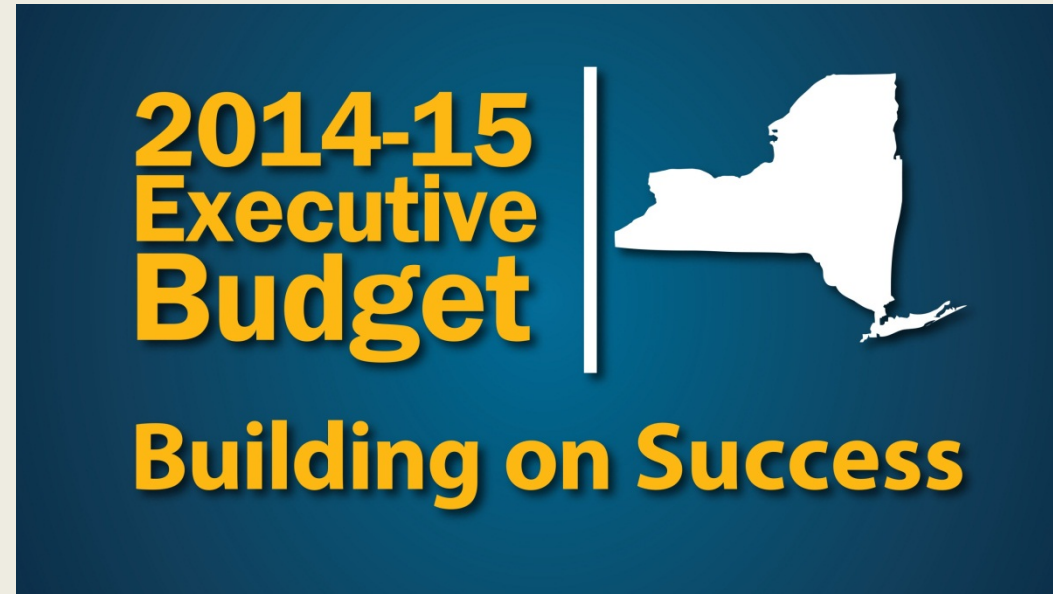


2014-15 Executive Budget

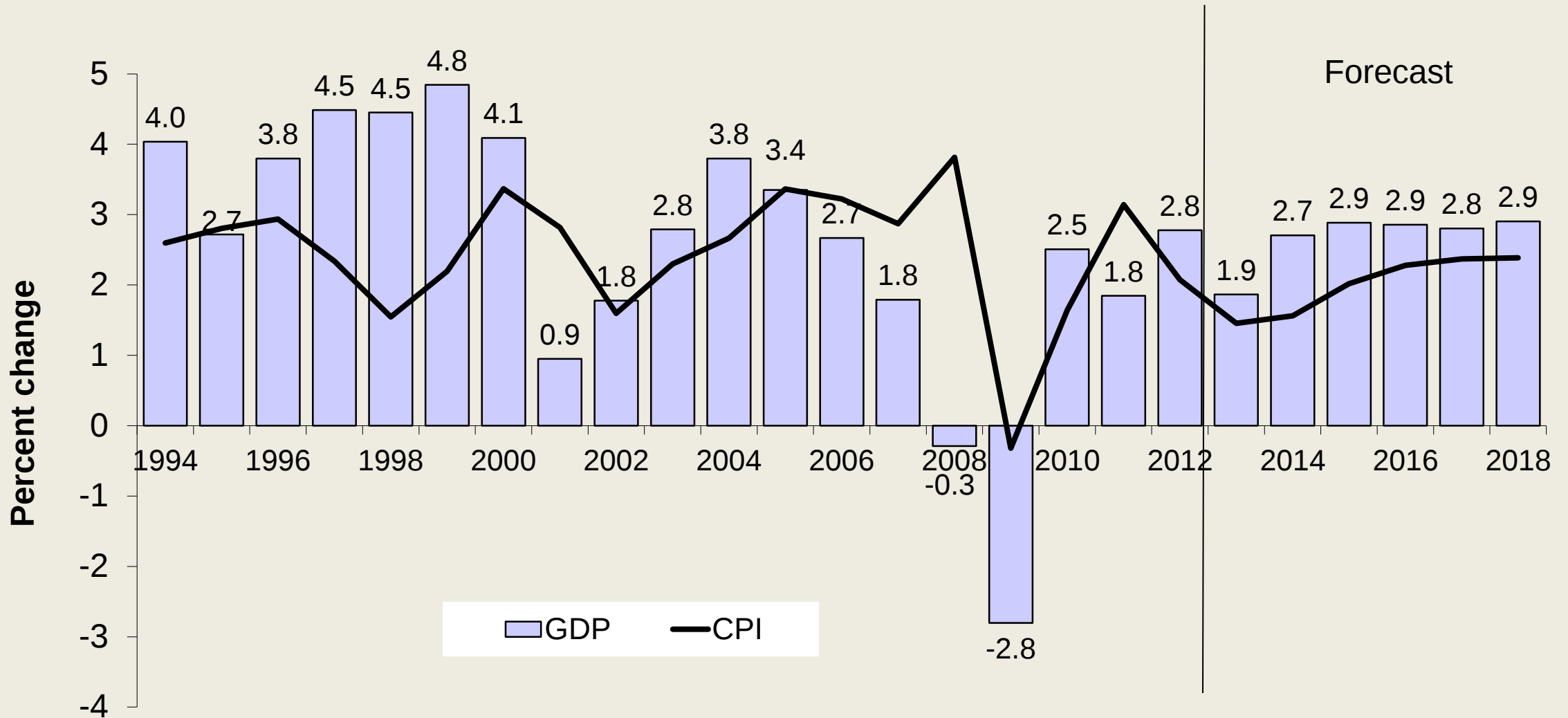


Building on Success



I. Economic Overview

Outlook for Real U.S. GDP Growth and Inflation



Note: Displayed values pertain to GDP growth.
Source: Moody's Analytics; DOB staff estimates.

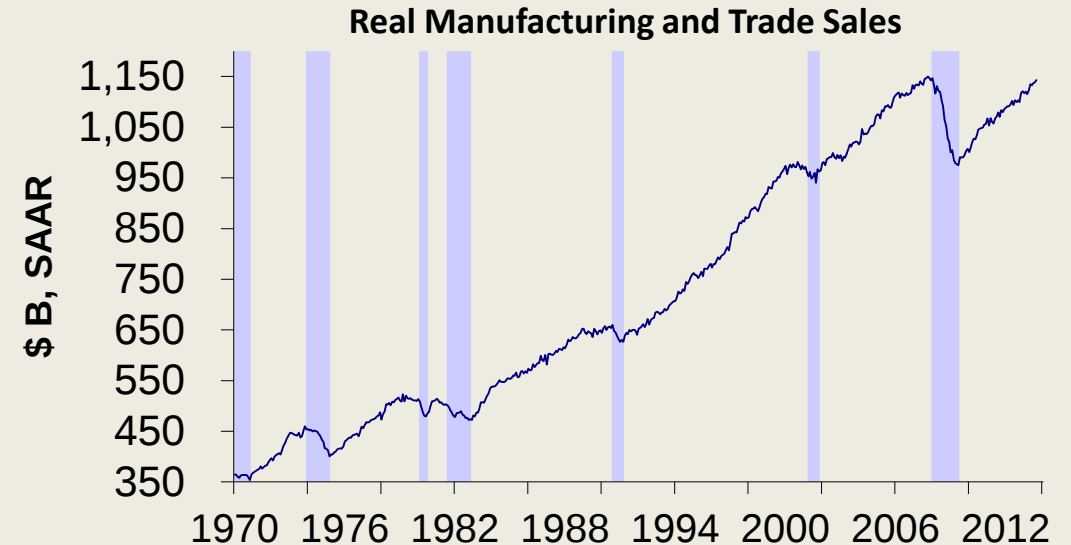
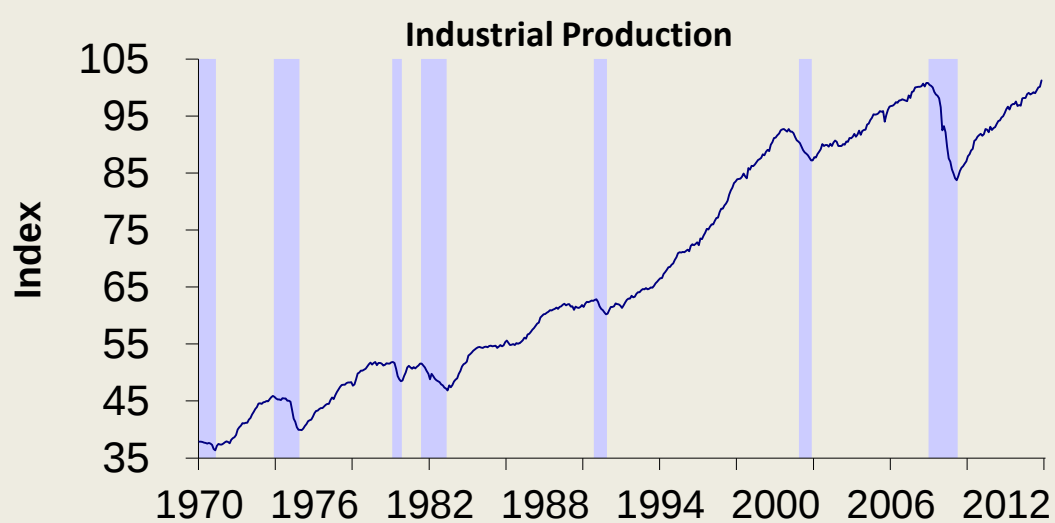
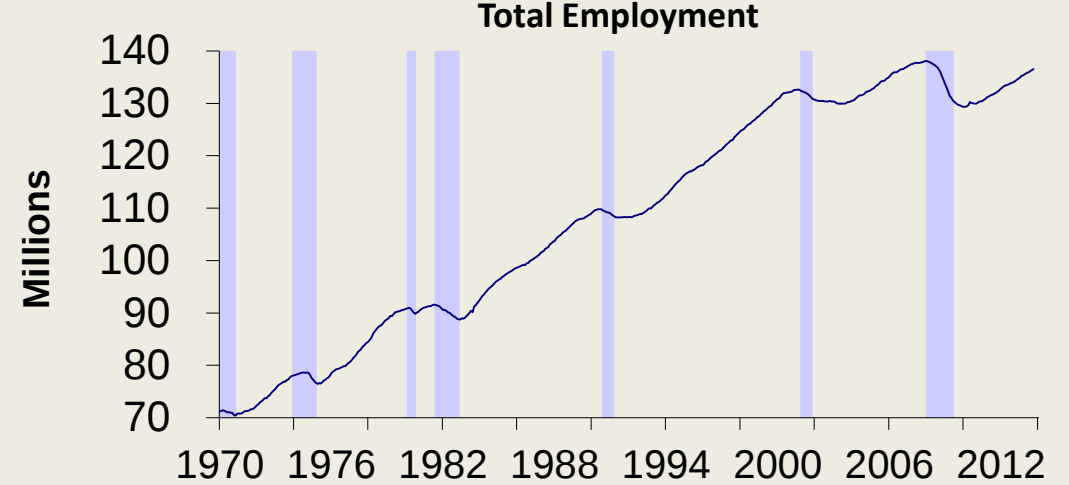
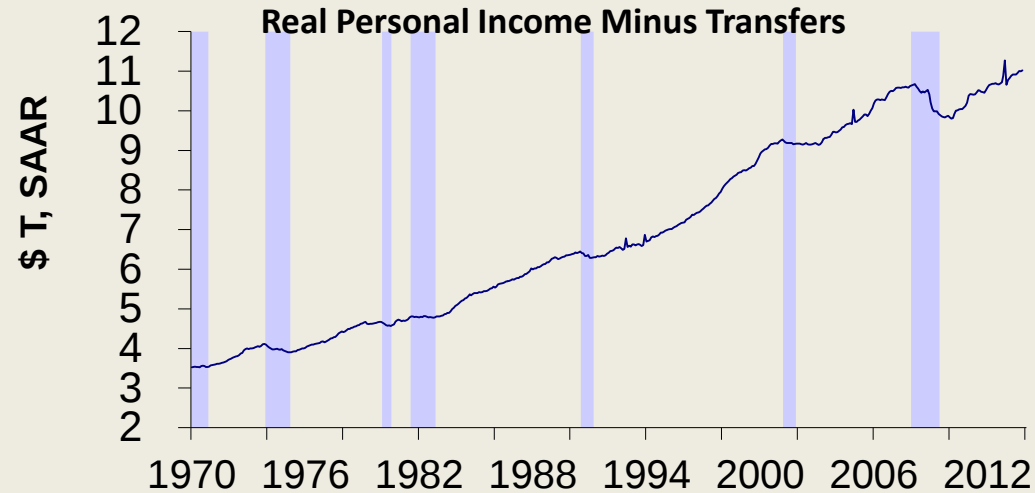
U.S. Economic Forecast Comparison

	2013	2014	2015
Real Gross Domestic Product (GDP) (2009 chained percent change)			
DOB	1.9	2.7	2.9
Blue Chip Consensus	NA	2.8	3.0
Global Insight	1.9	2.7	3.2
Macroeconomic Advisers	1.9	3.0	3.3
Consumer Price Index (CPI) (percent change)			
DOB	1.5	1.6	2.0
Blue Chip Consensus	NA	1.6	2.0
Global Insight	1.5	1.4	1.8
Macroeconomic Advisers	1.5	1.5	1.6
Unemployment Rate (percent)			
DOB	7.4	6.8	6.3
Blue Chip Consensus	NA	6.8	6.3
Global Insight	7.4	6.5	5.9
Macroeconomic Advisers	7.4	6.8	6.4

Source: New York State Division of the Budget, January 2014; *Blue Chip Economic Indicators*, January 2014; Global Insight, *US Forecast Summary*, January 2014; and Macroeconomic Advisers, *Economic Outlook*, January 2014.

Income and production have finally surpassed their pre-recession peaks.

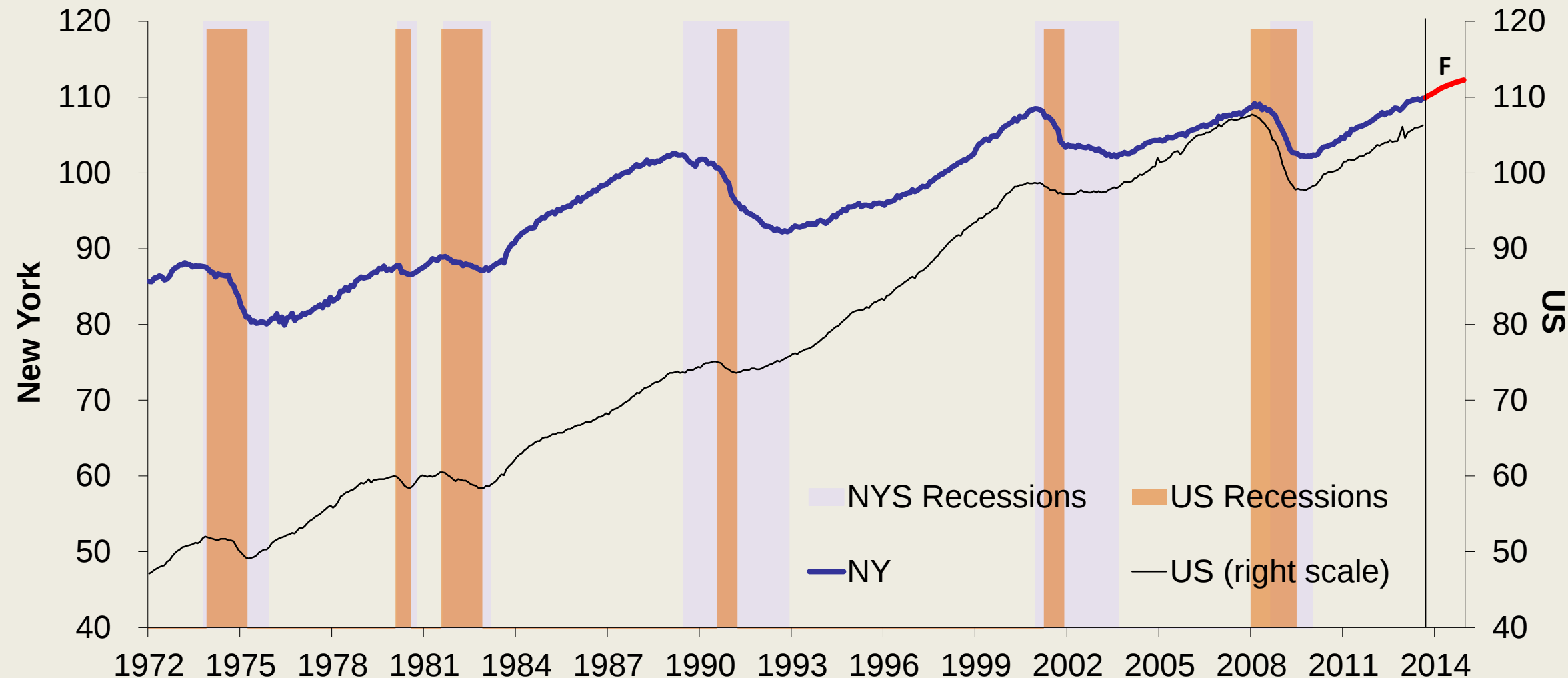
Manufacturing and trade sales are on their way, leaving employment.



Note: Shaded areas represent U.S. recessions.

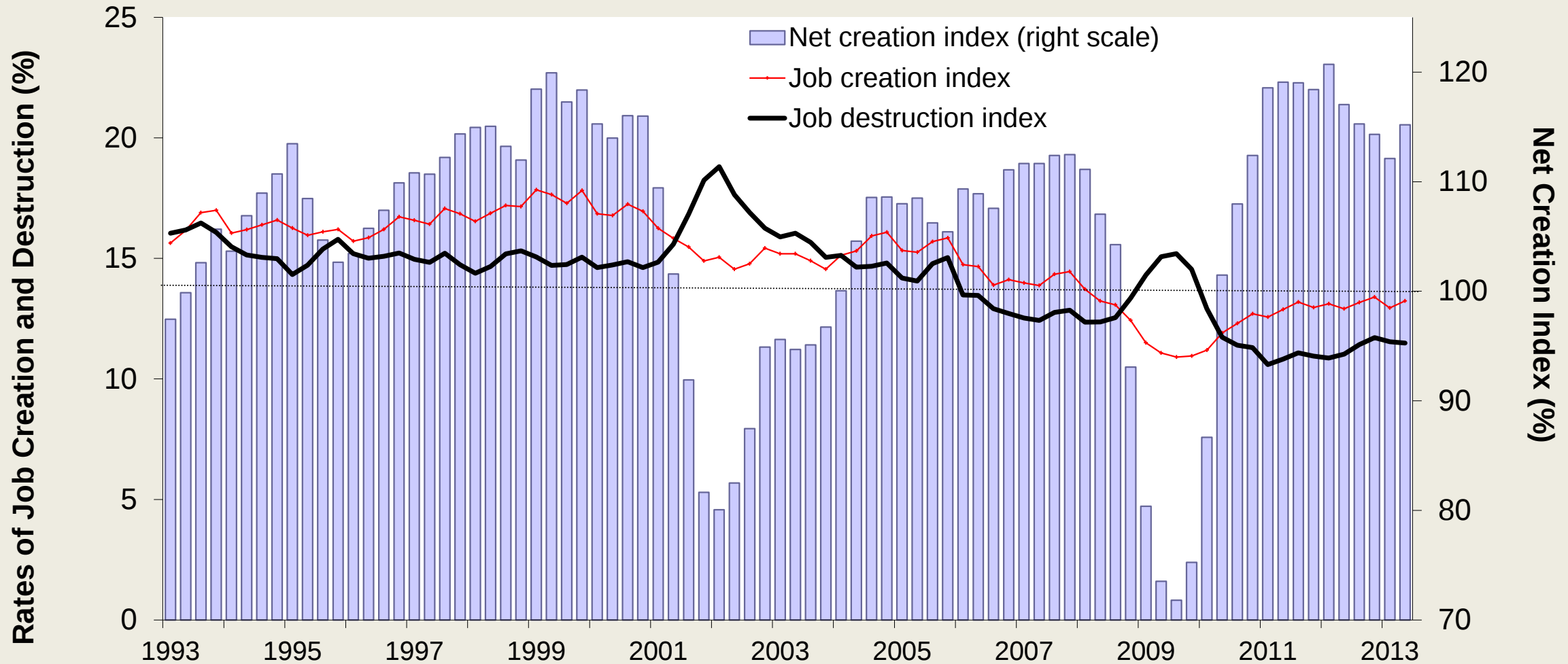
Source: Moody's Analytics.

New York State Index of Coincident Economic Indicators



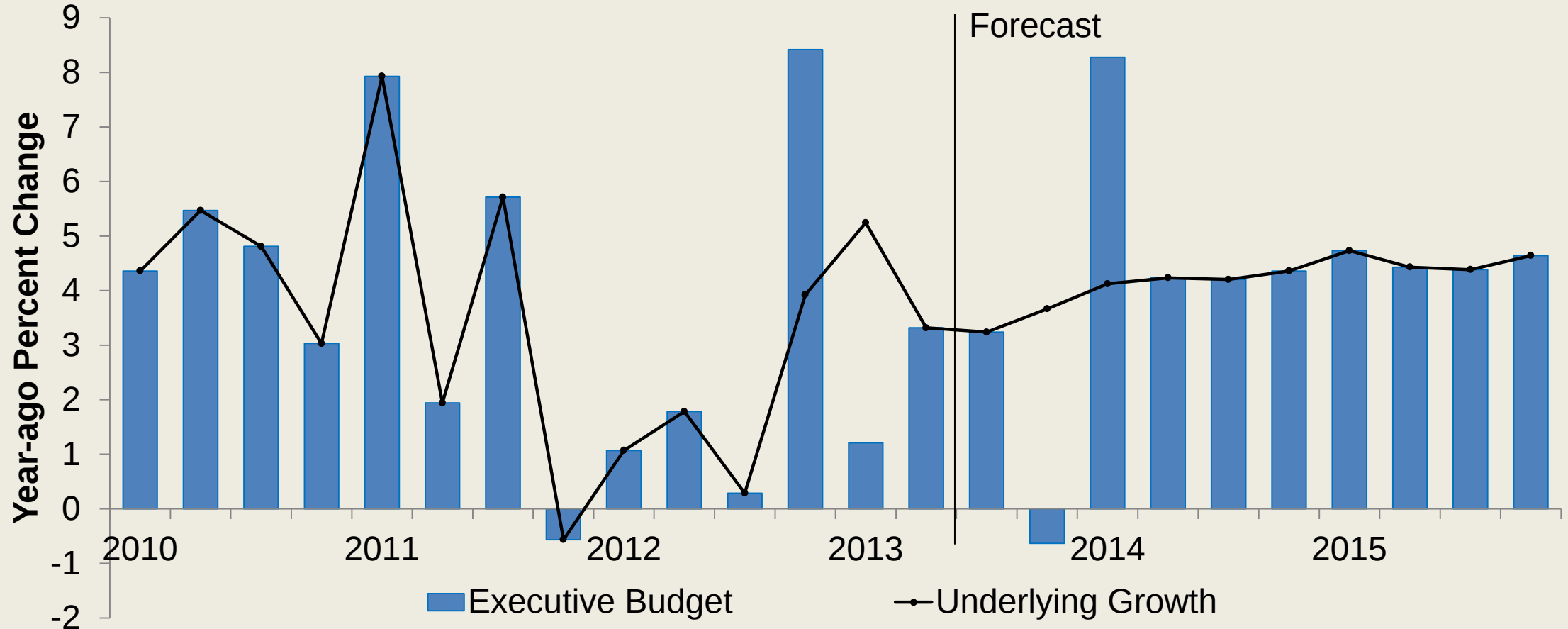
Note: NYS recession dates are DOB staff estimates; NYS forecast (in red) is derived from the New York State Leading Index.
Source: Moody's Analytics; DOB staff estimates.

NYS Private Sector Employment Dynamics



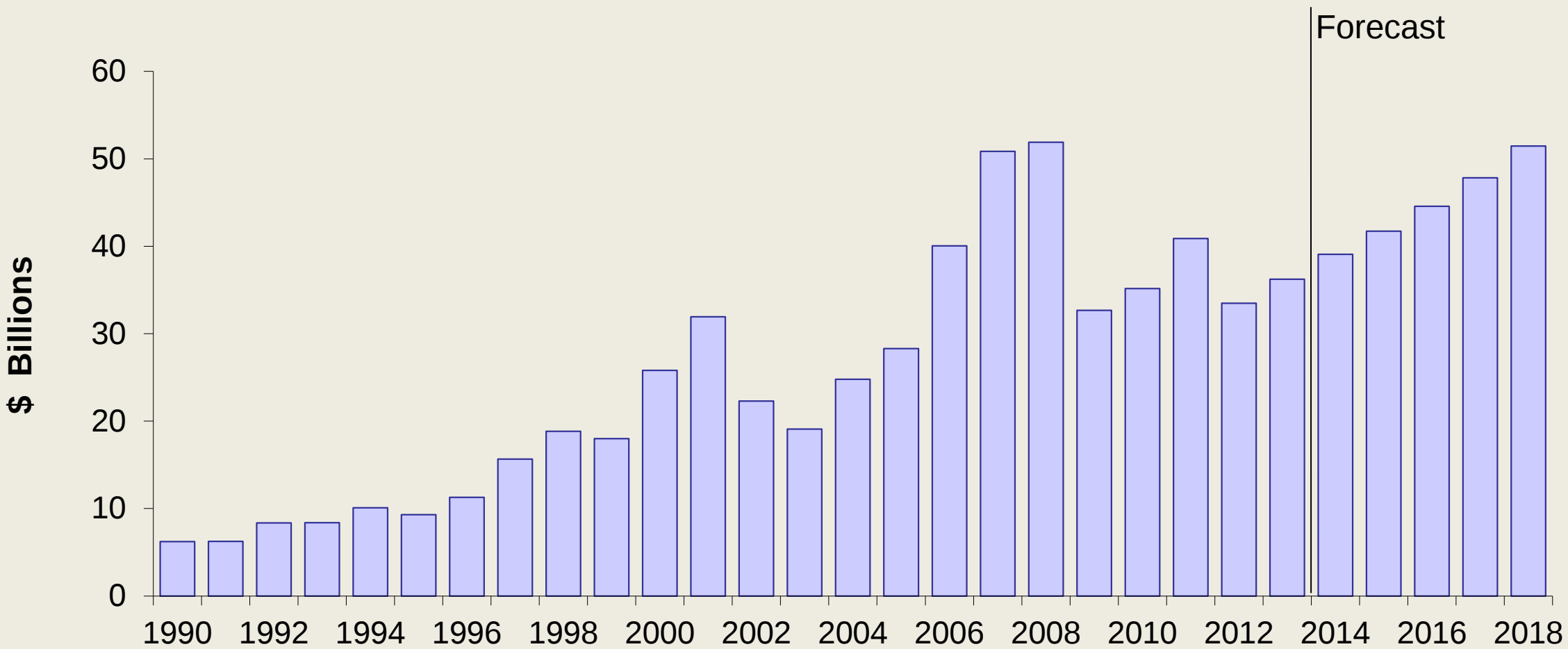
Source: NYS Department of Labor; DOB staff estimates.

NYS Quarterly Wage Forecast Comparison



- Federal marginal tax rates were raised for the highest income earners in 2013, resulting in accelerated bonus payouts into late 2012, injecting additional volatility into State wages.
- For state fiscal year 2012-13, the contribution to wage growth of both the information sector and the professional, scientific and technical services sector increased significantly.

Outlook for NYS Finance and Insurance Sector Bonuses

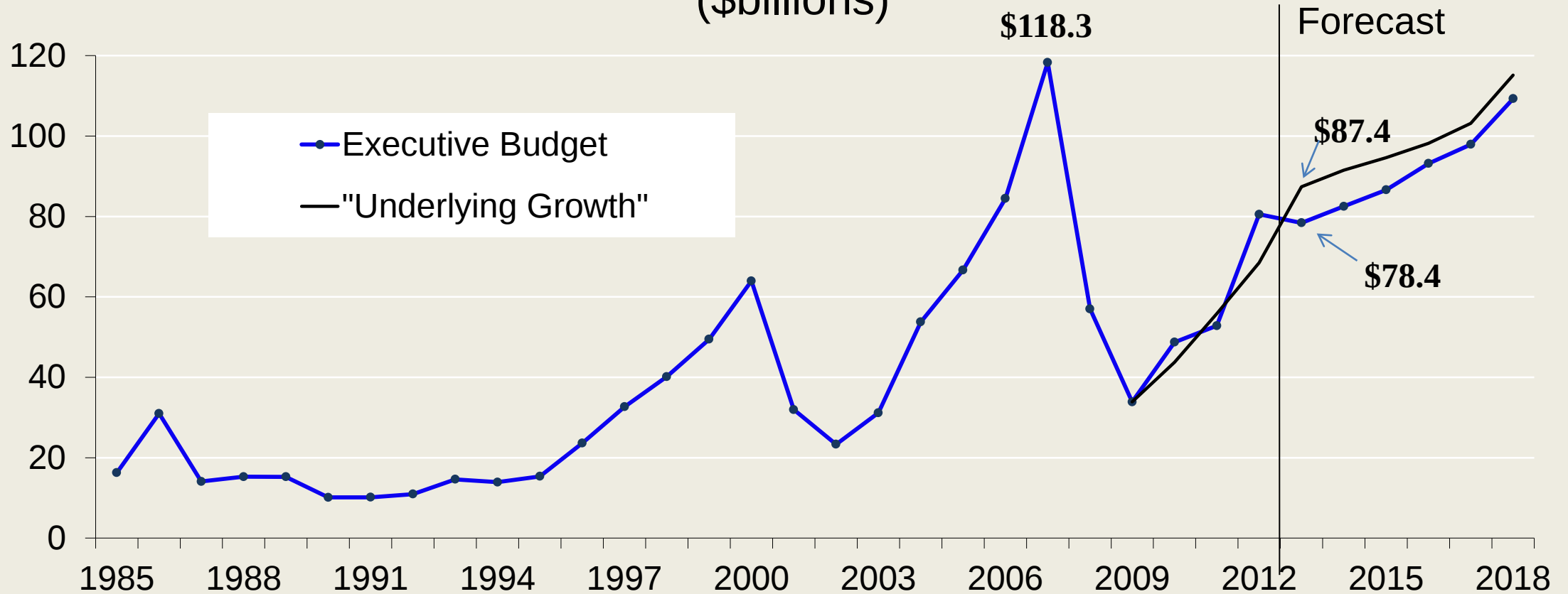


Source: NYS Department of Labor; DOB staff estimates.

- Looking at wage and bonus growth on a fiscal year basis helps to smooth the volatility.
- Finance and insurance bonus growth of about 8 percent is estimated for 2013-14, with projected annual average growth of about 7 percent going forward.

Capital Gains Realizations

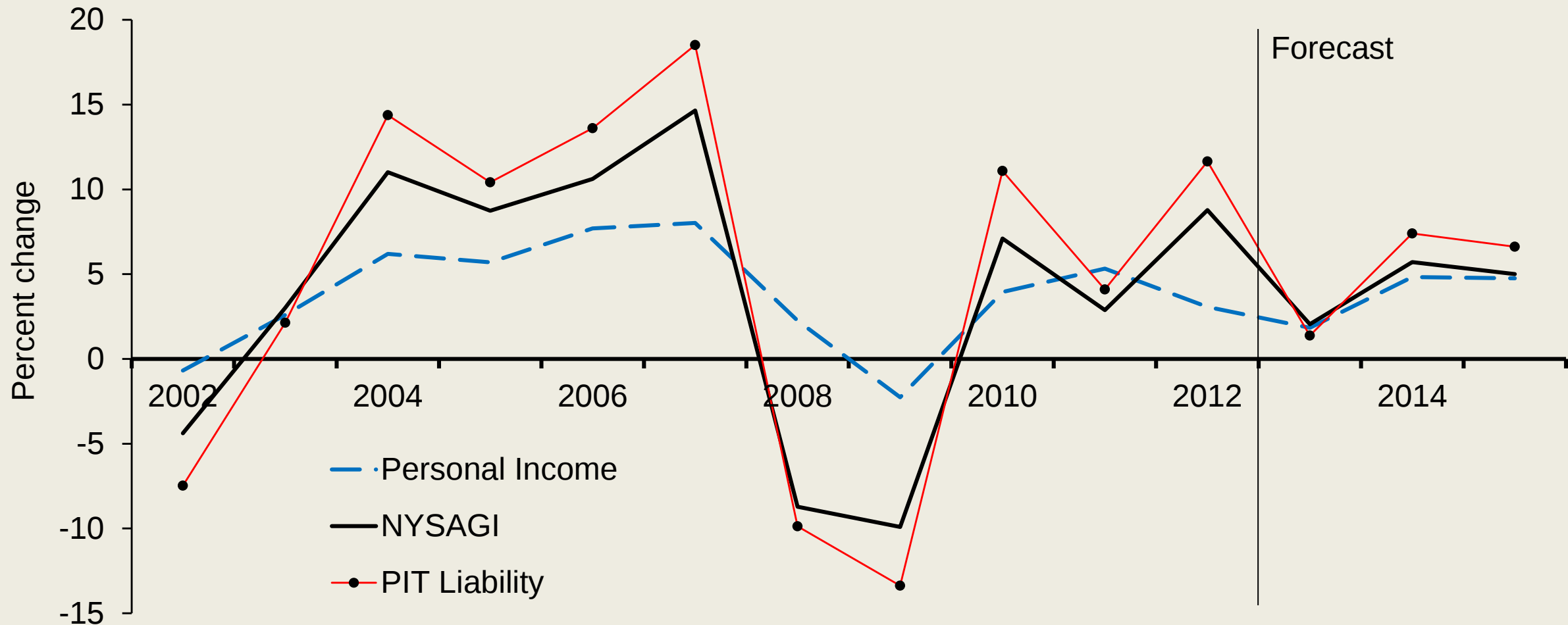
(\$billions)



Source: NYS Department of Taxation and Finance; DOB staff estimates.

- Taxpayers also realized capital gains early to avoid higher tax rates at the end of 2010, but even more so in 2012 when the low rates actually expired.
- The underlying growth smoothes the volatility, revealing a strong estimated performance of \$87.4 billion in 2013.

The Indicators of New York State's Tax Base



Note: Personal income tax (PIT) liability is computed based on 2002 NY State tax law; 2012 liability and NYSAGI data are preliminary.

Source: NYS Department of Taxation and Finance; Moody's Economy.com; DOB staff estimates.

**2014-15
Executive
Budget**

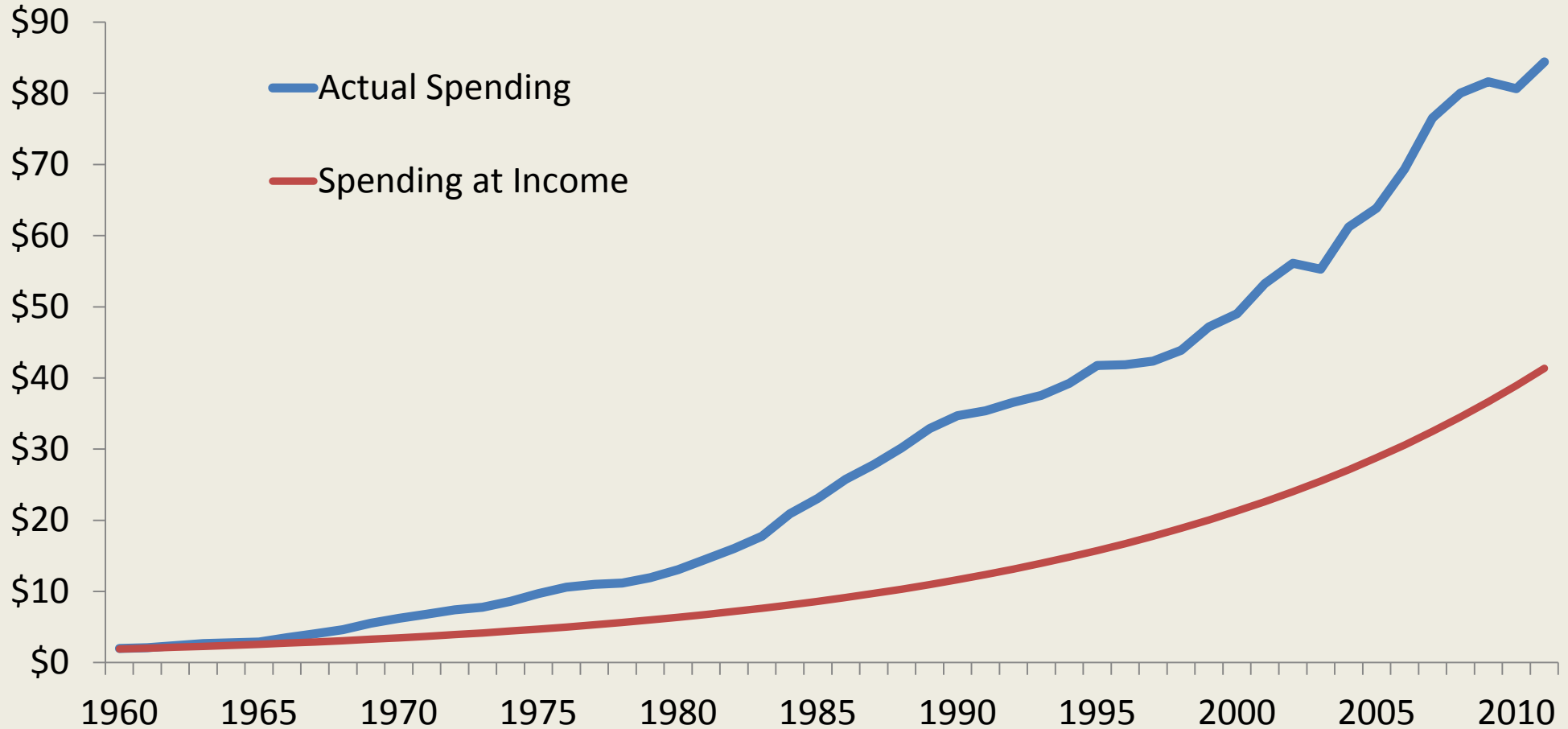


Building on Success

II. Financial Plan

For Decades Actual Spending Outpaced Income and Inflation

Billions



Gap Closing/Surplus Plan

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
MID-YEAR BUDGET SURPLUS/(GAP) ESTIMATE	(1,742)	(2,889)	(2,948)	(3,887)
Spending Changes	<u>1,942</u>	<u>4,247</u>	<u>5,348</u>	<u>6,723</u>
Agency Operations	358	708	990	1,342
Local Assistance	1,624	1,976	2,267	2,104
Debt Management	116	110	118	158
Initiatives/Investments	(156)	(232)	(394)	(499)
Adherence to 2% State Operating Funds Spending Benchmark ¹	n/a	1,685	2,367	3,618
Resource Changes	<u>286</u>	<u>31</u>	<u>(153)</u>	<u>(129)</u>
Resource Changes	(24)	31	(153)	(129)
Surplus Available from FY 2014	310	0	0	0
BUDGET SURPLUS/(GAP) BEFORE TAX CUTS	<u>486</u>	<u>1,389</u>	<u>2,247</u>	<u>2,707</u>

Financial Plan Impact of Tax Actions

	FY 2015	FY 2016	FY 2017	FY 2018
Budget Surplus (Before Tax Actions)	486	1,389	2,247	2,707
Tax Actions	(486)	(1,234)	(2,082)	(2,534)
Budget Surplus/(Gaps) After Tax Actions	-	155	165	173

Tax Reform Package

(For the Financial Plan Period)

Corporate Tax Cut and Reforms	\$900,000,000
Upstate Manufacturers Tax Cut	\$98,000,000
Manufacturers Property Tax Credit	\$408,000,000
18a Elimination/Phase Out	\$600,000,000
Total:	\$2 billion

Property Tax Freeze	\$1,850,000,000
Circuit Breaker	\$1,700,000,000
Renters' Tax Credit	\$1,000,000,000
Estate Tax Relief	\$1,200,000,000
Total:	\$5.7 billion

**2014-15
Executive
Budget**

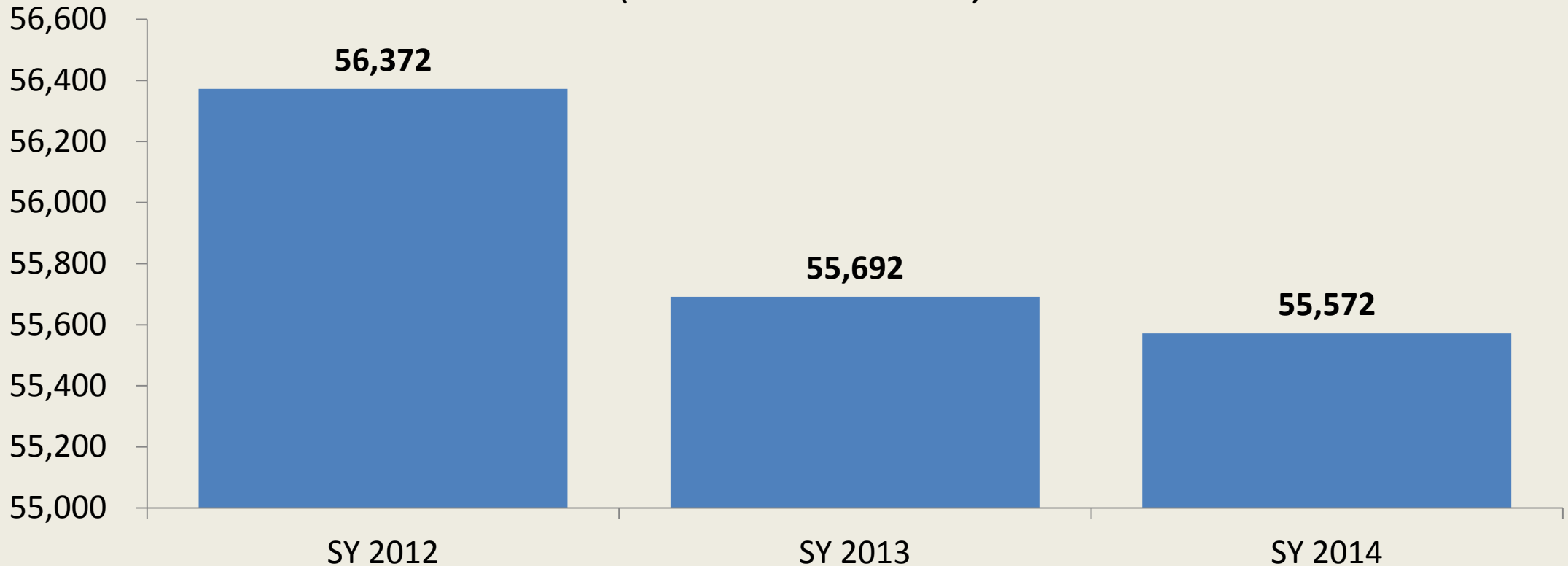


Building on Success

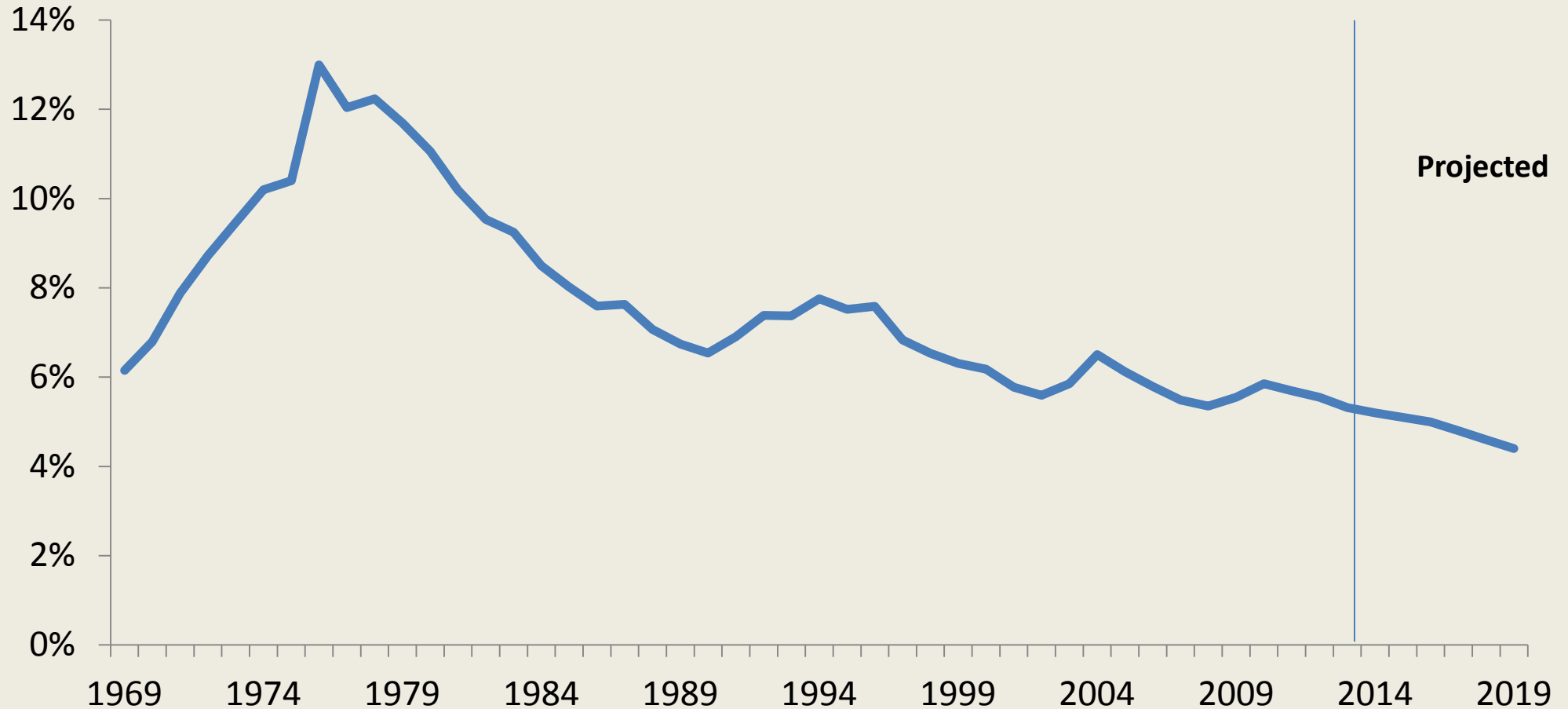
III. Debt Overview

State Debt is Projected to Decline for a Second Consecutive Year, the First Time in Over 50 Years

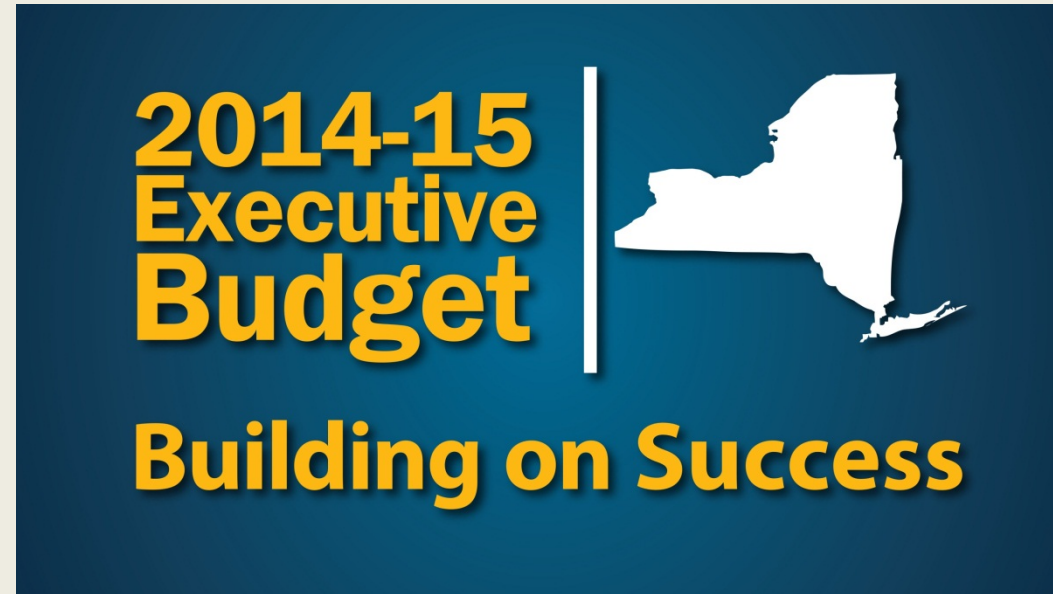
State Debt Outstanding
(Millions of Dollars)



Debt Burden is Steadily Declining At Lowest Level Since the 1960s



State debt as percent of NYS personal income



IV. Revenue Outlook

Actual and Base Tax Receipt Growth (percentage)

	<u>Actual Change</u>	<u>Base Change</u>	<u>Adjusted Base Change</u>
Historical Average (1990-91 to 2012-13)	4.0	3.4	0.6
Forecast Average (2013-14 to 2017-18)	3.8	4.7	2.5
Forecast Average (2014-15 to 2017-18)	3.5	4.6	2.2
Recessions	(1.5)	(5.1)	(7.6)
Expansions	5.9	6.3	3.6

Actual and Estimated Tax Receipt Growth (percentage)

	Actual			Estimated			
	FY 2011	FY2012	FY2013	FY 2014	FY2015	FY 2016	FY2017
Personal Income Tax	4.2	7.1	3.8	6.5	3.0	5.8	5.6
User Taxes	10.5	2.6	0.3	3.4	2.5	3.0	2.9
Business Taxes	-2.4	8.2	7.4	-3.3	-4.1	3.6	0.6
Other Taxes*	31.8	-3	-2.8	9.4	1.7	-0.9	-2.3
Total	5.6	5.6	3.1	4.7	2.0	4.6	4.1

All Funds Revenue Growth

All Funds FY 2014 tax receipts growth of 4.7 percent and FY 2015 growth of 2 percent are heavily influenced by timing factors.

Growth in FY 2014 is inflated by:

- Superstorm Sandy recovery spending
- The movement of realized capital gains and other non-wage income into Tax Year 2012 from future years in anticipation of higher federal tax rates in 2013
- Higher revenue as the result of the tax credit deferral program

All Funds Revenue Growth

All Funds FY 2014 tax receipts growth of 4.7 percent and FY 2015 growth of 2 percent are heavily influenced by timing factors.

Slower FY 2015 growth is the result of:

- The first year of the tax credit deferral payback
- The non-recurring nature of Superstorm Sandy recovery spending by consumers
- Tax cuts proposed with this Budget

2014-15 Executive Budget



Building on Success