's capital program provides for the maintenance of administrative facilities in Albany (e.g., the Education Building and Cultural Education Center), the School for the Blind in Batavia, the School for the Deaf in Rome, and the three Native American schools on the Onondaga, St. Regis Mohawk and Tuscarora reservations.

The 2001-02 Executive Budget recommends the transfer of Cultural Education functions currently administered by the State Education Department to a new Office of Cultural Resources (OCR). Consistent with that recommendation, portions of capital funding for SED's Cultural Education Center are recommended for transfer to OCR in October 2001.

Under the Capital Plan, the 2001-02 Budget includes Capital Projects Fund appropriations of $4 million with disbursements projected to total $3.6 million. Included in these appropriations are $1.5 million for the Cultural Education Center to revamp museum exhibits and $2.5 million to fund minor maintenance projects at various sites. No new Capital Advance Funds are recommended.

For fiscal year 2001-02, the level of contract commitments projected in the Capital Plan is $3.6 million, which is consistent with projections made in the 2000-01 Capital Plan. Projects previously funded are being designed and awarded as anticipated.

The Capital Plan will enable the State Education Department and the proposed Office of Cultural Resources to maintain and preserve their assets, ensure health and safety of staff, students and the general public and reduce their dependence on leased space by maximizing the effective use of State-owned buildings. It will also allow the State Museum, Library and Archives to fulfill their obligations relating to maintenance of facilities, collections and public safety.

STATE UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Maintenance and Improvements	2,047,483	185,000	135,000	175,000	420,000	440,000	1,355,000
New Facilities	19,666	0	0	0	0	0	0
Total	2,067,149	185,000	135,000	175,000	420,000	440,000	1,355,000
Fund Summary							
Capital Projects Fund	155,109	0	0	5,000	30,000	30,000	65,000
Capital Projects Fund - Advances	1,710,269	0	0	35,000	330,000	330,000	695,000
State University Capital Projects Fund	120,287	0	0	20,000	20,000	20,000	60,000
State University Residence Hall Rehabilitation Fund	81,484	185,000	135,000	115,000	40,000	60,000	535,000
Total	2,067,149	185,000	135,000	175,000	420,000	440,000	1,355,000

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Maintenance and Improvements	295,000	310,000	355,000	400,000	435,000
Total	295,000	310,000	355,000	400,000	435,000
Fund Summary					
Capital Projects Fund	35,000	40,000	45,000	50,000	55,000
Capital Projects Fund - Advances	250,000	260,000	300,000	325,000	350,000
State University Capital Projects Fund	5,000	5,000	5,000	10,000	10,000
State University Residence Hall Rehabilitation Fund	5,000	5,000	5,000	15,000	20,000
Total	295,000	310,000	355,000	400,000	435,000

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Maintenance and Improvements	273,500	284,300	314,700	433,800	434,674	475,000	1,942,474
Total	273,500	284,300	314,700	433,800	434,674	475,000	1,942,474
Fund Summary							
Capital Projects Fund	35,500	36,300	36,700	41,300	39,674	40,000	193,974
Capital Projects Fund - Advances	175,000	185,000	215,000	307,500	290,000	330,000	1,327,500
State University Capital Projects Fund	20,000	20,000	20,000	20,000	20,000	20,000	100,000
State University Residence Hall Rehabilitation Fund	43,000	43,000	43,000	65,000	85,000	85,000	321,000
Total	273,500	284,300	314,700	433,800	434,674	475,000	1,942,474

CITY UNIVERSITY OF NEW YORK
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Maintenance and Improvements	706,201	0	0	0	115,000	115,000	230,000
New Facilities	352,459	0	0	0	90,000	90,000	180,000
Preservation of Facilities	285	0	0	0	0	0	0
Program Changes and Expansion	6,594	0	0	0	0	0	0
Total	1,065,539	0	0	0	205,000	205,000	410,000
Fund Summary							
Capital Projects Fund	77,258	0	0	0	5,000	5,000	10,000
Capital Projects Fund - Advances	985,546	0	0	0	200,000	200,000	400,000
City University of New York Capital Projects Fund	2,735	0	0	0	0	0	0
Total	1,065,539	0	0	0	205,000	205,000	410,000

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Maintenance and Improvements	132,000	108,000	82,000	122,000	122,000
New Facilities	40,000	64,000	90,000	90,000	90,000
Total	172,000	172,000	172,000	212,000	212,000
Fund Summary					
Capital Projects Fund	12,000	12,000	12,000	12,000	12,000
Capital Projects Fund - Advances	160,000	160,000	160,000	200,000	200,000
Total	172,000	172,000	172,000	212,000	212,000

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Maintenance and Improvements	8,546	8,964	8,600	7,683	7,900	9,100	42,247
Preservation of Facilities	54	136	0	0	0	0	136
Program Changes and Expansion	500	0	500	1,417	1,200	0	3,117
Total	9,100	9,100	9,100	9,100	9,100	9,100	45,500
Fund Summary							
Capital Projects Fund	9,100	9,100	9,100	9,100	9,100	9,100	45,500
Total	9,100	9,100	9,100	9,100	9,100	9,100	45,500

EDUCATION DEPARTMENT, STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Administration	2,748	2,500	0	0	0	0	2,500
Cultural Education Center	20,950	1,500	0	0	0	0	1,500
Design and Construction Supervision	180	0	0	0	0	0	0
Education Building	7,174	0	3,630	3,630	3,630	3,630	14,520
Rebuild Schools to Uphold Education Program	130,000	0	0	0	0	0	0
School for the Blind	3,029	0	0	0	0	0	0
School for the Deaf	2,080	0	0	0	0	0	0
Schools For Native American Reservations	450	0	0	0	0	0	0
Washington Avenue Armory	8,215	0	0	0	0	0	0
Total	174,826	4,000	3,630	3,630	3,630	3,630	18,520
Fund Summary							
Capital Projects Fund	137,651	4,000	3,630	3,630	3,630	0	14,890
Capital Projects Fund - Advances	37,175	0	0	0	0	3,630	3,630
Total	174,826	4,000	3,630	3,630	3,630	3,630	18,520

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Education Building	3,630	3,630	3,630	3,630	3,630
Total	3,630	3,630	3,630	3,630	3,630
Fund Summary					
Capital Projects Fund	3,630	3,630	3,630	3,630	3,630
Total	3,630	3,630	3,630	3,630	3,630

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Administration	1,450	1,412	560	485	0	1,420	3,877
Cultural Education Center	875	775	800	550	0	0	2,125
Design and Construction Supervision	116	0	0	0	0	0	0
Education Building	695	828	1,970	2,595	3,630	1,720	10,743
Rebuild Schools to Uphold Education Program	66,000	129,000	0	0	0	0	129,000
School for the Blind	294	365	200	0	0	0	565
School for the Deaf	200	250	100	0	0	0	350
Total	69,630	132,630	3,630	3,630	3,630	3,140	146,660
Fund Summary							
Capital Projects Fund	69,630	132,630	3,630	3,630	3,630	3,140	146,660
Total	69,630	132,630	3,630	3,630	3,630	3,140	146,660

MENTAL HYGIENE

The Department of Mental Hygiene capital program is administered through the three agencies within the Department — the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), and the Office of Alcoholism and Substance Abuse Services (OASAS).

Capital projects for all Mental Hygiene agencies are supported by the General Fund and bonds issued by the Dormitory Authority. These financing mechanisms support the maintenance and rehabilitation of facilities operated by both the State and not-for-profit agencies, as well as the development of new community services for populations which the State serves.

In an effort to streamline the payment of construction contractors and reduce capital construction costs, since 1999 most bonded State capital projects are funded directly from bond proceeds held at the Dormitory Authority. This funding mechanism eliminates most State spending of bond proceeds from the published tables shown in this document. This accounting treatment has no impact on capital projects for the Mental Hygiene agencies.

OFFICE OF MENTAL HEALTH

The Office of Mental Health (OMH) provides high quality services to an ongoing client population of approximately 5,800 on 23 separate, active campuses containing 28 institutions: 17 Adult, 6 Children and Youth, 3 Forensic and 2 Research facilities. In addition, the agency helps fund the capital construction of hundreds of community residential sites, various mental health related general hospital projects, including psychiatric inpatient and specialized emergency rooms, and a number of non-residential community programs.

The 2001-02 Capital Plan includes appropriations and disbursements for OMH State-operated institutions that will continue to fund projects necessary to meet health and life safety codes, Joint Commission on Accreditation of Healthcare Organizations (JCAHO) accreditation standards, current Federal Medicaid certification requirements, and other projects which remediate environmental deficiencies, improve energy efficiency, preserve long-term facilities and consolidate campus facilities.

State Operations

New 2001-02 appropriations of $161 million and reappropriations of $368 million for OMH State-operated institutions, support essential rehabilitation projects which preserve patient and staff health and safety and ensure compliance with facility accreditation standards. Also, as part of the proposed Community Mental Health Support and Workforce Reinvestment Program, the Executive Budget provides for the development of psychiatric center transitional residences to facilitate community placements, including new authorization for 104 adult transitional beds and 40 children's crisis beds.

Although the projected bonded disbursement levels shown for each year are higher than they appeared in the 2000-01 Capital Plan, there has been no change in overall capital spending. What appears to be an increase in spending for each year is simply the result of technical adjustments in the DASNY vs. OMH/OGS project mix.

As required by law, OMH has implemented a maintenance management program. Over the past decade, OMH has invested over one billion dollars in its capital facilities. The benefits of these efforts are evident with 96 percent of OMH buildings in fundamentally sound condition. The focus of capital maintenance planning is to ensure that the investments in the OMH infrastructure are preserved, both to realize its maximum useful life and to prevent costly repairs in the future.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Residential/Hospital	1-100+	61	45	4	110
Psychiatric Rehabilitation Buildings	1-100+	43	58	0	101
Administrative Support Buildings	1-100+	106	214	17	337
	Total	210	317	21	548*

*excludes 499 vacant buildings and those with non OMH tenants.

Aid to Localities

For OMH community programs, new 2001-02 appropriations of $13 million and reappropriations of $180 million will make funds available for the preservation and maintenance of the community infrastructure and the development of residential beds previously authorized through New York/New York II, Community Mental Health Reinvestment and other housing initiatives, including the $50 million capital initiative appropriated in the 1999-2000 budget. A total of $40 million in disbursements, including $8 million financed from the General Fund, is recommended for 2001-02. This local capital funding will support the development of over 1,200 new Single Room Occupancy (SRO) and Community Residential (CR) beds, including 112 beds for children and youth.

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES

The Office of Mental Retardation and Developmental Disabilities (OMRDD) offers services in a variety of settings ranging from homes and small facilities, to large institutional developmental centers. As in the past, the Five-Year Capital Plan for OMRDD continues to focus primarily on serving consumers in the most appropriate settings, and keeping all programs safe for both consumers and staff.

In support of this goal, the Capital Plan recommends a total of $414 million in new appropriations over the five-year period. For 2001-02, the Capital Plan recommends new appropriations of $93 million and reappropriations of $110 million, funding the following major initiatives:

— Increased funding for minor rehabilitation in State- and voluntary-operated community facilities;

— Development of 48 State-operated beds for the placement of community-ready individuals from institutions, in accordance with OMRDD's *Olmstead* Plan;

— Construction of State-operated community placements for 100 persons under NYS-CARES, with operations projected to begin in 2002-03;

— Completion of the Valley Ridge Center for Intensive Treatment in Chenango County;

— $5.3 million in support of projects at secure or specialized treatment units which provide services to persons with severe behavioral challenges; and
— $12 million in new bonded appropriations to support the renovation of a currently vacant building on the campus of the Institute for Basic Research to construct updated, fully functional laboratories to replace currently outdated, sub-standard, and inoperative labs.

The bulk of the OMRDD Capital Plan — 58 percent — is dedicated to the preservation of State facilities, in order to ensure both quality care for consumers, as well as continued Federal accreditation. Based on recent extensive assessments of OMRDD facilities by the Dormitory Authority of the State of New York, the following table identifies the capital asset group, age and condition of OMRDD assets:

		Condition (Number of Buildings)			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Institutional	1-75	47	231	162*	440
Community	1-55	977	52**	0	1029
	Total	1024	283	162	1469

* All 162 buildings are vacant and classified as programmatically obsolete, meaning they are not scheduled for short- or long-term use.
** According to agency estimates, at any point in time, approximately 5 percent of State-operated community homes require minor maintenance work and are, therefore, rated as fair.

The Capital Plan for OMRDD will be financed through a mix of current resources and bond proceeds. Over the five years, more than 54 percent will be financed on a pay-as-you-go basis.

Bonded projects increase, albeit not significantly, from prior capital plan projections, related primarily to projects expected to be undertaken in State facilities. Bonded appropriations do not generally support community development or NYS-CARES. The preponderance of community development since 1996-97 has been accomplished through private financing rather than the use of State-backed Dormitory Authority bonding. Accordingly, capital costs associated with the majority of not-for-profit community development — including the NYS-CARES initiative -- are not reflected in the five-year Capital Plan.

OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE SERVICES

The Office of Alcoholism and Substance Abuse Services (OASAS) supports a network of providers offering a continuum of services to treat and prevent chemical dependency. While the majority of this system is operated by voluntary not-for-profit organizations, the State itself operates 13 Addiction Treatment Centers (ATCs). The Capital Plan recommends new appropriations of $155 million over the next five years to support projects throughout the system. These projects focus primarily on ensuring the health and safety of the system's clients, and the preservation of both State and voluntary facilities.

Annually, between $25-30 million is appropriated to support capital projects within a network of community based residential and ambulatory treatment centers, alcohol outpatient clinics, and methadone clinics. Reappropriations for 2001-02 provide authorization necessary to complete the development of an additional 100 residential treatment beds for either women with children or adolescents, as provided for in the 2000-01 enacted Budget. In addition, sufficient amounts are included in the Plan to complete the 213 bed initiative enacted as part of the 1997-98 budget.

In addition, approximately $2.5 million is appropriated annually to support critical maintenance projects in the State ATCs. While twelve of the thirteen State-operated facilities are considered fixed assets of other agencies, OASAS is nevertheless responsible for their maintenance. Eleven of the thirteen facilities are located on the grounds of Office of Mental Health psychiatric centers while another facility is located at the Department of Corrections Willard Drug Treatment Campus. The following table presents the age and condition of the single Office of Alcoholism and Substance Abuse Services capital asset.

		Condition		
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**
Kingsboro ATC	5	X		

MENTAL HEALTH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Administration	6,625	3,300	3,300	3,300	3,300	3,300	16,500
Design and Construction Supervision	17,980	9,250	9,500	9,500	8,500	8,500	45,250
Maintenance and Improvements of State Facilities	335,126	148,761	95,200	95,200	96,200	96,200	531,561
Non-Bondable Projects	8,000	3,000	6,000	6,000	6,000	6,000	27,000
Voluntary Facilities	180,330	10,424	11,437	11,450	11,464	10,480	55,255
Total	548,061	174,735	125,437	125,450	125,464	124,480	675,566
Fund Summary							
Capital Projects Fund	69,451	37,719	40,000	42,000	44,000	43,000	206,719
Mental Hygiene Capital Improvement Fund	478,610	137,016	85,437	83,450	81,464	81,480	468,847
Total	548,061	174,735	125,437	125,450	125,464	124,480	675,566

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Administration	3,300	3,300	3,300	3,300	3,300
Design and Construction Supervision	14,000	10,500	8,500	6,500	6,000
Maintenance and Improvements of State Facilities	52,700	58,700	79,655	96,700	100,700
Non-Bondable Projects	7,000	6,000	6,000	6,000	6,000
Voluntary Facilities	50,000	51,000	31,000	16,000	0
Total	127,000	129,500	128,455	128,500	116,000
Fund Summary					
Capital Projects Fund	37,000	39,500	42,500	43,500	41,000
Mental Hygiene Capital Improvement Fund	90,000	90,000	85,955	85,000	75,000
Total	127,000	129,500	128,455	128,500	116,000

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Administration	4,117	3,300	3,300	3,300	3,300	3,300	16,500
Design and Construction Supervision	1,400	1,500	1,500	1,500	1,500	1,500	7,500
Maintenance and Improvements of State Facilities	58,565	64,682	63,282	65,282	66,700	66,700	326,646
Non-Bondable Projects	7,000	3,000	6,000	6,000	6,000	6,000	27,000
Voluntary Facilities	15,135	36,582	53,155	51,897	31,685	20,480	193,799
Total	86,217	109,064	127,237	127,979	109,185	97,980	571,445
Fund Summary							
Capital Projects Fund	29,443	32,644	34,609	36,400	37,818	37,500	178,971
Mental Hygiene Capital Improvement Fund	56,774	76,420	92,628	91,579	71,367	60,480	392,474
Total	86,217	109,064	127,237	127,979	109,185	97,980	571,445

MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Community Services Program	30,808	20,096	18,953	18,886	18,973	19,063	95,971
Design and Construction Supervision	0	5,000	5,000	5,000	5,000	5,000	25,000
Institutional Services Program	68,673	50,200	38,912	37,454	38,078	39,140	203,784
Non-Bondable Projects	0	1,000	1,000	1,000	1,000	1,000	5,000
Voluntary Facilities	11,061	16,540	17,128	17,741	16,085	16,952	84,446
Total	110,542	92,836	80,993	80,081	79,136	81,155	414,201
Fund Summary							
Capital Projects Fund	48,830	42,128	43,890	45,151	45,864	47,132	224,165
Eaccre Gymnasium Fund	0	500	0	0	0	0	500
Mental Hygiene Capital Improvement Fund	61,712	50,208	37,103	34,930	33,272	34,023	189,536
Total	110,542	92,836	80,993	80,081	79,136	81,155	414,201

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Community Services Program	17,900	16,680	16,613	16,700	16,790
Design and Construction Supervision	5,000	5,000	5,000	5,000	5,000
Institutional Services Program	50,200	38,912	37,454	38,078	39,140
Non-Bondable Projects	1,000	1,000	1,000	1,000	1,000
Voluntary Facilities	13,640	14,228	14,841	15,185	16,052
Total	87,740	75,820	74,908	75,963	77,982
Fund Summary					
Capital Projects Fund	39,932	41,617	42,878	43,591	44,859
Eaccre Gymnasium Fund	500	0	0	0	0
Mental Hygiene Capital Improvement Fund	47,308	34,203	32,030	32,372	33,123
Total	87,740	75,820	74,908	75,963	77,982

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Community Services Program	12,470	10,200	10,500	11,000	11,000	12,000	54,700
Design and Construction Supervision	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Institutional Services Program	11,836	17,994	17,355	19,200	18,990	18,800	92,339
Non-Bondable Projects	1,000	0	0	0	0	0	0
Voluntary Facilities	9,845	13,055	13,598	14,166	12,860	13,571	67,250
Total	40,151	46,249	46,453	49,366	47,850	49,371	239,289
Fund Summary							
Capital Projects Fund	35,915	37,755	38,342	41,215	41,634	43,070	202,016
Eaccre Gymnasium Fund	0	421	0	0	0	0	421
Mental Hygiene Capital Improvement Fund	4,236	8,073	8,111	8,151	6,216	6,301	36,852
Total	40,151	46,249	46,453	49,366	47,850	49,371	239,289

ALCOHOLISM AND SUBSTANCE ABUSE SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Administration	0	902	982	1,062	1,094	1,127	5,167
Community Alcoholism and Substance Abuse Facilities	102,554	23,288	23,288	23,288	23,288	23,288	116,440
Design and Construction Supervision	11,682	3,500	3,500	3,500	3,500	3,500	17,500
Institutional Services Program	17,184	2,500	2,500	2,500	2,500	2,000	12,000
Non-Bondable Projects	752	750	750	750	750	750	3,750
Total	132,172	30,940	31,020	31,100	31,132	30,665	154,857
Fund Summary							
Capital Projects Fund	28,235	6,690	6,770	6,850	6,882	6,415	33,607
Mental Hygiene Capital Improvement Fund	103,937	24,250	24,250	24,250	24,250	24,250	121,250
Total	132,172	30,940	31,020	31,100	31,132	30,665	154,857

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Administration	902	982	1,062	1,094	1,127
Community Alcoholism and Substance Abuse Facilities	26,675	23,221	22,702	22,105	21,737
Design and Construction Supervision	3,500	3,000	3,910	3,590	3,500
Institutional Services Program	1,900	2,896	2,572	2,482	2,150
Non-Bondable Projects	100	100	100	100	100
Total	33,077	30,199	30,346	29,371	28,614
Fund Summary					
Capital Projects Fund	6,073	5,720	5,767	6,783	6,014
Mental Hygiene Capital Improvement Fund	27,004	24,479	24,579	22,588	22,600
Total	33,077	30,199	30,346	29,371	28,614

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Administration	798	902	982	1,062	1,094	1,127	5,167
Community Alcoholism and Substance Abuse Facilities	21,915	26,775	23,090	21,802	21,205	21,837	114,709
Design and Construction Supervision	2,600	3,500	3,000	3,910	3,590	3,500	17,500
Institutional Services Program	764	900	2,896	3,572	2,482	2,150	12,000
Non-Bondable Projects	752	100	100	100	100	100	500
Total	26,829	32,177	30,068	30,446	28,471	28,714	149,876
Fund Summary							
Capital Projects Fund	5,609	6,173	5,749	5,867	5,883	6,114	29,786
Mental Hygiene Capital Improvement Fund	21,220	26,004	24,319	24,579	22,588	22,600	120,090
Total	26,829	32,177	30,068	30,446	28,471	28,714	149,876

DIVISION OF HOUSING AND COMMUNITY RENEWAL

The State's housing capital programs provide grants, low-interest loans and technical assistance to facilitate construction and preservation of the State's low- and moderate-income housing stock. State capital funds are combined with Federal funds, low-cost mortgages and available private sector investments to finance activities that, absent the State's involvement would not be financially feasible.

In addition to developing and maintaining low-cost housing, the housing capital programs foster economic growth across the State by creating additional construction jobs and encouraging new private sector investment in distressed areas. Since 1990, State disbursements in support of housing capital programs have been principally financed by bond funds.

The State's housing capital appropriations are made to the Division of Housing and Community Renewal (DHCR), the State agency charged with coordinating the State's housing policies and programs. The individual housing programs are implemented through four public benefit corporations: the Housing Trust Fund Corporation (HTFC), the Affordable Housing Corporation (AHC), the Homeless Housing Assistance Corporation (HHAC) and the Housing Finance Agency (HFA). DHCR staff perform the administrative functions generally associated with low-income housing programs as well as overseeing the State's involvement in Federal capital programs. HFA staff provide administrative support for the State program's that generally target moderate-income households.

The Capital Plan recommends $100 million in 2001-02 to fund six housing capital programs:

— $25 million to the Low-Income Housing Trust Fund program to provide grants of up to $75,000 per unit to construct or renovate low-income apartment projects. The Capital Plan maintains 2001-02 funding levels for this program through 2005-06.

— $25 million to the Affordable Homeownership Development Program, which provides grants of up to $25,000 to low- and moderate-income households to assist in the acquisition or renovation of their homes. The Capital Plan maintains 2001-02 funding levels for this program through 2005-06.

— $30 million to the Homeless Housing Assistance Program (HHAP) which provides grants to not-for-profit corporations and municipalities to expand and improve the supply of permanent, transitional and emergency housing for homeless persons.

— $13 million to the Public Housing Modernization Program to subsidize repairs at 74 State-supervised public housing projects across the State. A total of $400,000 from this appropriation will be reserved to fund capital activities aimed at reducing illegal drug activities at these projects. The Capital Plan maintains 2001-02 funding levels for this program through 2005-06.

— $7 million for the Homes for Working Families program, to continue this award-winning initiative which combines State funds with other available public and private sector moneys, Federal Low Income Tax Credit proceeds and non-State supported bond funds to construct affordable rental housing for low- and moderate-income households.

— $400,000 for the Housing Opportunities Program, which provides grants to low-income elderly homeowners for emergency home repairs. The Capital Plan maintains 2001-02 funding levels for this program through 2005-06.

In addition to State-funded programs, HTFC also awards and disburses Federal moneys pursuant to the U.S. Department of Housing and Urban Development's HOME program. This program provides grants to not-for-profit groups and local governments to partially fund the construction or rehabilitation of low- and moderate-income housing.

The Executive Budget also includes a reappropriation of $11.3 million to continue programs funded from the State's Housing Assistance Fund (HAF). The HAF was established in 1988 with a one-time appropriation to fund eight housing construction and development programs serving low- and moderate-income households with specific housing needs. The moneys reappropriated in 2001-02 will meet the State's remaining commitments.

The 2001-02 Capital Plan contemplates the commitment of State housing funds in the year in which funds are appropriated. Requests for funding from the State's various housing programs are reviewed and evaluated on an annual basis by program staff. These applications are submitted by private and not-for-profit sponsors of proposed low- and moderate-income housing projects. The applications are scored and ranked on a competitive basis and the review process culminates in award notifications that commit the State's housing capital appropriations to the most worthwhile of these projects.

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Affordable Housing Corporation	61,400	25,000	25,000	25,000	25,000	25,000	125,000
Homes for Working Families Program	7,000	7,000	7,000	3,000	3,000	3,000	23,000
Housing Assistance Fund	11,333	0	0	0	0	0	0
Housing Opportunity Program For Elderly	2,400	400	400	400	400	400	2,000
Housing Program Capital Improvement	19,720	0	0	0	0	0	0
Low Income Housing Trust Fund	124,725	25,000	25,000	25,000	25,000	25,000	125,000
Maintenance and Improvements of Existing Facilities	14,849	0	0	0	0	0	0
New Facilities	41,912	0	10,000	10,000	10,000	10,000	40,000
Public Housing Modernization Program	76,900	12,800	12,800	12,800	12,800	12,800	64,000
State Housing Bond Fund	7,344	0	0	0	0	0	0
Supported Housing Program	145,792	30,000	30,000	30,000	30,000	30,000	150,000
Total	513,375	100,200	110,200	106,200	106,200	106,200	529,000
Fund Summary							
Capital Projects Fund	20,945	0	0	0	0	0	0
Federal Capital Projects Fund	40,687	0	10,000	10,000	10,000	10,000	40,000
Housing Assistance Fund	11,333	0	0	0	0	0	0
Housing Program Fund	433,066	100,200	100,200	96,200	96,200	96,200	489,000
State Housing Bond Fund	7,344	0	0	0	0	0	0
Total	513,375	100,200	110,200	106,200	106,200	106,200	529,000

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Affordable Housing Corporation	25,000	25,000	25,000	25,000	25,000
Homes for Working Families Program	3,000	3,000	3,000	3,000	3,000
Housing Opportunity Program For Elderly	400	400	400	400	400
Low Income Housing Trust Fund	25,000	25,000	25,000	25,000	25,000
New Facilities	10,000	10,000	10,000	10,000	10,000
Public Housing Modernization Program	12,800	12,800	12,800	12,800	12,800
Supported Housing Program	30,000	30,000	30,000	30,000	30,000
Total	106,200	106,200	106,200	106,200	106,200
Fund Summary					
Federal Capital Projects Fund	10,000	10,000	10,000	10,000	10,000
Housing Program Fund	96,200	96,200	96,200	96,200	96,200
Total	106,200	106,200	106,200	106,200	106,200

HOUSING AND COMMUNITY RENEWAL, DIVISION OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Affordable Housing Corporation	25,500	26,900	26,000	25,000	25,000	25,000	127,900
Homes for Working Families Program	3,500	8,100	7,400	3,000	3,000	3,000	24,500
Housing Assistance Fund	6,600	0	0	0	0	0	0
Housing Opportunity Program For Elderly	1,200	1,500	1,000	400	400	400	3,700
Housing Program Capital Improvement	1,660	575	575	575	575	575	2,875
Low Income Housing Trust Fund	25,300	29,300	28,550	27,150	25,000	25,000	135,000
Maintenance and Improvements of Existing Facilities	1,000	1,000	1,000	0	0	0	2,000
New Facilities	11,125	10,000	10,000	10,000	10,000	10,000	50,000
Public Housing Modernization Program	12,050	11,650	11,500	11,900	12,800	12,800	60,650
Supported Housing Program	0	33,000	23,000	23,000	23,000	23,000	125,000
Total	87,935	122,025	109,025	101,025	99,775	99,775	531,625
Fund Summary							
Capital Projects Fund	2,785	575	575	575	575	575	2,875
Federal Capital Projects Fund	10,000	10,000	10,000	10,000	10,000	10,000	50,000
Housing Assistance Fund	6,600	0	0	0	0	0	0
Housing Program Fund	68,550	111,450	98,450	90,450	89,200	89,200	478,750
Total	87,935	122,025	109,025	101,025	99,775	99,775	531,625

OTHER

OFFICE OF GENERAL SERVICES

The Office of General Services (OGS) is responsible for the operation, maintenance, and renovation of 46 major and 84 ancillary State-owned and operated buildings located throughout the State. The estimated replacement value of these 130 buildings is over $4.5 billion. The 2001-02 Executive Budget emphasizes investments in the Office's asset management program, which includes a preventive maintenance component aimed at reducing the number of emergencies and avoiding costly out year projects. Maintenance activities are undertaken by in-house staff, and temporary service and outside contractors to protect existing capital assets, while preventing further deterioration of the infrastructure. The asset management program for 2001-02 will fund high priority projects that will preserve the integrity of buildings, and maintain a safe and healthy environment for the State's employees and the public. The Office will also have the flexibility to address critical infrastructure needs, while accommodating significant customer-tenant issues.

The Office is also making significant capital investments in office facilities in the Albany area. The need for this investment results from years of under-investment, during the 1980's and early 1990's, and the related need for State offices to accommodate modern technology and other requirements. This effort includes new office buildings for the Department of Environmental Conservation and the Office of the State Comptroller, a new parking garage in downtown Albany, and the modernization of the Alfred E. Smith Office Building and selected buildings at the Harriman State Office Campus. Funding is also continued for critical repairs at the State Capitol. These and other investments in the Office's capital plan will result in commitment levels that are consistent with those of prior years, after adjusting for the new building modernization effort.

The OGS preventive maintenance program plan concentrates on preventive maintenance to bring essential capital assets to a level at which they can achieve their life expectancy at a minimal cost to the State. To accomplish this, the Office is developing a facility condition assessment system that assesses the architectural, structural, mechanical, electrical and site components of each facility. This system will identify resource requirements and assure maintenance adequacy, while allowing managers to define, develop, and prioritize cost estimates for capital repairs and replacement projects.

The preventive maintenance program plan is focused on the goals of maximizing the useful life of facilities, improving the reliability of systems and equipment, and providing the means for determining equipment management and replacement needs. According to industry standards, the average building is constructed to last a minimum of 40 years, while parking lots can last more than 25 years with routine maintenance. However, since many of the assets managed by the Office, such as the State Capitol and the Executive Mansion, are historically significant, their useful life can be considered indefinite. Over the long-term, maintenance efforts will continue to enhance facilities by improving the building appearance and upgrading the overall condition as a capital asset. The program is estimated to require $6 million in capital funding in 2001-02 and maintains that level through 2005-06.

In evaluating its assets, the Office has established the following rating categories: very good, has minor deterioration visible; good, shows normal wear and tear; poor, displays definite deterioration and may have unusable portions; and scrap, is not usable.

According to the most recent assessment of assets, 70 percent of the Office's buildings are rated in good condition, with 28 percent being rated in poor condition. The average age of office and support buildings is 35 years.

The following table identifies the capital asset group, age and condition of the Office's assets.

		Condition (Number of Buildings)			
Capital Asset Group	**Age Range**	**Good**	**Poor**	**Unrated**	**Total**
Empire State Plaza and Downtown Operations	To 120 yrs.	37	0	0	37
Harriman State Office Building Campus	To 40 yrs.	12	14	0	26
Upstate Region	To 70 yrs.	16	16	0	32
Lease/Purchase	To 50 yrs.	5	0	0	5
Downstate Region	To 70 yrs.	7	0	3	10
Parking Services	To 40 yrs.	14	6	0	20
	Total	91	36	3	130

To address the challenges that lie ahead, the Office has developed a strategic plan that will provide for the orderly rehabilitation and renovation of facilities. That plan, coupled with the Office's on-going maintenance efforts, will ensure that the Office will achieve its long-term goals, while addressing the pressing needs of the State's deteriorating infrastructure.

OFFICE OF CHILDREN AND FAMILY SERVICES

The Office of Children and Family Services (OCFS) operates 48 residential youth facilities and non-residential programs which serve over 2,000 youth, ages 7 to 21. These facilities operate at a variety of security levels which range from secure centers, primarily housing juvenile offenders who were tried as adults, to community-based residences. The OCFS Capital Plan reflects the State's continued commitment to ensure that housing, program and support space remains functional, safe and secure.

The OCFS capital planning process will continue to identify improvements to its facilities to meet health and safety standards, and provide for program enhancements related to population needs. Trends in the agency's capital program have focused on the need to maintain the structural integrity of existing capital assets and to initiate facility modifications necessary to house Juvenile Delinquents and Juvenile Offenders who require a higher level of security. This year's Capital Plan includes funding to design and construct a permanent secure facility to replace the Harlem Valley Secure Center and convert the MacCormick facility to limited secure. Moreover, the plan includes funding to undertake health and safety, environmental, facility preservation and security projects.

The Capital Plan also includes funding for the Child Care Facilities Development Program, which provides financial assistance for the construction or rehabilitation of child day care centers throughout the state. Additionally, Section 529 of Social Services law requires OCFS to maintain the community house within the Tonawanda Indian Reservation. This year's plan continues funding for improvements to the community house which was built in 1936.

In 2001-02, in collaboration with the Office of General Services, OCFS will continue implementing a long-term capital maintenance program aimed at preserving the useful life of its facilities and infrastructure. Many of the Office's youth facilities are over 30 years old and in "fair" condition, indicating the need for repair and/or improvement. As indicated in the chart below, OCFS has grouped its assets by facility size, further categorized by age, remaining useful life and condition. The Five-Year Plan for capital maintenance includes $14.2 million in spending to support maintenance and improvement activities. Funding will be targeted at those facilities most in need of improvement.

The OCFS capital program is funded from the Capital Projects Fund, the Youth Facilities Improvement Fund and the Miscellaneous Capital Projects Fund. Disbursements from the Youth Facilities Improvement Fund are reimbursed by bond proceeds issued by the Empire State Development Corporation. Disbursements for the Child Care Facilities Development Project are reimbursed by bond proceeds issued by the New York State Dormitory Authority.

The five-year recommended disbursements of $209 million include $84.9 million for the development of youth facility capacity, $66.6 million for projects related to rehabilitation and improvements of facilities, $7.8 million for security enhancements, $11.7 million for environmental compliance projects, $25 million for the Child Care Facilities Development Program, and $13 million for the state and local shares of the Youth Centers Program. For fiscal year 2001-2002, the level of contract commitments projected in the capital plan is $60.3 million, up $12.6 million from 2000-2001 projected levels.

			CONDITION			
Asset / Asset Group	**Age**	**Remaining Useful Life**	**Good**	**Fair**	**Poor**	**Obsolete**
Brookwood SC	**33/4**	**>10**	•			
Goshen SC	**38**	**5 -10**		•		
MacCormick SC	**16**	**5 -10**		•		
Allen RC	**53**	**5 -10**		•		
Bronx RC	**50+**	**5 -10**		•		
Gossett RC	**7**	**>10**	•			
Highland RC	**36**	**<5**			•	
Industry School	**34+**	**5 -10**		•		
Lansing RC	**53/4**	**5 -10**		•		
McQueen RC	**50+**	**<5**				
Oatka RC	**30/3**	**5-10**		•	•	
Parker Training	**30+**	**>10**		•	•	
Pyramid RC	**50+**	**<5**			•	
Tryon RC	**30**	**5-10**			•	
Buffalo	**50+**	**<5**				•
New 25 bed Facilities	**4-6**	**>10**	•			
Old 25 Bed Facilities	**28-33**	**5-10**		•		
All Group Homes	**30+**	**<5**		•	•	
Youth Leadership Academy	**7**	**>10**	•			
Adirondack Wilderness Challenge	**7**	**>10**	•			

DEPARTMENT OF HEALTH

The focus of the Department of Health's (DOH) capital program is protecting the health and safety of its facilities' patients, employees and visitors. An integral part of this plan is to maintain and improve its capital assets which include five health care facilities: Helen Hayes Hospital in West Haverstraw and four veterans' homes at Oxford, St. Albans, Batavia and the soon to be opened Montrose Veteran's Home in the Hudson Valley. The Department also maintains the Wadsworth Center for Laboratories and Research which is comprised of three laboratories located in Albany County.

In January of 1999, pursuant to an operating agreement between the two parties, responsibility for operations of the Roswell Park Cancer Institute was transferred from the Department to the Roswell Park Cancer Institute Corporation. The corporation is now responsible for the ongoing maintenance of Roswell's capital assets.

For 2001-02, DOH's Capital Program includes both ongoing and new projects to address major capital needs with estimated total disbursements of $103.6 million. Planned projects will preclude potentially more costly future capital expenditures while minimizing interruptions in clinical care services and laboratory functions, and will continue DOH's participation in the Safe Drinking Water Program.

The Department continues its participation in implementing the Safe Drinking Water Program, funded by Federal grants and State matching funds. A new $50 million Bond Act appropriation is recommended for 2001-02 as well as a $53.7 million Federal appropriation.

Commitments are estimated at $239 million over the five-year plan, including $130 million from the Clean Water/Clean Air (CWCA) Bond Act and $22.5 million from Federal funds for safe drinking water projects. The balance reflects planned projects for DOH facilities.

The Capital Plan includes $27.4 million over the next five years for capital maintenance. The Department's goals are to ensure a safe environment, preserve infrastructure and related equipment and to promote energy efficiency. The Department is phasing out utilization of those buildings in poor condition.

The Department's capital program is financed by CWCA Bond Act Proceeds, Federal grants, Special Revenue funds, and the State's General Fund. Debt Service on outstanding Dormitory Authority bonds will continue to be supported by patient care revenues.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Helen Hayes Hospital	19-100	4	10	5	19
Wadsworth Center for Laboratories & Research	4-55	6	18	0	24
Veterans' Nursing Home					
Oxford	3-100	3	2	2	7
St. Albans	7	1	0	0	1
Batavia	6	1	0	0	1
	Total	15	30	7	52

ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

The Energy Research and Development Authority (ERDA) owns and manages the Western New York Nuclear Service Center at West Valley in Cattaraugus County, the site of a former nuclear fuel reprocessing facility and an inactive low-level radioactive waste disposal area.

The Authority's Capital Plan reflects its continuing role in a joint Federal-State Demonstration Project to treat and dispose of liquid nuclear waste at the Center and decommission the reprocessing facility. The Plan also includes ERDA's on-going maintenance costs at the disposal area to ensure its compliance with environmental laws.

ERDA's Capital Maintenance Plan indicates that the Western New York Service Center is approximately 33 years of age, in good condition, with a remaining useful life that will extend to the conclusion of the decommissioning of the site. The maintenance goal at the site is to preserve the facility in a state of good repair.

The 2001-02 commitment level of just over $15 million also includes the anticipated cost for ERDA's role in the Clean Water/Clean Air Bond Act.

DEPARTMENT OF STATE

The Department of State oversees the Academy of Fire Science in Montour Falls, Schuyler County. Capital Projects Fund appropriations are funded entirely by a transfer from the General Fund and are targeted primarily at preserving the structural integrity of the Academy and addressing health and safety concerns.

The Capital Assets Maintenance Plan for the Fire Academy is designed to preserve the useful life of the 130 year-old Academy and ensure the health and safety of individuals using the Academy's facilities. In general, the facilities and infrastructure of the Academy are rated as "fair" with a useful life of between 10 and 40 years.

The 2001-02 Executive Budget includes $460,000 in Capital Projects Fund spending for design and construction of various rehabilitation projects and modifications necessary to comply with the Americans with Disabilities Act. The central air conditioning system, designed in 2000-01 will be completed in 2002-03.

DEPARTMENT OF AGRICULTURE AND MARKETS

The Department of Agriculture and Markets, in conjunction with the Industrial Exhibit Authority, is responsible for operating the New York State Fair and maintaining its buildings and grounds. The Fairgrounds include 14 major buildings and 114 other structures, the majority of which have a useful life of greater than 10 years and are in good overall condition.

		Condition			
Capital Asset Group	**Age Range**	**Good**	**Fair**	**Poor**	**Total**
Various Fair Buildings	4 to 92 yrs.	110	14	4	128

For 2001-02, the capital plan supports approximately $3 million in capital disbursements and a total of $600,000 in new appropriations from the General Fund to repair and rehabilitate the Fair's facilities to ensure a safe and enjoyable experience for all Fair patrons and participants. An additional $4 million will be made available for similar projects through 2005-2006.

The 2001-02 Executive Budget also recommends continued spending from special revenue funds for the Fair (financed by revenues from public/private partnership agreements and year-round operation of the Fairgrounds) to complete needed improvements at various Fair buildings.

The Department's capital maintenance plan for the next five years prioritizes those projects that will preserve, rehabilitate and improve the Fair buildings, land and infrastructure for year-round use, and continue to protect the State's investment in the facility. In addition, Fair structures are upgraded continually to meet more stringent building code requirements, including safety and accessibility for the disabled.

For 2001-02 the level of commitments projected in the capital plan is $2 million. Projects that were previously funded are being designed and awarded as anticipated. Future year commitments are consistent with planned appropriation levels over the next five years.

OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE

The 2001-2002 capital recommendation continues funding for an initiative, begun in 1997-98, to develop domestic violence shelter beds in New York City. This reappropriation provides grants to not-for-profit corporations with significant prior experience in operating shelters for this population. Through four projects, 283 beds are expected to be developed by the end of SFY 2001-2002.

In an effort to consolidate and reduce administrative costs of the capital program, the SFY 2001-2002 Budget transfers the administration of the Homeless Housing Assistance Program (HHAP) to the Division of Housing and Community Renewal.

ECONOMIC DEVELOPMENT

For 2001-02, the Capital Plan includes $100 million in additional capital funding for a new high technology program, which will be administered by the Empire State Development Corporation (ESDC). This program, which will be supported by $60 million in bond funds and $40 million from the General Fund, will finance projects that create or retain technology-related jobs including the construction and rehabilitation of research facilities, acquisition of business equipment, development of business incubators and business parks.

The Office for Science Technology and Academic Research (NYSTAR) will continue to administer a $95 million capital program to provide funding for construction and rehabilitation of public and private university research facilities. Authorized in the 1999-2000 enacted Budget, this funding supports the construction and rehabilitation of state-of-the-art laboratories, and assists New York State in attracting and retaining high technology-related jobs. The program is financed through bonds issued by the Dormitory Authority. In addition, NYSTAR's $10 million Biomedical Research Facilities Program, included in the 2000-01 enacted Budget, is continued.

The Capital Plan continues funding for regional economic development projects, which were authorized in the 2000-01 enacted Budget, including $50 million to facilitate the creation or retention of jobs or increase business activity in downtown Buffalo, the Buffalo inner harbor, or surrounding areas and $15 million for the construction, reconstruction, or rehabilitation of a sports stadium to be located in the city of Rochester.

Other economic development provisions of the Capital Plan include continuation of the Strategic Investment Program (SIP), which was established with the 2000-01 enacted Budget. This program funds environmental, economic development, higher education, and arts/cultural projects. The $25 million Economic Development and Natural Resources Preservation Program (EDNRP), which was established with the 1999-00 enacted Budget, is also continued. In addition, the Community Enhancement Facilities Assistance Program (CEFAP), which was authorized in the 1997-98 enacted Budget, is continued. However, CEFAP is reduced by $81 million — from $425 million to $344 million — to reflect the redirection of $60 million to establish a bonding program within ESDC to support projects under the new high technology program, and the use of $21 million from the Debt Reduction Reserve Fund to finance CEFAP grants. SIP, EDNRP, and CEFAP are financed with public authority bonds.

JUDICIARY

The 2001-02 Judiciary request includes two new appropriations totaling $36 million. A $31 appropriation will continue the renovation and expansion of the Court of Appeals building and a $5 million appropriation is included for expenses associated with improvements to the Appellate Division, Third Judicial Department quarters located within the Justice building in Albany. The improvement projects will be funded entirely by a transfer from the General Fund.

GENERAL SERVICES, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Design and Construction Supervision	22,444	7,000	8,000	13,000	14,000	7,000	49,000
Maintenance and Improvement of Real Property Facilities	115,737	115,200	61,000	43,000	44,000	48,000	311,200
Petroleum Storage Tank	500	0	0	0	0	0	0
Total	138,681	122,200	69,000	56,000	58,000	55,000	360,200
Fund Summary							
Capital Projects Fund	133,201	122,200	69,000	56,000	58,000	55,000	360,200
Capital Projects Fund - Advances	5,480	0	0	0	0	0	0
Total	138,681	122,200	69,000	56,000	58,000	55,000	360,200

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Design and Construction Supervision	104	80	48	70	12
Maintenance and Improvement of Real Property Facilities	27,048	46,475	55,372	41,730	25,220
Total	27,152	46,555	55,420	41,800	25,232
Fund Summary					
Capital Projects Fund	27,152	46,555	55,420	41,800	25,232
Total	27,152	46,555	55,420	41,800	25,232

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Design and Construction Supervision	11,633	10,438	8,000	4,813	7,000	12,000	42,251
Maintenance and Improvement of Real Property Facilities	38,367	41,612	71,500	85,187	64,200	38,800	301,299
Petroleum Storage Tank	150	150	0	0	0	0	150
Total	50,150	52,200	79,500	90,000	71,200	50,800	343,700
Fund Summary							
Capital Projects Fund	50,150	52,200	79,500	90,000	71,200	50,800	343,700
Total	50,150	52,200	79,500	90,000	71,200	50,800	343,700

CHILDREN AND FAMILY SERVICES OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Child Care Facilities Development Program	30,000	0	0	0	0	0	0
Design and Construction Supervision	2,000	0	1,000	1,000	1,000	1,000	4,000
Executive Direction and Administrative Services	8,239	0	0	0	0	0	0
Maintenance and Improvement of Facilities	28,889	15,200	5,000	5,000	5,000	5,000	35,200
New Construction	9,200	72,800	0	0	0	0	72,800
Program Improvement or Program Change	13,776	6,700	3,000	3,000	3,000	3,000	18,700
Rehabilitative Services	422	0	0	0	0	0	0
Youth Center	8,466	0	0	0	0	0	0
Total	100,992	94,700	9,000	9,000	9,000	9,000	130,700
Fund Summary							
Capital Projects Fund	45,316	3,300	1,000	1,000	1,000	1,000	7,300
Misc. Capital Projects	7,000	0	0	0	0	0	0
Youth Facilities Improvement Fund	48,676	91,400	8,000	8,000	8,000	8,000	123,400
Total	100,992	94,700	9,000	9,000	9,000	9,000	130,700

CHILDREN AND FAMILY SERVICES OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Child Care Facilities Development Program	20,000	5,000	0	0	0
Design and Construction Supervision	3,000	2,500	2,000	0	500
Executive Direction and Administrative Services	900	700	0	0	0
Maintenance and Improvement of Facilities	10,700	15,500	14,000	15,100	0
New Construction	18,700	63,100	0	0	200
Program Improvement or Program Change	7,000	6,000	10,000	8,600	400
Total	60,300	92,800	26,000	23,700	1,100
Fund Summary					
Capital Projects Fund	21,500	7,200	4,000	4,000	1,100
Misc. Capital Projects	7,000	0	0	0	0
Youth Facilities Improvement Fund	31,800	85,600	22,000	19,700	0
Total	60,300	92,800	26,000	23,700	1,100

CHILDREN AND FAMILY SERVICES OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Child Care Facilities Development Program	5,000	20,000	5,000	0	0	0	25,000
Child Care Program	134	0	0	0	0	0	0
Design and Construction Supervision	0	900	1,250	850	1,000	1,250	5,250
Executive Direction and Administrative Services	65	4,542	3,640	0	0	0	8,182
Maintenance and Improvement of Facilities	1,213	6,933	17,865	16,050	6,100	6,800	53,748
New Construction	0	4,600	32,760	31,840	12,800	0	82,000
Program Improvement or Program Change	100	2,120	9,070	8,860	4,350	4,200	28,600
Rehabilitative Services	198	264	130	25	0	0	419
Youth Center	2,500	5,100	866	0	0	0	5,966
Total	9,210	44,459	70,581	57,625	24,250	12,250	209,165
Fund Summary							
Capital Projects Fund	7,650	26,789	11,206	4,730	1,400	1,000	45,125
Misc. Capital Projects	0	3,500	3,500	0	0	0	7,000
Youth Facilities Improvement Fund	1,560	14,170	55,875	52,895	22,850	11,250	157,040
Total	9,210	44,459	70,581	57,625	24,250	12,250	209,165

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Design and Construction Supervision	1,503	0	0	0	0	0	0
Laboratories and Research	8,852	4,000	4,000	4,000	4,000	4,000	20,000
Maintenance and Improvements of Existing Institutions	15,013	7,600	7,600	7,600	7,600	7,600	38,000
New Institution Construction	34,432	0	0	0	0	0	0
Rehabilitation And Improvements	2,461	0	0	0	0	0	0
Safe Drinking Water - Clean Water/Clean Air 96	10,000	50,000	50,000	30,000	0	0	130,000
Water Resources	136,091	53,659	49,500	40,000	50,000	50,000	243,159
Total	208,352	115,259	111,100	81,600	61,600	61,600	431,159
Fund Summary							
Capital Projects Fund	27,829	11,600	11,600	31,600	61,600	61,600	178,000
Capital Projects Fund - 1996 CWA (Bondable)	10,000	50,000	50,000	30,000	0	0	130,000
Capital Projects Fund - Advances	26,500	0	0	0	0	0	0
Department of Health Facilities Capital Improvemt Fund	7,932	0	0	0	0	0	0
Federal Capital Projects Fund	136,091	53,659	49,500	20,000	0	0	123,159
Total	208,352	115,259	111,100	81,600	61,600	61,600	431,159

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Laboratories and Research	2,550	2,350	2,370	1,500	1,200
Maintenance and Improvements of Existing Institutions	2,170	3,520	3,700	3,500	2,250
New Institution Construction	39,400	5,000	0	0	0
Rehabilitation And Improvements	2,000	4,500	4,000	4,000	2,150
Safe Drinking Water - Clean Water/Clean Air 96	50,000	50,000	30,000	0	0
Water Resources	22,500	0	0	0	0
Total	118,620	65,370	40,070	9,000	5,600
Fund Summary					
Batavia Rehabilitation & Improvement	0	0	0	1,000	0
Capital Projects Fund	6,720	10,370	10,070	5,000	5,600
Capital Projects Fund - 1996 CWA (Bondable)	50,000	50,000	30,000	0	0
Capital Projects Fund - Advances	21,500	5,000	0	0	0
Department of Health Facilities Capital Improvemt Fund	17,900	0	0	0	0
Federal Capital Projects Fund	22,500	0	0	0	0
Helen Hayes Rehabilitation & Improvement	0	0	0	1,000	0
Oxford Rehabilitation & Improvement	0	0	0	1,000	0
St. Albans Rehabilitation & Improvement	0	0	0	1,000	0
Total	118,620	65,370	40,070	9,000	5,600

HEALTH, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Design and Construction Supervision	318	337	393	289	0	0	1,019
Laboratories and Research	1,786	1,158	1,361	1,400	2,000	2,000	7,919
Maintenance and Improvements of Existing Institutions	3,089	3,026	2,871	2,302	3,500	3,500	15,199
New Institution Construction	10,292	0	0	0	0	0	0
Rehabilitation And Improvements	2,604	2,325	429	487	0	0	3,241
Safe Drinking Water - Clean Water/Clean Air 96	50,000	50,000	50,000	30,000	0	0	130,000
Water Resources	55,097	46,704	47,947	69,500	99,500	96,689	360,340
Total	123,186	103,550	103,001	103,978	105,000	102,189	517,718
Fund Summary							
Batavia Rehabilitation & Improvement	350	100	0	0	0	0	100
Capital Projects Fund	5,697	5,146	5,054	24,478	55,500	55,500	145,678
Capital Projects Fund - 1996 CWA (Bondable)	50,000	50,000	50,000	30,000	0	0	130,000
Department of Health Facilities Capital Improvemt Fund	10,292	0	0	0	0	0	0
Federal Capital Projects Fund	55,097	46,704	47,947	49,500	49,500	46,689	240,340
Helen Hayes Rehabilitation & Improvement	1,230	1,400	0	0	0	0	1,400
Oxford Rehabilitation & Improvement	520	200	0	0	0	0	200
Total	123,186	103,550	103,001	103,978	105,000	102,189	517,718

ENERGY RESEARCH AND DEVELOPMENT AUTHORITY, NEW YORK STATE
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Clean Water - Clean Air Implementation	0	117	117	117	117	117	585
Western New York Nuclear Service Center Program	0	15,250	13,900	13,900	13,900	15,400	72,350
Total	0	15,367	14,017	14,017	14,017	15,517	72,935
Fund Summary							
Capital Projects Fund	0	15,250	13,900	13,900	13,900	15,400	72,350
Clean Water Clean Air Implementation Fund	0	117	117	117	117	117	585
Total	0	15,367	14,017	14,017	14,017	15,517	72,935

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Clean Water - Clean Air Implementation	117	117	117	117	117
Western New York Nuclear Service Center Program	15,250	13,900	13,900	13,900	15,400
Total	15,367	14,017	14,017	14,017	15,517
Fund Summary					
Capital Projects Fund	15,250	13,900	13,900	13,900	15,400
Clean Water Clean Air Implementation Fund	117	117	117	117	117
Total	15,367	14,017	14,017	14,017	15,517

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Clean Water - Clean Air Implementation	117	117	117	117	117	117	585
Western New York Nuclear Service Center Program	13,900	15,250	13,900	13,900	13,900	15,400	72,350
Total	14,017	15,367	14,017	14,017	14,017	15,517	72,935
Fund Summary							
Capital Projects Fund	13,900	15,250	13,900	13,900	13,900	15,400	72,350
Clean Water Clean Air Implementation Fund	117	117	117	117	117	117	585
Total	14,017	15,367	14,017	14,017	14,017	15,517	72,935

STATE, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Design and Construction Supervision	340	0	200	0	0	0	200
Office of Fire Prevention and Control	879	340	720	0	0	600	1,660
Total	1,219	340	920	0	0	600	1,860
Fund Summary							
Capital Projects Fund	1,219	340	920	0	0	600	1,860
Total	1,219	340	920	0	0	600	1,860

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Design and Construction Supervision	120	80	0	0	0
Office of Fire Prevention and Control	340	380	460	460	20
Total	460	460	460	460	20
Fund Summary					
Capital Projects Fund	460	460	460	460	20
Total	460	460	460	460	20

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Clean Water - Clean Air Implementation	348	0	0	0	0	0	0
Design and Construction Supervision	53	222	134	60	40	0	456
Office of Fire Prevention and Control	407	238	326	400	420	460	1,844
Total	808	460	460	460	460	460	2,300
Fund Summary							
Capital Projects Fund	460	460	460	460	460	460	2,300
Clean Water Clean Air Implementation Fund	348	0	0	0	0	0	0
Total	808	460	460	460	460	460	2,300

AGRICULTURE AND MARKETS, DEPARTMENT OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Design and Construction Supervision	390	0	0	0	0	0	0
State Fair	4,422	2,600	2,000	2,000	2,000	2,000	10,600
Total	4,812	2,600	2,000	2,000	2,000	2,000	10,600
Fund Summary							
Capital Projects Fund	3,312	600	1,000	1,000	1,000	1,000	4,600
Misc. Capital Projects	1,500	2,000	1,000	1,000	1,000	1,000	6,000
Total	4,812	2,600	2,000	2,000	2,000	2,000	10,600

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
State Fair	2,000	2,000	2,000	2,000	2,600
Total	2,000	2,000	2,000	2,000	2,600
Fund Summary					
Capital Projects Fund	1,000	1,000	1,000	1,000	600
Misc. Capital Projects	1,000	1,000	1,000	1,000	2,000
Total	2,000	2,000	2,000	2,000	2,600

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Clean Water - Clean Air Implementation	500	0	0	0	0	0	0
Design and Construction Supervision	113	100	187	0	0	0	287
State Fair	3,387	2,865	1,813	2,000	2,000	2,000	10,678
Total	4,000	2,965	2,000	2,000	2,000	2,000	10,965
Fund Summary							
Capital Projects Fund	1,500	1,000	1,000	1,000	1,000	1,000	5,000
Clean Water Clean Air Implementation Fund	500	0	0	0	0	0	0
Misc. Capital Projects	2,000	1,965	1,000	1,000	1,000	1,000	5,965
Total	4,000	2,965	2,000	2,000	2,000	2,000	10,965

TEMPORARY AND DISABILITY ASSISTANCE, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Information Management Technology Program	361	0	0	0	0	0	0
Supported Housing Program	12,250	0	0	0	0	0	0
Total	12,611	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	12,611	0	0	0	0	0	0
Total	12,611	0	0	0	0	0	0

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Supported Housing Program	26,000	7,500	1,750	0	0	0	9,250
Total	26,000	7,500	1,750	0	0	0	9,250
Fund Summary							
Capital Projects Fund	3,000	7,500	1,750	0	0	0	9,250
Housing Program Fund	23,000	0	0	0	0	0	0
Total	26,000	0	0	0	0	0	9,250

EMPIRE STATE DEVELOPMENT CORPORATION
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Economic Development	65,000	100,000	0	0	0	0	100,000
Regional Development	344,000	0	0	0	0	0	0
Total	409,000	100,000	0	0	0	0	100,000
Fund Summary							
Capital Projects Fund	65,000	100,000	0	0	0	0	100,000
Community Enhancement Facilities Assistance Fund	344,000	0	0	0	0	0	0
Total	409,000	100,000	0	0	0	0	100,000

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Economic Development	15,000	10,000	75,000	15,000	0
Total	15,000	10,000	75,000	15,000	0
Fund Summary					
Capital Projects Fund	15,000	10,000	75,000	15,000	0
Total	15,000	10,000	75,000	15,000	0

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Economic Development	50,000	15,000	10,000	75,000	15,000	0	115,000
Total	50,000	15,000	10,000	75,000	15,000	0	115,000
Fund Summary							
Capital Projects Fund	50,000	15,000	10,000	75,000	15,000	0	115,000
Total	50,000	15,000	10,000	75,000	15,000	0	115,000

SCIENCE, TECHNOLOGY AND ACADEMIC RESEARCH, OFFICE OF
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Research Facilities	57,500	0	0	0	0	0	0
Total	57,500	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	57,500	0	0	0	0	0	0
Total	57,500	0	0	0	0	0	0

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Research Facilities	25,750	23,750	0	0	0
Total	25,750	23,750	0	0	0
Fund Summary					
Capital Projects Fund	25,750	23,750	0	0	0
Total	25,750	23,750	0	0	0

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Research Facilities	8,000	25,750	23,750	0	0	0	49,500
Total	8,000	25,750	23,750	0	0	0	49,500
Fund Summary							
Capital Projects Fund	8,000	25,750	23,750	0	0	0	49,500
Total	8,000	25,750	23,750	0	0	0	49,500

MISCELLANEOUS - STRATEGIC INVESTMENT PROGRAM
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Strategic Investment Program	225,000	0	0	0	0	0	0
Total	225,000	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	225,000	0	0	0	0	0	0
Total	225,000	0	0	0	0	0	0

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Strategic Investment Program	107,100	43,875	74,025	0	0
Total	107,100	43,875	74,025	0	0
Fund Summary					
Capital Projects Fund	107,100	43,875	74,025	0	0
Total	107,100	43,875	74,025	0	0

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Strategic Investment Program	0	107,100	43,875	74,025	0	0	225,000
Total	0	107,100	43,875	74,025	0	0	225,000
Fund Summary							
Capital Projects Fund	0	107,100	43,875	74,025	0	0	225,000
Total	0	107,100	43,875	74,025	0	0	225,000

EC - MISCELLANEOUS STATE AGENCIES
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Economic Development	25,000	0	0	0	0	0	0
Total	25,000	0	0	0	0	0	0
Fund Summary							
Capital Projects Fund	25,000	0	0	0	0	0	0
Total	25,000	0	0	0	0	0	0

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Economic Development	15,000	10,000	0	0	0
Total	15,000	10,000	0	0	0
Fund Summary					
Capital Projects Fund	15,000	10,000	0	0	0
Total	15,000	10,000	0	0	0

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Economic Development	0	15,000	10,000	0	0	0	25,000
Total	0	15,000	10,000	0	0	0	25,000
Fund Summary							
Capital Projects Fund	0	15,000	10,000	0	0	0	25,000
Total	0	15,000	10,000	0	0	0	25,000

JUDICIARY
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Courthouse Improvements	6,100	35,825	0	0	0	0	35,825
Total	6,100	35,825	0	0	0	0	35,825
Fund Summary							
Capital Projects Fund	6,100	35,825	0	0	0	0	35,825
Total	6,100	35,825	0	0	0	0	35,825

COMMITMENTS

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Program Summary					
Courthouse Improvements	35,825	0	0	0	0
Total	35,825	0	0	0	0
Fund Summary					
Capital Projects Fund	35,825	0	0	0	0
Total	35,825	0	0	0	0

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Courthouse Improvements	1,778	17,929	11,946	11,947	0	0	41,822
Total	1,778	17,929	11,946	11,947	0	0	41,822
Fund Summary							
Capital Projects Fund	1,778	17,929	11,946	11,947	0	0	41,822
Total	1,778	17,929	11,946	11,947	0	0	41,822

DEBT REDUCTION RESERVE FUND
SUMMARY OF
PROJECTED APPROPRIATIONS, COMMITMENTS, AND DISBURSEMENTS
2001-2002 THROUGH 2005-2006
(thousands of dollars)

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Program Summary							
Debt Reduction Reserve	78,455	0	0	0	0	0	0
Total	78,455	0	0	0	0	0	0
Fund Summary							
Debt Reduction Reserve Fund	78,455	0	0	0	0	0	0
Total	78,455	0	0	0	0	0	0

SUMMARY OF
PROJECTED APPROPRIATIONS, ALL FUNDS, ALL PROGRAMS
BY FUND TYPE, AND MAJOR FUND, 2001-2002 THROUGH 2005-2006
(thousands of dollars)

APPROPRIATIONS

	Reapprop-riations	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Capital Projects Funds Type							
Capital Projects Fund	1,355,377	457,211	254,032	267,053	331,798	352,069	1,662,163
Capital Projects Fund - Advances	2,990,277	21,305	27,000	36,000	531,000	534,630	1,149,935
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	78,915	0	0	0	0	0	0
Capital Projects Fund - EQBA (Bondable)	66,293	0	0	0	0	0	0
Capital Projects Fund - PWBA (Bondable)	33,886	0	0	0	0	0	0
Capital Projects Fund - Infrastructure Renewal (Bondable)	47,252	0	0	0	0	0	0
Capital Projects Fund - Aviation (Bondable)	5,266	0	0	0	0	0	0
Capital Projects Fund - Energy Conservation (Bondable)	2,130	0	0	0	0	0	0
Capital Projects Fund - EQBA 86 (Bondable)	393,586	0	0	0	0	0	0
Capital Projects Fund - 1996 CWA (Bondable)	757,269	219,582	192,400	30,000	0	0	441,982
Debt Reduction Reserve Fund	0	0	0	0	0	0	0
Dedicated Highway and Bridge Trust Fund	2,759,570	1,643,641	1,647,243	1,424,786	1,258,301	1,235,107	7,209,078
State University Residence Hall Rehabilitation Fund	81,484	185,000	135,000	115,000	40,000	60,000	535,000
New York State Canal System Development Fund	2,450	2,000	2,000	2,000	2,000	2,000	10,000
State Parks Infrastructure Fund	57,638	30,482	29,000	29,000	29,000	29,000	146,482
Environmental Protection Fund	379,213	150,000	150,000	150,000	150,000	150,000	750,000
Federal Capital Projects Fund	5,081,446	1,721,994	1,702,785	1,874,285	1,856,285	1,862,285	9,017,634
Youth Facilities Improvement Fund	48,676	91,400	8,000	8,000	8,000	8,000	123,400
Housing Program Fund	433,066	100,200	100,200	96,200	96,200	96,200	489,000
Engineering Services Fund	916,325	636,684	643,226	648,631	655,867	634,673	3,219,081
Mental Hygiene Capital Improvement Fund	644,259	211,474	146,790	142,630	138,986	139,753	779,633
Correctional Facilities Capital Improvement Fund	754,455	215,000	205,000	205,000	205,000	205,000	1,035,000
Remedial Program Transfer Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Other Funds	573,635	6,751	5,001	25,001	25,001	24,751	86,505
Eliminations*	(1,042,531)	(644,435)	(653,977)	(659,382)	(666,618)	(645,424)	(3,269,836)
Type Subtotal	16,419,937	5,153,289	4,698,700	4,499,204	4,765,820	4,793,044	23,910,057
Capital Projects Funds - Bond Proceeds	1,899,639	0	0	0	0	0	0
Fiduciary Fund Type	87,652	65,450	50,000	50,000	50,000	50,000	265,450
Special Revenue Fund Type	164,021	56,637	58,929	58,984	60,984	60,984	296,518
Eliminations*	(1,899,639)	(0)	(0)	(0)	(0)	(0)	(0)
Total (All Fund Types)	16,671,610	5,275,376	4,807,629	4,608,188	4,876,804	4,904,028	24,472,025

* Reflects eliminations for 'netting out' of transfers between funds which are not capital program disbursements

SUMMARY OF
PROJECTED DISBURSEMENTS, ALL FUNDS, ALL PROGRAMS
BY FUND TYPE, AND MAJOR FUND, 2001-2002 THROUGH 2005-2006
(thousands of dollars)

DISBURSEMENTS

	Estimated 2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	Total 2001-2006
Capital Projects Funds Type							
Capital Projects Fund	402,684	624,761	403,345	493,656	357,074	348,959	2,227,795
Capital Projects Fund - Advances	195,360	223,012	262,652	333,450	297,900	337,900	1,454,914
Capital Projects Fund - A.C. and T.I. Fund (Bondable)	16,000	14,000	12,000	10,000	8,000	6,000	50,000
Capital Projects Fund - EQBA (Bondable)	9,031	892	2,130	1,106	1,100	1,100	6,328
Capital Projects Fund - PWBA (Bondable)	3,100	3,725	4,800	800	800	800	10,925
Capital Projects Fund - Infrastructure Renewal (Bondable)	5,000	5,000	5,000	5,000	5,000	5,000	25,000
Capital Projects Fund - Aviation (Bondable)	1,600	1,200	800	400	400	400	3,200
Capital Projects Fund - Energy Conservation (Bondable)	200	200	200	200	200	200	1,000
Capital Projects Fund - EQBA 86 (Bondable)	83,450	80,700	75,632	50,460	50,000	24,791	281,583
Capital Projects Fund - 1996 CWA (Bondable)	175,000	169,164	169,164	169,164	139,164	139,164	785,820
Debt Reduction Reserve Fund	78,455	0	0	0	0	0	0
Dedicated Highway and Bridge Trust Fund	1,423,076	1,650,714	1,593,101	1,591,213	1,382,609	1,317,557	7,535,194
State University Residence Hall Rehabilitation Fund	43,000	43,000	43,000	65,000	85,000	85,000	321,000
New York State Canal System Development Fund	2,000	2,000	2,000	2,000	2,000	2,000	10,000
State Parks Infrastructure Fund	24,811	25,162	25,384	25,391	25,483	25,600	127,020
Environmental Protection Fund	115,920	119,000	120,000	125,000	125,000	125,000	614,000
Federal Capital Projects Fund	1,400,817	1,451,434	1,509,780	1,593,056	1,713,576	1,756,579	8,024,425
Youth Facilities Improvement Fund	1,560	14,170	55,875	52,895	22,850	11,250	157,040
Housing Program Fund	91,550	111,450	98,450	90,450	89,200	89,200	478,750
Engineering Services Fund	625,439	633,696	637,800	643,534	658,145	662,632	3,235,807
Mental Hygiene Capital Improvement Fund	82,230	110,497	125,058	124,309	100,171	89,381	549,416
Correctional Facilities Capital Improvement Fund	210,000	188,000	178,000	188,000	188,000	188,000	930,000
Remedial Program Transfer Fund	0	105,000	105,000	105,000	105,000	105,000	525,000
Other Funds	70,426	41,149	37,242	33,333	26,783	26,943	165,450
Eliminations*	(722,237)	(652,922)	(653,026)	(658,760)	(673,271)	(677,758)	(3,315,737)
Type Subtotal	4,338,472	4,338,472	4,965,004	4,813,387	5,044,657	4,710,184	24,203,930
Capital Projects Funds - Bond Proceeds	0	0	0	0	0	0	0
Fiduciary Fund Type	0	4,600	8,500	7,350	0	0	20,450
Special Revenue Fund Type	52,058	56,541	50,822	51,685	56,473	62,599	278,120
Eliminations*	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Total (All Fund Types)	4,390,530	5,026,145	4,872,709	5,103,692	4,766,657	4,733,297	24,502,500

* Reflects eliminations for 'netting out' of transfers between funds which are not capital program disbursements