THE ASSEMBLY
STATE OF NEW YORK
ALBANY

EXCELSIOR

HERMAN D. FARRELL, JR.
Assemblyman 71st District

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

CHAIRMAN
Ways and Means Committee

COMMITTEE
Rules

Black, Puerto Rican, Hispanic and
Asian Legislative Caucus

February 26, 2015

Dear Colleagues:

I am providing you with the NYS Assembly Ways and Means Committee *Revenue and Fiscal Outlook* for State Fiscal Year (SFY) 2014-15 and 2015-16. This report is part of our commitment to presenting clear and accurate information to the public. It provides an overview of the national and State economies, as well as an analysis of the Committee staff revenue forecast.

The Committee staff projects that total All Funds receipts will reach $148.150 billion in SFY 2014-15, which represents an increase of $10.437 billion, or 7.6 percent, from SFY 2013-14. The Committee staff estimate is $177 million above the Executive's estimate for SFY 2014-15.

The Committee staff projects that All Funds receipts will total $149.632 billion in SFY 2015-16, an increase of $1.481 billion, or 1.0 percent, over SFY 2014-15. The Committee staff forecast is $345 million higher than the Executive's forecast for SFY 2015-16. This difference is largely attributable to differences in economic projections and how this translates into receipts.

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

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

Sincerely

Herman D. Farrell, Jr.
Chairman

NEW YORK STATE REVENUE AND FISCAL OUTLOOK

FISCAL YEAR 2014-15 AND 2015-16

February 2015

CARL E. HEASTIE
Speaker
New York State Assembly

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

Prepared by the
Assembly Ways and Means Committee Staff

Blake G. Washington
Secretary to the Committee

Steven A. Pleydle
Deputy Secretary to the Committee

Michael J. Johnson
Counsel to the Committee

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

Philip A. Fields
Director of Budget Studies

Minoru Hata
Counsel to Fiscal Staff

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Executive Summary

The Assembly Ways and Means Committee (WAM) staff forecasts accelerating growth in tax revenues consistent with growth in the economy. In State Fiscal Year (SFY) 2014-15 State funds taxes are estimated to total $70.6 billion an increase of 1.3 percent or $936 million; when Miscellaneous Receipts and Federal grants are included, All Funds receipts are estimated to total $148.2 an increase of 7.6 percent or $10.4 billion. In SFY 2015-16 State funds taxes are forecast to increase by 5.8 percent or $4.1 billion for a total of $74.8 billion as the economy's growth momentum is forecast to accelerate. However, as All Funds Miscellaneous Receipts decline from the previous year's sharp increase, All Funds receipts are forecast to increase only 1.0 percent or $1.5 billion to $149.6 billion.

Revenue Collections show significant growth. Through January 2015, All Funds receipts totaled $120.734 billion, an increase of $5.859 billion or 5.1 percent over the prior fiscal year as the State collected $4.3 billion in settlements from financial institutions. All Funds tax collections increased by $591 million representing growth of 1.0 percent over the prior fiscal year. Miscellaneous receipts totaled $23.158 billion for growth of 16.8 percent or $3.323 billion, while Federal Funds receipts registered growth of 5.3 percent or $1.945 billion to reach $38.663 billion.

Over two-years, the WAM staff revenue projection is $522 million above the Executive's forecast. For SFY 2014-15 the staff forecast for All Funds receipts is $177 million above the Executive's forecast. For SFY 2015-16 the staff forecast is $345 million above the Executive's forecast.

Restricted Reserve Funds of $1.8 billion for SFY 2015-16 remain at last year's level, only 2.5 percent of the General Fund. Including unrestricted reserves of $1.4 billion total reserves grows to $3.2 billion.

Action taken with this Budget will balance the General fund for the current year. The State closes a current-services budget gap of $1.8 billion in SFY 2015-16, but gaps of $2.6 billion in SFY 2016-17, $4 billion in SFY 2017-18, and $5.8 billion in 2018-19 remain.

The Executive Budget projects the State will reach the statutory spending limitations in the areas of Education and Health Care. The Executive is proposing to continue current limits on the annual growth rates for major programs, including Medicaid and School Aid. The target growth rate for Medicaid is the ten year rolling average change in the medical component of the Consumer Price Index. The targeted growth rate for School Aid will be based on the annual change in New York State personal income. With these proposed spending limitations, other spending reductions, and proposed revenue actions, out-year budget surpluses are projected to be $202 million in SFY 2016-17, $847 million in SFY 2017-18, and $667 million in SFY 2018-19.

Economic and revenue forecasts risks remain. The U.S. and State economic outlook is premised on the expected path of fiscal and monetary policies and the influence of international affairs. The global outlook remains a key risk for forecasters as economic growth in most advanced economies has slowed.

The Executive Budget proposed for SFY 2015-16 contains $1.4 billion in net tax cuts by SFY 2018-19. For SFY 2015-16 the Executive proposes revenue legislation that would increase revenues by $81 million and reduce revenues by $1.4 billion by SFY 2018-19. The proposal includes a real property tax personal income tax credit, an education tax credit, a variety of tax enforcement provisions, as well as provisions to slow the growth of the STAR program.

Temporary revenues help support the State's balanced General Fund Budget in SFY 2015-16. The Executive proposal includes non-recurring actions totaling more than $5.1 billion, such as utilizing available recoveries, reserves, debt management, gaming licenses, negotiating funding agreements with public authorities, and other transactions. The Personal Income Tax (PIT) reform surcharge is estimated to add $2.6 billion in revenue support. The State Insurance Fund (SIF) was authorized in the SFY 2013-14 Budget to provide $250 million in SFY 2015-16, a decrease of $750 million.

Federal funds are estimated to increase by six percent in SFY 2015-16, and include $7.8 billion in extraordinary aid. The Executive Budget projects to receive $49.8 billion in Federal aid in SFY 2015-16. A $2.8 billion increase in Federal Aid consists of $2.7 billion for Medicaid and $104 million for in all other grants, remaining flat.

Uses of the settlement monies received from financial institutions. The state is expected to receive $5.7 billion from monetary settlements in SFY 2014-15. In SFY 2015-16, the Executive proposed a new Dedicated Infrastructure Investment Fund to receive $4.6 billion of the settlement funds which will be allocated for new $3.1 billion for infrastructure investments and $1.5 billion for the Upstate New York Economic Revitalization competition. The remainder of the settlement monies will be allocated as follows: $850 million will be reserved for Financial Plan Risks related to adjustments of federal aid in Mental Hygiene, and $275 million of the settlement monies were budgeted as an expense in Financial Plan. The Executive Financial Plan estimates an additional $450 million in settlement monies in SFY 2016 through 2018.

The State's debt outstanding remains close to the maximum level of allowable debt. State-related debt outstanding is projected to total $56.9 billion in SFY 2015-16, an increase of $2 billion or 3.7 percent from SFY 2014-15. Over the period of the Financial Plan, State-related debt outstanding is projected to increase from $54.9 billion in SFY 2014-15 to $61.1 billion in SFY 2019-20, or an average increase of 2.3 percent annually. Overall, debt affordability measures from SFY 2014-15 through SFY 2019-20 show that State-supported debt outstanding is projected to remain four percent below the statutory debt cap over the Plan period.

Fiscal Outlook

Fiscal Outlook

With national economic activity expected to strengthen in 2015 the State is heading toward sustained growth in revenues for State Fiscal Year (SFY) 2015-16 through SFY 2018-19. However, balancing the General Fund will remain a challenge as growth in the cost of maintaining the current level of services exceeds the growth in projected revenues. Spending through SFY 2019 is projected to grow at an average of 5.4 percent while revenue is projected to grow at an average of 3.2 percent for the same period.

The All Funds Budget is the broadest measure of spending accounting for both State unrestricted and dedicated funds, as well as, funds received from the Federal government.

Table 1

Size of Budget
($ in Millions)

	2014-15	2015-16	Difference	Percent
General Funds	$63,181	$70,629	$7,448	11.8%
State Operating Funds	$92,376	$93,988	$1,612	1.7%
State Funds	$98,698	$102,551	$3,853	3.9%
All Funds	$137,713	$141,633	$3,920	2.8%
All Funds Adjusted*	$143,002	$149,996	$6,994	4.9%

Note: All Funds Adjusted includes extraordinary federal aid associated with Hurricane Sandy and the Affordable Care Act.

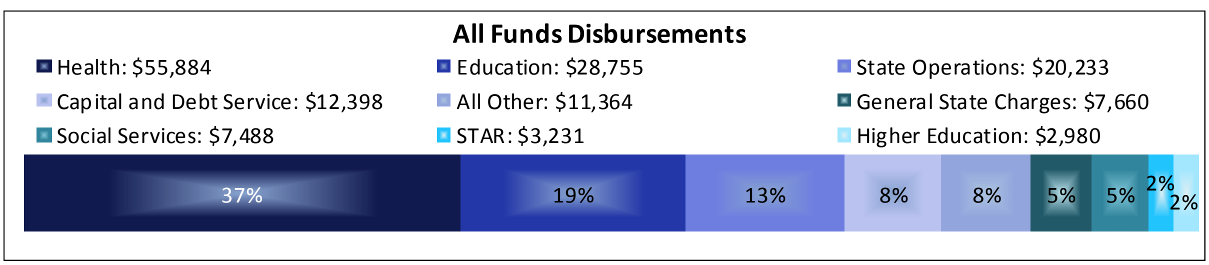

Figure 1

The state's All Funds budget for the upcoming fiscal year is projected to grow by 4.9 percent for total spending of close to $150 billion. Health Care is by far the largest spending category at $55.9 billion, almost doubling the next largest category, Education, at $28.8 billion. Health Care spending is significantly supported by Federal funds, more so in this financial plan by increased support for the Affordable Care Act. In addition, the Federal government is still providing the State with temporary funding related to Hurricane Sandy. Without these additional funds, growth would only be 2.8 percent. Overall Federal funds are projected to total an estimated $49.8 billion, an increase of $2.9 billion or 5.8 percent from the prior year.

State Operating Funds

State Operating Funds spending includes all State spending in the General Fund plus State Special Revenue Funds and Debt Service Funds. It does not include Capital Projects Funds or Federal spending.

Table 2

State Operating Funds Financial Plan
($ in Millions)

	SFY 2015	SFY 2016	% Change	SFY 2017	% Change
Opening Balance	**4,789**	**9,946**	**107.7%**	**5,803**	**-41.7%**
Taxes	69,150	73,104	5.7%	76,345	**4.4%**
Miscellaneous Reciepts/Federal Gra	25,616	19,480	-24.0%	18,961	**-2.7%**
Total Reciepts	**94,766**	**92,584**	**-2.3%**	**95,306**	**2.9%**
Local Assistance Grants	61,100	62,519	2.3%	65,130	**4.2%**
Personal Service	12,596	12,886	2.3%	12,895	**0.1%**
Non-Personal Service	5,775	5,702	-1.3%	5,819	**2.1%**
General State Charges	7,072	7,354	4.0%	7,899	**7.4%**
Debt Service	5,833	5,526	-5.3%	6,284	**13.7%**
Capital Projects	0	1	0.0%	3	**200.0%**
Total Disbursements	**92,376**	**93,988**	**1.7%**	**98,030**	**4.3%**
Excess (Deficiency)	**2,390**	**(1,404)**	**-158.7%**	**(2,724)**	**94.0%**
Net Other Financing Sources	2,767	(2,816)	**-201.8%**	1,386	**-149.2%**
Closing Fund Balance	**9,946**	**5,726**	**-42.4%**	**4,465**	**-22.0%**

In SFY 2015-16, State Operating Funds spending is estimated to be $94.0 billion, an increase of $1.6 billion or 1.7 percent. While SFY 2015-16 is below the two percent benchmark established by the Executive, the outyear estimates are realizing significant spending pressure in the areas of Education, Health, Mental Hygiene and Higher Education.

To stay within the two percent State Operating Funds spending benchmark for SFY 2015-16, the Executive proposes $2.2 billion in savings actions and reestimates. The major savings are associated with STAR Reform, Mental Hygiene cost revisions, and constrained Agency growth.

In order to reconcile General Fund budget gaps with tax reductions and new initiatives, significant budget reductions from SFY 2015-16 are required.

Table 3

Executive Actions to Achieve Two Percent Spending ($ in Millions)	
FY 2016 State Operating Funds Mid-Year Estimate	**$96,146**
STAR Reform and Forecast Revisions	(250)
Mental Hygiene Forecast Revisions and One-Time Federal BIP Resources	(315)
Debt Service Prepayment Offset by Forecast Revisions	(160)
Healthy NY Reduction Due to Health Exchange Conversion	(144)
GSC Revisions for HI Rate Renewals and Lower Medical Rates and Growth in Workers Comp	(140)
Public Health Spending Changes in Health Exchange and Local Public Health Programs	(135)
Special Education/Other Education Revisions	(125)
TADA and Housing Revisions	(100)
SUNY Hospital Reduction Related to Sale of LICH Offset by Operational Costs	(70)
Agencies Flat, Reestimates, All Other	(719)
FY 2016 State Operating Funds, Executive Budget Estimate	**$93,988**

General Fund Financial Plan

With a more stable fiscal picture, the Administration proposes a fiscal plan which, assuming the continuation of current economic trends and adherence to fiscal rules, could lead to long term budgetary surplus. Essentially, the Executive's proposed plan would reduce the incremental cost in current services budgets, increase capital budget spending, and reduce state taxes.

The SFY 2015-16 Executive Financial Plan would provide for balanced operations in the General Fund, as mandated by law. General Fund receipts are estimated to total $66.1 billion in SFY 2015-16. Although General Fund receipts are projected to decrease by 3.8 percent over SFY 2014-15, tax receipts are strong with a robust growth of 5.9 percent. This is primarily attributed to higher than expected personal income tax (PIT) collections. This increase is substantially offset by sharp decline in miscellaneous receipts, due to the $5.7 billion in financial settlements received in SFY 2014-15, which are not projected to be matched in SFY 2015-16.

General Fund spending is projected to total $70.6 billion in SFY 2015-16, an increase of 11.8 percent of the previous year. This, again, is attributed to the financial settlements received in SFY 2014-15, which are being transferred to a new capital fund in SFY 2015-16. Without this transfer, the General Fund would increase by 4.0 percent in SFY 2015-16. The major spending driver is the $1.9 billion increase in Local Assistance Grants attributed to Education and Medicaid.

Table 4

General Fund Financial Plan ($ in Millions)				
			Annual Change	
	SFY 2015	SFY 2016	$ Change	% Change
Opening Balance	**2,235**	**7,768**	**5,533**	**247.6%**
Taxes	42,950	45,872	2,922	6.8%
Miscellaneous Reciepts	8,874	2,926	(5,948)	-67.0%
Federal Grants	2	0	0	0.0%
Other Transfers	16,888	17,292	404	2.4%
Total Reciepts	**68,714**	**66,090**	**(2,624)**	**-3.8%**
Local Assistance Grants	41,986	43,916	**1,930**	4.6%
Personal Service	5,849	6,059	210	3.6%
Non-Personal Service	2,023	2,168	145	7.2%
General State Charges	4,977	5,213	236	4.7%
Transfers to Other Funds	8,346	13,273	4,927	59.0%
Total Disbursements	**63,181**	**70,629**	**7,448**	**11.8%**
Excess (Deficiency)	**5,533**	**(4,539)**	**(10,072)**	**-182.0%**
Closing Fund Balance	**7,768**	**3,229**	**(4,539)**	**-58.4%**

Reserves

Reserves are an essential safeguard against unexpected adverse economic or financial movements that deplete available cash. According to the latest Executive estimates, SFY 2014-15 is projected to close with total reserves balance of $7.8 billion of which $5.4 billion is attributed to the monetary settlements.

The Executive budget expects a $4.5 billion decline in the year-end closing balance from this year to the next fiscal year. This is attributed to the transfer of $4.6 billion in the monetary settlements from the General Fund to a new capital projects fund for infrastructure. The remaining $850 million will be reserved for potential financial plan risks. The Executive estimates that the SFY 2015-16 General Fund closing balance will be $3.2 billion, maintaining $1.3 billion in the Tax Stabilization Reserve Fund, $21 million in the Contingency Reserve Fund and $540 million in the Rainy Day Reserve.

Table 5

Estimated General Fund Closing Balance ($ in Millions)		
	2014-15	**2015-16**
Tax Stabilization Reserve Fund	1,256	1,256
Statutory Rainy Day Reserve Fund	540	540
Contingency Reserve Fund	21	21
Community Projects Fund	-	-
Reserved for Debt Management	500	500
Reserved for Labor Agreements	51	62
Monetary Settlements	5,400	850
Total	**7,768**	**3,229**

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

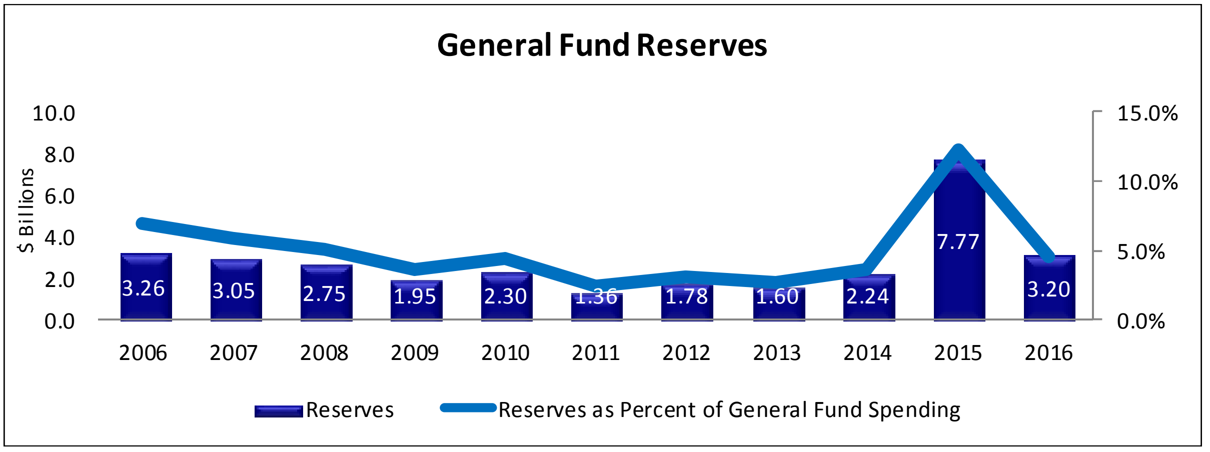

Figure 2

Balancing the General Fund

The Executive Proposal closes an estimated $1.81 billion General Fund budget gap in SFY 2015-16. The Executive has indicated that these actions are comprised of the following: $1.4 billion in spending changes and $378 million in resource changes. These actions, however, include $186 million for new initiatives such as the DREAM Act and Juvenile Justice Reform.

The spending reductions are related to agency operations, local assistance, and debt management. These actions include agency redesign and cost-control efforts such as hiring controls, attrition, consolidation of resources, and efficiency measures. The most significant Local Assistance actions involve education reforms and annual costs attributed to mental hygiene.

Table 6

General Fund GAP-Closing Plan 2015-16 ($ in Millions)	
CURRENT SERVICES GAP ESTIMATES	**(1,814)**
Spending Controls	**1,436**
Agency Operation	92
Local Assistance	1,409
Debt Management	121
Initiatives	(186)
Resource Changes	**378**
Surplus/Gap Before Tax Actions	**0**
Tax Actions	0
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATES	**0**

From SFY 2001-02 to SFY 2014-15, New York State has closed budget gaps totaling $82.0 billion. While primarily using spending and revenue actions, gaps have also been closed utilizing non-recurring resources such as tax audits, reserve deposits, and state and federal relief. In SFY 2009-10, the General Fund gap of $17.9 billion in SFY 2009-10 was the largest gap to close over the past 11 years.

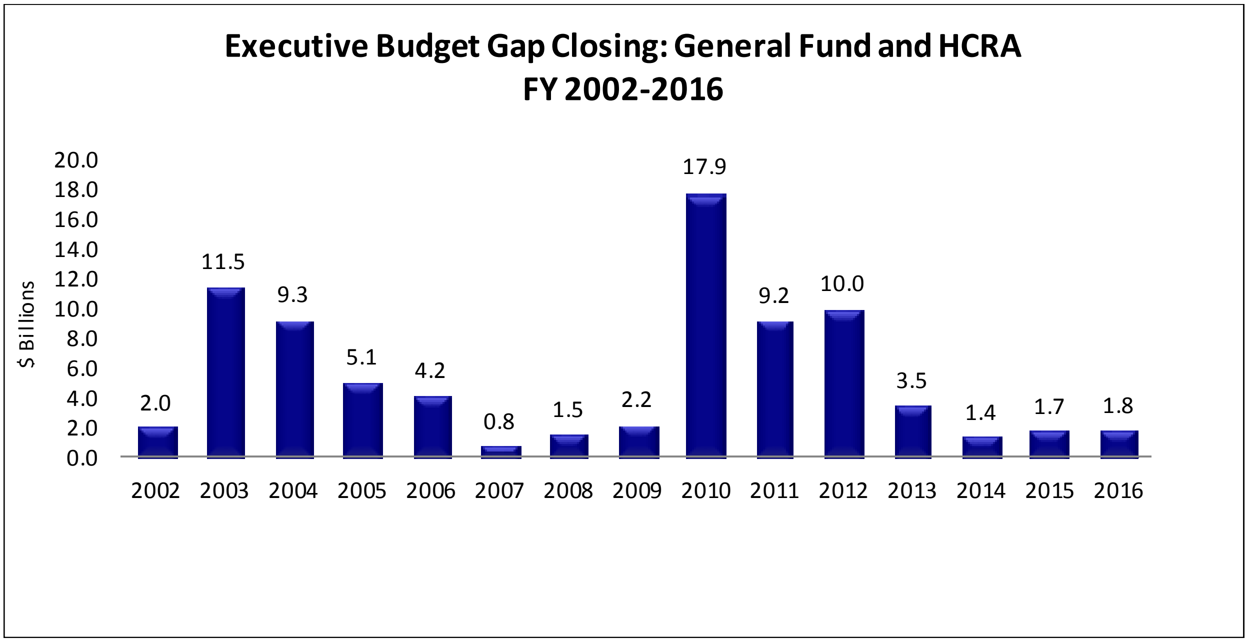

Figure 3

The proposed gap closing actions reduces the gap to zero in SFY 2015-16, with small surpluses in the out years. These surpluses are primarily achieved by holding the State Operating Funds spending to the two percent benchmark proposed by the Executive. As shown in Table 7, these surpluses would be larger without the proposed tax actions.

Table 7

General Fund GAP-Closing Plan
($ in Millions)

	SFY 2016	SFY 2017	SFY 2018	SFY 2019
CURRENT SERVICES GAP ESTIMATES	**(1,814)**	**(2,578)**	**(4,034)**	**(5,777)**
Spending Changes in Executive Budget	**1,622**	**1,396**	**1,532**	**1,808**
Agency Operation	92	3	79	257
Local Assistance	1,409	1,008	1,124	1,216
Capital Projects/Debt Management	121	385	329	335
Resource Changes in Executive Budget	**373**	**222**	**820**	**1,484**
Tax Reestimates	257	248	642	1,268
Tax Extenders	38	186	294	279
Miscellaneous Receipts/Non-tax Transfers	(132)	(212)	(116)	(63)
Surplus Available from SFY 2014-15	210	0	0	0
SURPLUS/GAP ESTIMATE AFTER CHANGES	**181**	**(960)**	**(1,682)**	**(2,485)**
Proposed Tax Actions	0	(386)	(989)	(1,492)
Program Actions	(186)	(389)	(677)	(842)
Total Initiatives	**(186)**	**(775)**	**(1,666)**	**(2,334)**
SURPLUS/GAP SUBTOTAL AFTER INITIATIVES	**(5)**	**(1,735)**	**(3,348)**	**(4,819)**
Adherence to 2% State Operating Funds Spending Benchmark	0	1,937	4,195	5,486
EXECUTIVE BUDGET SURPLUS/(GAP) ESTIMATE	**(5)**	**202**	**847**	**667**

Multi-Year Financial Plan

Each year the Division of Budget develops a cash financial plan that shows the receipts and disbursements proposed for the upcoming fiscal year. That plan is then submitted as part of the overall Executive Budget and the following three years.

Table 8

Cash Disbursements By Function
State Operating Funds
($ in Millions)

	FY 2016			FY 2017			FY 2018			FY 2019		
	Proposed	$ Change	% Change	Projected	$ Change	% Change	Projected	$ Change	% Change	Projected	$ Change	% Change
Education	28,570	1,224	4.5%	29,795	1,225	4.3%	30,994	1,198	4.0%	32,338	1,345	4.3%
Higher Education	9,306	(135)	-1.4%	9,481	175	1.9%	9,693	212	2.2%	9,903	210	2.2%
Health	20,046	718	3.7%	20,800	753	3.8%	21,572	773	3.7%	22,334	762	3.5%
Mental Hygiene	6,746	(324)	-4.6%	6,879	133	2.0%	7,424	545	7.9%	7,753	329	4.4%
Human Services	3,495	108	3.2%	3,715	220	6.3%	4,018	303	8.2%	4,043	25	0.6%
Transportation	4,973	(4)	-0.1%	5,040	67	1.3%	5,111	71	1.4%	5,175	64	1.3%
Public Protection	3,749	(8)	-0.2%	3,792	43	1.1%	3,786	(6)	-0.2%	3,758	(28)	-0.7%
Elected Officials	3,372	79	2.4%	3,431	59	1.7%	3,480	50	1.5%	3,518	37	1.1%
Economic Development	704	(180)	-20.4%	763	59	8.3%	771	8	1.0%	772	2	0.2%
Local Government Assistance	766	(12)	-1.5%	786	20	2.6%	790	4	0.6%	791	1	0.1%
Parks and Environment	479	(4)	-0.8%	483	4	0.9%	455	(28)	-5.9%	456	1	0.2%
General Government	1,615	110	7.3%	1,618	3	0.2%	1,666	48	3.0%	1,804	138	8.3%
All Other	10,168	11	0.1%	11,463	1,295	12.7%	12,463	1,000	8.7%	12,831	368	3.0%
Total State Operating Funds	**93,991**	**1,584**	**1.7%**	**98,046**	**4,055**	**4.3%**	**102,224**	**4,178**	**4.3%**	**105,477**	**3,253**	**3.2%**

Major Features of the Multi-Year Financial Plan

- The Executive continues to adopt a two percent growth in the State Operating Funds as the policy nucleus for the four year financial plan.
- Current Services expenditure growth is projected to exceed the growth in state receipts.
- Risks to the financial plan include penalty payments to the Federal government, payments on contingency debt and a change in the economic condition of the state.
- Tax cuts that are phased in, as well as tax increases that sunset, impede the sustainability of the current budget plan.
- Budget gaps in the General Fund are expected to average over $3 billion for the last three years of the plan.

- Substantial reserve funds exist in SFY 2014-15 due to the extraordinary deposit of financial settlements money accrued this year.

Temporary actions proposed by the Executive are estimated at $5.1 billion in SFY 2015-16. This represents a $6 billion reduction from SFY 2014-15, primarily from the $5.7 billion financial settlements and $750 million from State Insurance Fund (SIF) reserves in the current fiscal year. These are one-time revenue actions used to cover spending in a given fiscal year. The major actions in SFY 2015-16 are $2.6 billion from the PIT reform surcharge and $250 million from the SIF reserve release. The PIT surcharge is estimated to increase through SFY 2016-17, while the SIF transfer is expected to remain flat at $250 million.

Table 9

Temporary Revenues and Non-Recurring General Fund Actions in the Financial Plan
Savings/(Costs)
($ in Millions)

	2014-15	2015-16	2016-17	2017-18
State Insurance Fund Reserves (SIF)	1,000	250	250	
Temporary Utility Assessment - 18A	232	171	171	
Family Tax Credit		410		
Resident Trust Loophole closure	75	225	150	150
Debt Management/Capital Financing/Debt Service	76	121	385	329
STAR Converting to a Tax Credit		97		
MTA Debt Service offset from MMTOA Transaction	40	20	20	20
New York Power Authority/Other Authorities	90	90		
DASNY	22	22		
Recoveries	275			
Abandoned Property	130			
REGGI		36		
Enviromental Protection Fund		25		
Commercial Gaming Licences		171		
Prepayment of Debt Service Savings	688	560	100	
Legal Services sweep	2	3	3	3
Bank Settlements	5,680	250	100	100
SubTotal	**8,660**	**2,451**	**1,179**	**602**
Additional Temporary Revenues				
Personal Income Tax (PIT) Reform Surcharge	2,375	2,612	2,993	2,389
Total	**11,035**	**5,063**	**4,172**	**2,991**

Revenue Summary

Year-to-Date

Through January, All Governmental Funds Receipts totaled $120.734 billion, an increase of $5.859 billion, which is 5.1 percent above the first ten months of the prior fiscal year. All Funds tax collections were $58.914 billion, representing growth of 1.0 percent over the prior fiscal year, or $591 million. Miscellaneous receipts, excluding Lottery, are $20.945 billion, 19.4 percent above collections from a year ago, resulting from the $4.3 billion in settlements from financial institutions received to date. Federal funds totaled $38.663 billion, an increase of $1.945 billion or 5.3 percent above collections from a year ago.

State Fiscal Year (SFY) 2014-15 Tax Revenue Estimates

The Ways and Means Committee staff's All Funds tax revenue estimate for SFY 2014-15 is $70.626 billion, representing an increase of 1.3 percent or $936 million over the prior year. The Committee staff's All Funds tax revenue estimate is $114 million above the Executive's estimate. In terms of overall State tax revenues, the largest difference between the Committee staff estimates and the Executive estimate is in the personal income tax, which is $199 million above Executive estimates.

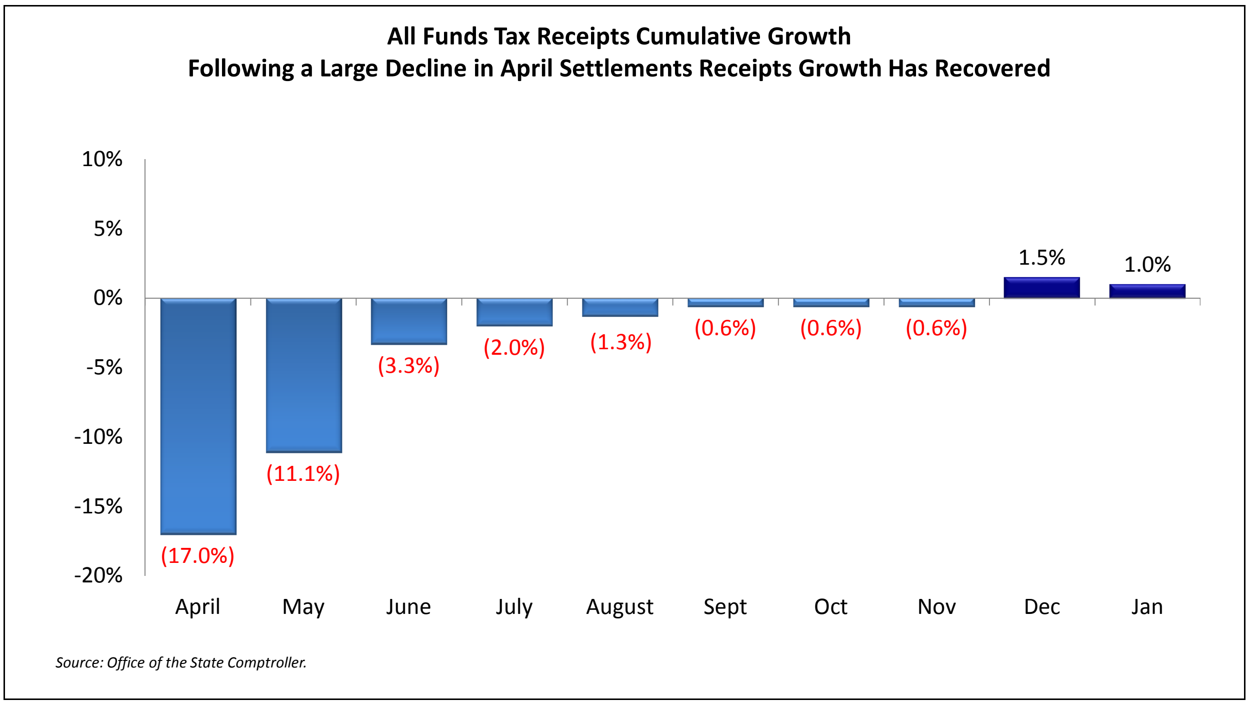

Figure 4

The Composition of State Revenues

As of SFY 2003-04 All Funds Taxes accounted for 42.7 percent of all revenues followed by Federal Funds with a share of 37.7 percent. As of SFY 2015-16 the share of taxes is forecast to have increased to 50.0 percent, at the expense of Federal Funds.

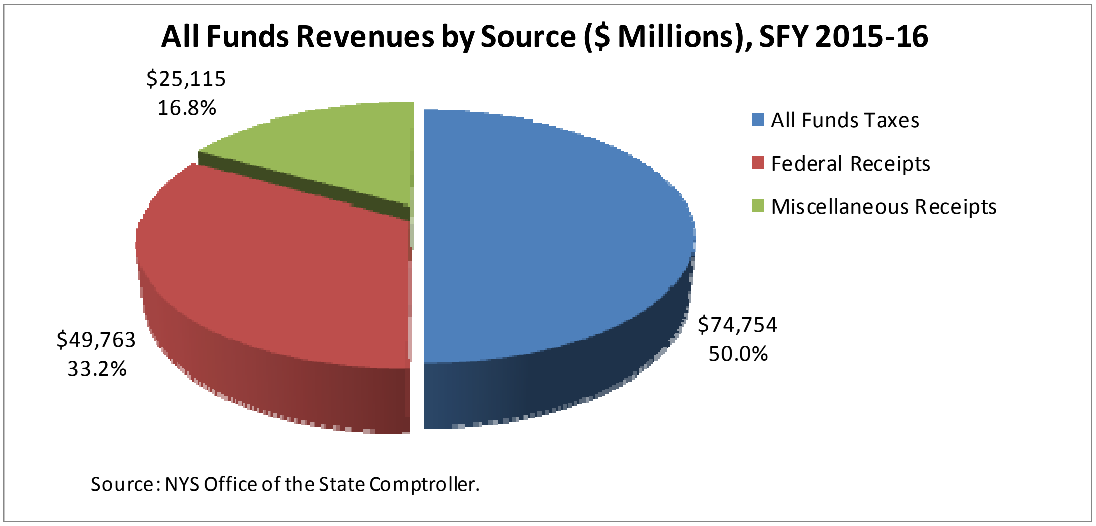

Figure 5

The individual composition of All Funds taxes provides further insights as to the changing underlying tax structure. As of SFY 2003-04, the Personal Income Tax (PIT) accounted for 56.9 percent of All Funds taxes followed by User taxes at 28.2 percent. By SFY 2015-16, the share of the PIT is forecast to have increased to 62.8 percent with User taxes seeing a decline to 21.6 percent as the Other taxes component will see its share increase to 4.7 percent.

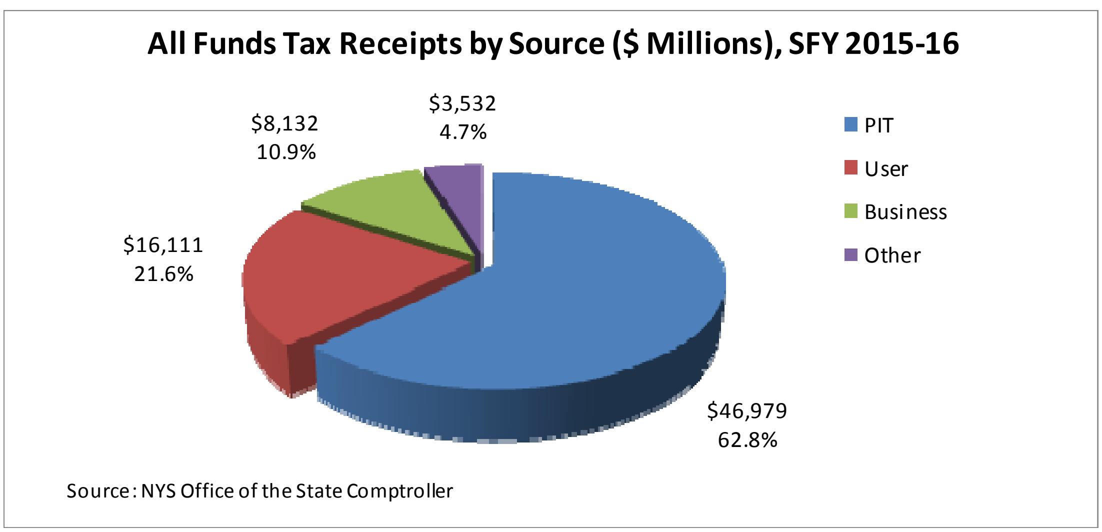

Figure 6

Table 10

SFY 2014-15 All Funds Forecast Summary ($ in Millions)					
	2013-14 Actual	2014-15 Estimate	Change	Percent Growth	Diff. Exec.
Personal Income Tax	$42,961	$44,012	$1,051	2.4%	$199
User Taxes	15,099	15,425	326	2.2%	(29)
Business Taxes	8,259	7,770	(489)	-5.9%	(7)
Other	3,371	3,419	48	1.4%	(49)
Total Tax Collections	**$69,690**	**$70,626**	**$936**	**1.3%**	**114**
All Funds Misc Rpts	21,061	27,351	6,290	29.9%	17
Lottery	3,173	3,138	(35)	-1.1%	46
Total w/Misc Rpts & Lottery	**$93,924**	**$101,115**	**$7,191**	**7.7%**	**$177**
Federal Funds	43,789	47,035	3,246	7.4%	-
Total All Funds Receipts	**$137,713**	**$148,150**	**$10,437**	**7.6%**	**$177**

* Totals may not add up due to rounding

SFY 2014-15

Personal Income Taxes

The Committee staff estimates that PIT receipts will total $44.012 billion in SFY 2014-15, representing growth of 2.4 percent or $1.051 billion over last year. Gross receipts are expected to increase by 1.3 percent or $693 million over SFY 2013-14, driven by growth in withholding which is estimated to increase by $1.689 billion or 5.1 percent. Total refunds are anticipated to decrease 4.2 percent or $358 million.

User Taxes

User taxes are estimated to total $15.425 billion in SFY 2014-15, an increase of 2.2 percent or $326 million. Sales tax revenue is estimated to increase by $483 million or 3.8 percent reflecting strength in the overall economy and personal consumption expenditures. Through the first ten months of the fiscal year, sales tax revenues are up 3.4 percent. Collections over the last two months of the year are expected to increase by 5.9 percent.

Business Taxes

Through the first ten months of the fiscal year, business taxes have increased 1.9 percent over the prior year, and a decline of 21.3 percent is expected in the last two months of the fiscal year. A sharp decline in corporate tax receipts is responsible for the negative outlook. Bank tax receipts have posted year-to-date growth of 70.1 percent.

Business taxes are estimated to decline by 5.9 percent or $489 million in SFY 2014-15 over SFY 2013-14. Corporate franchise taxes are estimated to decline by $887 million or 23.3 percent, while bank and insurance tax collections are expected to register increases of $328 million and $80 million, respectively. The Committee staff estimate accepts the Executive's audit collections assumptions as well as the impact of recent tax law changes.

Other Taxes

Through January, real estate transfer tax (RETT) receipts are up 12.5 percent or $97 million over the same year-to-date period in SFY 2013-14. RETT collections are estimated to finish SFY 2014-15 with growth of 10.7 percent or $98 million over SFY 2013-14. MTA payroll tax collections are estimated to register fiscal year growth of 4.9 percent.

Estate and gift taxes are at $978 million year-to-date through January. Estate and gift tax revenues are expected to decrease by 8.9 percent to $1.128 billion for the full fiscal year. Overall, other tax collections are estimated to increase 1.4 percent or $48 million from SFY 2013-14.

Lottery

Through the first ten months of SFY 2014-15, total Lottery revenues are down $75 million or 3.3 percent to $2.213 billion. Year-end receipts are expected to total $3.138 billion, $46 million above the Executive's estimate.

SFY 2015-16 Forecast

Key economic indicators, such as the real Gross Domestic Product (GDP) and New York State employment and wage growth, point to a continuing recovery that is gaining momentum. The Committee staff is predicting GDP growth of 2.9 percent in 2015, following growth of 2.4 percent in 2014. In addition, job growth is expected to accelerate through 2015 with a growth rate of 2.2 percent. The Committee staff forecasts All Funds tax receipts to total $74.754 billion in SFY 2015-16 or 5.8 percent growth, a gain of $4.129 billion over SFY 2014-15.

The growth is attributed primarily to PIT receipts that are expected to be $2.968 billion above SFY 2014-15 estimates. Overall, the Committee's forecast is $345 million above the Executive's forecast, inclusive of miscellaneous receipts and lottery.

Table 11

SFY 2015-16 All Funds Revenue Forecast Summary ($ in Millions)					
	2014-15 Estimate	2015-16 Forecast	Change	Percent Growth	Diff. Exec.
Personal Income Tax	$44,012	46,979	$2,968	6.7%	211
User Taxes	15,425	16,111	686	4.4%	71
Business Taxes	7,770	8,132	362	4.7%	(11)
Other	3,419	3,532	113	3.3%	34
Total w/Payroll Tax	**70,626**	**74,754**	**4,129**	**5.8%**	**305**
All Funds Misc Rpts	27,351	21,762	(5,590)	-20.4%	30
Lottery	3,138	3,353	214	6.8%	11
Total w/Misc Rpts & Lottery	**$101,115**	**99,869**	**(1,247)**	**-1.2%**	**$345**
Federal Funds	47,035	49,763	2,728	5.8%	-
Total All Funds Receipts	**$148,150**	**$149,632**	**$1,481**	**1.0%**	**$345**

* Totals may not add up due to rounding

SFY 2015-16

Personal Income Taxes

Overall, personal income taxes, the largest component of tax collections, are forecast to total $46.979 billion, which is $2.968 billion or 6.7 percent above the SFY 2014-15 estimates. Total New York State wages growth is expected at 4.8 percent in calendar year 2015 following growth of 5.8 percent in 2014, whereas capital gains are expected to increase by 4.5 percent in 2015. The critical bonus component of wages is expected to increase by 9.9 percent in SFY 2014-15, and will be followed by growth of 7.9 percent in SFY 2015-16.

User Taxes

All Funds user taxes are forecast to total $16.111 billion, 4.4 percent above the current fiscal year estimates. This forecast reflects a strengthening economic recovery with consumer spending growth of 3.3 percent in 2015, followed by growth of 3.0 percent in 2016, moderated by consistent declines in cigarette tax receipts.

Business Taxes

Business taxes are forecast to total $8.132 billion in SFY 2015-16, an increase of 4.7 percent from the current fiscal year. Corporate tax receipts are forecast to register an increase of $1.700 billion a result of the merger of the Bank tax with the Corporate franchise tax.

Other Taxes

Other taxes, which consist primarily of estate tax, real estate transfer taxes, and the MTA payroll tax, are forecast to increase by 3.3 percent in SFY 2015-16, to a level of $3.532 billion. The growth in other taxes reflects strong growth in the MTA payroll tax of 6.7 percent and approximately flat growth in the estate and gift tax.

Lottery

Lottery receipts are forecast to increase 6.8 percent or $214 million in SFY 2015-16 to $3.353 billion as collections from Casino activities materialize.

Economic Outlook

Economic Outlook

National and Global Economic Outlook

The accuracy of the overall State fiscal outlook critically depends on the underlying economic fundamentals and any large deviations from those assumptions could threaten the viability of current projections as well as the efficacy of any fiscal measures. However, the outlook is also subject to a variety of upside risks, such as the continuance of record low energy prices, and downside risks, such as a further deterioration of the global economy or a sudden Euro debt crisis.

The revenue forecast also contains specific transaction risks such as the receipt of certain payments from public authorities; non-anticipated miscellaneous receipts; and cost-savings measures.

U.S. Economy

Current Trends

The U.S. economy continues on a steady path of economic recovery. The third quarter of 2014 registered real GDP growth of 5.0 percent, the highest since the summer of 2003, reflecting positive contributions from personal consumption expenditures, nonresidential and residential fixed investment, and net exports. The third quarter's release included substantial revisions of previous quarters based on newly released data from the Quarterly Services Survey (QSS). While the 5.0 percent rate of growth is significant as it includes positive trends in investment, caution is needed as more than half of the improvement in personal consumption expenditures on services is accounted by increased spending on health care and insurance. In particular, healthcare services consumption growth was revised up from 1.9 percent to a 4.6 percent annual rate. According to the "advance" estimate real GDP increased by 2.6 percent in the fourth quarter of 2014. The slowdown in growth is primarily attributed to an increase in imports growth, a downturn in Federal government spending, and a slowdown in nonresidential fixed investment.

The recent strength of the dollar combined with personal consumption expenditures on energy declining at a four percent rate during the third quarter of 2014, with a further 29 percent decline anticipated during the last quarter of 2014, point to stronger growth in the near future.[1]

[1] "*Forecast Perspectives*", Macroeconomic Advisers, January 12, 2015.

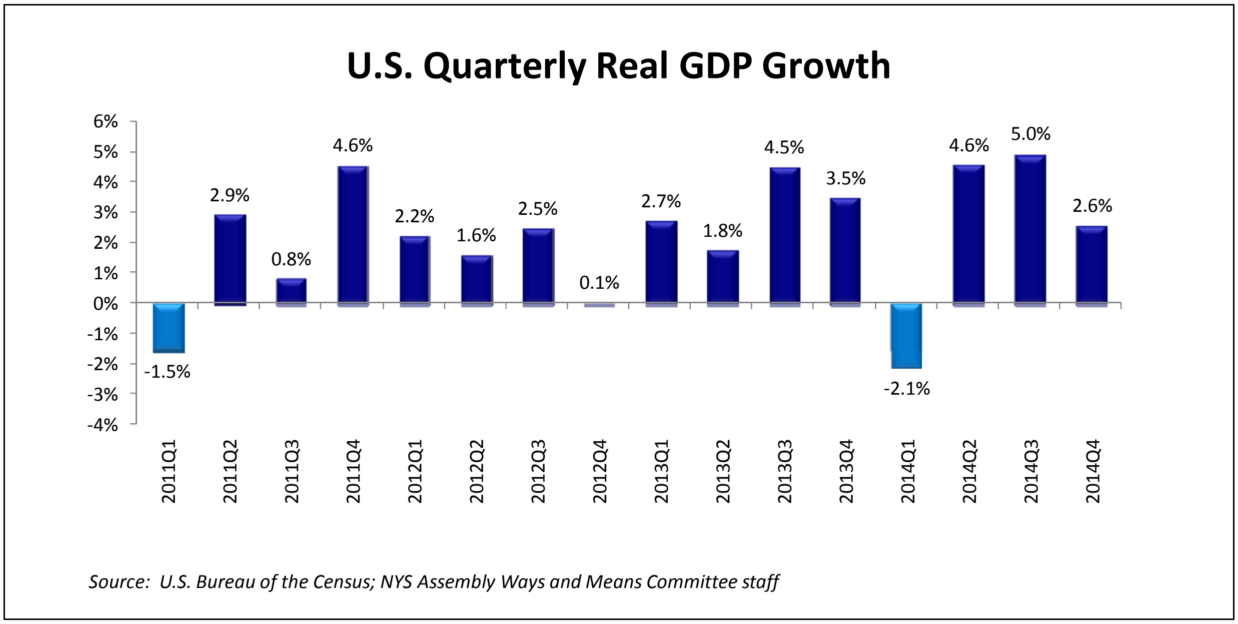

Figure 7

Figure 7 provides an overview of the quarterly real GDP growth rates since the first quarter of 2011 through the end of 2014. Quarterly growth rates in 2014 point to the current substantial momentum of the U.S. economy. The first quarter's decline is largely attributed to the unseasonably cold winter together with downward revisions in personal expenditures on health care services.

The Conference Board's Leading Economic Index (LEI) for the U.S. increased 0.5 percent in December 2014 to 121.1, following a 0.4 percent increase in November. The increase was premised on the majority of the index's components; however, residential construction and average weekly hours in manufacturing trends remain a concern.

U.S. employment growth gained momentum in 2014 with an average monthly gain of 260,000 jobs compared to an annual average of 199,000 in 2013. However, the underlying structural fundamentals of the labor market remain vulnerable as evidenced by the record-low labor force participation rate. As of January 2015 the U.S. labor force participation rate stood at 62.9 percent, the lowest since March 1978.

The labor force participation rate started a noticeable downward trend in the early 2000s with a significant acceleration since the onset of the recession in SFY 2007-08. (See chart below.) Recent research points to a variety of, primarily, cyclical and policy factors that hold the participation rate at historically low levels, in addition to long-term demographic factors, such as the age structure of the workforce, increasing education involvement, more working adults receiving disability benefits, etc.[2,3,4]

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[2] "*Labor force participation and monetary policy in the wake of the Great Recession*," C. J. Erceg and A.T. Levin, 2013, CEPR Discussion Paper.

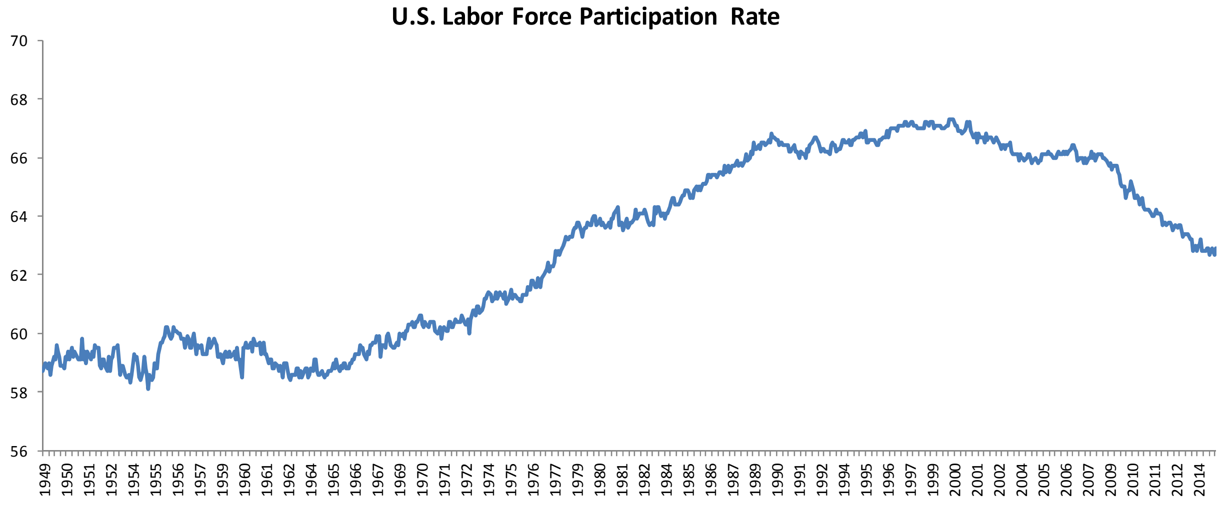


Figure 8

World Economy

The global economy is projected to accelerate at a rate of 3.5 percent in 2015 following by a 3.7 percent rate in 2016 according to the International Monetary Fund (IMF), reflecting downward revisions from the fall 2014 forecasts. The downward revisions were due to a growth downgrade for China, Russia, the Eurozone, and Japan together with a more pessimistic outlook from major oil-producing nations as the price of oil has dropped precipitously.[5] With the U.S. economy experiencing stronger growth than most other major economies, the U.S. dollar has appreciated approximately six percent in real effective terms compared to a similar outlook in October of 2014.[6] The table below outlines current IMF projections for world output:

Table 12

World Economic Outlook	2013	2014	2015	2016
World Output (year-over-year % Ch.)				
United States	2.2	2.4	3.6	3.3
Euro Area	(0.5)	0.8	1.2	1.4
Japan	1.6	0.1	0.6	0.8
U.K.	1.7	2.6	2.7	2.4
Russia	1.3	0.6	(3.0)	(1.0)
China	7.8	7.4	6.8	6.3

Source: International Monetary Fund, WEO Update, Jan. 2015

[3] "*Explaining the decline in the U.S. labor force participation rate*," D. Aaronson and J. Davis, Chicago Fed Letter, The Federal Reserve Bank of Chicago, March 2012.
[4] "*Outlook Commentary*," Macroeconomic Advisers, January 9, 2014.
[5] "*World Economic Outlook*," International Monetary Fund, January 19, 2015.
[6] Ibid.

Future Indicators

Table 13 provides an overview of the Committee Staff's forecasts for key economic variables.

Table 13

Key Economic Forecast Variables (Percent Change)				
	Actual 2013	Estimate 2014	Forecast 2015	Forecast 2016
US Variables				
Real GDP	2.2	2.4	2.9	2.8
Personal Income	2.0	3.9	4.4	4.7
Corporate Profits	4.2	(0.6)	5.5	3.6
Employment	1.7	1.9	2.2	1.8
S&P 500	19.1	17.5	6.4	2.8
Treasury Bill Rate (3 month)*	0.1	0.0	0.3	1.7
Treasury Note Rate (10-year)*	2.4	2.5	2.3	3.4
NYS Variables				
Employment	1.4	1.7	1.6	1.4
Personal Income	0.9	4.5	4.7	5.0
Wages	2.0	5.8	4.8	4.9
Capital Gains (net)	(17.3)	21.8	4.5	2.1

*Annual Average Rate

Source: NYS Assembly Ways and Means Committee staff.

Following four years of below-trend real GDP growth, a more robust recovery is forecast for 2015 with real GDP growth reaching 2.9 percent, followed by 2.8 percent growth in 2016.

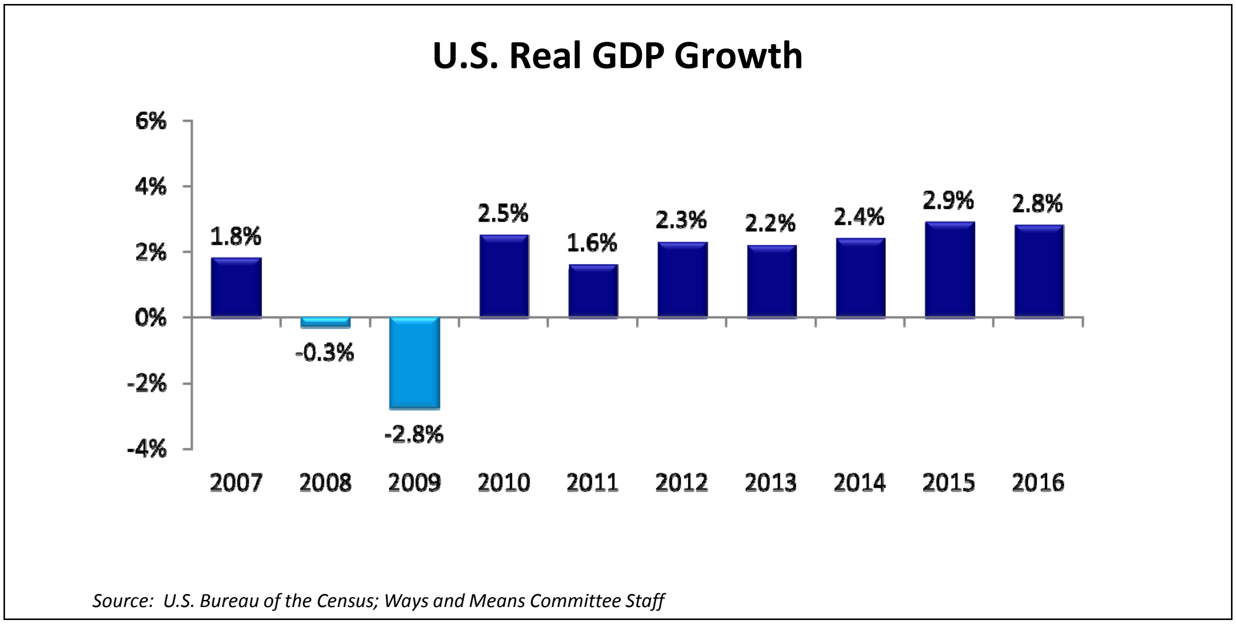


Figure 9

Consumption is expected to increase by 3.3 percent in 2015 following growth of 2.5 percent in 2014. Declines in the price of energy are expected to continue to support gains in real disposable income.

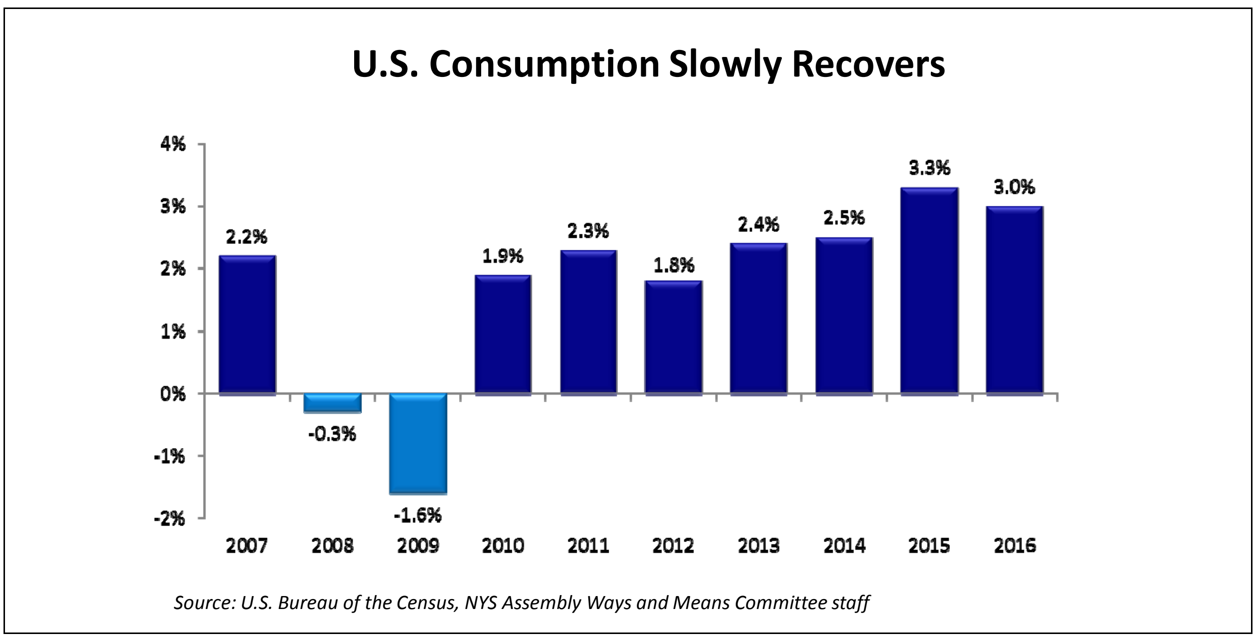


Figure 10

Housing starts are still well below the rates experienced in the 1990s and 2000s reflective of a cautious market. According to the latest Committee forecast, as of the end of 2015 the number of units will still be slightly lower than the rate as of the third quarter of 2007.

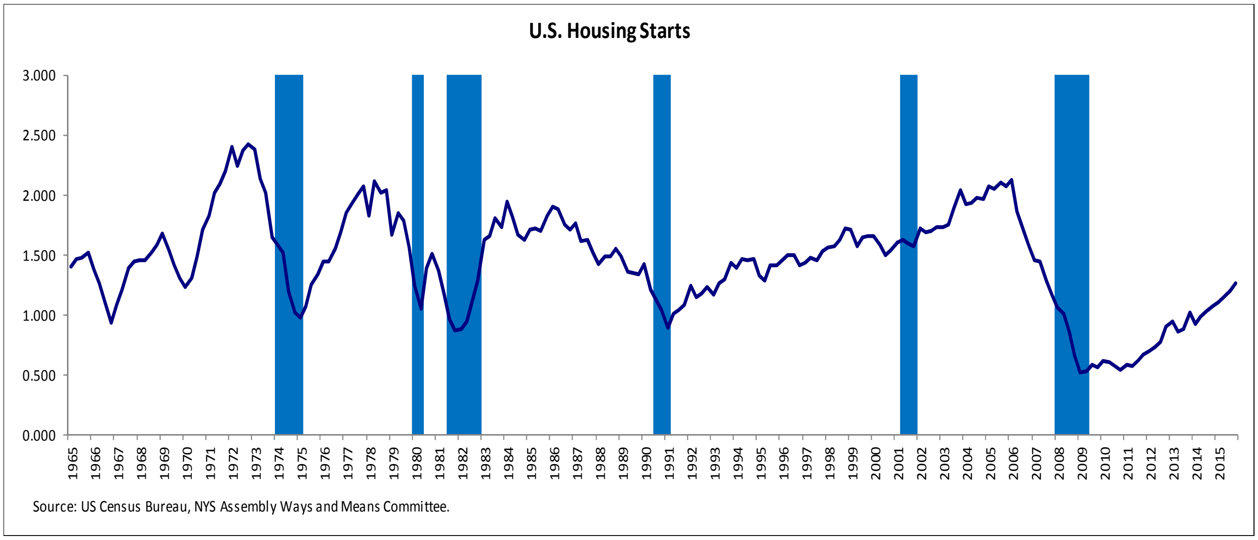


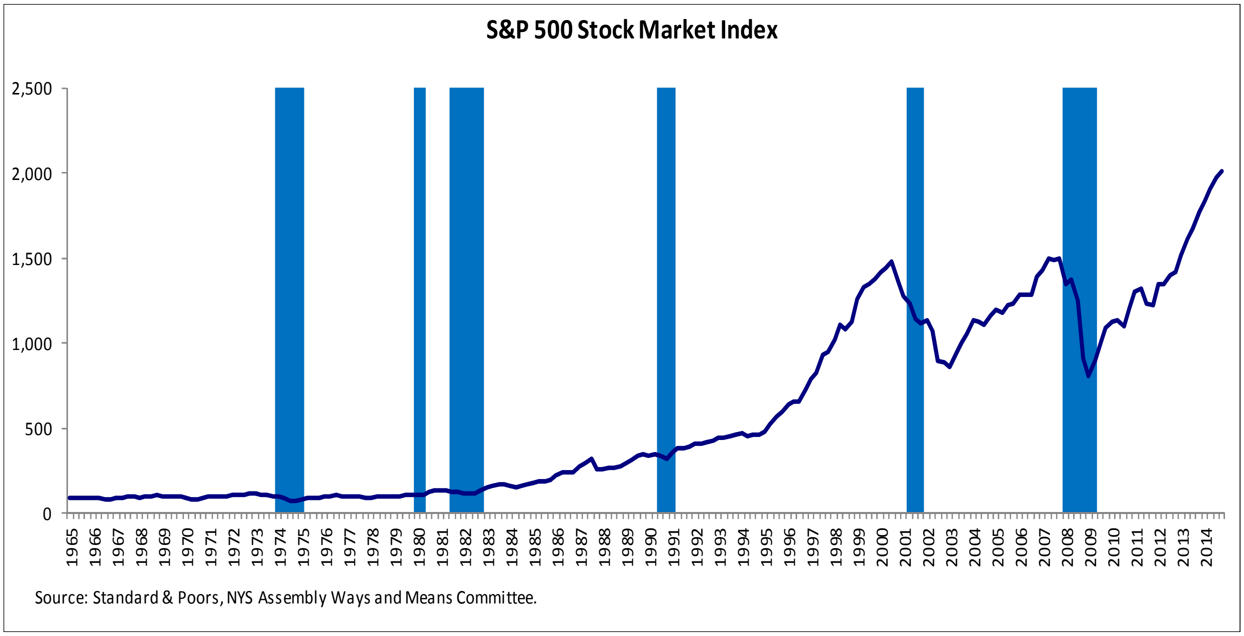
Figure 11

Overall, business investment is expected to increase by 6.0 percent in 2015, following growth of 6.0 percent in 2014, with a further 5.9 percent growth in 2016. Residential investment growth is expected to register growth of 10.0 percent in 2015 following a weak 1.6 percent increase in 2014.

Federal government spending will remain a drag on GDP growth as it is expected to continue its declines through 2016. State and local government spending is expected to post a gain of 1.4 percent in 2015 following growth of 0.9 percent in 2014.

The S&P 500 registered average growth of 17.5 percent in 2014 and is forecast to experience positive growth, yet less robust, in 2015 and 2016 with rates of 6.4 and 2.8 percent, respectively. The chart below provides an overview of the performance of the S&P 500 since the mid-1960s and points to the recent unprecedented market gains.

The Federal Reserve is expected to maintain its federal funds rate target at near-zero levels through the first half of 2015 with the first increases over the 0.1 percent range not expected until the third quarter of 2015. The Committee staff forecast for the federal funds rate in 2015 is consistent with that of other private forecasters at historically low levels.


S&P 500 Stock Market Index
2,500
2,000
1,500
1,000
500
0
1965
1966
1967
1968
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1970
1971
1972
1973
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Source: Standard & Poors, NYS Assembly Ways and Means Committee.

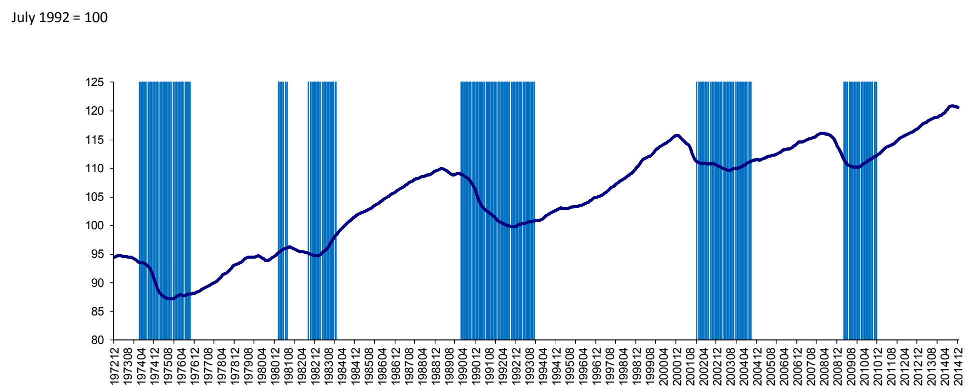
Figure 12

New York State Economic Trends

Current Trends

The New York State's Department of Labor has constructed a Coincident Index – similar to the Conference Board's indices – that provides a summary view of economic conditions in the State based on current data on employment, hours worked in the manufacturing sector, sales tax receipts, and the unemployment rate. The Coincident Index registered a 0.8 percent annualized decline in December 2014, following a 0.9 percent decline in December. For the entire year, the index has registered an increase of 1.4 percent. (See Figure 13 below.)

New York State Index of Coincident Economic Indicators



Note: Shaded Areas Represent NYS Recessions; Current Recession per NBER Dating of US Recession

Source: New York State Department of Labor

Figure 13

New York State's rate of unemployment fell to 5.8 percent in December 2014 compared to a rate of 5.7 percent for the nation as of January 2015. New York City registered an unemployment rate of 6.3 percent compared to a 5.4 percent rate for the rest of the State.

Future Indicators

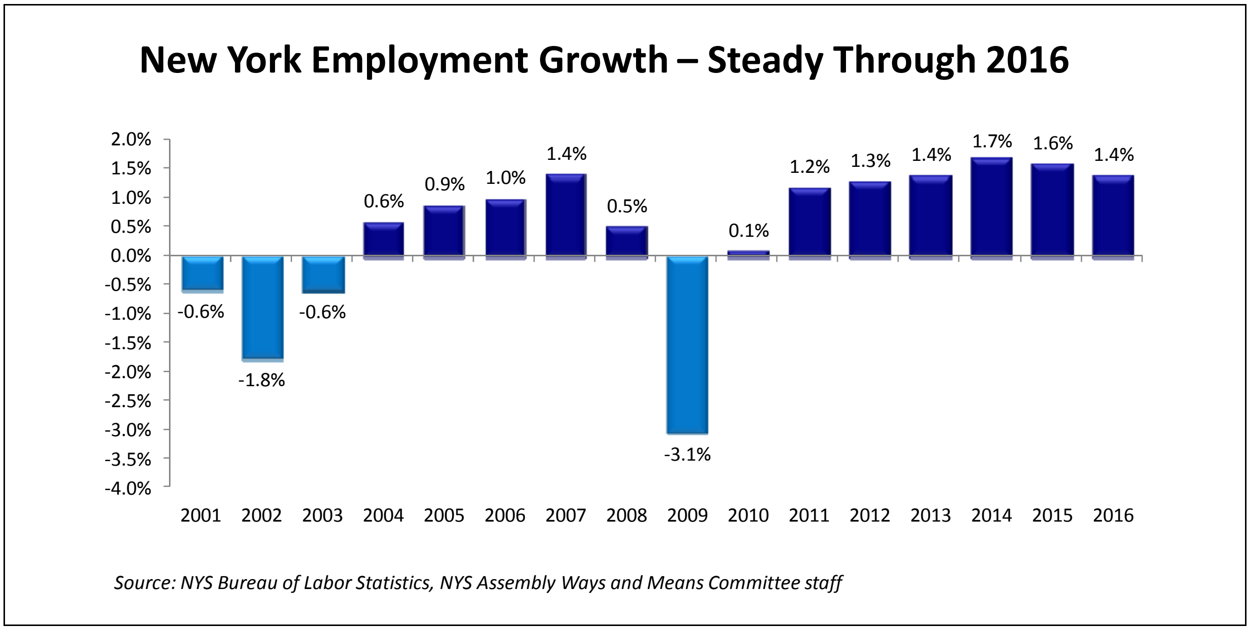


Figure 14

New York State employment growth has recovered since the 2009 lows and is estimated to have increased by 1.7 percent in 2014 followed by growth of 1.6 percent in 2015. Total wages are estimated to have increased by 5.8 percent in 2014, following growth of 2.0 percent in 2013, and are forecast to increase by 4.8 percent in 2015.

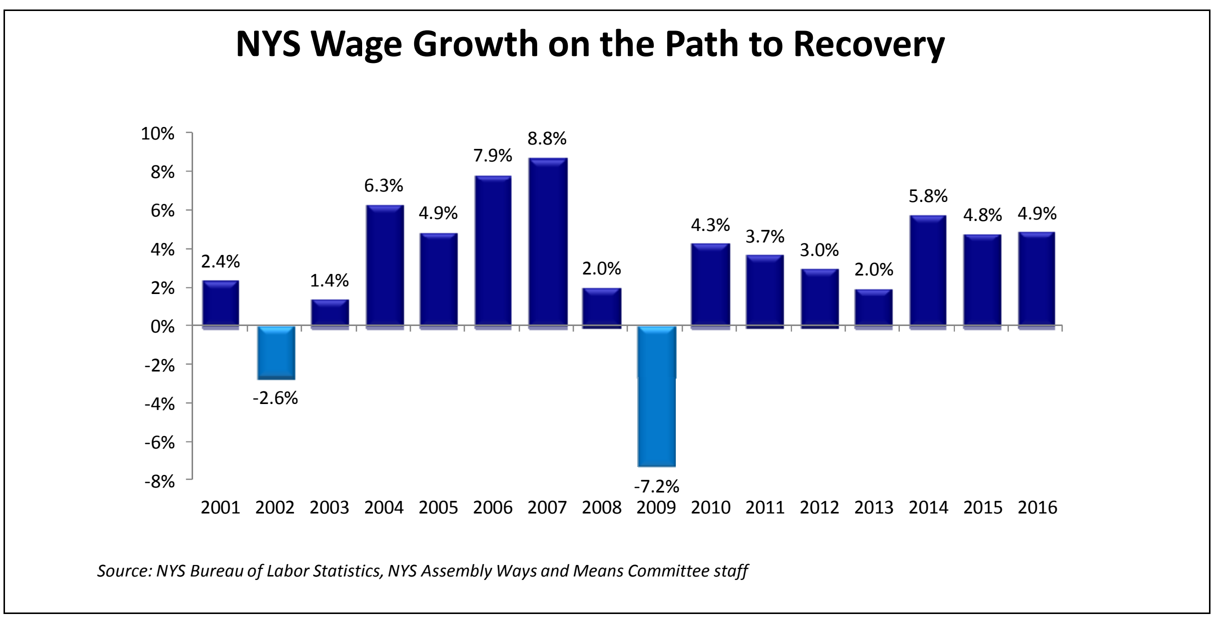


Figure 15

The Committee Staff is forecasting total bonus growth of 8.8 percent during the first quarter of 2015, following a 6.9 percent increase in the fourth quarter of 2014. The chart below reviews the recent history and the Committee's current forecast for State bonuses through 2016. Variable wages are estimated to have increased by 21.8 percent in 2014, and will be followed by growth of 8.3 percent in 2015 and 9.3 percent in 2016.

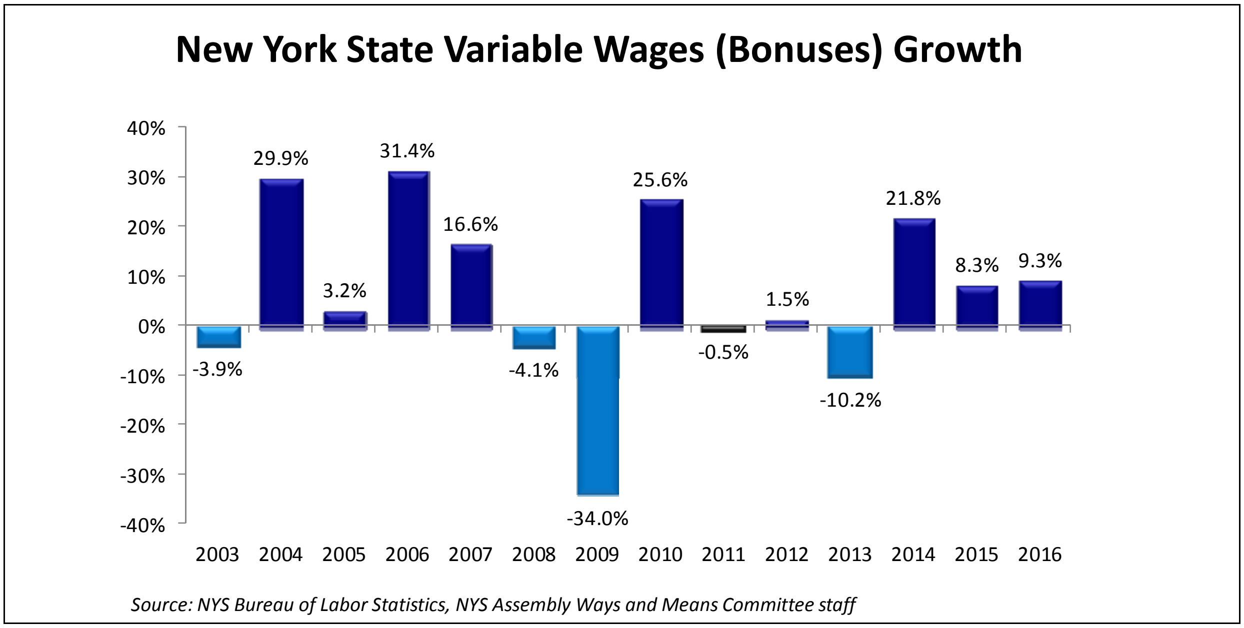


Figure 16

Capital gains activity is a critical component in determining the State's personal income tax liability. Payments from high-income individuals that realize a significant amount of capital gains account for much of the estimated payments, or vouchers, component of personal income tax collections.

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

The Committee staff estimates net capital gains declined by 17.3 percent in 2013, and will be followed by growth of 21.8 percent in 2014 and 4.5 percent in 2015.

New York City Economic Trends

New York City remains the world's financial center and home to all major financial institutions. The City's financial services sector is critical for the State's overall fiscal health with capital gains and variable wages – or bonuses – generated in the City providing critical support to the State's personal income tax and business tax receipts.

The financial services industry experienced significant employment losses during the Great Recession with securities sector employment still 11.7 percent below the pre-recession peak.[7] However, the financial services sector added an annual average of 2,200 jobs in 2014 and, according to the NYC Office of Management and Budget (OMB), is expected to add 5,000 jobs over the next two years underlying the improving economic environment.

The City OMB is also projecting a slowdown in member firm profits to around $14 billion in 2015 and 2016, still a strong showing, down from an estimated $14.8 billion in 2014, as the industry is faced with tighter regulatory controls and the overall deceleration in the rate of equity market growth.[8] As noted in our forecasting risks section, significant downside risks remain related to global trends that may negative affect U.S. and global equity markets and, thus, City profits.

Overall, over the last five years, New York City has been experiencing steady employment gains with the unemployment rate at 6.3 percent as of December 2014, down from 8.0 percent the same month in 2013. According to the Independent Budget Office (IBO), strong employment gains will continue through 2016, with 55 percent of the project gains accounted by two sectors: education and health care combined with professional and business services.[9]

Significantly, according to the IBO, the City's low-wage industries (e.g. retail trade and leisure and hospitality) are projected to account for 30 percent of the job gains during 2014 to 2018, down from 46.9 percent during the period 2010 to 2014. Therefore, wage and income gains are expected to accelerate providing a stronger underlying tax base.

Tourism activity remains strong with a 4.7 percent increase in passengers flying in and out of the area's airports in September 2014, over the same month in 2013. As of October 2014, hotel occupancy stood at 93.5 percent up from 92.3 percent in October 2013, whereas average daily rates posted an increase of 1.8 percent.

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[7] "Financial Plan", New York City, Office of Management and Budget, February 9, 2015.

[8] Ibid.

[9] "*Fiscal Outlook*", New York City Independent Budget Office, December 2014.

Risks to the Forecast

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

While the U.S. economy is experiencing consistent job gains, albeit with stagnating income gains, and the overall economic outlook has improved, substantial downside risks remain. The Committee's baseline forecast is premised on adverse external shocks or disruptions.

As evidenced by the strengthening of the U.S. dollar, international economies are showing significant signs of a slowdown. Economic growth has slowed substantially in large fast-developing countries (e.g. Brazil and Turkey), whereas Japan continues to be mired in recession despite recent efforts for additional stimuli. Russia is experiencing immense headwinds as its currency is collapsing in view of dramatic declines in oil revenues.

At the same time the European Union's economic growth, a key trading partner of the U.S., continues to languish with renewed fears of a debt crisis. A worsening of the international economic outlook will have important repercussions for the U.S. economy with further implications for New York underlying tax base.

Tax Analysis

Overall Trends

All Funds revenue growth plunged during 2008 and 2009 with a growth recovery in 2010 and 2011 following State tax revenue actions that boosted receipts. The chart below reviews the year-over-year quarterly growth in All Funds receipts. The notable variability highlights the importance of legislative changes on receipts. For example, the large growth spike as of the second quarter of 2013 is explained by the large settlements realized under the Personal Income Tax, in response to taxpayers realizing higher income during 2012 to avoid higher Federal income tax levels effective in 2013.

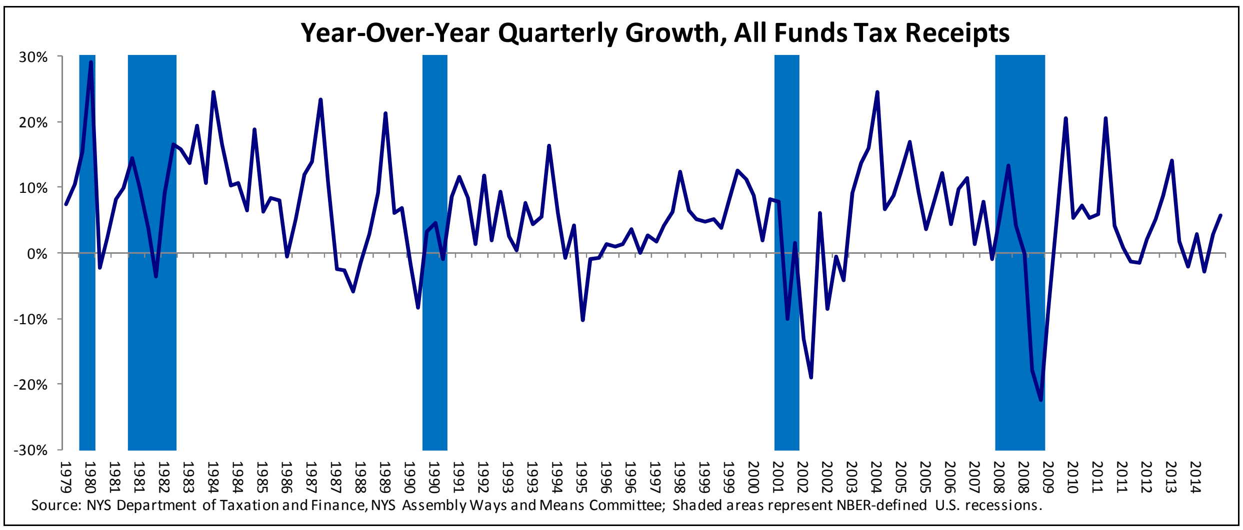


Figure 17

The chart below analyzes by major tax source the behavior of receipts after accounting for inflation as well as after smoothing, via moving averages, to better identify current trend patterns. Since the second quarter of 2010, all major tax sources have recovered with average growth of 3.8 percent through the fourth quarter of 2013, still below the 6.1 percent All Funds average receipts growth for the relevant period following the recession of the early 2000s.

Actual vs. Base Receipts

The Chart below provides a historical overview of the All Funds growth in base (adjusted for tax law changes) and actual receipts. Base tax receipts more accurately reflect the underlying economic conditions since they account for any tax law changes enacted. For example, as the State enacted in 2014 estate, business and personal income tax cuts, the projected growth in actual receipts for SFY 2014-15, as per the Division of the Budget, is 1.7 percent; however, once adjusted for the tax law changes (once the value of those tax cuts has been added back to actual receipts) the overall growth is expected at 4.0 percent.

Similarly, during the Great Recession base receipts growth witnessed a drop of 12.7 percent in SFY 2009-10, whereas due to the enacted PIT surcharge and other measures, actual receipts only declined by 3.2 percent.

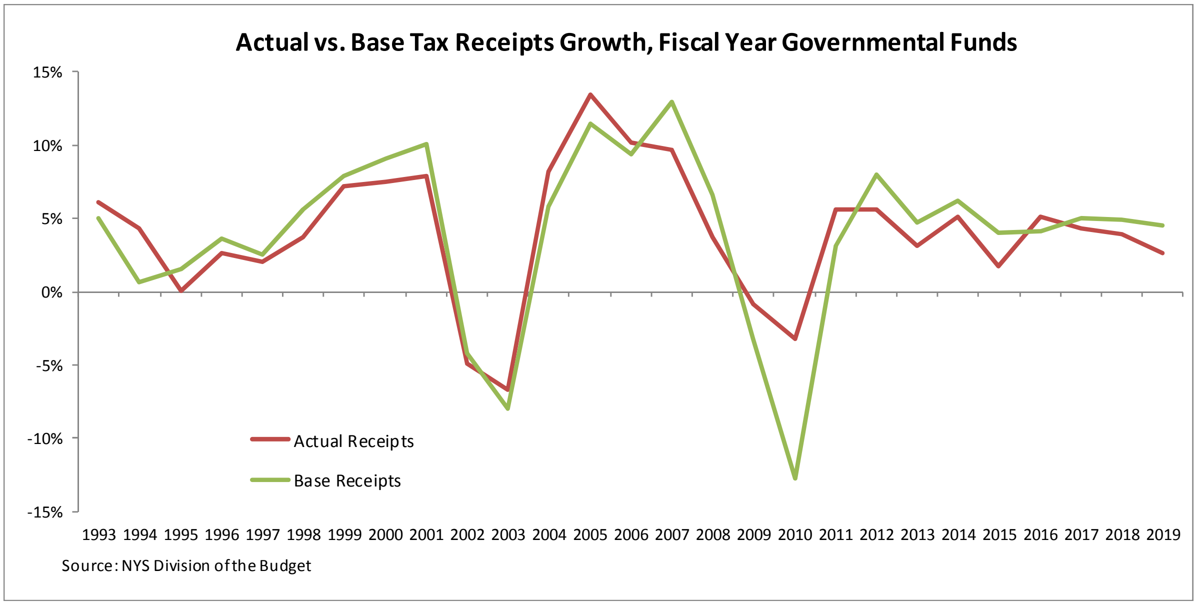


Figure 18

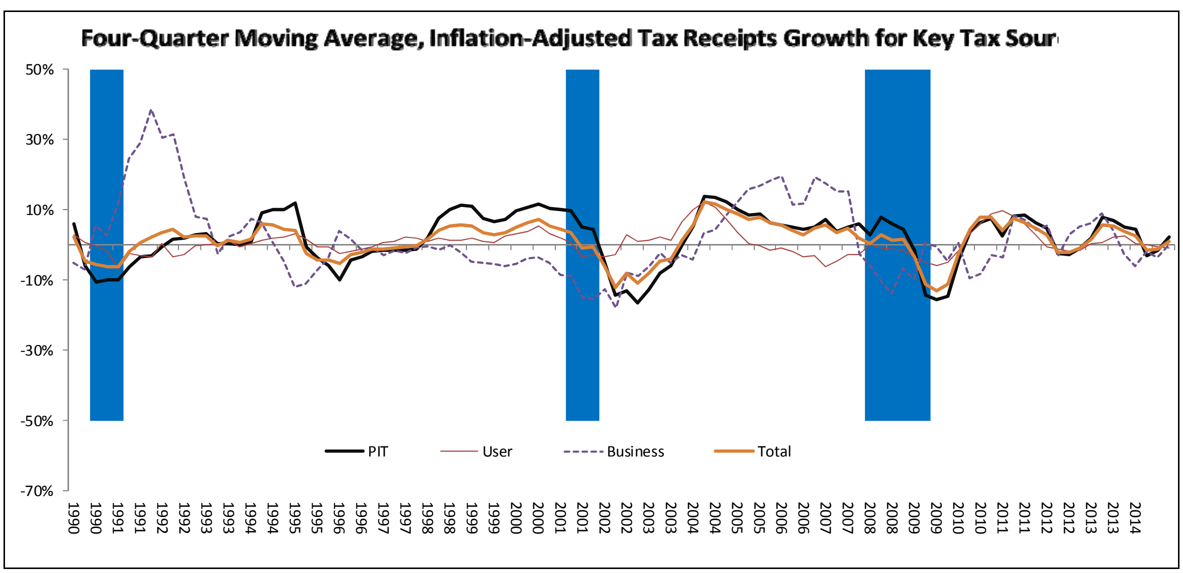


Figure 19

The slow revenue recovery is more easily seen once we compare quarterly growth patterns following the onset of a recession. The chart below indexes for the last four recessions (1970s, 1980s, 1990s, and early 2000s) the quarterly revenue performance of total seasonally-adjusted tax receipts for 24 quarters following the end of the recession. Twenty-two quarters after the end of the recession, receipts growth during the current recovery has finally gained ground ahead of the 1990s recovery but still lags well behind the trends established in prior recoveries.

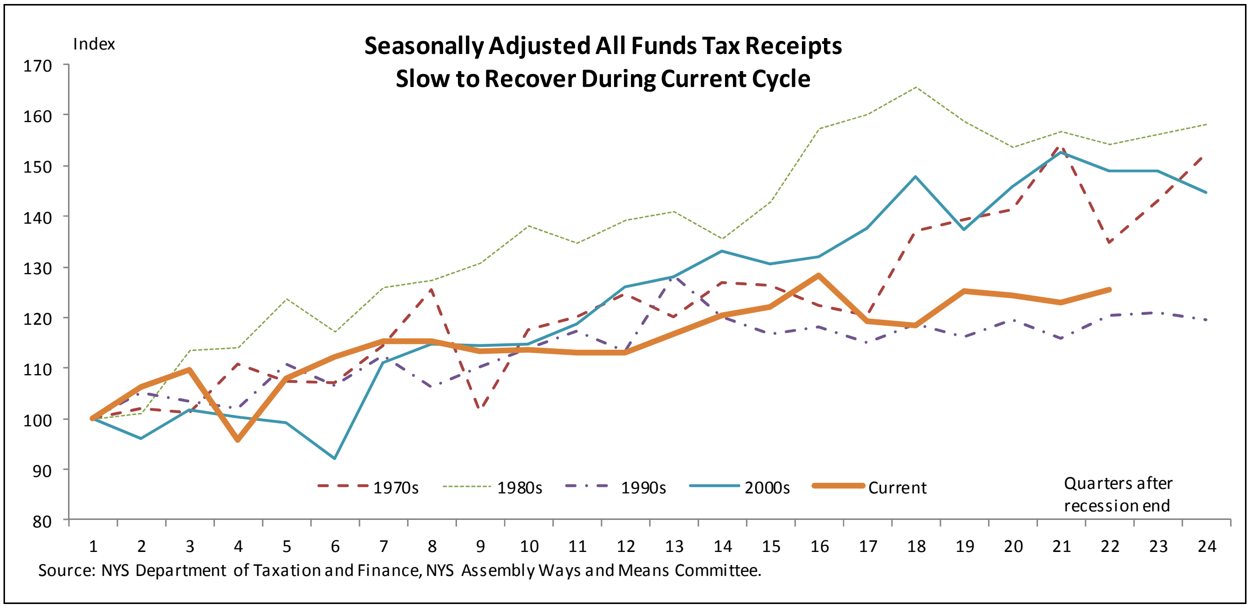


Figure 20

Trends in NYS Tax Expenditures

The State provides a variety of credits, exemptions or deductions to accomplish key public policy objectives. The following table provides an overview of key tax expenditures as of the latest available data.

New York State Tax Expenditures

The following provides a brief overview of State tax expenditures. The Executive Law defines tax expenditures as "features of the Tax Law that by exemption, exclusion, deduction, allowance, credit, preferential tax rate, deferral, or other statutory device, reduce the amount of taxpayers' liabilities to the State by providing either economic incentives or tax relief to particular classes of persons or entities, to achieve a public purpose." To enable policy makers to review tax expenditures in a policy context consistent with expenditures the following table provides the latest estimates by policy category for key expenditures as determined by overall cost:

New York State Tax Expenditures by Policy Area
($ Millions)

Policy Area	Tax	Brief Description	Base Year	Amount
General Science & Technology				
	Sales	R&D Property	2012	67.0
	PIT, Corp	QETC Credits (Combined)	2011/12	2.3
Energy, Natural Res. & Environment				
	Sales	$2 Cap on Auto Fuel Receipts	2012	332.0
	PBT	Residential Heating	2013	210.2
	PBT	Crude Oil & Liquid Petr. Gases	2013	63.8
	PIT	Brownfields Redevelopment Credit	2012	31.1
	Corp	Brownfields Redevelopment Credit	2011	14.6
Agriculture				
	Sales	Farm Production & Comm. Horse Boarding	2012	76.0
	PIT	Farmers' School Prop. Credit	2012	35.7
Economic Development				
	Corp	Exclusion of Int., Div., Cap. Gains from Subsidiary Capital	2011	1,043.6
	Corp	Film Production Credit	2011	273.6
	Corp	QEZE Real Property Credit	2011	118.9
Other Business & Commerce				
	Sales	Machinery & Equipment Used in Production	2012	330.0
	PIT	Misc. Deductions subject to 2% of AGI Limitation	2012	288.2
	Sales	Interstate or International Telephone & Telegraph	2012	234.0
Housing				
	PIT	Interest Deduction	2012	877.4
	Sales	Capital Improvement Installation Services	2012	507.0
Transportation				
	Sales	Fuel Sold to Airlines	2012	64.0
	PBT	Bunker Fuel	2013	31.1
Education & Training				
	Sales	NYS Agencies	2012	640.0
	PIT	Taxes Paid Deduction	2012	431.6
	PIT	College Tuition Credit	2012	239.0
	Sales	Food Sold at School Cafeterias	2012	129.0
	PIT	Charitable Contribution Deduction	2012	80.5
Social Services				
	PIT	Empire State Child Credit	2012	671.3
	PIT	Charitable Contribution Deduction	2012	467.2
	Sales	Charitable Organizations	2012	437.5
	PIT	Child & Dependent Care Credit	2012	193.6
Health				
	Sales	Drugs, Medicine	2012	1,009.0
	Sales	Eyeglasses, Hearing Aides	2012	134.0
	PIT	Medical/Dental Deduction	2012	119.3
Income & Social Security & Railroad Retirement				
	PIT	Earned Income Credit	2012	993.6
	PIT	Exclusion of Pensions, Annuities, etc. Received by NYS & Municipal Retirees	2012	784.8
	Sales	Residential Energy	2012	784.8
General Purpose Fiscal Assistance				
	PIT	Taxes Paid Deduction	2012	287.7
Other				
	PIT	Value of Standard Deductions for Returns with Itemized Deductions in Excess of Standard Deduction	2012	1,533.2
	Sales	Trade-in Allowance	2012	694.0
	Insurance	Exemption for Certain Entities Engaged in Insurance Business	2011	342.3
	Sales	Cable TV Service	2012	295.0
	Sales	Internet Access Service	2012	271.0

Source: "NYS Tax Expenditures", Division of the Budget & Department of Taxation and Finance.

Revenue Forecast Risks

Short-term revenue projections incorporate the overall economic forecast risks outlined in previous sections. If the ongoing economic recovery pace accelerates and enters a long-term sustainable path, then the relevant tax sources will experience more robust gains. However, any economic growth reversals with the economy falling even into a mild recession will translate into revenue losses across tax sources.

The State revenue outlook includes substantial downside risks based on the underlying threats to the global and domestic economies. Geopolitical events, debt crises, the continuation or worsening of the growth outlook in the Eurozone, Japan and other developed countries could potentially translate into substantial weakness in the financial markets.

Forecasting Accuracy

The development of balanced and sustainable financial plans critically depends on the accuracy of the underlying forecasts of key parameters, such as tax revenues. Ttax revenue forecasts are generated based on analytical tools, models, and methods that incorporate sources of error. Analysts have long recognized the following key sources of error:

- Data measurement errors;
- Model and statistical misspecification (e.g. erroneous explanatory variables, wrong inferences, violation of statistical properties);
- Analysts' adjustments to the model-generated forecasts to reflect qualitative aspects of reality not captured in the models; and
- Inherent errors emanating from the inability to "perfectly" quantify in a model the true underlying data generating processes.

Therefore, the regular examination of the underlying forecasting accuracy is a necessary first step to better understand the magnitude and potentially the source of the errors. The following chart looks at the Ways and Means (WAM) and the Division of Budget (DOB) total tax revenue forecasts' deviation from the actual for SFYs 2009-10 to 2013-14.

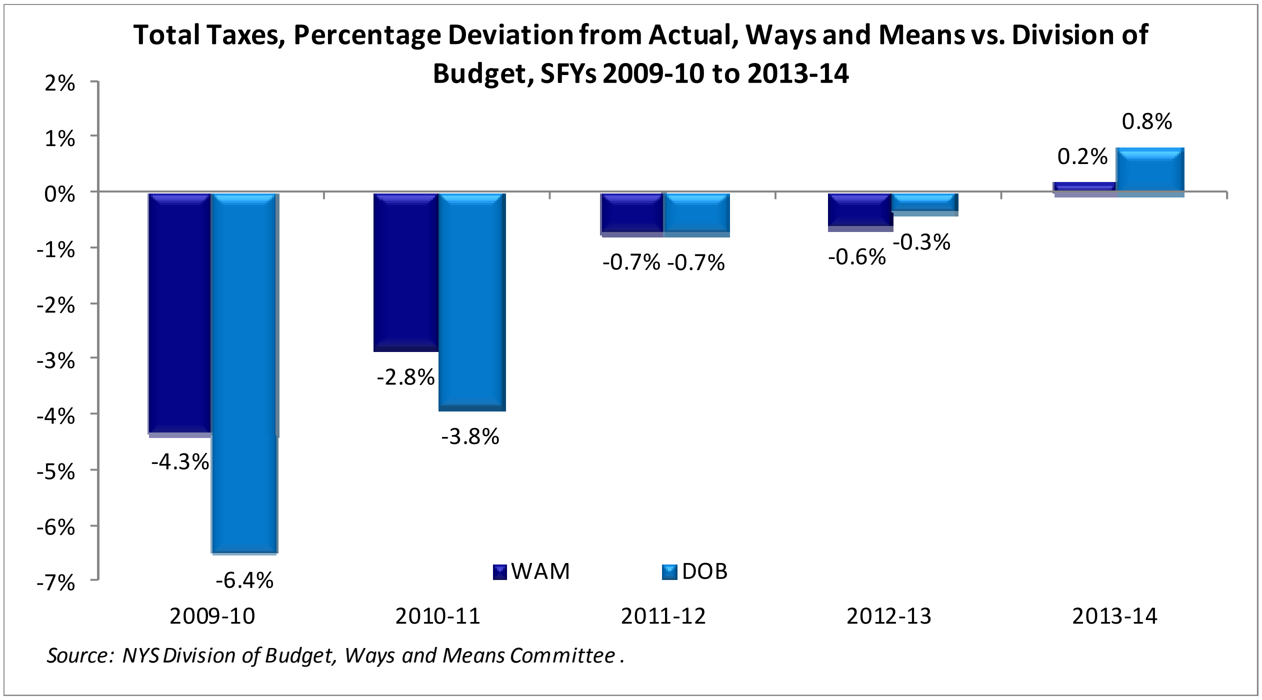


Figure 21

Total tax receipts forecasts for SFY 2009-10 developed by WAM and DOB during February of 2009 ended up with a 4.3 percent and 6.4 percent deviation from the actual. The large deviation, as compared to more recent years, is largely attributed to the recession whose depth was not adequately captured by the macroeconomic forecasts developed during the same time period. The deviation ranged from $2.5 billion (WAM) to $3.7 billion (DOB) underscoring the significance for State budgeting. In other words, both estimating bodies overestimated tax receipts by an average of approximately $3.0 billion. While such an error is almost unavoidable in the context of the unexpected severity of the recession, it provides insights as to the importance of forecasting accuracy for fiscal balance.

As the economy started to recover, and in the absence of any unexpected turning points, the percent deviation from the actual declined with the range of error from $147 million (WAM) to $585 million (DOB).

Executive Tax Proposals

The Executive proposes various revenue actions that reduce tax collections by $227 million in State Fiscal Year (SFY) 2016-17 and a revenue loss of $1.4 billion in SFY 2018-19.

- **Property and Other Tax Credits**: The Executive proposes a "Circuit Breaker" tax credit for homeowners and renters as well as an Education Tax Credit for contributions made to education organizations. In addition, the Executive proposes an expanded Youth Jobs Program and an Employee Training tax credit.

- **Tax Cuts and Reforms:** The Executive proposes to reduce the corporate income tax rate for small businesses from 6.5 percent to 2.5 percent and require marketplace providers such as eBay and Amazon to collect sales tax from sellers they facilitate.

- **Tax Simplification, Enforcement Actions and Extenders:** The Executive proposes several simplifications and enforcement initiatives that will increase receipts by $24 million in 2015-16 and $38 million in 2016-17.

- **School Tax Relief (STAR) Program Actions:** The Executive proposes to convert the STAR benefit into a personal income tax credit for new homeowners together with several modifications to the STAR program's benefits.

- **Technical Corrections:** The Executive proposes technical corrections to Corporate and Estate Tax reform legislation enacted with last year's budget as well as various other technical corrections.

- **Gaming Initiatives:** The Executive proposes: extending the Video Lottery Gaming (VLG) Vendor's capital awards program for one year; expanding electronic gaming offerings at VLG facilities; and extending the NYRA reorganization board from three to four years.

- **Repeal of Fees:** The Executive proposes the repeal of 59 fees charged by seven State agencies for a revenue loss of $3 million beginning in 2015-16.

Tax Actions

- **Tax Credits:** The Executive proposal includes $360 million in tax cuts that do not have a fiscal impact until in SFY 2016-17, and increases to $1.5 billion in SFY 2018-19.

  - The Executive proposes a statewide "circuit breaker" tax credit for homeowners with incomes less than $250,000 whose taxes exceed six percent of their income. Under the proposal homeowners would receive a credit of up to 50 percent of the excess of property taxes paid over a certain income threshold. The credit will apply to jurisdictions that stay under the property tax cap (except in the City of New York) and will expire if the property tax cap expires. The average statewide credit is estimated at $956 when fully implemented. The following provides more detail on the way the credit will be calculated (when fully phased in over four years):

- For households earning less than $75,000:
  - The credit would be 50 percent of the amount by which property taxes exceed six percent of income; and
  - Maximum credit would be $2,000.

- For households earning more than $75,000 but less than $150,000:
  - The credit would be 50 percent declining to 40 percent (as income increases) of the amount by which property taxes exceed six percent of income; and
  - The maximum credit decreases to a minimum of $1,500.

- For households earning more than $150,000 but less than $250,000:
  - The credit will be 40 percent declining to 15 percent (as income increases) of the amount by which property taxes exceed six percent of income; and
  - The maximum credit decreases to a minimum of $1,000.

- The Executive proposes a statewide "circuit breaker" tax credit for renters with incomes less than $150,000. For renters a property tax "equivalent" is calculated equal to 13.75 percent of the annual rent. The average statewide credit is estimated at $408 when fully implemented. The following provides more detail on the way the credit will be calculated (when fully phased in):

  - For households earning less than $75,000:
    - The credit will be 50 percent of the amount by which the property tax equivalent exceeds six percent of income; and
    - Maximum credit will be $750 for Downstate (NYC, Nassau, Suffolk, Rockland, Westchester, Putnam, Orange, and Dutchess) and $500 for Upstate.

  - For households earning more than $75,000 but less than $150,000:
    - The credit will be 50 percent declining to 40 percent (as income increases) of the amount by which the property tax equivalent exceeds six percent of income; and
    - Maximum credit will be $750 for Downstate and $500 for Upstate.

- The Executive proposes an Education tax credit for contributions made to public education entities, school improvement organizations, local education funds, and educational scholarship organizations. Corporate and individual taxpayers will receive a nonrefundable 75 percent credit of their authorized contribution, up to a maximum annual credit of $1 million. The program is capped at $100 million annually. Fifty percent of the maximum allowed credits will be allocated to public education entities, school improvement organizations, and local education funds, and 50 percent to educational scholarship organizations. Enactment of this credit will be contingent upon passage of the DREAM Act.

- The Executive proposes the creation of the Urban Youth Jobs program that doubles the current allocation of the existing Youth Credit to $20 million for tax years 2015 through 2018 with a focus on jurisdictions with high youth unemployment.

- The Executive proposes the creation of the Employee Training Incentive Program (ETIP) tax credit that will provide up to $5 million annually in tax credits from the Excelsior Jobs Program to support 50 percent of training costs up to $10,000 per eligible employee. Eligible employers must create at least 10 net new jobs or make a significant capital investment.

- The Executive proposes the extension of the Excelsior Tax Credit program to entertainment companies that create at least 100 net new jobs and make a significant investment in New York.

- The Executive proposes to amend the Alternative Fuels and Electric Vehicle Recharging Property credit to allow the tax credit on costs that are not covered by grants.

➢ **Tax Cut and Reform:** $42 million in additional revenue in SFY 2016-17.

- The Executive proposes to reduce the net income tax on small business from 6.5 percent to 2.5 percent over three years for businesses with net income below $290,000.

- The Executive proposes to extend the wine tasting sales tax exemption to include beer, cider and liquor.

- The Executive proposes to reform the Investment Tax Credit provided for master tapes by limiting eligibility to costs associated with master tapes that were produced only in New York.

- The Executive proposes to reform the Industrial Development Authority (IDA) Program by authorizing the Department of Economic Development (DED) to approve any future IDA projects that contain State tax benefits based on job and/or investment targets. To receive assistance from an IDA, all newly participating businesses must be tax compliant, and will be subject to a clawback of State tax benefits if job/investment targets are not met.

- The Executive proposes to expand sales tax collection requirements for marketplace providers. Online providers such as Amazon and eBay supply a marketplace for outside sellers to sell their products to consumers. Under this proposal, the marketplace provider would be required to collect the tax when they facilitate the sale, whether the seller is located within, or outside, New York.

- The Executive proposes to exempt solar power purchase agreements from State and Local sales tax. Electricity generated at the premises of, and sold to, a customer via solar equipment owned by the equipment vendor will be exempt from State sales and use tax (with local option).

- The Executive proposes amendments to Tax Law Article 9 Refunds and Section 184 Assessment requiring telecommunications companies with wireless lines of business that are requesting a refund of prior-year Article 9 tax to provide customer refunds first. Additionally, the Executive Budget requires that the Section 184 gross receipts tax on telecommunications be imposed on the wireless lines of business of telecommunications companies.

➢ **Tax Simplification:**

- The Executive Budget proposes updates to New York City's corporate tax structure by implementing reforms similar to those the State undertook last year. The City's Banking Corporation Tax is merged into the General Corporation Tax to provide tax simplification and relief, and improve voluntary compliance.

- The Executive proposes to combine the Department of State (DOS) biennial information State and tax return filings and repeal the $9 DOS fee; it requires LLCs and corporations that currently file biennial information statements with the DOS to provide the information as part of their tax return.

- The Executive proposes to allow Petroleum Business Tax refunds for farm use of Highway Diesel Motor Fuel. Farmers who purchase taxable highway diesel fuel will be able to request a refund for the portion used for farm use.

- The Executive proposes to impose Local Sales Tax on prepaid wireless based on retail location. The local sales tax collection for prepaid wireless will be based on vendor location, not the customer's residential location.

➢ **Enforcement Initiatives:** The Executive Budget proposes 11 enforcement initiatives that are expected to raise $24 million in 2015-16 and $38 million in 2016-17. These actions would:

- lower the tax debt threshold required to suspend delinquent taxpayers' driver's licenses from $10,000 to $5,000;

- allow New York to enter reciprocal tax collection agreements with other states;

- close certain sales tax avoidance strategies. In particular, tax loopholes related to the sale for resale exemption, non-resident business purchases and single-owner entity designation will be closed;

- authorize a professional and business license tax clearance. The State will be authorized to deny a professional or business license to an applicant who has outstanding tax liabilities over $500;

- require newly hired New York State employees to be compliant with State tax obligations;

- require practitioners to be compliant with State tax obligations before receiving excess medical malpractice coverage;

- require grantees to be compliant with State tax obligations before receiving a State grant from a State or Local Authority;

- authorize Multi-Agency data sharing to enhance enforcement initiatives;

- convert the current STAR delinquency/offset program into a tax clearance program. The bill makes permanent the program that makes properties ineligible for the STAR exemption if one or more of the owners has past-due tax liabilities;

- allow OCFS to share child care data with the Department of Taxation and Finance (DTF); and

- enhance motor fuel tax enforcement by requiring wholesalers to register and file monthly returns reporting gallons delivered and also to remit any additional prepaid sales tax due for fuel accepted in one prepayment zone but delivered into another.

➢ **Tax Law Extenders:** The Executive Budget proposes the following extensions to existing Tax Laws:

- make permanent the limitation on charitable contribution deductions for taxpayers with adjusted gross income over $1 and $10 million. The current charitable contribution deduction limitation of 50/25 percent allowed under State Tax Law is scheduled to expire at the end of tax year 2015;

- make warrantless wage garnishment permanent. The Executive Budget makes permanent the authorization for DTF to garnish wages of delinquent taxpayers without filing a warrant with the Department of State or County Clerks;

- extend and alter the Brownfield Cleanup Program (BCP). The Executive proposes to extend the BCP for 10 years with changes including:

  - limit eligibility for the tangible property credit to “upside down” properties, sites located in Environmental Zones, and defined housing projects;
  - provide bonus credits for projects located in an Environmental Zone or BOA, affordable housing, or manufacturing;
  - limit eligible site preparation costs;
  - establish a fast-track option without tax credits;
  - require sites in the BCP prior to April 1, 2015 to obtain a certificate of completion by December 31, 2017, or meet the new tangible property credit eligibility criteria;
  - limit the time frame within which the BCP redevelopment tax credits may be claimed; and
  - amend existing provisions and alter program administration.

- extend pari-mutuel simulcasting provisions for one year.

➢ **School Tax Relief (STAR) Program Actions:**

- The Executive proposes to gradually convert the STAR Benefit into a refundable Personal Income Tax Credit for new homeowners. This proposal will be phased-in for first-time homebuyers and homeowners who move and purchase a new home. Current STAR recipients will be allowed to opt into the new program.

- The Executive proposes to cap the annual growth in Basic and Enhanced exemption benefit at their 2014-15 levels, beginning with the 2015-16 school year.

- The Executive proposes to eliminate the New York City STAR PIT rate reduction benefit for taxpayers with income over $500,000.

- The Executive proposes to recoup STAR savings retrospectively from unlawfully claimed exemptions.

- The Executive proposes to allow unenrolled registrants to receive the STAR Exemption benefit for Tax Year 2014.

- **Technical Corrections:**

  - The Executive proposes to require an annual report that includes information that can be used to assess the economic impact of the Commercial Production Tax Credit program.

  - The Executive proposes to amend the Corporate Tax Reform statute for various technical corrections.

  - The Executive proposes to amend the Estate Tax statute for technical changes that extend the imposition of the tax and clarify the treatment of gift add-backs.

  - The Executive proposes to amend the Personal income Tax, MTA Mobility Tax and Credit for Disabled Workers statutes for technical changes.

- **Gaming Initiatives:**

  - The Executive proposes to extend the Video Lottery Gaming (VLG) Vendor's Capital Awards Program for one year.

  - The Executive proposes to expand Electronic Gaming Offerings at Video Lottery Gaming (VLG) Facilities.

  - The Executive proposes to extend the NYRA Reorganization Board's maximum term from three years to four years.

- **Repeal of Fees:** The Executive Budget proposes the repeal of 59 fees charged by seven different State agencies, for over $3 million in annual loss of revenue beginning in SFY 2015-16.

Multi-Year Impact of Executive Tax Proposals

The Executive budget includes various revenue proposals including a state-wide real property tax credit for homeowners and renters, a lower income tax rate for small businesses, and various tax law extensions and tax enforcement actions. The net impact of those proposals is estimated to raise receipts by $81 million in State Fiscal Year (SFY) 2015-16. However, as the full impact of the proposed reforms takes effect, receipts are estimated to decrease by $822 million in SFY 2017-18 and by $1.4 billion in SFY 2018-19.

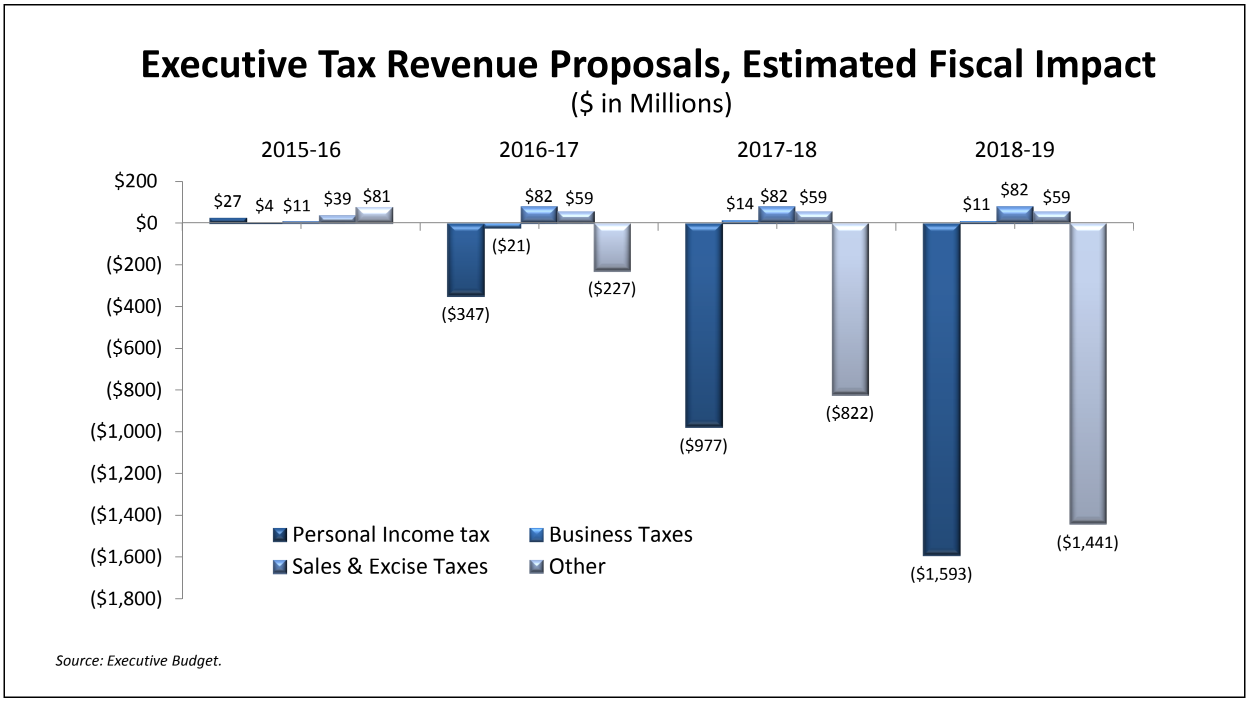


Figure 22

The proposed real property tax personal income tax credit is expected to reduce receipts by $1.350 billion in SFY 2018-19. Therefore, this particular program is responsible for the majority of the aforementioned reduction in revenues.

Of all the sales and excise tax initiatives proposed in the budget the largest, in terms of revenue impact, proposal is the expansion of sales tax collection requirements for marketplace providers that is forecast to raise $59 million in receipts. In terms of other tax initiatives, the proposed expansion of electronic gaming offerings at Video Lottery Gaming facilities is estimated to raise receipts by $40 million by SFY 2018-19.

Executive Revenue Proposals since SFY 2012-13

In this section we provide a closer look to Executive's revenue proposals over the last three fiscal years. The Executive proposals submitted with the 2015-16 Budget provide a variety of revenue actions that are estimated to increase revenues by $81 million in SFY 2015-16 and reduce revenues by $1.4 billion by SFY 2018-19. However, to better understand the long-term financial plan implications of any revenue actions, it is important to incorporate into the analysis the cumulative impact of enacted legislation from prior fiscal years. We limited our look-back period to key, in terms of fiscal impact, initiatives that are estimated to have a revenue impact in SFY 2015-16 and thereafter.

The two tables below provide an overview of key Tax Law changes enacted since SFY 2012-13 and their estimated fiscal impact. The first table outlines those changes that led to revenue losses whereas the second incorporates those with revenue increases:

Table 14

Proposals that Reduce Revenues
($ in Millions)

	2015-16	2016-17	2017-18	2018-19
2012-13	**($10)**	**($10)**	**($10)**	**($10)**
Extend the Bio-fuel Production Tax Credit through the 2019 tax year	($10)	($10)	($10)	($10)
2013-14	**($632)**	**($946)**	**($725)**	**($871)**
Film tax credit	$0	($165)	($310)	($420)
Extend the historic rehabilitation credit for commercial properties	$0	($20)	($25)	($25)
NY electric & alternative fuels vehicle recharging equipment tax credit	($1)	($3)		
Small Business Income Tax Exemption	($45)	($60)	($60)	($60)
Manufacturer Reduction of Tax	($40)	($50)	($50)	($81)
Veterans Tax Credit (Two-Years)		($37)	($37)	
Family tax relief child tax credit (Three-Years)	($410)	($410)		
Youth Hiring (Four Years)	($6)	($6)	($6)	($6)
Extend historic ownership rehabilitation credit		($2)	($2)	($2)
Minimum Wage Credit (Five Years)	($24)	($43)	($45)	($45)
START-UP NY	($106)	($150)	($190)	($232)
2014-15	**($1,026)**	**($1,294)**	**($1,490)**	**($1,129)**
Extend Noncustodial EITC	$0	($4)	($4)	$0
Modify Delivery of Family Relief Credit	$410	$0	($410)	$0
NYC Renters and CB Credit	($85)	($85)	$0	$0
Length of Service Awards PIT Deduction	($1)	($1)	($1)	($1)
Two-Year Property Tax Freeze	($783)	($342)	$0	$0
Enhanced STAR Look back for widows	($2)	$0	$0	$0
Vending Machines ($1.50 from $0.75 in exemption)	($6)	($6)	($6)	($6)
Extend the Commercial Production Credit	$0	($7)	($7)	$0
Additional Credits for Low-Income Housing	($8)	($16)	($16)	($16)
20% Real Property Tax Credit for Manufacturers	($100)	($100)	($100)	($100)
Eliminate the Net Income Tax on Manufacturers	($193)	($198)	($198)	($198)
Enhance the Youth Works Tax Credit	($4)	($4)	($4)	($4)
Corporate Tax Reform	($176)	($372)	($412)	($472)
Extend Alternative Fuels Tax Exemption for Two Years	($16)	($8)	$0	$0
Upstate Theater Production Credit	$0	($4)	($4)	($4)
Credit for employers who employ developmentally disabled	($6)	($6)	($6)	($6)
Estate Tax Reform	($56)	($141)	($322)	($322)
Total Prior to Current Executive Budget Proposals Since FY 2012-13	**($1,668)**	**($2,250)**	**($2,225)**	**($2,010)**
2015-16 Executive Proposals that Reduce Revenues	**($3)**	**($486)**	**($1,189)**	**($1,793)**
Total Since FY 2012-13 Through SFY 2015-16 Proposals	**($1,671)**	**($2,736)**	**($3,414)**	**($3,803)**

Table 15

Proposals that Increase Revenues ($ in Millions)	2015-16	2016-17	2017-18	2018-19
2012-13	**$22**	**$22**	**$22**	**$22**
Remove the limitation on offering QuickDraw that 25 percent of gross sales in bars must be from food	$22	$22	$22	$22
2013-14	**$2,215**	**$2,592**	**$1,976**	**$499**
Charitable contribution deduction limitation for 3 years	$140	$70		
Close the royalty income loophole	$25	$25	$25	$25
Tax modernization - Three Year Extender	$16	$12		
IDA Reform	$13	$13	$13	$13
Increase penalty for possessing unstamped cigarettes from $150 to $600	$12	$12	$12	$12
Suspend delinquent taxpayers' driver's license	$6	$6	$6	$6
Amend wage garnishment	$10	$10	$10	$10
Extend PIT Reform for Three Years (2015, 2016, and 2017)	$1,993	$2,444	$1,910	$433
2014-15	**$613**	**$135**	**($275)**	**$135**
Close Resident Trust Loophole	$203	$135	$135	$135
Modify Delivery of Family Relief Credit	$410	$0	($410)	$0
Total Prior to Current Executive Budget Proposals Since FY 2012-13	**$2,850**	**$2,749**	**$1,723**	**$656**
2015-16 Executive Proposals that Increase Revenues	**$84**	**$259**	**$367**	**$352**
Total Since FY 2012-13 Through SFY 2015-16 Proposals	**$2,934**	**$3,008**	**$2,090**	**$1,008**
Total Since FY 2012-13 Minus PIT Reform	**$941**	**$564**	**$180**	**$575**
Net Impact Since FY 2012-13 Including Proposals with FY 2015-16 Bugdet	**$1,263**	**$272**	**($1,324)**	**($2,795)**

With the onset of the national and State recessions policy makers were faced with mounting fiscal deficits that were addressed via spending cuts and revenue increases. In 2009 the State initiated a personal income tax (PIT) surcharge that upon its expiration led to an overhaul of the PIT bracket and rate structure to provide middle-income tax relief while at the same time establishing an increased rate for high-income earners. The extension of that reform, as enacted with the 2013-14 Budget, provided substantial tax resources and together with other smaller in magnitude loophole closures and tax revenue increases, the State was able to provide substantial tax relief to business, homeowners, and renters.

As the first table shows, since SFY 2012-13 the State has enacted measures that are estimated to reduce revenues by $1.7 billion in SFY 2015-16 and, assuming the current Executive proposals, reaching $3.8 billion by SFY 2018-19. Measures that increase revenue have a cumulative impact of $3.0 billion in SFY 2016-17 and progressively declining to a total of $1.0 billion by SFY 2018-19.

Overall, the net impact of all proposals since SFY 2012-13 through the Executive's current revenue actions is estimated to increase revenues by $1.3 billion in SFY 2015-16 reducing receipts by $2.8 billion by SFY 2018-19.

The cumulative effect of enacted Legislative changes is important when evaluating the efficacy and long-term fiscal sustainability of fiscal policy actions. Understanding the long-term revenue implications can help in enacting proactive measures that enhance the robustness of the overall financial plan.

Personal Income Tax

Table 16

Personal Income Tax Collections Forecasts by State Fiscal Year ($ in Millions)	2014-15 WAM Estimate	Percent Growth	Diff. Exec	2015-16 WAM Forecast	Percent Growth	Diff. Exec.
Personal Income Tax	**$44,012**	**2.4%**	**$199**	**$46,979**	**6.7%**	**$211**
Gross Receipts	**52,268**	**1.3%**	**79**	**56,177**	**7.5%**	**172**
Withholding	35,057	5.1%	58	37,462	6.9%	172
Estimated Payments	13,749	-6.1%	16	15,008	9.2%	12
Vouchers	10,375	9.7%	16	11,381	9.7%	33
IT 370s	3,374	-34.9%	-	3,627	7.5%	(21)
Final Payments	2,178	-9.0%	2	2,375	9.0%	(3)
Delinquencies	1,284	9.3%	3	1,332	3.8%	(9)
Total Refunds	**8,256**	**-4.2%**	**(120)**	**9,198**	**11.4%**	**(39)**
Prior Year Refunds	4,877	-9.1%	(85)	5,636	15.6%	(42)
Current Refunds	1,750	-15.8%	-	1,750	0.0%	-
Advance Credit Payments	612		-	783	27.9%	-
Previous Refunds	429	-22.6%	(35)	491	14.5%	3
State/City Offsets	588	-4.4%	-	538	-8.5%	-
Collections	**44,012**	**2.4%**	**199**	**46,979**	**6.7%**	**211**
Transfers to STAR	(3,374)	0.5%	**-**	(3,231)	-4.2%	-
Transfers to DRRF/RBTF	(10,953)	2.0%	-	(11,692)	6.7%	-
General Fund PIT Collections	**29,684**	**2.8%**	**199**	**$32,057**	**8.0%**	**$211**

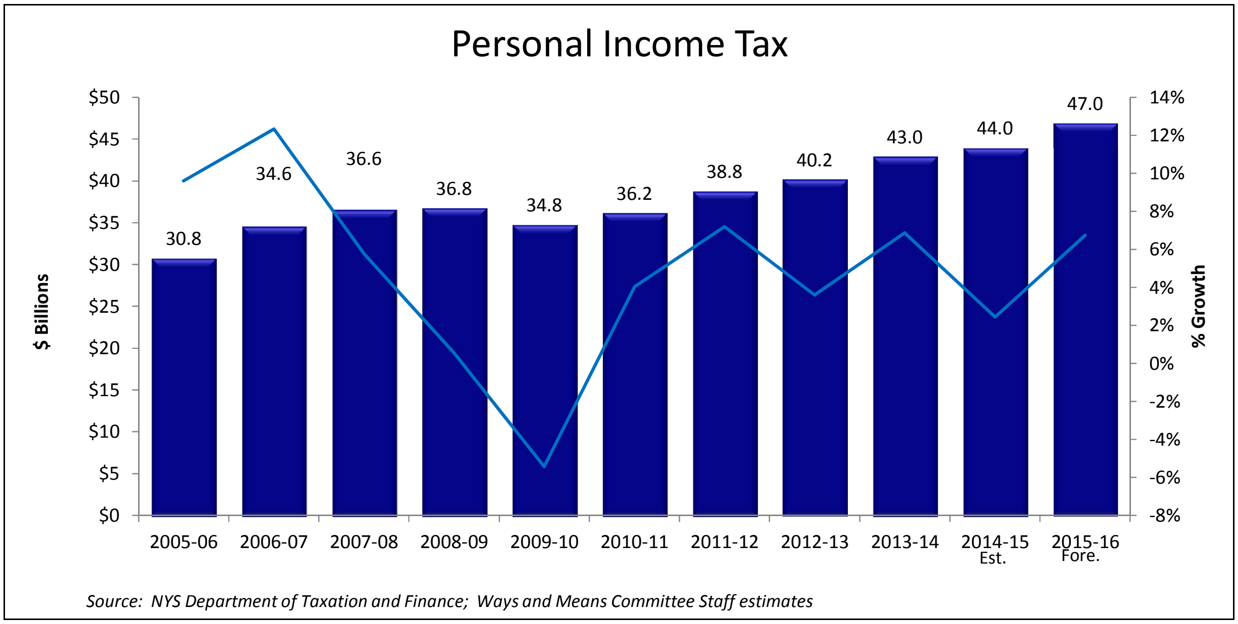


Figure 23

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

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

For tax year 2015, the standard deduction is scheduled to increase in accordance to the CPI inflation adjustment provisions enacted as part of the State's 2011 personal income tax reform. The following table provides a breakdown of the standard deduction by filing status as well as a comparison to the 2013 and 2014 tax year values.

Table 17

New York State Standard Deduction			
Filing Status	**2013**	**2014**	**2015**
Single	$7,700	$7,800	$7,900
Married Filing Jointly	$15,400	$15,650	$15,850
Head of Household	$10,800	$10,950	$11,100

Taxpayers who itemized deductions on their Federal returns may also itemize on their New York State returns if the aggregate of such deductions, minus state and local income taxes and certain other modifications, exceed the New York standard deduction. However, the availability of itemized deductions is limited for certain high income taxpayers. For taxpayers whose NYAGI exceeds $1 million, itemized deductions are fully excluded and only 50 percent of charitable contributions may be deducted for the purposes of calculating tax liability. For taxpayers with NYAGI over $10 million, the charitable contributions deduction is limited to 25 percent. The Executive proposes to make permanent the aforementioned charitable deductions limitation.

The New York standard deduction or itemized deductions, in addition to exemptions claimed on New York taxes, are subtracted from the federal definition of income to arrive at New York taxable income. Certain credits are then subtracted from the calculated tax to arrive at total tax liability.

Net Collections

Compared to the prior fiscal year, net collections have increased by 0.6 percent through January, with gross receipts increasing by 0.4 percent. Collections have been bolstered by a year-to-date decrease of 0.3 percent in refunds.

Table 18

Net Collections ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$37,448	0.6%	$44,012	2.4%	$43,813	$199
2015-16			$46,979	6.7%	$46,768	$211

SFY 2014-15

The Committee staff estimates that All Funds personal income tax collections will total $44.012 billion in SFY 2014-15. This equates to an increase of $1.051 billion or 2.4 percent above All Funds collections in SFY 2013-14. Gross receipts are expected to increase by 1.3 percent, while an anticipated overall decrease in gross refunds of 4.2 percent will support net collections growth. The Committee staff closeout is $199 million above the Executive Budget estimate.

SFY 2015-16

PIT collections are forecast to total $46.979 billion, an increase of $2.968 billion, or 6.7 percent, over SFY 2014-15 estimates. Gross receipts are forecast to increase by $3.909 billion or 7.5 percent, primarily attributed to a 6.9 percent gain in withholding collections. Extension payments are expected to increase 7.5 percent compared to a projected 34.9 percent decrease in 2014-15. Refunds are projected to increase by $942 million or 11.4 percent. The Committee staff forecast is $211 million above the Executive Budget forecast.

Total refunds are forecast to total to $9.198 billion in SFY 2015-16. This includes new disbursements of $783 million associated with the Family Tax Relief Credit and Two-Year Property Tax Freeze Credit. Absent these credits, gross disbursements would increase 10.1 percent in SFY 2015-16 with net collections increasing by 6.4 percent.

The personal income tax reform extension is projected to generate $2.304 billion in total revenues. Adjusting for the impact of PIT reform, baseline net collections are projected to increase 7.1 percent.

Withholding

Year-to-date withholding payments have increased by 4.7 percent over the last fiscal year. Withholding growth has remained above four percent throughout the fiscal year reaching 7.1 percent in the last quarter of 2014.

Table 19

Withholding ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$27,118	4.7%	$35,057	5.1%	$34,999	$58
2015-16			$37,462	6.9%	$37,290	$172

SFY 2014-15

The Committee staff estimates 4.7 percent total wage growth in SFY 2014-15. As a result, withholding collections are expected to total $35.057 billion, a 5.1 percent increase over the prior fiscal year. The January through March period typically accounts for approximately 33 percent of fiscal year withholding collections due to the realization of bonus payouts. Variable wage growth is expected to increase 9.9 percent in SFY 2014-15, and 8.8 percent in the first quarter of 2015. The Committee estimate is $58 million above the Executive's.

The 2011 PIT reform and its extension are expected to generate $435 million in SFY 2014-15 withholding collections. Adjusting for the tax reform impact, baseline withholding receipts are estimated to increase 5.3 percent.

SFY 2015-16

The Committee Staff projects withholding collections of $37.462 billion in SFY 2015-16, an increase of 6.9 percent over the prior fiscal year. The withholding forecast is driven by a projected 4.8 percent increase in total State wages, with variable wages increasing 7.9 percent.

The Committee forecast is $172 million above the Executive's forecast.

Quarterly Estimated Payments (Vouchers)

Vouchers have exhibited strong growth year-to-date, increasing by 9.6 percent through the first ten months of the fiscal year.

Table 20

Quarterly Estimated Payments ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$13,581	-6.3%	$10,375	9.7%	$10,359	$16
2015-16			$11,381	9.7%	$11,348	$33

SFY 2014-15

In general, estimated payments are paid by taxpayers whose final tax liability for the taxable year is significantly higher than the amount of tax being withheld from wages. This is driven by a large share of income derived from non-wage sources, such as capital gains, interest or dividends.

Estimated payments, excluding extensions, have maintained higher than expected growth through the fiscal year, primarily due to a stronger than expected 21.8 percent growth in capital gains in 2014. A shift of capital gains realizations to 2012 from 2013 occurred due to an increase in the Federal tax on 2013 capital gains realizations. Therefore, the underlying growth in capital gains is lower.

The Committee staff estimates that voucher collections for SFY 2014-15 will total $10.375 billion, which represents an increase of 9.7 percent or $921 million over SFY 2013-14. An estimated $1.367 billion of SFY 2014-15 vouchers collections are associated with the PIT reform, approximately $118 million more than what was generated in SFY 2013-14. Absent this impact, baseline vouchers collections are estimated to increase 9.8 percent.

The Committee estimate is $16 million above the Executive estimate.

SFY 2015-16

The Committee staff forecasts voucher collections to total $11.381 billion in SFY 2015-16, an increase of $1.006 billion or 9.7 percent over the SFY 2014-15 closeout.

Capital gains realizations are projected to increase 4.5 percent in 2015 and 2.1 percent in 2016.

The PIT reform is projected to generate an additional $1.474 billion in voucher collections through SFY 2015-16. Absent this impact, baseline voucher collections are forecasted to increase by 10.0 percent.

The Committee forecast is $33 million above the Executive.

Refunds

Through January, prior year refunds have increased by 1.4 percent. Previous year refunds are showing a year-to-date decline of 22.6 compared to this point in the prior fiscal year.

Table 21

Prior Year Refunds ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$5,349	1.4%	$4,877	-9.1%	$4,962	($85)
2015-16			$5,636	15.6%	$5,678	($42)

Table 22

Previous Year Refunds ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$340	-22.6%	$429	-22.6%	$464	($35)
2015-16			$491	14.5%	$488	$3

<u>SFY 2014-15</u>

The Committee staff anticipates that SFY 2014-15 will finish with $4.877 billion in prior year refunds and $429 million in previous refund distributions. This is equivalent to a 9.1 percent decrease in prior year refunds for the SFY. The Committee's estimate is $85 million below the Executive Budget closeout.

SFY 2015-16

The Committee staff projects a prior year refund total of $5.636 billion for SFY 2015-16, an increase of 15.6 percent over SFY 2014-15 estimates. Prior year refunds are typically inversely related to the refunds paid from the year before. Therefore, a decrease in SFY 2014-15 is projected to result in larger refunds issued in SFY 2015-16.

Committee staff prior year refunds are $42 million less than the Executive forecast.

Fund Distribution

Table 23

Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	$29,684	$3,374	$10,953	$0	$44,012
2015-16	$32,057	$3,231	$11,692	$0	$46,979

The Committee staff estimates General Fund personal income tax receipts of $29.684 billion in SFY 2014-15. In SFY 2015-16, General Fund collections are forecast to total $32.057 billion.

A statutory amount of 25 percent of net personal income tax collections is allocated toward the Revenue Bond Tax Fund (RBTF). The estimated contribution for SFY 2014-15 is $10.953 billion while the Committee staff's SFY 2015-16 RBTF forecast is $11.692 billion consistent with Executive estimates.

The STAR Fund consists of revenue that is used to reimburse school districts for state-provided school property tax exemptions, as well as New York City personal income tax rate reductions, resulting from the School Tax Relief program. The Executive estimates a SFY 2014-15 STAR Fund total of $3.374 billion. The Executive's SFY 2015-16 STAR Fund amount is forecast to decrease 4.2 percent for a total of $3.231 billion.

Adjusted Gross Income

Income and Liability

New York Adjusted Gross Income (NYAGI) grew rapidly following the 2001 recession increasing by a total of 57.5 percent between 2002 and 2007. Income in New York State, as defined by NYAGI, reached a historical peak in 2007, totaling $724.6 billion. The increase was highlighted by a rise in capital gains which increased from 4.4 percent of total NYAGI in 2002 to

16.1 percent of total NYSAGI in 2007, growing by a total of $96.0 billion or 470.8 percent. For 2014, the share of capital gains to NYAGI is estimated to be 10.2 percent.

Table 24

Components of AGI ($ in Millions)	Actual		Estimate		Forecast	
	2011	2012	2013	2014	2015	2016
NYSAGI						
Amount	$657,298	$714,698	$717,089	$767,178	$804,049	$841,826
Percent Change	7.1%	8.7%	0.3%	7.0%	4.8%	4.7%
Wages						
Amount	$499,425	$515,645	$526,201	$557,026	$584,213	$613,200
Percent Change	4.0%	3.2%	2.0%	5.9%	4.9%	5.0%
Net Capital Gains						
Amount	$48,800	$77,200	$63,924	$77,867	$81,410	$83,160
Percent Change	8.6%	58.2%	-17.2%	21.8%	4.6%	2.1%
Interest, Dividends and Pensions						
Amount	$29,240	$33,433	$34,129	$35,516	$37,482	$39,588
Percent Change	6.9%	14.3%	2.1%	4.1%	5.5%	5.6%
Business and Partnership Income						
Amount	$74,148	$84,363	$88,301	$92,489	$97,840	$103,651
Percent Change	4.1%	13.8%	4.7%	4.7%	5.8%	5.9%
Other Income						
Amount	($31,367)	($35,031)	($35,168)	($35,935)	($37,293)	($38,939)
Percent Change	-5.7%	11.7%	0.4%	2.2%	3.8%	4.4%

AGI is estimated to have increased by only 0.3 percent in 2013, as a result of an estimated $12.9 billion in capital gains that shifted from 2013Q1 to 2012Q4 in anticipation of increased federal tax rates in 2013. NYAGI is projected to increase 7.0 percent in 2014, with capital gains increasing by 21.8 percent over 2013.

Underlying Trends in Wages and Bonus Income

The Committee staff's SFY 2014-15 withholding estimate is driven by estimated wage growth of 4.7 percent. Through the first three quarters of the State fiscal year, withholding collections had shown consistent growth compared to the prior year, with 4.7 percent, 6.3 percent and 7.1 percent increases in the first, second, and third quarters, respectively.

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

Since variable wages are largely earned by high income taxpayers, they are typically withheld at a higher average rate than base wages and are therefore more important for collections on a dollar-to-dollar basis. The share of variable wages, relative to total wages, in New York has been trending upward since the mid-1970s. This increased share of variable wages or “bonuses” has made wages, and therefore revenue, more difficult to predict as well as more volatile.

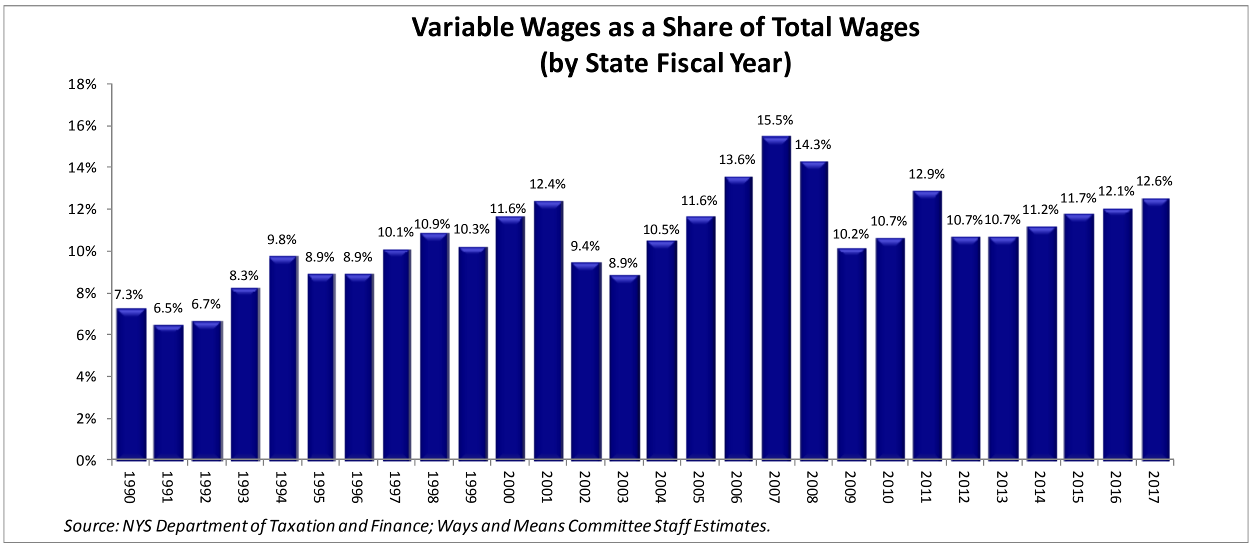


Figure 24

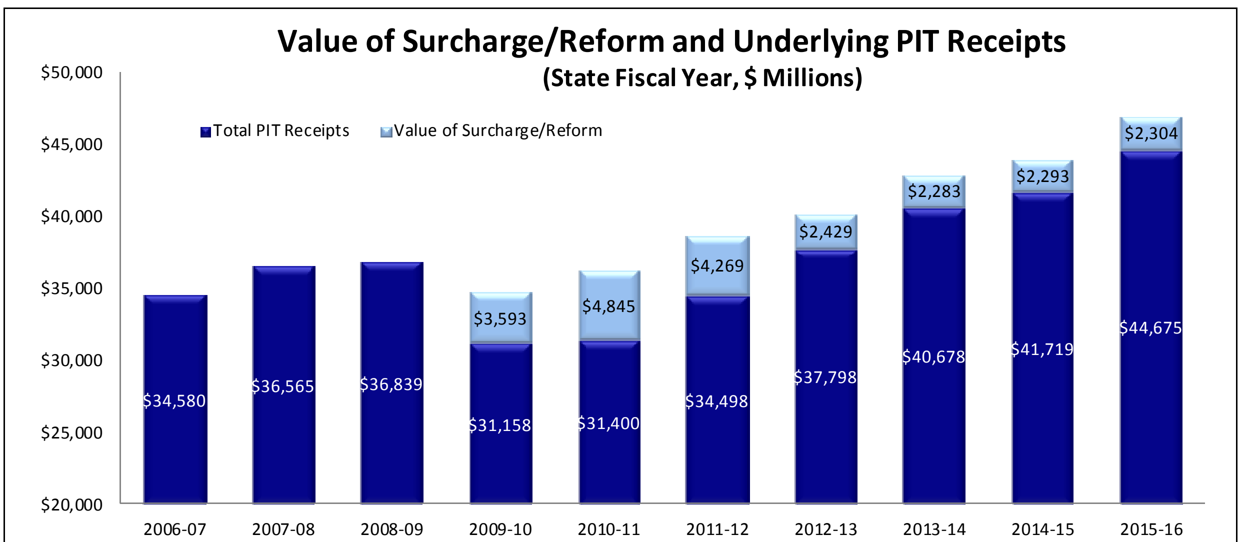
The Committee staff estimates total wage growth of 5.0 percent in the first quarter of 2015, with variable wages increasing 9.9 percent for the entire State Fiscal Year.

The spin-up in bonus payments from 2013 to 2012 resulted in extension payments in the first quarter of SFY 2013-14 (a reflection of 2012 liability) increasing by 62.6 percent or $1.980 billion compared to the prior year. This inflated net PIT receipts in SFY 2013-14 will mitigate growth for SFY 2014-15 as collections on extension payments are projected to decline to a more trend level. The Committee staff is expecting extension payments to decrease by $1.809 billion or 34.9 percent by the close of this fiscal year. In SFY 2015-16, they are forecast to increase by $253 million or 7.5 percent.

PIT Surcharge and 2011 Tax Reform

The three-year personal income tax surcharge, enacted as part of the 2009 budget, added two additional personal income tax brackets to the previously existing tax tables for all filer types. Taxpayers with taxable incomes above $300,000 but below $500,000 were subject to a new rate of 7.85 percent, whereas taxpayers whose taxable incomes totaled more than $500,000 were subject to a rate of 8.97 percent. The surcharge applied to tax years 2009 through 2011 and officially expired on December 31, 2011. In SFY 2011-12, the temporary surcharge was valued at $4.3 billion on an All-Funds basis.

Figure 25 depicts net fiscal year PIT receipts along with the amount generated by the tax surcharge, PIT reform, and itemized deduction limitations. The timing of the temporary surcharge proved to be vital to the State's fiscal health, as it helped to stabilize revenues in the midst of an economic recession and subsequent weak recovery. As can be seen in the graph, baseline receipts performed much worse in SFY 2009-10 than actual collections indicate. Absent the tax surcharge, revenues would have declined by approximately $3.6 billion or 15.4 percent. This decline was mitigated due to an additional $3.6 billion from the temporary surcharge, with overall receipts declining by only $2.1 billion or 5.7 percent.



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

Figure 25

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

In December 2011, the State faced its own fiscal cliff as the temporary surcharge was scheduled to expire effective January 1, 2012. As an alternative to an extension of the surcharge, the State opted for a three-year personal income tax reform which added new brackets to make the tax more progressive as well as provide significant tax relief for middle income households, and included a CPI-adjustment of the brackets and standard deduction amounts for 2013 and 2014 to counter the effects of inflation. A new tax rate of 8.82 percent was established under this legislation. For single filers, this rate is applied to incomes totaling $1 million or more. For head of household and joint filers, the rate is effective on incomes at or above $1.5 million and $2 million, respectively.

As a result of lowering the tax rates for a majority of State income taxpayers, the fiscal impact of the reform is much less than what was provided under the temporary surcharge. The reform is estimated to have generated $2.3 billion in SFY 2013-14 in All Funds tax revenues relative to 2008 law (prior to the surcharge).

The new rates and tax structure along with the CPI adjustment factors have been extended for an additional three years as part of the SFY 2013-14 Enacted Budget. Originally scheduled to expire following the 2014 tax year, the reform will now remain in effect through tax year 2017. In addition, the CPI adjustment factor shall be applied to both the brackets and standard deduction amounts for each of the next two years.

For SFY 2014-15, PIT receipts are estimated to increase by 2.4 percent or $1.051 billion, with $2.3 billion of the total attributed to the PIT reform and its extension. The reform extension is projected to generate an additional $1.8 billion in SFY 2014-15. Adjusting for all reform impacts, PIT baseline growth is projected at 2.6 percent.

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

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

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

Executive Budget Proposals

- Eliminate the NYC STAR PIT rate reduction benefit for taxpayers with incomes above $500,000.

- Convert the Basic and Enhanced School Tax Relief (STAR) benefit into a Personal Income Tax credit. This proposal would require new registrants for the STAR program to receive an annual tax credit instead of reduced school tax payments. Current STAR beneficiaries would have the option to receive a credit instead of their current benefit.

- A new real property tax credit would provide a refundable tax credit to homeowners, including cooperative apartment owners, as well as renters whose property taxes or rent equivalent rises above six percent of their personal income. The credit will be available to homeowners only if they reside in tax compliant jurisdictions. The credits would be capped based on geographical location, year of phase-in, and owner or renter status. Property owners with incomes less than $250,000 will be eligible for the credit, whereas renters will be eligible if income is less than $150,000.

- Make the limitation on charitable contribution deductions for high income taxpayers permanent. Currently, for those taxpayers earning between $1 and $10 million, the amount they can deduct from their tax liability due to charitable contributions is limited to 50 percent. For taxpayers with incomes higher than $10 million, their deductions for charitable contributions are limited to 25 percent.

- Technical amendments to the Metropolitan Transportation Authority Mobility tax and personal income tax statutes.

- The establishment of a non-refundable education tax credit would allow up to $100 million in non-refundable tax credits for people that donate money to public education entities, school improvements organizations, and local education funds, as well as educational scholarship organizations. The credit would be 75 percent of qualified contributions up to $1 million per taxpayer.

Recent NYS Personal Income Tax Changes

Table 25

Levels of Income at which the Top Tax Rate Applies				
		Taxable Income in Excess of:		
Tax Year	Top Rate	Married filing Jointly	Single	Head of Household
1989-1994	7.875	$26,000	$13,000	$17,000
1995	7.59375	$25,000	$12,500	$19,000
1996	7.125	$26,000	$13,000	$17,000
1997-2002	6.85	$40,000	$20,000	$30,000
2003-2005	7.7	$500,000	$500,000	$500,000
2006-2008	6.85	$40,000	$20,000	$30,000
2009-2011	8.97	$500,000	$500,000	$500,000
2012	8.82	$2,000,000	$1,000,000	$1,500,000
2013	8.82	$2,058,550	$1,029,250	$1,543,900
2014	8.82	$2,092,800	$1,046,350	$1,569,550
2015	8.82	$2,125,450	$1,062,650	$1,594,050

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

1987: In response to Federal tax reform, the State enacted a five-year phase down from the top rates of nine percent on earned income and 13 percent to seven percent on all incomes. Standard deduction amounts were also increased.

1990-1994: Due to recessionary pressures, the final two years of the phase down were delayed, with the top tax rate remaining at 7.875 percent until 1995.

1991: A "supplemental" tax was introduced to the personal income tax code. The tax was intended to recapture the value of marginal tax rates below the top rate.

1995: Enacted a three-year reduction in the top rate from 7.875 percent to 6.85 percent. The marginal brackets subject to the top rate were also adjusted over this time, from $13,000 to $20,000 for single filers ($26,000 to $40,000 for joint filers). These rates and brackets remained in effect until 2002.

2003-2005: During an economic recession, the State enacted a temporary three-year income tax surcharge. The legislation created two new tax brackets, one for incomes greater than

$150,000 and a second for incomes greater than $500,000. Taxpayers with incomes greater than $500,000 were subject to a new top rate of 7.7 percent regardless of filing status.

2006-2008: As the temporary surcharge was allowed to expire following 2005, the top rate declined to 6.85 percent on incomes greater than $20,000 ($40,000 for joint filers).

2009-2011: In response to a decline in net collections of 5.7 percent in SFY 2009-10, the State once again enacted a three-year income tax surcharge. Two new brackets were created as follows:

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

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

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

2012-2014: December 2011 Tax Reforms enacted a three-year PIT reform which added new brackets to make the PIT more progressive, while reducing tax rates for middle-class households, and included inflation-adjustment of the brackets and standard deduction amounts for 2013 and 2014 to counter the effects of inflation. In particular:

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

2015-2017: As part of the SFY 2013-14 Enacted Budget, the State extended the new tax structure for three years, effectively expiring January 1, 2018. In addition, the CPI adjustment factor would apply to the brackets and standard deduction values for each tax year through 2017.

Sales and User Taxes

Table 26

User Tax Collections
Forecasts by State Fiscal Year
($ in Millions)

	SFY 2014-15	Growth	Diff. Exec.	SFY 2015-16	Growth	Diff. Exec.
User Taxes and Fees	**$15,425**	**2.2%**	**(29)**	**$16,111**	**4.4%**	**71**
Sales and Use Tax	13,071	3.8%	(23)	13,740	5.1%	77
Motor Fuel Tax	490	3.5%	3	496	1.2%	12
Cigarette Tax	1,258	-13.4%	(24)	1,247	-0.8%	(36)
Highway Use	138	1.3%	2	142	3.3%	(3)
Alcoholic Beverage Tax	254	1.8%	3	262	2.9%	6
Auto Rental Tax	122	6.6%	3	125	2.6%	1
Taxi Surcharge	93	9.4%	8	100	7.5%	15

Sales Tax

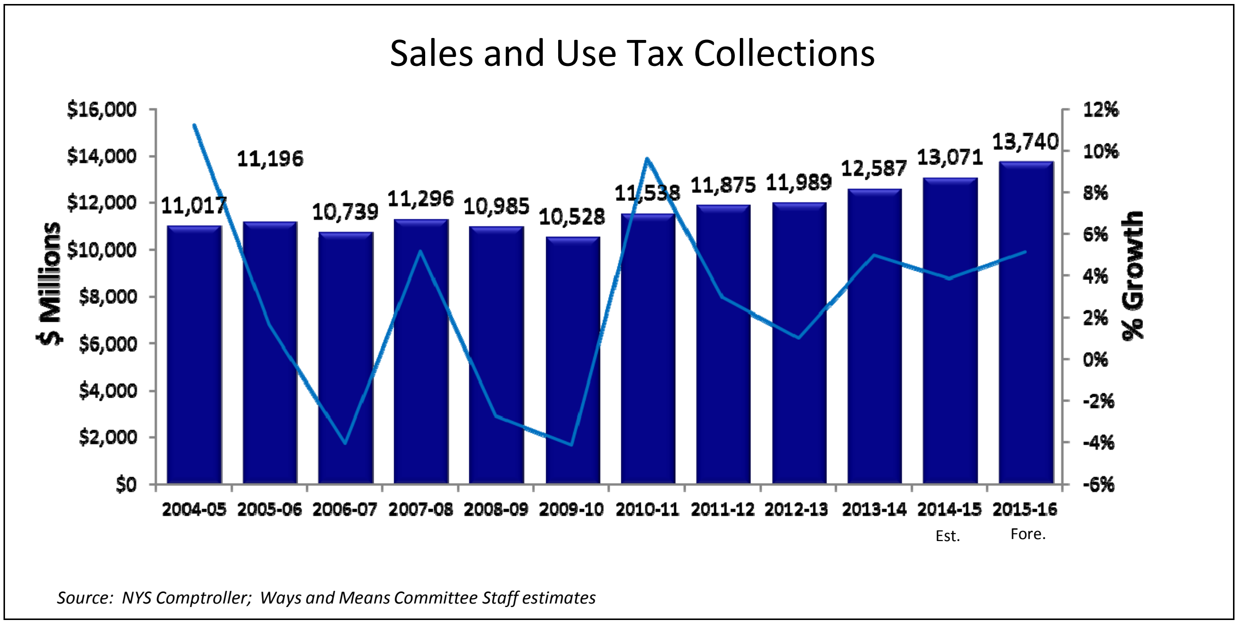


Figure 26

The sales and compensating use tax, imposed by Article 28 of the Tax Law, is a four percent broad-based consumption tax levied on the sale of tangible personal property, excluding items such as food, medicine, products used in manufacturing and items purchased for resale. A limited number of services such as cleaning, parking and interior design are also subject to this tax. Certain non-profit and charitable organizations are exempt from paying sales tax on purchases.

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

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

Receipts from one percentage point of the four percent State sales tax are dedicated to the Local Government Assistance Corporation, which was created in 1990 to eliminate annual spring borrowing. Once the LGAC debt service obligations are paid, excess revenues are transferred back to the General Fund.

The Sales Tax Revenue Bond Fund became effective at the beginning of SFY 2013-14. One-quarter of the State's sales tax collections are directed to this fund. Once LGAC bonds are defeased or retired, collections from two percent of the State's four percent sales tax rate will be dedicated to the STBF. As with the LGAC, all receipts in excess of STBF debt service requirements will be transferred to the General Fund.

Table 27

Sales Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$10,927	3.4%	$13,071	3.8%	$13,094	($23)
2015-16			$13,740	5.1%	$13,663	$77

SFY 2014-15

The Committee staff estimates Sales Tax revenues to be $13.071 billion in SFY 2014-15, a 3.8 percent increase over SFY 2013-14.

Growth of 5.9 percent is expected in the remaining months of the fiscal year. The Executive estimates SFY 2014-15 Sales Tax receipts to be $13.094 billion, a 4.0 percent increase over the previous year, or $23 million above the Committee's estimate.

SFY 2015-16

The Committee staff forecasts that SFY 2015-16 Sales Tax collections will be $13.740 billion, a 5.1 percent increase over SFY 2014-15 estimates.

The Executive is predicting growth of 4.3 percent or $13.663 billion, $77 million below Committee estimates.

Executive Proposals

- The Executive proposes to extend the wine tasting sales and use tax exemption to beer, cider, and liquor that is used at free of charge tastings. In addition, several types of items used to package such beverages, namely the bottles, corks, caps, and labels would also be tax exempt.

- The Executive proposes to impose local sales tax on prepaid wireless based on retail location. This proposal clarifies that prepaid wireless services are to be taxed in the same manner as prepaid calling cards.

- The Executive proposes to reform the Industrial Development Authority program to increase transparency and accountability.

- The Executive proposes to expand sales tax collection requirements for marketplace providers. This expansion would require marketplace providers to be responsible for the collection of sales tax on transactions they facilitate.

- The Executive proposes to close certain sales and use tax avoidance strategies.

- The Executive proposes to exempt solar power purchase agreements from State and local sales tax.

Impact of Recent Law Changes

Gasoline and diesel purchases are taxed by the gallon and not the sale price, so the sales tax is equivalent to a purchase price of $2 per gallon. This tax expenditure is expected to save consumers $262 million this fiscal year, $91 million less than in SFY 2013-14. For SFY 2015-16 this exemption is estimated at $107 million.

The State's expansion of nexus in 2008 to include internet retailers with in-State soliciting agents is expected to increase receipts by $85 million in SFY 2014-15.

Law changes adopted in the SFY 2014-15 budget include increasing the sales tax exemption for taxable food items sold in vending machines from $0.75 to $1.50, and the institution of a three-zone prepayment system for sales tax on motor fuel.

Fund Distribution

Table 28

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	6,119	852	6,099		13,071
2015-16	6,420	899	6,420	-	13,740

Current State and Regional Trends

The State Fiscal Year started off strong with growth in the first quarter of 3.5 percent. This growth was not evenly distributed, as the North Country experienced an increase of 8.9 percent, while Long Island saw collections decrease by 0.8 percent and New York City collections were 5.2 percent higher than the previous year's first quarter.

Statewide, second quarter collections were up 3.4 percent, with less variance among the regions of the State with the exception of the North Country. Western New York sales tax collections grew 4.1 percent while the Finger Lakes had exceptionally less growth of 0.3 percent.

New York City experienced growth in second quarter collections of 4.3 percent, while Long Island collections grew by 2.4 percent. From October through December, State collections experienced growth of 3.7 percent, but excluding New York City and Long Island which grew at 11.7 and 2.8 percent respectively, the fastest growing region was the North Country at 7.4 percent. This growth variation in regions was the greatest year-to-date.

Cumulative State sales tax collections through December have increased by 3.5 percent or $337 million. Sales tax collections for the regions have varied significantly. While Western New York, Finger Lakes, and Long Island have experienced less than average sales tax collection growth, revenues have been the relatively stable.

Table 29

Regional Sales Tax Growth SFY 2014-15				
	April-June	July-Sept.	Oct.-Dec.	**Total**
Western NY	2.3%	4.1%	2.7%	**2.0%**
Finger Lakes	1.2%	0.3%	1.3%	**1.0%**
Southern Tier	2.3%	4.4%	3.7%	**4.9%**
Central NY	3.2%	3.3%	4.7%	**3.5%**
Mohawk Valley	1.2%	3.4%	2.1%	**2.2%**
North Country	8.9%	8.6%	7.4%	**8.4%**
Capital Region	5.3%	2.1%	4.2%	**4.1%**
Mid-Hudson	4.3%	2.2%	6.7%	**3.8%**
NYC	5.2%	4.3%	11.7%	**4.9%**
Long Island	-0.8%	2.4%	2.8%	**0.4%**
Total (Does not include MCTD collections)	**3.5%**	**3.4%**	**3.7%**	**3.5%**

Underlying Economic Conditions

Sales tax collections are driven by the consumption of tangible personal property and some services. Consumption depends on disposable income and one's propensity to consume, which is largely dependent upon their perceived wealth. New York State personal income is the economic variable that most closely impacts consumption trends. The Committee staff expects State personal income growth of 4.5 percent in 2014 followed by growth of 4.7 percent in 2015.

The equity markets are also a useful predictor of future consumption trends. In 2014, the S&P 500 registered growth of 17.5 percent, and the Committee staff expects growth of 6.4 percent in 2015 and 2.8 percent in 2016.

Decentralized Structure of the New York State Sales Tax Base

At four percent, New York State has a relatively low sales tax rate. Other than the five states that do not impose a sales tax, only Colorado, at 2.9 percent, has a lower state sales tax rate. California's 7.5 percent is the highest state sales tax rate. Of the 45 states, plus the District of Columbia and Puerto Rico, that have a sales tax the median rate is six percent, and the average is 5.55 percent.[10]

While the States are the largest taxing governments in the country, there are more than 15,000 taxing authorities across the nation.[11] Most states allow cities, counties and special districts to apply their own sales tax rates, but some states with higher sales tax rates forbid localities from also applying taxes. New York State allows cities, counties and school districts within cities to apply their own sales taxes. In addition, the Metropolitan Commuter Transportation District (MCTD), which covers New York City and seven counties, collects an additional sales tax.

[10] http://www.ncsl.org/research/fiscal-policy/state-sales-and-use-taxes-2013.aspx#About Sales and Use Taxes
[11] http://na.sage.com/erp/resources/~/media/D901CD64F39546569752CC4F9730B358.pdf

While there are only 62 counties in the State, there are 77 different reporting codes or sales tax jurisdictions that impact consumption.[12]

New York State adds another layer of complexity by allowing localities to alter the State's sales tax base. The following provides a list of some notable differences between state and local tax bases.

- New York State only taxes items of clothing and footwear that cost more than $110 per item but only 10 taxing jurisdictions conform to this exemption. [13]

- Qualified Empire Zone Enterprise (QEZE) businesses certified before April 1, 2009 may receive a refund on qualifying purchases from the State, but only seven local jurisdictions allow their taxes to be exempted as well.[14]

- QEZE businesses certified after April 1, 2009 may only receive a State and local sales tax exemption if the locality provides the exemption, and only seven localities choose to do so. [15]

- New York State provides a sales tax exemption for the sales and installation of commercial solar energy systems equipment, but only six localities have opted into the exemption.
    - This creates a unique sales tax rate for systems sold in four cities in Westchester County. The State, the MCTD and Westchester County have exempted commercial solar energy systems, but the cities of Mount Vernon, New Rochelle, White Plains and Yonkers have independently chosen to tax commercial solar panels at a rate of 2.5 percent.[16]

- New York State and the MCTD provide a sales tax exemption for the sales and instillation of residential solar energy systems, but only 23 jurisdictions have chosen to also provide the exemption.
    - Similar to the commercial solar energy exemption, there are seven cities that choose not to provide the sales tax exemption, but the county they reside in does. In addition to the four cities in Westchester, the cities of Rome, Utica and Glens Falls assess a 1.5 percent tax on the sale of solar energy systems.[17]

- In 2006, the State changed the sales tax on qualified motor fuel, highway diesel motor fuel and B20 biodiesel from a percentage tax to a cents-per-gallon tax. Seneca County is

[12] http://www.tax.ny.gov/pdf/publications/sales/pub718.pdf
[13] http://www.tax.ny.gov/pdf/publications/sales/pub718c.pdf
[14] http://www.tax.ny.gov/pdf/publications/sales/pub718qz.pdf
[15] Ibidem
[16] http://www.tax.ny.gov/pdf/publications/sales/pub718cs.pdf
[17] http://www.tax.ny.gov/pdf/publications/sales/pub718s.pdf

the only county that has reduced its tax on motor fuels by adopting the cents-per-gallon tax. The rest of the localities apply a percentage tax on top of the State's cents-per-gallon tax.

- The State does not subject residential energy sources and services to sales tax, but counties, cities and school districts in cities can tax energy sources and services. 55 jurisdictions apply a sales tax to residential gas, propane, electricity and steam. The rates vary from two percent to 7¾ percent. 28 jurisdictions tax coal, fuel oil and wood used for heating; these rates vary from 1½ percent to 4¾ percent.[18]

- The State applies an additional six percent tax on the short-term rental of passenger cars, but within the MCTD, there is an additional six percent supplemental car rental tax.

- New York City applies its local sales tax to many services that the State does not tax. The following are services only New York City taxes:
  - credit-rating and credit-reporting services;
  - beautician, barbering, and hair restoring;
  - tanning;
  - manicure and pedicure;
  - electrolysis; and
  - massage services and services provided by weight control and health salons, gymnasiums, Turkish and sauna baths, and similar establishments.

- Nonresidents of Manhattan pay an 18.375 percent sales tax on parking in Manhattan, while residents of Manhattan and all others who park in the outer boroughs pay a 10.375 percent sales tax.

- New York City provides a sales tax exemption for interior design services, but the State does not.

- New York State authorizes localities to tax local consumption under their own statutes. The State does not collect these taxes, so there are no aggregate estimates of collections from local telecommunication taxes, occupancy taxes, and energy taxes.

- In 2008, New York State expanded its nexus on internet commerce vendors. E-commerce vendors that have affiliates in the State and make sales in excess of $10,000 a year must collect sales tax from their customers and remit payments to the State. In late 2013, the United States Supreme Court refused to hear a case challenging New York State law and therefore upheld the State's expansion of economic nexus.

[18] http://www.tax.ny.gov/pdf/publications/sales/pub718r.pdf

- The Market Place Fairness Act (MFA) that the Senate passed in May of 2013 would allow states to collect sales tax from internet retailers that had more than $1,000,000 in remote sales across the country in one year. However, to collect sales tax from these companies, states must meet one of two conditions: a) they will need to join the Streamlined Sales and Use Tax Agreement (SSUT), or b) they will need to meet some minimum simplification requirements.

- The MFA's minimum simplification requirements would not be currently met by New York State, as it requires states to "provide a uniform sales and use tax base among the State and the local taxing jurisdictions within the State."[19] New York's current decentralized sales tax structure is not conducive to collecting additional revenue under the current MFA.

[19] 113th Congress, 1st Session, S.743, §2(b)(B).

Auto Rental Tax

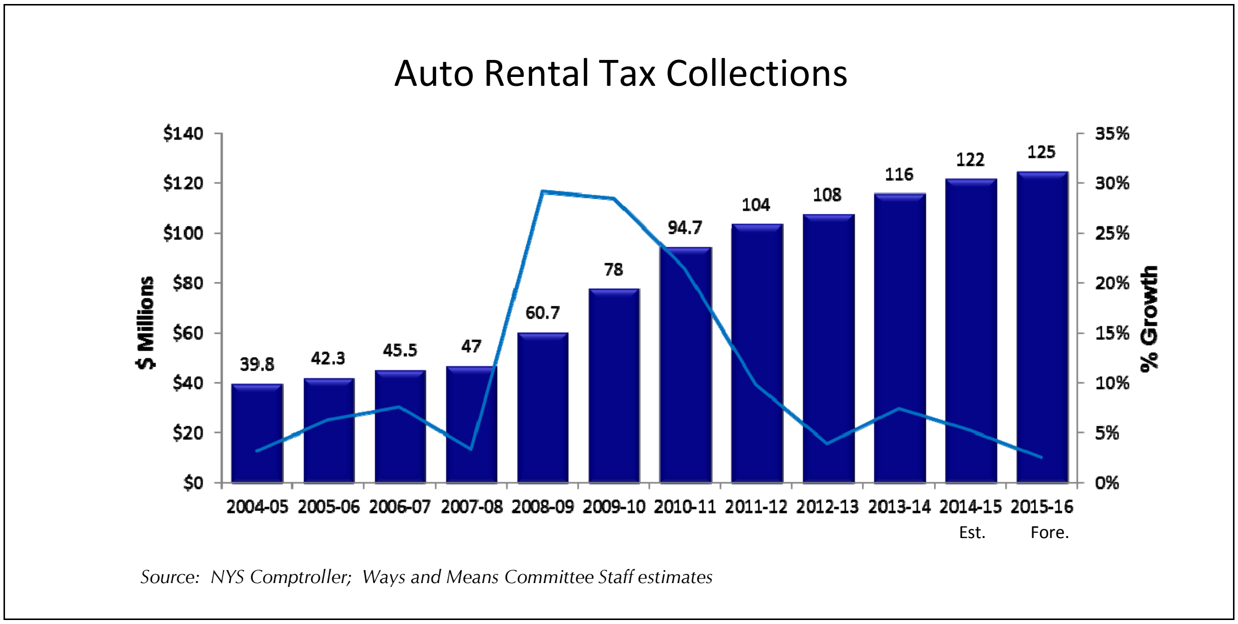


Figure 27

The auto rental tax, imposed by Article 28-A of the Tax Law, applies to the rental of any passenger car with a gross vehicle weight of 9,000 pounds or less that can seat a maximum of nine passengers. The auto rental tax was imposed at a rate of five percent on auto rental charges incurred for use in New Your State from its inception on June 1, 1990 until June 1, 2009; June 1, 2009 the rate increased to six percent statewide. Additionally, on June 1, 2009 a five percent supplemental tax went into effect on auto rentals in the Metropolitan Commuter Transportation District (MCTD). The tax does not apply to leases of one year or more. Since SFY 2002-03 all statewide auto rental receipts are dedicated to the Highway and Bridge Trust Fund. Revenue from the supplemental five percent MCTD Auto Rental tax is dedicated to the Mass Transportation Operating Assistance Fund (MTOA).

Table 30

Auto Rental Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$99	5.6%	$122	6.6%	$119	$3
2015-16			$125	2.6%	$124	$1

Current Trends

Collections through January total $99 million, for growth of 5.6 percent over the same period during SFY 2013-14.

SFY 2014-15

The Committee staff estimates auto rental tax collections to be $122 million in SFY 2014-15, an increase of $8 million or 6.6 percent. The Executive estimates SFY 2014-15 All Funds auto rental tax collections to be $119 million or $3 million below the Committee's estimate.

SFY 2015-16

The Committee staff forecasts collections of $125 million for the auto rental tax in SFY 2015-16 on an All Funds basis. This is growth of 2.6 percent over SFY 2014-15 estimates. The Executive forecasts collections of $124 million or $1 million below the Committee's forecast.

Fund Distribution

Table 31

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15		46		76	122
2015-16	-	47	-	77	125

Underlying Economic Conditions

Auto rental tax collections follow patterns of general spending on leisure and business travel. Robust tourism growth trends in the national and state economy account for the growth in auto rental tax collections.

Executive Budget Proposals

The Executive did not propose any legislative changes that would impact the Auto Rental Tax.

Motor Fuel Tax

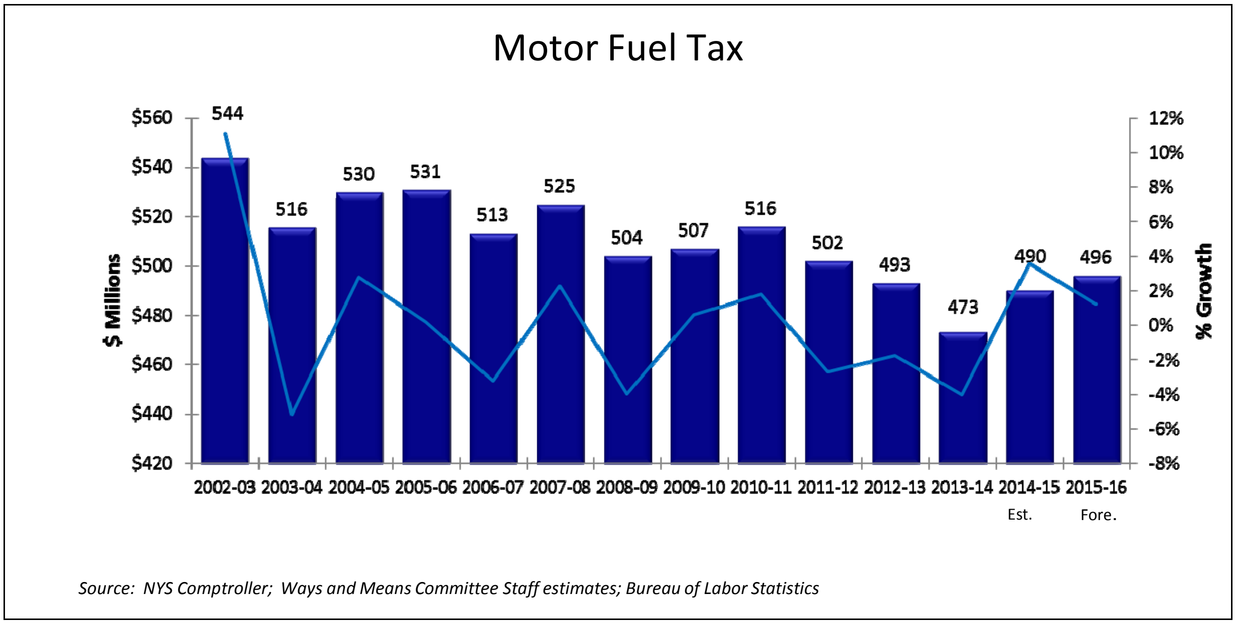


Figure 28

Article 12-A of the Tax Law imposes an eight cents per gallon tax on diesel fuel. Motor fuel and gasoline are taxed at the same eight cents per gallon upon importation or production within New York State. The motor fuel tax has three components: regular tax of four cents per gallon; additional tax of three cents per gallon; and supplemental tax of one cent per gallon. Motor fuel receipts are split between the Highway and Bridge Trust Fund (81.5 percent) and the Dedicated Mass Transportation Trust Fund (18.5 percent). Diesel receipts are split between the Dedicated Highway and Bridge Trust fund (63 percent) and the Dedicated Mass Transportation Trust Fund (37 percent).

Table 32

Motor Fuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$415	4.1%	$490	3.5%	$487	$3
2015-16			$496	1.2%	$484	$12

Current Trends

Collections through January total $415 million, a 4.1 percent increase over the same period in SFY 2013-14.

SFY 2014-15

The Committee staff estimates that Motor Fuel tax collections will reach $490 million in SFY 2014-15, reflecting growth of 3.5 percent. In the remainder of the fiscal year, motor fuel tax collections are expected to increase 0.7 percent over last year.

The Executive estimates an annual increase of 3.0 percent for Motor Fuel Tax receipts for a SFY 2014-15 total of $487 million, or $3 million below Committee's estimate.

SFY 2015-16

The Committee staff's forecast of $496 million representing growth of 1.2 percent is $12 million above the Executive's forecast.

Fund Distribution

Table 33

Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	-	103		387	490
2015-16	-	104	-	391	496

Underlying Economic Conditions

Motor Fuel taxes are generally very stable. The fluctuations can be explained by changes in consumption in gasoline and diesel fuel. Consumption of diesel fuel is estimated as a function of economic activity. As the economy expands the demand for shipping expands, increasing the consumption of diesel fuel. The variation in gasoline consumption is estimated based on the disposable income of consumers as well the price of gas.

Executive Budget Proposals

- Enhance Motor Fuel tax enforcement through requiring wholesalers to file information returns.

Highway Use Tax

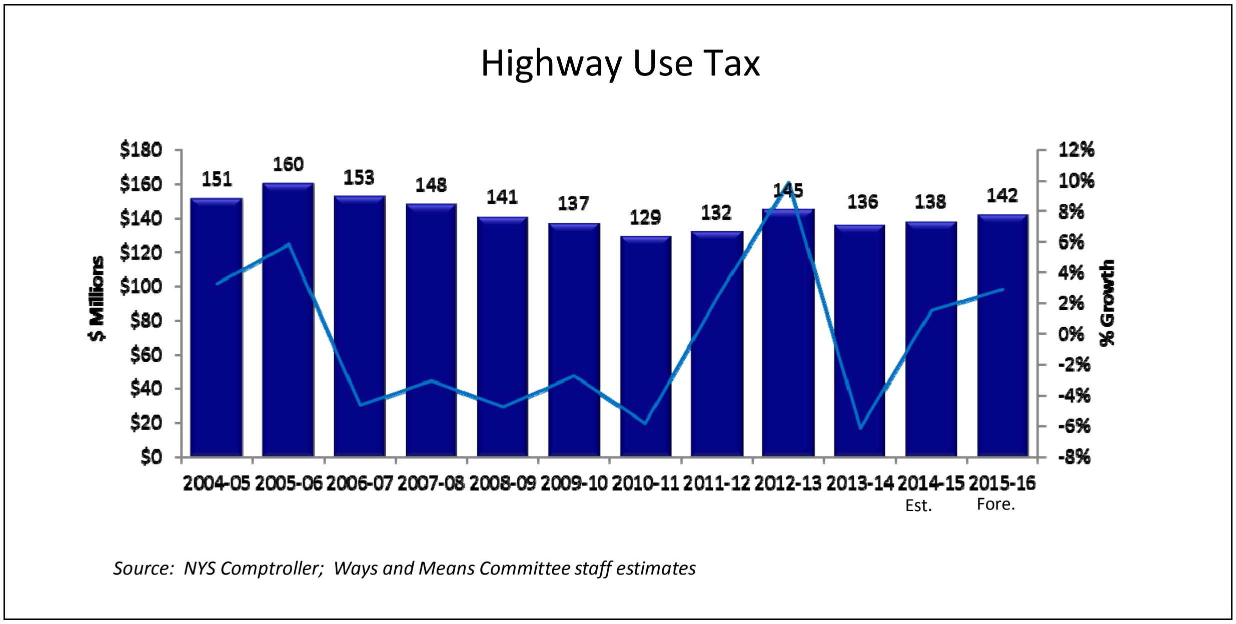


Figure 29

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

The truck mileage tax is levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds, or an unloaded weight over 8,000 pounds for trucks and 4,000 pounds for tractors. The tax is calculated by multiplying the number of miles operated on New York State public highways, excluding miles on State Thruways by the appropriate graduated rate. Rates are indexed according to the gross, laden or unladen weight.

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

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

Table 34

Highway Use Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$120	1.4%	$138	1.3%	$136	$2
2015-16			$142	3.3%	$145	($3)

Current Trends

Through January, HUT collections have increased 1.4 percent to $120 million.

SFY 2014-15

Collections for SFY 2014-15 are estimated to be $138 million, a 1.3 percent increase over the prior fiscal year. This estimate is based on year-to-date collections, tax law changes and the collection patterns over the last five years.

The Executive expects $136 million in HUT collections in SFY 2014-15, $2 million below the Committee staff estimate.

SFY 2015-16

The Committee forecasts HUT collections will increase 3.3 percent to $142 million in SFY 2015-16. This forecast is $3 million below the Executive's forecast of $145 million.

Fund Distribution

Table 35

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15				138	138
2015-16	-	-	-	142	142

Cigarette and Tobacco Taxes

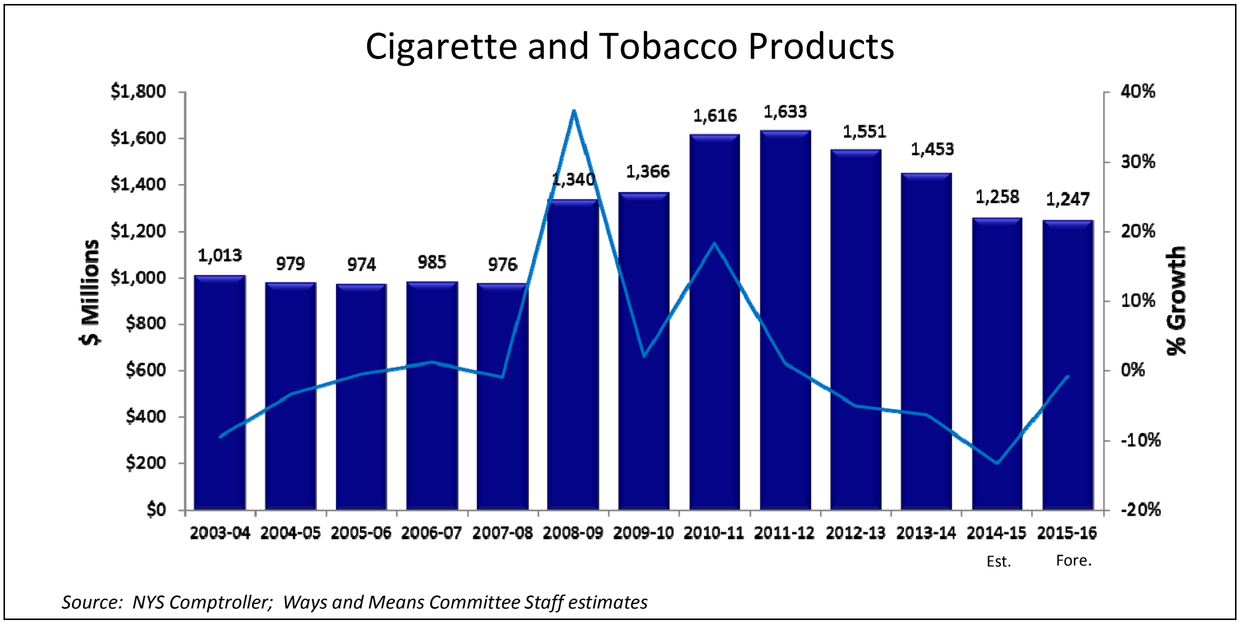


Figure 30

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

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

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

Currently, 76 percent of cigarette and tobacco taxes are distributed to the Health Care Reform Act (HCRA) revenue pool.

Table 36

Cigarette and Tobacco Tax ($ in Millions)							
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$1,142	-10.7%	$1,258	-13.4%	$1,282	($24)
2015-16			$1,247	-0.8%	$1,283	($36)

Current Trends

Year-to-date through January cigarette and tobacco products tax collections are $1.142 billion, a decline of 10.7 percent or $137 million below the same period in SFY 2013-14. This decline in collections is directly linked to a 7.0 percent decline in consumption year-to-date. The decline is likely attributed to: a) a decline in the smoking population; and b) tax avoidance, either through purchasing non-taxed Native American brand cigarettes or purchasing cigarettes outside New York State or perhaps purchasing bootlegged cigarettes.

SFY 2014-15

The Committee staff estimates SFY 2014-15 collections for cigarette and tobacco tax collections to be $1.258 billion, a decrease of $195 million or 13.4 percent. This estimate is based on year-to-date collections and historical collection patterns. The Committee staff estimate is $24 million below the Executive's 2014-15 projection.

SFY 2015-16

The Committee staff's cigarette and tobacco tax receipt forecast for SFY 2015-16 is $1.247 billion, for a decrease of 0.8 percent or $11 million below the SFY 2014-15 estimates. The Executive's Budget forecasts collections to total $1.283 billion in SFY 2015-16 or $36 million above the Committee's forecast.

Fund Distribution

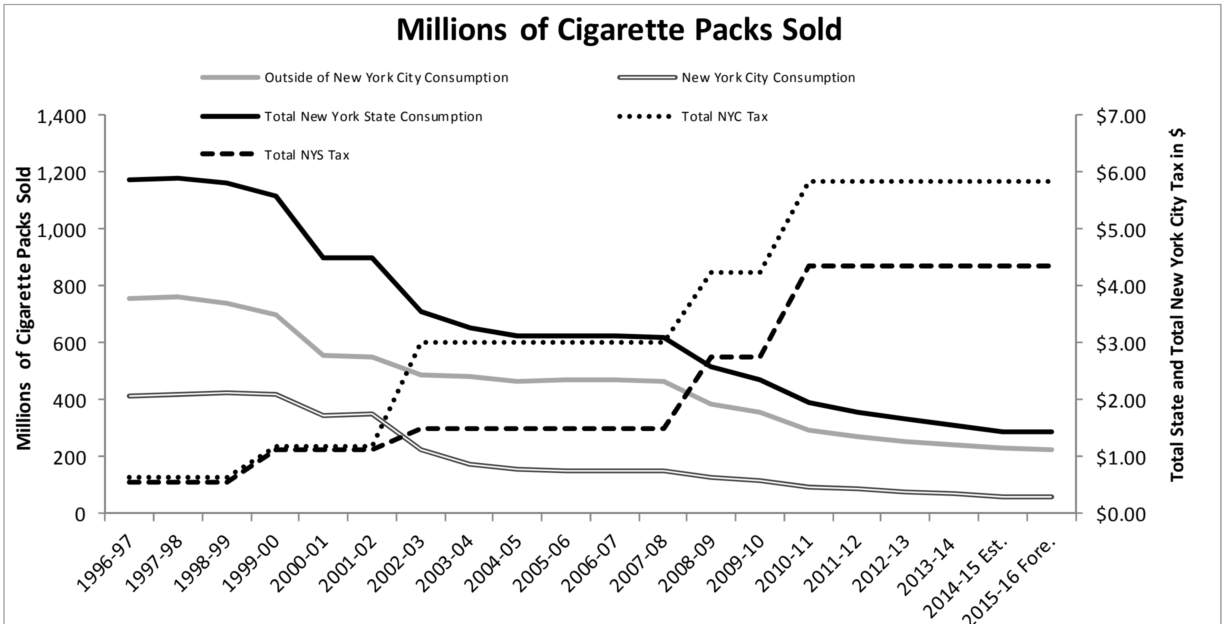
Table 37

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	313	945			1,258
2015-16	358	889	-	-	1,247

Cigarette Consumption

Consumption of cigarettes has declined 74 percent since 1996. However, the impact of these declines on revenue collections was partially offset by a tax rate increase in 2010. Every rate increase has resulted in double-digit declines in consumption, but also in double-digit increases in collections growth.

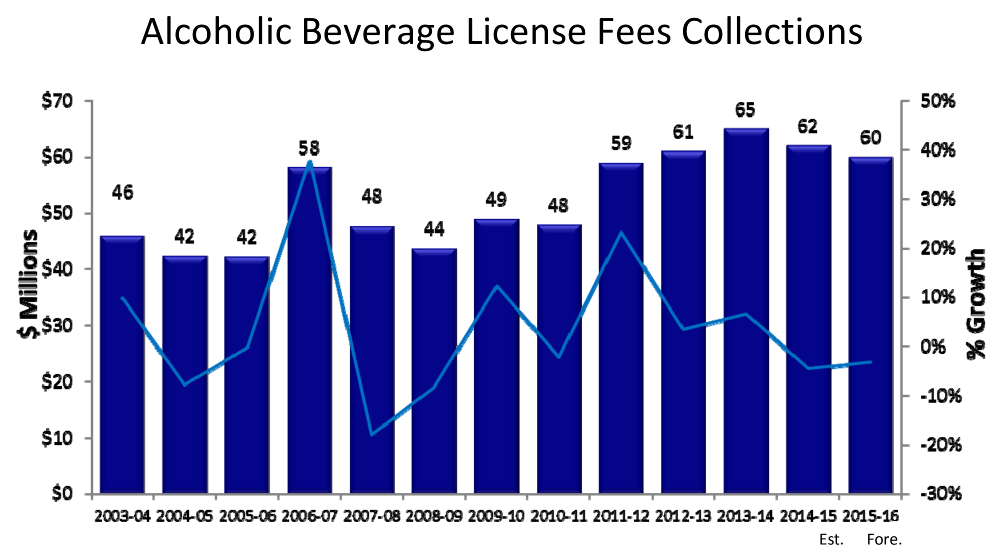
Cigarette taxes have not increased since July of 2010 and the State has seen consistent declines in consumption ever since, as tax increases are not the only factor in decreasing consumption. This pattern of decreasing consumption, without an accompanying rate increase, is likely to result in declines in cigarette and tobacco tax collections in both SFY 2014-15 and SFY 2015-16 offset by increasing enforcement actions and legislative changes to reflect changes in the taxation of tobacco.



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

Figure 31

Alcoholic Beverage Control License Fees



Source: NYS Comptroller; Ways and Means Committee Staff estimates

Figure 32

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

License fees vary according to three major factors:

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

The most expensive licenses are for distillers, which can cost $12,000 a year. There are approximately 48,000 retail outlets in the State and in the most densely populated areas liquor vendors are charged $1,366 annually, but a grocery store selling beer in a rural area of the State is only charged $110 annually.

Table 38

Alcoholic Beverage Control License Fees ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$51	-6.8%	$62	-4.8%	$59	$3
2015-16			$60	-1.8%	$65	($5)

Current Trends

Year-to-date, Alcoholic Beverage Control License Fees collections are $51 million, a decrease of 6.8 percent.

SFY 2014-15

The Committee staff estimates revenues from Alcoholic Beverage Control License Fees at $62 million in SFY 2014-15, for negative growth of 4.8 percent. The Executive Budget estimates collections of $59 million for the fiscal year, $3 million below Committee estimates.

SFY 2015-16

For SFY 2015-16, the Committee staff forecasts collections of $60 million, a decrease of 1.8 percent, $5 million below the Executive's estimates.

Executive Budget Proposals

The Executive did not propose any legislative changes that would impact to the Alcoholic Beverage Control License Fees.

Alcoholic Beverage Tax

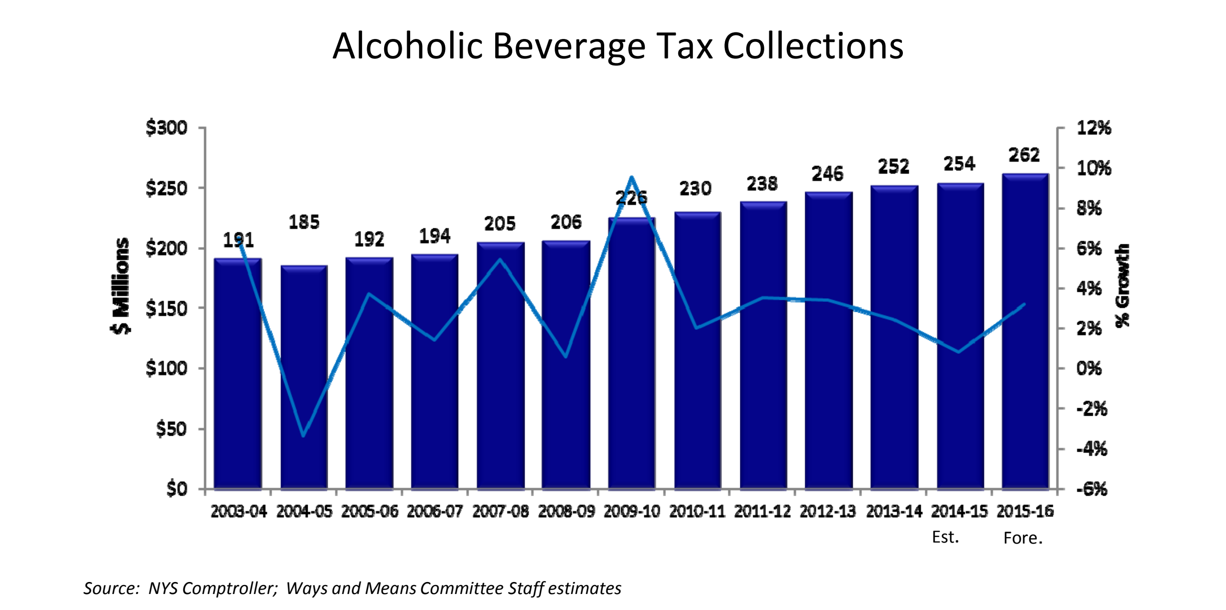


Figure 33

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

Table 39

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

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

Table 40

Alcoholic Beverage Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$220	0.4%	$254	1.8%	$251	$3
2015-16			$262	2.9%	$256	$6

Current Trends

Year-to-date through January, Alcoholic Beverage Tax collections have increased 0.4 percent or $0.8 million on an All Funds basis, for collections of $220 million.

SFY 2014-15

The Committee staff estimates SFY 2014-15 Alcoholic Beverage Tax collections to be $254 million, representing a growth of 1.8 percent over SFY 2013-14. The Executive's Budget estimates SFY 2014-15 Alcoholic Beverage Tax revenues to be $251 million.

SFY 2015-16

The Committee staff forecasts Alcoholic Beverage Tax collections to be $262 million in SFY 2015-16 for growth of 2.9 percent over the 2014-15 projection. The Executive's Budget forecasts SFY 2015-16 collections of $256 million.

Executive Budget Proposals

The Executive did not propose any legislative changes that would impact Alcoholic Beverage Tax revenues.

Seasonal Alcohol Consumption Patterns

Alcohol beverage taxes are assessed on distributors when they purchase alcoholic beverages for sale in the State. Distributors then have a month to remit payment of the taxes to the State. By removing the one month lag from revenue receipts and averaging SFYs 2010-11 through 2012-13, seasonal consumption patterns can be identified.

Alcohol consumption patterns display seasonal trends. On average people purchase the least amount of all types of alcohol in the month of January. This could be a mix of a genuine decrease in consumption, but also reflective of the peak during the December holiday season. Consumption rises through the spring and it peaks in June. The most pronounced increase in monthly consumption is in sparkling wine. The conclusion of another school year and its accompanying graduation celebrations, as well as the start of summer, entice people to consume sparkling wines. Beer consumption peaks in the summer, but as temperatures decrease, so does beer consumption. The arrival of Thanksgiving and the end of the year holidays are accompanied with increased alcohol consumption, and again sparkling wine shows the most seasonal variation. NYS tax receipts are greatest in January when distributors have to remit tax payments for sales made in the previous month.

Business Taxes

Table 41

Business Taxes Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2014-15	Growth	Diff. Exec.	SFY 2015-16	Growth	Diff. Exec.
Business Taxes	**$7,770**	**-5.9%**	**(7)**	**$8,132**	**4.7%**	**(11)**
Corporate Franchise	2,925	-23.3%	(42)	4,625	58.1%	(24)
Utility Tax	787	-1.4%	14	802	2.0%	(3)
Insurance Tax	1,524	5.5%	-	1,605	5.3%	1
Bank Tax	1,378	31.2%	5	(10)	-100.7%	-
Petroleum Business Tax	1,157	0.2%	17	1,110	-4.1%	15

Corporate Franchise Tax

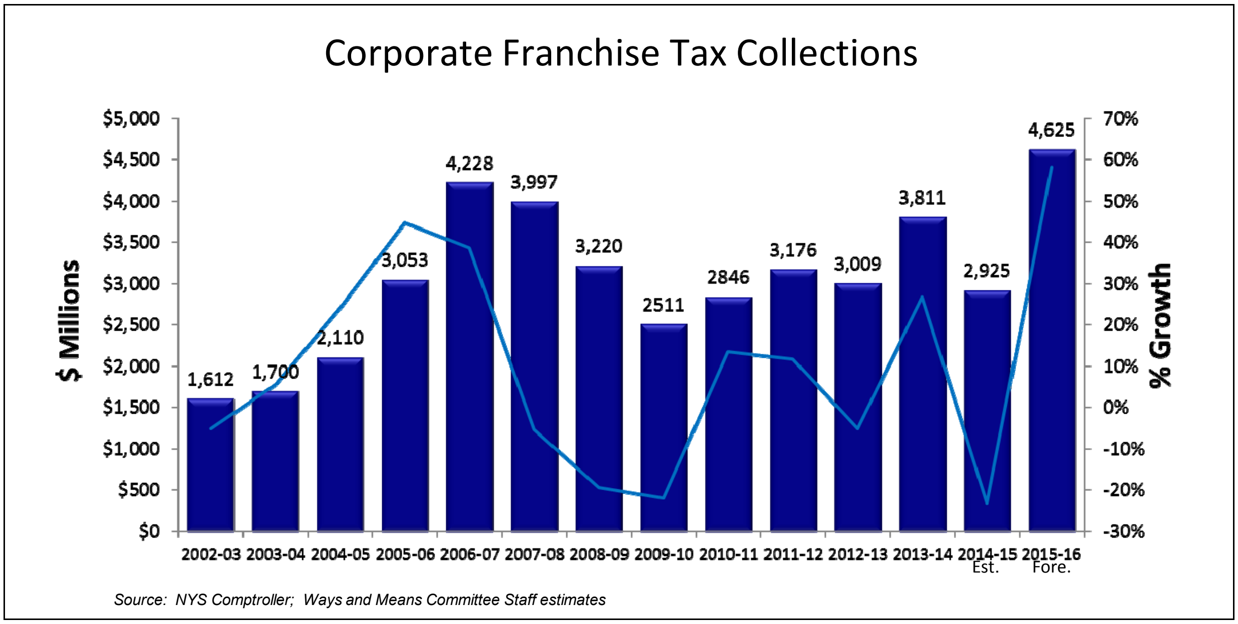


Figure 34

Article 9-A taxes are imposed on every domestic or foreign corporation for the privilege of exercising its corporate franchise, of doing business, of employing capital, of owning or leasing property, or of deriving receipts from activity in New York.

The corporate franchise tax is imposed in two parts:

1. For tax year (TY) 2015, in general, corporations will pay the highest of the following three alternative bases:

    - 7.1 percent of business income allocated to New York (set to decline to 6.5 percent in TY 2016);
    - 0.15 percent of allocated business capital, subject to a maximum of $5 million (set to phase down to 0 percent through TY 2021); or
    - a fixed dollar minimum tax, which ranges from $25 to $200,000 and is based upon the amount of New York receipts.

Plus

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

Table 42

Corporate Franchise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$1,918	-20.0%	$2,925	-23.3%	$2,967	($42)
2015-16			$4,625	58.1%	$4,649	($24)

Current Trends

All Fund cumulative collections through January are $1.918 billion, down 20.0 percent or $478 million from prior year collections. Audit collections are down $267 million compared to the previous fiscal year. This along with higher refunds account for a large portion of the decline; without audits, the underlying growth is 17.4 percent.

Refunds for the first ten months of this fiscal year were $872 million, an increase of $313 million compared to the previous year.

SFY 2014-15

The Committee staff expects SFY 2014-15 corporate franchise tax collections to reach $2.925 billion, a decrease of 23.3 percent over the previous fiscal year. To reach this level of collections, growth is expected to further decline by to negative 28.9 percent over the same period last year.

The Executive is projecting SFY 2014-15 collections of $2.967 billion, a decrease of 22.2 percent. At $42 million below the Committee staff's estimate, collections would have to decrease by 25.9 percent for the remainder of the fiscal year to reach the Executive's estimate.

SFY 2015-16

The Committee staff expects corporate tax receipts to increase by 58.1 percent, or $1.700 billion, to $4.625 billion. The staff's SFY 2015-16 forecast is $24 million below the Executive's forecast of $4.649 billion. The sharp increase in collections is due to the merging of Bank Tax into the Corporate Franchise Tax as enacted with the SFY 2014-15 budget.

The following provides an overview of current tax rates for businesses together with more details on the Executive's proposal to decrease rates for small businesses.

Small Businesses & Manufacturers

Recognizing the importance of small businesses and manufacturers for jobs and wage growth in the State, Tax Law provisions allow for preferential tax rates on business income. Under current law the following table provides an overview of current tax rates on Business Income:

Type of Business	Tax Year 2014	Tax Year 2015	Tax Year 2016	Tax Year 2017	Tax Year 2018
Qualified NY Manufacturer	0%	0%	0%	0%	0%
Qualified Emerging Technology Company	5.9%	5.7005%	5.4990%	5.4990%	4.875%
Small Businesses	6.5%	6.5%	6.5%	6.5%	6.5%
Remaining Taxpayers	7.1%	7.1%	6.5%	6.5%	6.5%

The 2014 Budget eliminated the income tax on manufacturers while it reduced to 6.5 percent, from 7.1 percent, the tax rate on all other businesses, including small businesses, effective with tax year 2016.

Executive Proposal for Small Businesses

Even when the tax rate on all businesses was 7.1 percent, small businesses with income less than $290,000 were taxed at a rate of 6.5 percent, with a graduated rate for those over $290,000 but below $390,000. The Executive proposes to reduce the tax rate on small businesses income to 2.5 percent over three years. Therefore, for taxable years beginning with 2018 if business income is less than $290,000 the income tax rate will be 2.5 percent. The rate will progressively reach 6.5 percent as business income reaches and exceeds $390,000.

Fund Distribution

Table 43

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	2,394	531	-	-	2,925
2015-16	3,860	765	-	-	4,625

All corporate franchise tax receipts are deposited into the General Fund except for the MCTD surcharge, which is deposited into the MTOA Special Revenue Fund. In SFY 2014-15, the Committee expects General Fund receipts to total $2.492 billion.

In SFY 2015-16, the Committee staff expects growth of 61.2 percent in General Fund collections reaching $3.860 billion.

Audits

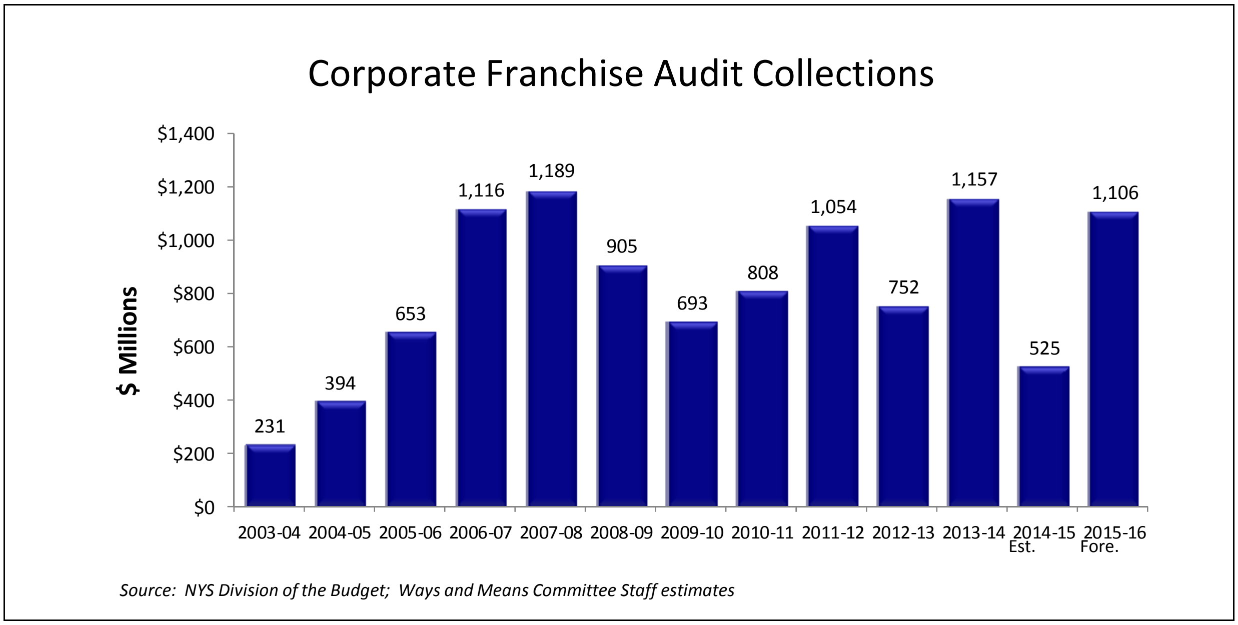


Figure 35

The above chart reviews audit collections for the period SFY 2003-04 to SFY 2015-16. Audit collections through January are $496 million down $267 million from the prior year. The Executive estimates SFY 2014-15 audits to be $525 million. Audits are expected to rise to $1.106 billion in SFY 2015-16.

Executive Budget Proposals

- Require commercial production tax credit economic impact report
- Amend Excelsior Tax Credit qualifying business language to include certain entertainment companies
- Reform the Investment Tax Credit provided for master tapes
- Create the Urban Youth Jobs Program tax credit
- Reduce the net income tax on small businesses
- Create the Employee Training Incentive Program tax credit
- Extend and Reform the Brownfield Cleanup Program

- Amend corporate tax reform statute for technical changes
- Implement New York City corporate tax reform
- Combine the DOA biennial information statement and tax return filings and repeal $9 DOA fee
- Establish the Education Tax Credit
- Amend the Alternative Fuel Vehicle Refueling Property and Electric Vehicle Recharging Credit to allow the credit for costs not covered by grants.

The following table outlines key changes enacted with the 2014-15 Corporate Tax Reform.

Corporate Reform Highlights, 2014-15

Unification of Article 32 (Bank Tax) payers with Article 9-A (Corporate Tax)

Nexus and Income Definitions

- Economic nexus is expanded to include deriving receipts in NYS (at least $1 mill) even if no physical presence or fulfillment service exists;
- Business income will include foreign source income if it is effectively connected with the U.S.;
- Eliminates current exemption of income from subsidiary capital and 50 percent of dividends from non-subsidiaries;
- Investment income definition is narrowly defined to include gains and losses from investments in non-unitary businesses;
- Investment income will be exempt from tax and deductions for interest expenses will be disallowed (taxpayer may deduct expenses by adding back 40 percent of otherwise non-taxable investment income).

Tax Bases and Rates

- Eliminates Article 9-A alternative minimum tax (AMT) and all Article 32 tax bases;
- Separate tax on subsidiary capital is eliminated and Capital Base Tax is phased out through 2021;
- Two bases:
  - Business income
  - Fixed dollar minimum (FDM)
- Increases the top FDM to $200,000 from the current $5,000;
- Reduces the top rate from 7.1 percent to 6.5 percent;
- Capital assets tax will be based on net assets (were on gross for banks) and is capped at $350,000 for manufacturers (as currently) and $5 million for all others (up from $1 million);

Apportionment/Sourcing

- Financial institutions may elect to either identify source of income based on customer location or elect to treat 8 percent of all taxable financial income as net income.
- Taxable receipts for service and digital products will be based on customer's location, instead of location of service.

Combined Reporting

- Makes subsidiaries and affiliates more likely to be combinable (taxable) by tightening current ownership requirements (more than 50 percent);
- Simplifies the combination rule by repealing inter-corporate transactions;
- Makes un-combinable (exempt) entities (alien corporations, over-capitalized insurance) subject to combined reporting;
- Allows taxpayer to make irrevocable 7-year election for combined return;

Net Operating Losses (NOLs)

- Conform to 20-year Federal carry forward and allow a 3 year carryback;
- Repeals strict Federal NOL conformity rules by allowing taxpayer to fully apply NOL irrespective of Federal NOL amount or source year;
- NOLs can be used to reduce liability to the max of capital or FDM liability with the excess carry forward;
- NOLs incurred prior to 2015 will be converted into a NOL conversion pool (on 2014 allocations and rates) and 10 percent of such amount from NOL pool can be used in each year over the next 20 years. Alternatively they can use ½ of the subtraction pool in 2015 and 2016.

MTA Surcharge

- Makes permanent;
- Increases rate to 24.5 percent from 17 percent currently, and reduces the tax base while preserving revenue neutrality;
- Conform MTA surcharge calculation to current law.

Bank Tax

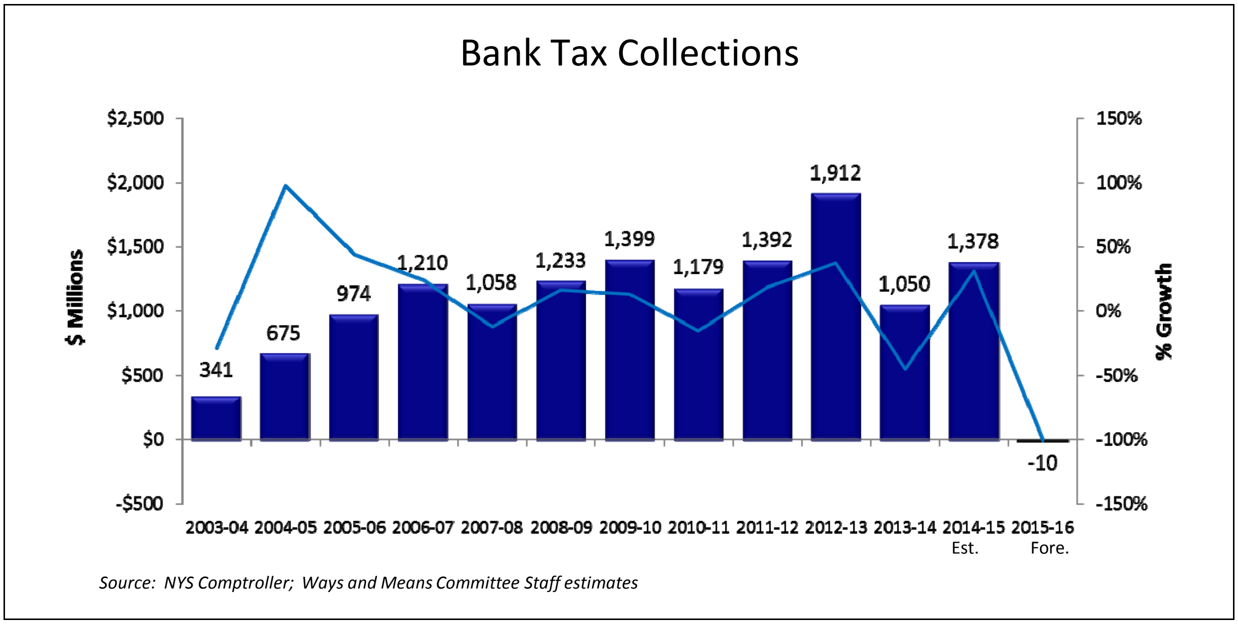


Figure 36

Corporate Tax Reform enacted with the SFY 2013-14 budget merged the Bank Tax (Article 32) and the Corporate Franchise Tax into a uniform Article 9-A. This created system of taxing banking and non-banking corporations in New York State. Such a shift was predicated by the federal enactment of the Gramm-Leach-Bliley Act of 1999 (GLBA). Also known as the Financial Services Modernization Act, GLBA repealed the Glass-Steagall Act of 1933 and dissolved the regulatory barrier preventing the combination of commercial banking and investment-type banking institutions and practices. Between GLBAs passage and New York's Corporate Tax Reform, Banking corporations acting in combination with non-banking financial institutions could have had some subsidiaries being taxed under Article 9-A and others under Article 32. These two Articles differed in many ways including but not limited to apportionment of income, tax bases and rates, and nexus and income definitions.

For the remainder of the state fiscal year, receipts from corporations once subject to Article 32 of the Tax Law will be accounted for in the newly reformed Corporate Franchise Tax. For an explanation of how the new Article 9-A is collected, please see the Corporate Franchise Tax section of this document.

Table 44

Bank Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$1,305	70.1%	$1,378	31.2%	$1,373	$5
2015-16			-$10	-100.7%	($10)	$0

Current Trends

Through January, bank tax collections are up $538 million or 70.1 percent over the last fiscal year to total $1.305 billion.

The year-to-date increase is primarily the result of increased audit collections. Substantial audit collections in May and June helped to drive year-to-date audit collections to $657 million. This represents 50.3 percent of total All Funds Bank Tax collections. May and June's audit receipts alone are higher than any year-end total audit activity. Without audits, underlying bank tax collections have decreased 3.4 percent over last year's underlying growth, which saw its own substantial declines.

SFY 2014-15

The Committee staff expects bank tax collections to be $1.378 billion this fiscal year, an increase of $328 million or 31.2 percent from last year. To meet the staff's estimate, bank collections will have to decline 74.3 percent over the remainder of the year.

This sharp year-end decline can be attributed to March's estimated payments being accounted for in Article 9-A collections. Banks with fiscal years ending December 31 are subject to a mandatory first installment payment in March representing 40 percent of the previous year's liability as well as estimated payments based on projected current year liability.

The Committee's estimate is $5 million above the Executive's of $1.373 billion.

SFY 2015-16

The Committee staff expects bank collections to be negative $10 million in SFY 2015-16. This is the same as the Executive and representative of the repeal of the Bank Tax and the imposition of the Corporate Franchise Tax on banking corporations.

Fund Distribution

Table 45

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	1,192	186	-	-	1,378
2015-16	(38)	28	-	-	(10)

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

In SFY 2014-15, the Committee staff expects General Fund receipts of $1.192 billion. In SFY 2015-16 the Committee expects General Fund to total negative $38 million.

Audits

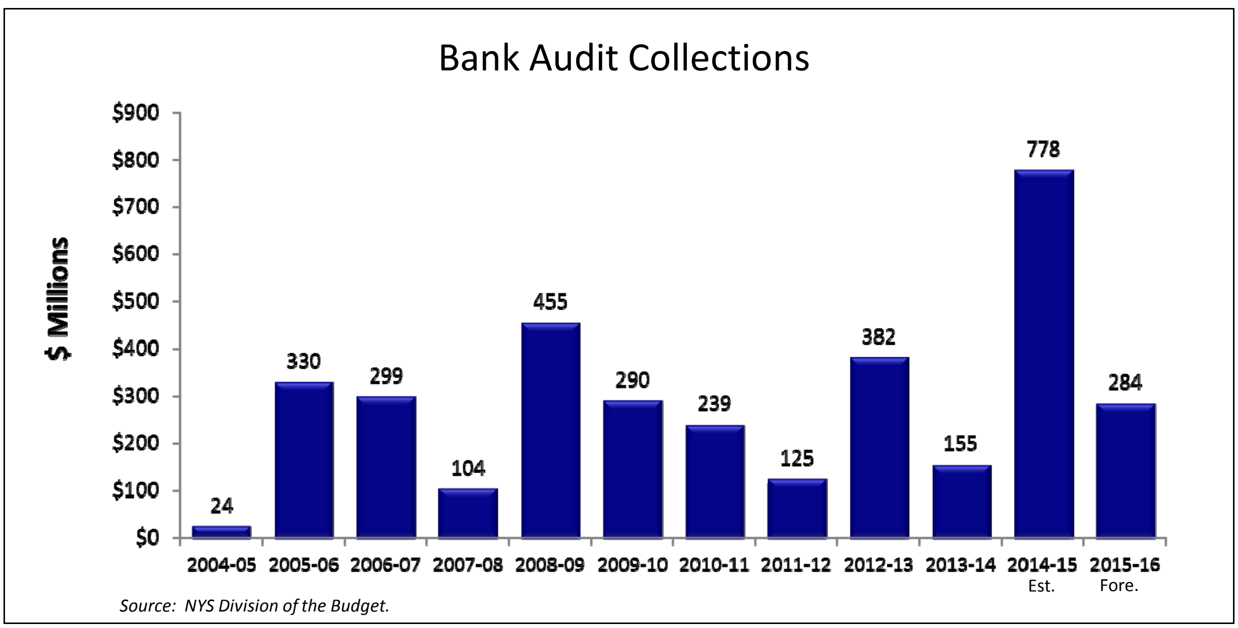


Figure 37

Cumulative audit collections are up $561 million over the same period last year to $657 million. When excluding audits from collections, underlying growth is negative 3.4 percent. The Executive estimates $778 million in audits for SFY 2014-15 and forecasts $284 million for SFY 2015-16.

Insurance Tax

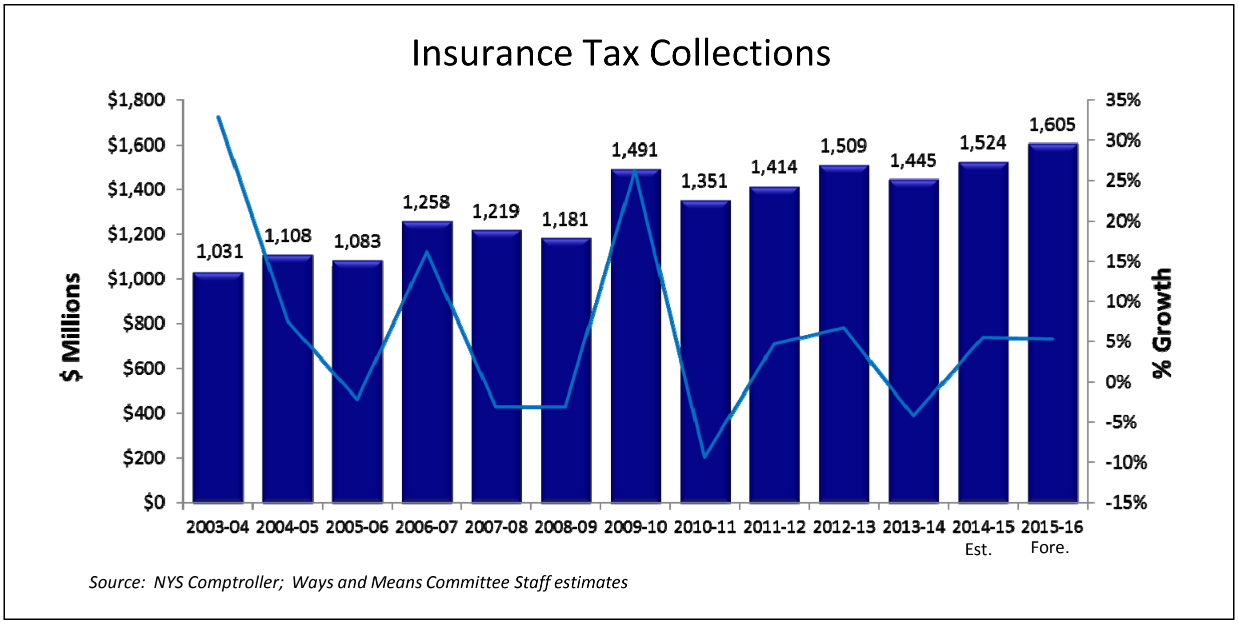


Figure 38

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

Article 33 of the Tax Law imposes a tax on insurance companies for the privilege of operating in a corporate form in New York State. The calculation of the tax liability and rates vary by type of insurer as illustrated below:

Life Insurers

The greater of:

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

Four Alternative Bases of Tax for Life Insurers – Insurance Calculation

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

4. $250.
5. Plus 0.08 million for each dollar of allocated subsidiary capital.

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

Non-Life Insurers

1. 1.75 percent of premiums written on risks assigned to New York State for Accident and Health insurers; or,
2. 2.0 percent of premiums written on risks assigned to New York State for Property and Casualty insurers.

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

Table 46

Insurance Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$899	5.2%	$1,524	5.5%	$1,524	$0
2015-16			$1,605	5.3%	$1,604	$1

Current Trends

Year to date collections are $899 million, an increase of $45 million or 5.2 percent compared to the prior fiscal year.

SFY 2014-15

The Committee staff expects collections to equal $1.524 billion in SFY 2014-15 which matches the Executive's estimate of $1.524 billion. The Committee staff expects remaining SFY 2014-15 collections to be 6.0 percent over the previous fiscal year. The Executive expects Article 33 audits to bring in $26 million this fiscal year.

SFY 2015-16

The Committee staff expects insurance collections to be $1.605 billion in SFY 2015-16, an increase of $81 million or 5.3 percent from the current fiscal year, $1 million over the Executive's forecast.

Fund Distribution

Table 47

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	1,370	154	-	-	1,524
2015-16	1,434	171	-	-	1,605

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

In SFY 2014-15, the Committee projects General Fund receipts to reach $1.370 billion. In SFY 2015-16 the Committee staff projects the General Fund to increase $64 million to $1.434 billion.

Executive Budget Proposals

- Extend and reform the Brownfields Cleanup Program.

- Establish the Education Tax Credit.

Corporate Utility Tax

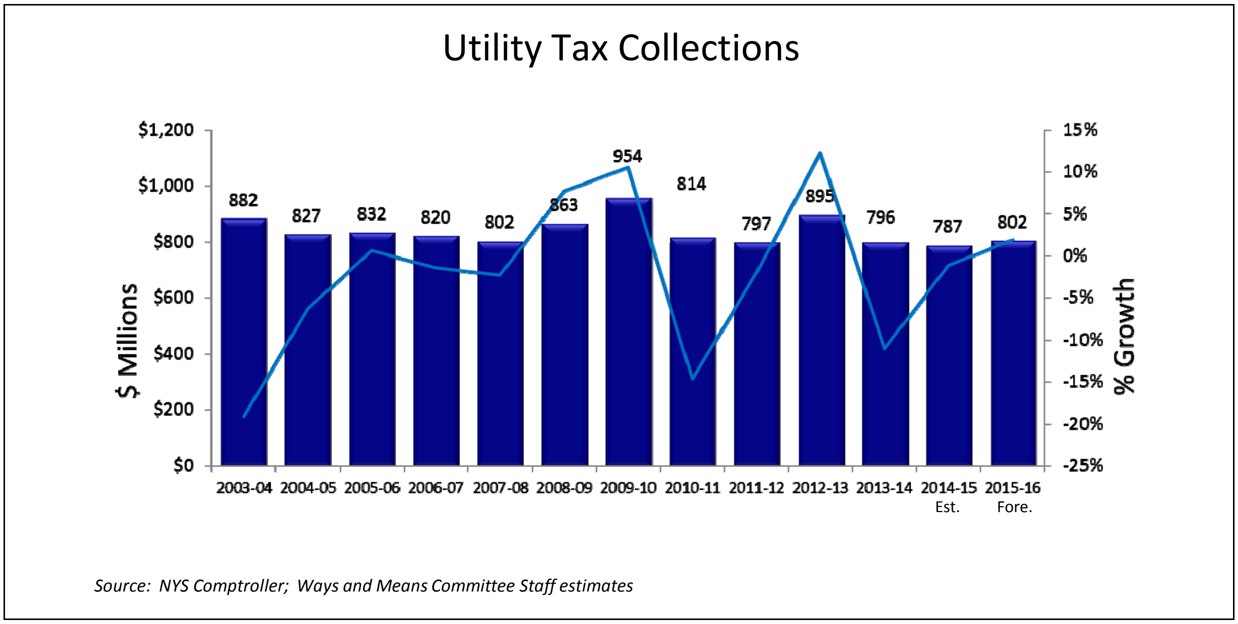


Figure 39

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

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

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

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

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

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

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

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

Table 48

Utility Tax
($ in Millions)

	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$477	-2.3%	$787	-1.4%	$773	$14
2015-16			$802	2.0%	$805	($3)

Current Trends

Through January, cumulative utility tax collections have decreased $11 million or 2.3 percent to total $477 million.

SFY 2014-15

The Committee staff expects collections for SFY 2014-15 to be $787 million, a decrease of 1.4 percent or $11 million from the previous fiscal year. This is $14 million above the Executive estimate. The Committee staff expects collections for the remainder of the year to be 0.1 percent lower than the last fiscal year.

Last fiscal year audit collections for Article 9 taxes were $56 million. The Executive expects audit collections to be $25 million this fiscal year.

SFY 2015-16

The Committee staff expects utility tax collections to increase by $15 million or 2.0 percent to a level of $802 million in SFY 2015-16. The Executive is expecting $805 million for the next fiscal year, an increase of 4.1 percent.

Fund Distribution

Table 49

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	600	171	-	15	787
2015-16	617	170	-	15	802

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

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

For SFY 2014-15, the Committee staff expects General Funds to total $600 million. The Committee staff expects Special Revenue Funds for SFY 2014-15 at $171 million, while Capital Projects Funds are estimated to total $15 million total.

For SFY 2015-16, the Committee staff expects General Funds to increase to $617 million. The Committee staff expects Special Revenue Funds for SFY 2015-16 to increase to $170 million, while Capital Projects Funds are forecast to be $15 million.

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

Executive Budget Proposals

- Levy taxes under Tax Law Sections 184 and 184-a on wireless telecommunications businesses

- Extend and reform the Brownfields Cleanup Program

- Impose sales tax refund requirements on Article 9 taxpayers

- Amend the Alternative Fuel Vehicle Refueling Property and Electric Vehicle Recharging Credit to allow for costs not covered by grants.

Petroleum Business Tax

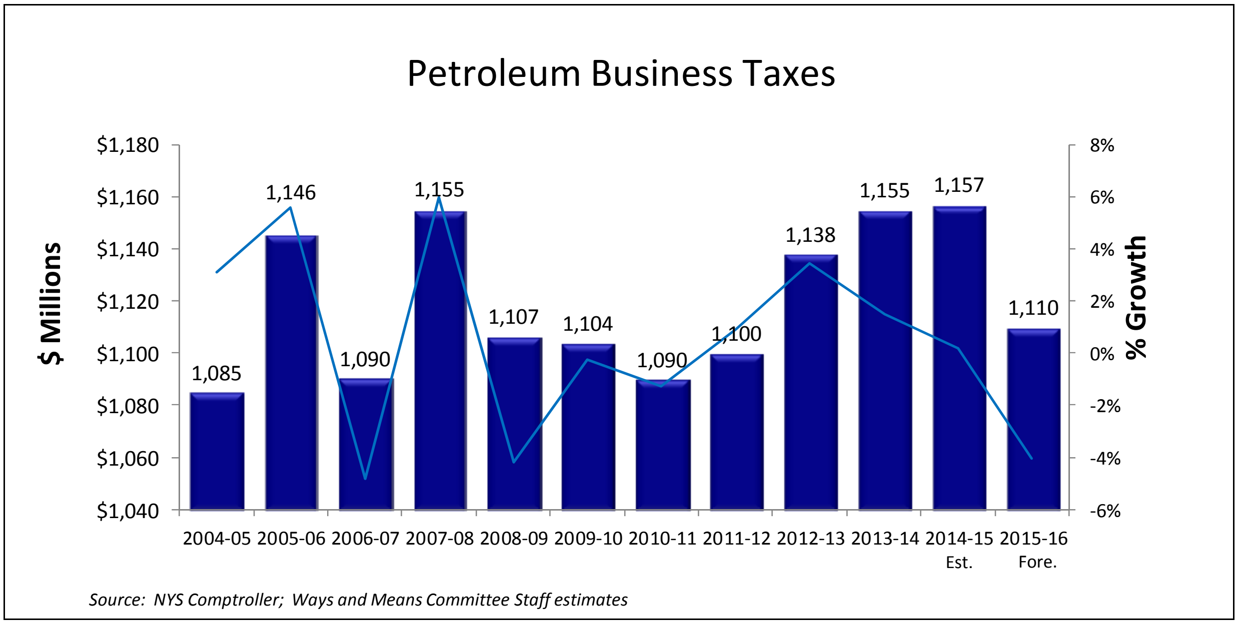


Figure 40

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

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

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

Table 50

Petroleum Business Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$984	1.1%	$1,157	0.2%	$1,140	$17
2015-16			$1,110	-4.1%	$1,095	$15

Current Trends

Through January, PBT collections have increased $10 million or 1.1 percent to $984 million.

SFY 2014-15

The Committee staff expects collections for SFY 2014-15 to be $1.157 billion, an increase of 0.2 percent or $2 million from the previous fiscal year. This is $17 million above the Executive's estimate. The Committee staff expects collections for the remainder of the year to be 4.6 percent lower than the last fiscal year. PBT rates are expected to be lowered by 3.8 percent starting January 1, 2015.

SFY 2015-16

The Committee staff expects PBT collections to decrease by $47 million or 4.1 percent to a level of $1.110 billion, $15 million above Executive estimates. PBT rates are expected to decrease by their maximum allowable amount of 5.0 percent on January 1, 2016.

Fund Distribution

Table 51

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15		515		642	1,157
2015-16	-	493		616	1,110

Underlying Economic Conditions

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

Executive Budget Proposals

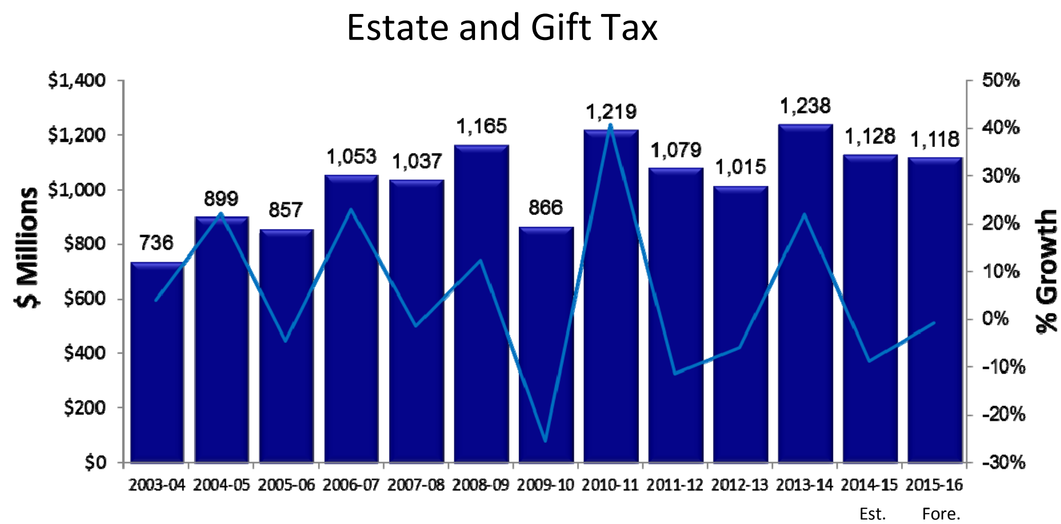
- Allow PBT refunds for farm use of highway diesel
- Enhance motor fuel tax enforcement.

Other Taxes

Table 52

Other Taxes Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2014-15	Growth	Diff. Exec.	SFY 2015-16	Growth	Diff. Exec.
Other	**$3,419**	**1.4%**	**(49)**	**$3,532**	**3.3%**	**34**
Estate and Gift	1,128	-8.9%	(41)	1,118	-0.9%	13
Real Estate Transfer	1,009	10.7%	(11)	1,049	4.0%	12
Pari Mutuel	18	5.9%	0	18	0.0%	0
Payroll Tax	1,263	4.9%	3	1,347	6.7%	10

Estate Tax



Source: NYS Comptroller; Ways and Means Committee Staff estimates

Figure 41

Article 26 of the Tax Law imposes a tax on the transfer of property upon death. Commonly known as the estate tax, Article 26 imposes a graduated rate structure on the value of estates in excess of one million dollars. The tax applies to New York residents and nonresidents who own real estate or tangible personal property located in New York. All of the receipts from this tax are deposited into the General Fund. Estate taxes must be filed and payments made within nine months of the decedent's death.

In 1997, legislation was enacted which phased-in a reduction of New York's Estate Tax making the tax liability equal to the Federal credit for state estate taxes paid. New York automatically paralleled State law to the unified credit provisions specified in Federal Law but capped the maximum credit at $1 million. However, the Federal "Economic Growth and Tax Relief Reconciliation Act of 2001" repealed the credit for state estate taxes. In order to avoid a massive loss of revenues at a time of fiscal pressure, New York amended the State law such that New York's Estate Tax is equal to the Federal credit as it existed in 1998. Therefore New York is not affected by the "2012 Federal Taxpayer Relief Act", passed in 2013 to avoid the "fiscal cliff", which made permanent the Federal estate tax exemption of $5 million while indexing said exemption to inflation.

With the enactment of the 2014-15 Budget the State has decoupled from Federal Law and the unified $1 million threshold has been replaced with an applicable credit equal to the tax on a basic threshold amount equal to $2,062,500 for those dying in SFY 2014-15 increasing to $5,250,000 from April 1, 2017 to December 31, 2018. The basic threshold will equal the Federal threshold amount with annual indexing for those dying on or after January 1, 2019.

Table 53

Estate and Gift Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$978	-9.3%	$1,128	-8.9%	$1,169	($41)
2015-16			$1,118	-0.9%	$1,105	$13

Current Trends

Estate and gift tax receipts through January have totaled $978 million, for negative growth of 9.3 percent over the same period in SFY 2013-14.

SFY 2014-15

The Committee staff projects receipts will total $1.128 billion in SFY 2014-15, which is 8.9 percent or $110 million below total collections for SFY 2013-14. The Committee staff's SFY 2014-15 projection calls for a decline in Estate and Gift tax receipts of 6.1 percent during the remainder of the fiscal year. The Committee staff's SFY 2014-15 estimate is $41 million below the Executive's SFY 2014-15 Budget projection of $1.169 billion.

SFY 2015-16

The Committee staff's year-over-year growth in Estate and Gift tax collections for SFY 2015-16 is negative 0.9 percent or $10 million for a total of $1.118 billion. The Committee staff's forecast for SFY 2015-16 is $13 million above the Executive's Budget projection of $1.105 billion.

Fund Distribution

Table 54

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	1,128	-	-	-	1,128
2015-16	1,118	-	-	-	1,118

The following table provides an overview of reforms enacted with the 2014-15 budget.

Estate Tax Reform

The State Fiscal Year (SFY) 2014-15 Enacted Budget reformed the estate tax by progressively increasing the exclusion thresholds as well as conforming to the Federal level and other provisions by 2019.

Exclusion Thresholds

The maximum NYS estate tax exclusion threshold is to be increased annually as described below.

Exclusion Thresholds		
4/1/14	4/1/15	$2,062,500
4/1/15	4/1/16	$3,125,000
4/1/16	4/1/17	$4,187,500
4/1/17	1/1/19	$5,250,000

Therefore, the basic exclusion threshold will equal the Federal threshold amount with annual indexing to the consumer price index for those dying on or after January 1, 2019.

Marginal Tax Rates

The enacted reforms maintained the existing tax rate schedule with a top rate of 16 percent effective for estate values over $10.1 million.

Applicable Credit Amount and Taxes on Estates Below and Above the Exclusion Threshold

The enacted reform provides for an *applicable credit amount* that will be applied against taxes owed. In particular:

1) **No taxes owed:** a credit equal to the taxes owed will be applied for those estates valued under the applicable exclusion threshold. For example, when the exclusion threshold increases to $5.25 million, taxes owed for any estate valued less than $5.25 million will be equal to zero;

2) **Five percent Phase-Out of Credit**: if the estate value exceeds the estate exclusion threshold by an amount that is less than or equal to five percent, then the applicable credit amount will be subtracted from taxes owed. That credit amount will progressively approach zero as the estate value reaches five percent over $5.25 million or a value of $5.512 million. Therefore, at an estate value of $5.512 million taxes owed will be $452,300, or $402,800 plus 12 percent of the excess of $5.512 million over $5.1 million. The effective tax rate on such an estate is 8.2 percent, or $452,300 divided by $5.512 million.

For an estate valued over $5.512 million, taxes owed will be calculated on the entire value of the estate.

Underlying Economic Conditions

The Committee staff model for forecasting Estate Tax revenues depends on the value of the S&P 500. Since most taxable estates have significant stock holdings, this variable serves as a proxy for the overall value of estates. As the value of the stock market fell in SFY 2008-09, estate tax collections followed suit. Likewise, as the market began to recover so did collections. The S&P 500 finished calendar year 2014 with 17.5 percent average growth. The Committee staff forecasts growth of 6.4 percent for 2015 followed by expected growth of 2.8 percent in 2016. Significant risks to Estate Tax collections include the uncertainty of, and dependence on, the passing of very wealthy individuals. Since these events are not directly related to any economic trends, our model utilizes qualitative variables to account for collections stemming from abnormally large estates.

Executive Budget Proposals

The Executive's SFY 2015-16 Budget proposes technical corrections to the SFY 2014-15 enacted estate tax reform provisions.

Real Estate Transfer Tax (RETT)

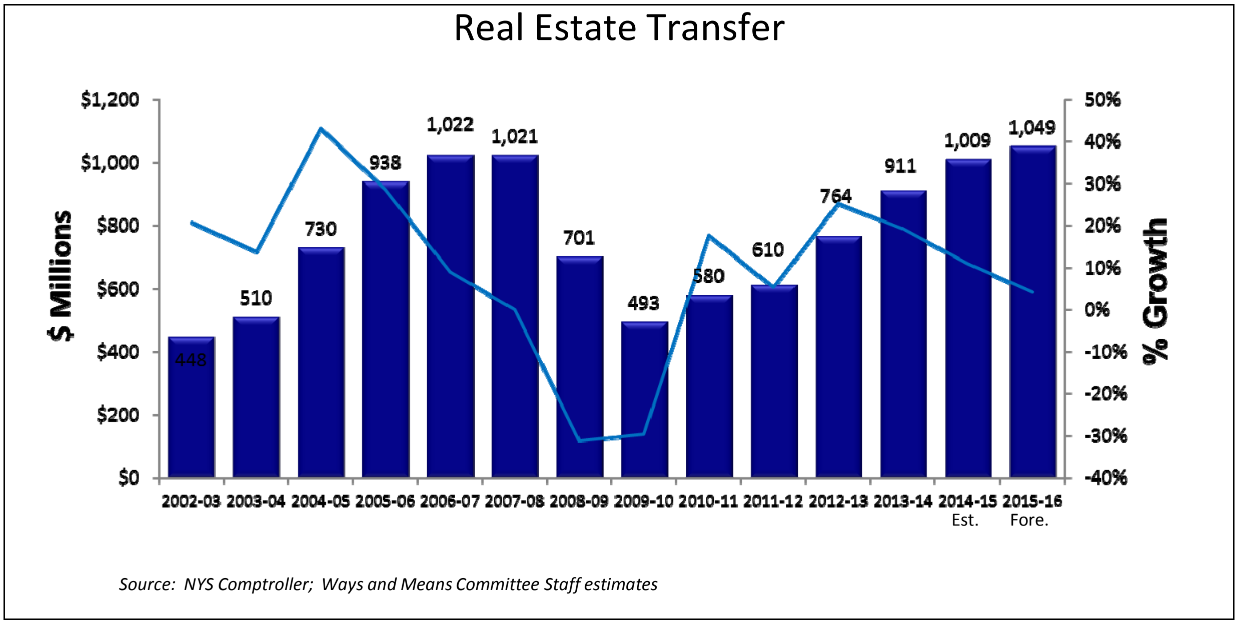


Figure 42

Article 31 of New York State Tax Law levies a two dollar per $500 or 0.4 percent tax on real property transfers in excess of $500. The tax also applies to transfers of economic interest such as shares in cooperatively owned apartments. An additional tax of one percent, referred to as the "mansion tax" is levied on the transfer of one, two, or three-family residences over one million dollars. Typically, the party conveying the property (grantor) is liable for the additional one percent mansion tax, where applicable. The tax is collected at the local level. All payments are due to the recording agent within 15 days of transfer. The transfer of funds to the State Tax Commissioner is dependent upon the liability; counties with more than $1.2 million in liability during the previous calendar year must submit payment twice per month (on the 10th and 25th), all other counties must remit receipts by the 10th of the following month following the receipt of the RETT payment.

Table 55

Real Estate Transfer Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$872	12.5%	$1,009	10.7%	$1,020	($11)
2015-16			$1,049	4.0%	$1,037	$12

Current Trends

Through January, Real Estate Transfer Tax (RETT) collections have increased 12.5 percent or $97 million over the same period in SFY 2013-14.

SFY 2014-15

The Committee staff anticipates RETT receipts will total $1.009 billion in SFY 2014-15. This represents growth of 10.7 percent over SFY 2013-14. The Executive estimates RETT receipts will total $1.020 billion, or $11 million above Committee staff estimates. The Committee staff's closeout estimate is based on year-to-date collections and collection patterns over the past five years.

SFY 2015-16

The Committee projects RETT receipts will total $1.049 billion in SFY 2015-16 for a year-over-year growth of 4.0 percent, a more moderate rate as activity levels off. The staff's projection is $12 million above the Executive's forecast.

Fund Distribution

Table 56

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15		-	890	119	1,009
2015-16	-	-	930	119	1049

The 2010-11 budget decreased the share of RETT revenue that is to be deposited into the Environmental Protection Fund from $199.3 million to $119.1 million. The remaining share is to be deposited into the Clean Water/Clean Air Fund (CW/CA) for Debt Service. When the CW/CA obligation is paid, the excess revenue is transferred to the General Fund.

Underlying Economic Conditions

New York State's Real Estate Transfer Tax receipts are heavily dependent on the real estate market in both New York City and Long Island. Historically, New York City accounts for over 50 percent of real estate transfer tax receipts, while Long Island accounts for approximately 15 percent. Key components of New York State's Real Estate Transfer Tax receipts are commercial properties as well as high-end co-op and condominiums in New York City. Monthly market data show that fourth quarter year-over-year sales in the Manhattan real estate market from 2014 to 2013 has increased 14.6 percent.[20] In Brooklyn, average sales have increased by 2.6 percent in the fourth quarter of calendar year 2014, while average sales in Queens rose by 15.5 percent. Long Island's housing market has showed price stability with median sales prices unchanged over the prior year quarter.

New York State housing market gained some momentum in the final quarter of 2014. New York City's co-op and condo market showed continued strength. The apartment sales volume was down from exceptionally high levels, but selling prices were up moderately. Rental vacancy rates, however, have risen slightly across the state. The commercial real estate markets was mixed with stronger growth in the fourth quarter.[21]

Executive Budget Proposals

The Executive has proposed no actions impacting the Real Estate Transfer Tax.

[20] Prudential Douglas Elliman Real Estate, (2014), Quarterly Survey of Manhattan Co-op & Condo Sales, http://www.elliman.com/reports-and-guides/reports/new-york-city/4q-2014-brooklyn-sales/3-556.
http://www.elliman.com/reports-and-guides/reports/new-york-city/4q-2014-manhattan-sales/1-554

[21] Federal Reserve Board. (2015). Summary of Commentary on Current Economic Conditions. Retrieved January 2015. http://www.federalreserve.gov/monetarypolicy/beigebook/beigebook201501.htm?new_york

Pari-mutuel

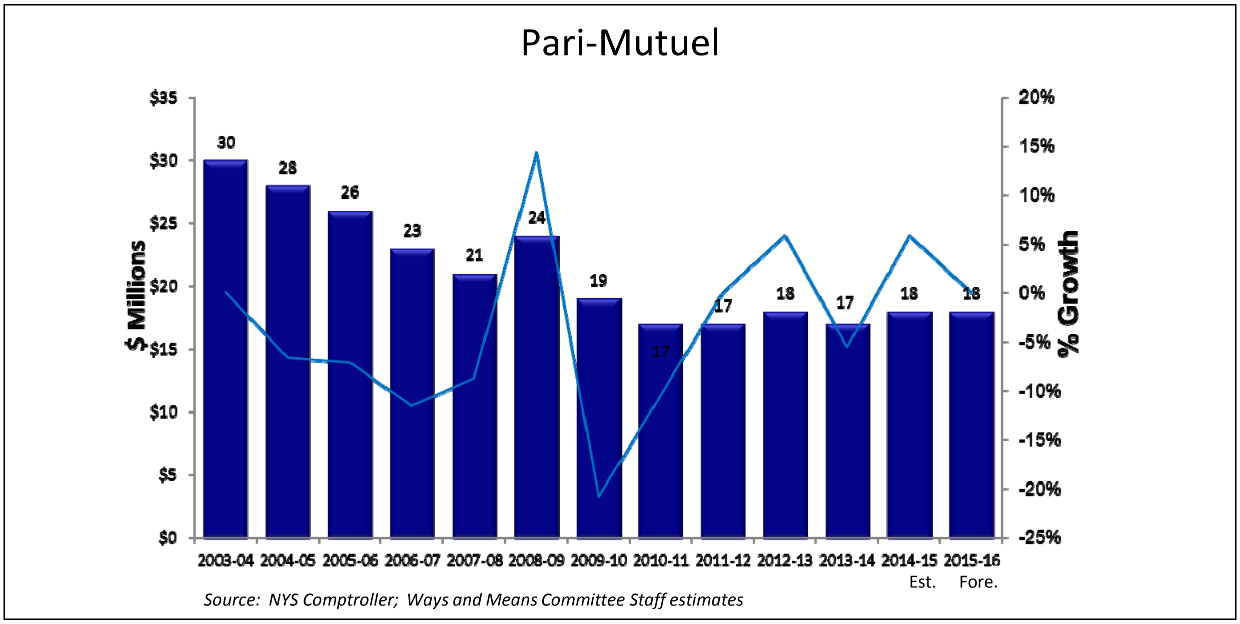


Figure 43

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

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

Table 57

Pari-Mutuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$16	11.3%	$18	5.9%	$18	$0
2015-16			$18	0.0%	$18	$0

Current Trends

Through January, pari-mutuel tax receipts have increased by 11.3 percent for a total of $16 million over the same period in SFY 2013-14.

SFY 2014-15

The Committee staff's estimates pari-mutuel receipts will total $18 million in SFY 2014-15. The staff's projection mirrors the Executive's.

In the 2014 Revenue Report projections, the staff estimated pari-mutuel receipts would total $18 million in SFY 2014-15. Since the inception and continued success of Resorts World at Aqueduct in October of 2011, the racino has provided additional activity in horse racing, while providing the New York Racing Association (NYRA) with significant collections from their thoroughbred racing activity.

SFY 2015-16

The Committee staff forecast for SFY 2015-16 is $18 million, representing no growth from SFY 2014-15. The Committee's forecast mirrors the Executive's forecast for SFY 2015-16. The lack of growth is largely representative of an industry that has relatively stabilized after continued declines in revenue throughout the years.

Fund Distribution

Table 58

Fund Distribution ($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2014-15	18	-	-	-	18
2015-16	18	-	-	-	18

Underlying Economic Conditions

Pari-mutuel receipts have steadily decreased over the past 20 years. On a larger scale, the overall decline in pari-mutuel gambling is believed to be related to increased competition from other forms of gambling (e.g. traditional lottery has continued to be marketed, the large success of Video Lottery Terminals (VLT), as well as out of state casinos siphoning business from NYS racinos). Concern that the closure of NYC's OTB in December of 2010 would negatively impact pari-mutuel receipts was unfounded, because this did not occur as NYRA was successful in marketing other venues. Notably, Resorts World at Aqueduct was able to assume many of New York City's OTB patrons.[22]

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

Executive Budget Proposal

- The Executive's SFY 2015-16 Budget proposes to extend the current disbursement of simulcasting revenue for an additional year which would otherwise expire in 2015 and result in a tax increase on winnings.

- The Executive proposes to extend the term of the Reorganization Board of the New York Racing Association, Inc. for an additional year. This proposal extends the existing term limit from three to four years.

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

MTA Payroll Tax

Article 23 of the Tax Law levies a payroll tax percent on all employers, including the self-employed, within the Metropolitan Commuter Transportation District (MCTD). The MCTD includes New York City as well as Nassau, Suffolk, Westchester, Rockland, Orange, Dutchess, and Putnam counties. The revenues from this tax are deposited into the Mass Transportation Operating Assistance Fund (MTOAF) for the benefit of the Metropolitan Transportation Authority (MTA). Exemptions to the MTA Payroll Tax include: an employer that is an agency or instrumentality of the United States; the United Nations; an interstate or international agency or public corporation; all elementary and secondary schools, effective April 2012; and proprietors earning $50,000 or less, effective December 2012, formerly $10,000 or less.

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

Table 59

Metropolitan Commuter Transportation Mobility Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$1,012	3.6%	$1,263	4.9%	$1,260	$3
2015-16			$1,347	6.7%	$1,337	$10

Current Trends

Through January, MTA payroll tax collections have increased $36 million or 3.6 percent to $1.012 billion.

SFY 2014-15

The Committee staff expects collections for SFY 2014-15 to be $1.263 billion, an increase of 4.9 percent or $59 million from the previous fiscal year. This is $3 million above the Executive's estimate. The Committee staff expects collections for the remainder of the year to be 10.3 percent higher than the last fiscal year.

SFY 2015-16

The Committee staff expects MTA Payroll tax collections to increase by $84 million or 6.7 percent to a level of $1.347 billion in SFY 2015-16. The Executive is expecting $1.337 billion for the next fiscal year, $10 million below the Committee staff estimate.

Fund Distribution

Table 60

Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2012-13	-	1,263	-	-	1,263
2013-14	-	1,347	-	-	1,347

Executive Budget Proposals

- Amend the Personal Income Tax and MTA Mobility Tax statues for technical changes.

Lottery

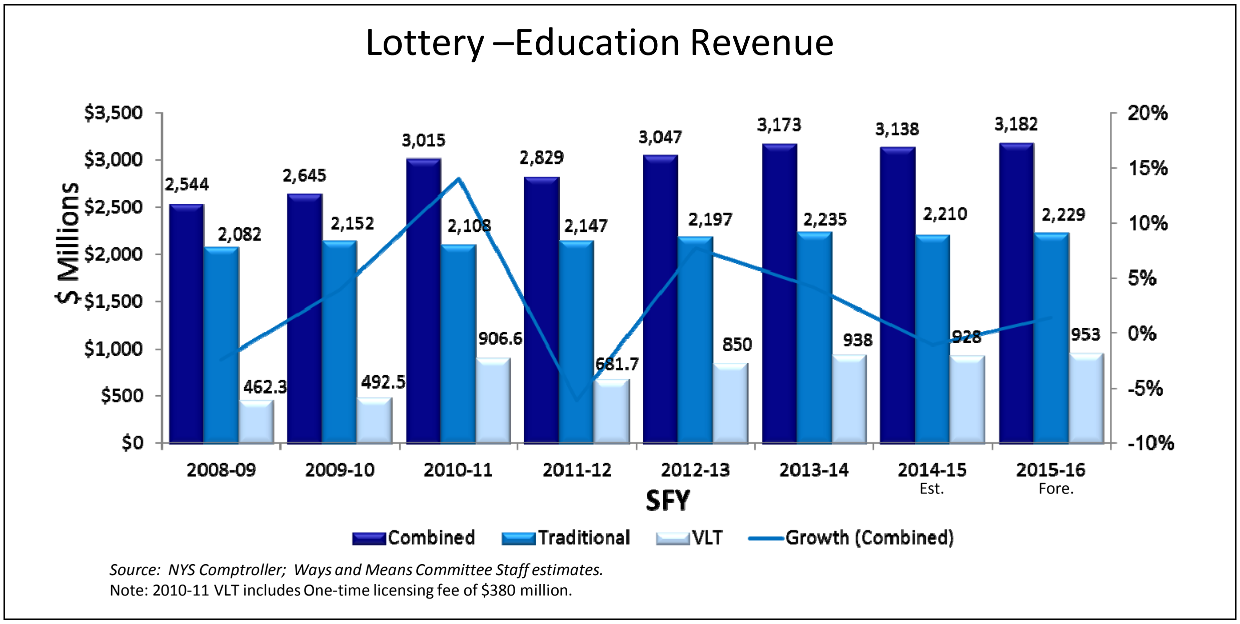


Figure 44

The New York State Lottery was established via Constitutional Amendment in 1976 for the express purpose of raising revenues for education. A percentage of sales from each game are dedicated to fund education, where most games dedicate between 15 and 45 percent of sales to education. Fifteen percent of revenue from traditional lottery sales is placed into a special revenue account to cover the administrative costs of the Division of Lottery; any unused administrative aid is deposited into the Lottery Education Fund.

Similarly to traditional lottery games, a percentage of the nets machine income (revenue after payout of prized) are dedicated to education. Video Lottery Terminals (VLTs) collectively in SFY 2011-12 VLT facilities dedicated 46.8 percent of their net machine income (NMI) to education. Depending on the revenue generated by the individual facilities, between three and four percent of NMI used for administrative purposes.

Table 61

Lottery ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2014-15	$2,213	-3.3%	$3,138	-1.1%	$3,092	$46
2015-16			$3,353	6.8%	$3,342	$11

Current Trends

Through January, combined Lottery (Traditional and VLTs) revenue has decreased by $75 million or 3.3 percent to $2.213 billion when compared to the same period in SFY 2013-14.

SFY 2014-15

The Committee staff estimates Lottery receipts will total $3.138 billion for a decrease of 1.1 percent or $35 million over SFY 2013-14. The staff's estimate is $71 million above the Executive's estimate.

The Committee staff estimates traditional lottery receipts will total $2.210 billion for a decrease of 1.1 percent over SFY 2013-14. While the Committee staff estimates VLT receipts will total $928 million for a decrease of 1.0 percent. As for traditional lottery games, the only games to experience significant growth are Quick Draw and Instant Games (Scratch-Offs), at 5 and 11 percent respectively. Instant 65 games have witnessed a y-t-d decrease of 5.8 percent, while Instant 75 games have been host to 16.8 percent y-t-d growth. All other traditional games have experienced negative year-to-date growth. Multi-state lottery games such as Mega Millions and Powerball have seen significant year-to-date decreases in revenue due to lower jackpots than previous years. Mega Millions revenue has decreased 22 percent year-to-date, while Powerball revenue has decreased 43 percent year-to-date.

Revenue from the multi-state lottery game Mega Millions is strongly correlated with the build-up of the jackpot level. There have been seven winning drawings year-to-date in SFY 2014-15. The largest winning jackpot level was $321 million in November 2014. Year-to-date in SFY 2014-15 the average jackpot level is $150 million. Year-to-date in SFY 2013-14, there were eight winning drawings, the largest winning jackpot level was $636 million. Total receipts from the Mega Millions game are expected to equal $107 million in SFY 2014-15. The Executive estimates receipts from Mega Millions to total $110 million.

Similar to Mega Millions, revenue from the multi-state lottery game Powerball is heavily reliant on jackpot levels. Year-to-date Powerball has had eight winning drawings, with the largest winning jackpot reaching $257 million. Year-to-date in SFY 2014-15 the average jackpot level is $150 million. When compared to year-to-date SFY 2013-14, there were eight winning drawings, where the largest winning jackpot level was $600 million. Revenue receipts from Powerball are expected to total $99 million in SFY 2014-15. The Executive estimates receipts from Powerball to total $102 million.

Growth of Video Lottery Terminal receipts in SFY 2014-15 are expected to be modest. The only Video Lottery Terminals that have realized year-to-date growth are Resorts World at Aqueduct and Batavia Downs Gaming, of 5.6 percent and 3.2 percent respectively. While Resorts World at Aqueduct continues to demonstrate growth, it is beginning to level off since it began operating in SFY 2011-12. The growth at Batavia Downs Gaming is likely attributable to recent renovation and expansion efforts that offered a new sports bar, three new restaurants, and an expanded gaming floor with the addition of 91 new video lottery terminals.

The facility to experience the largest decline in SFY 2014-15 is Hamburg Gaming at the Fairgrounds. Year-to-date growth at Hamburg Gaming at the Fairgrounds shows a decline in Net Machine Income (NMI) of 14.4 percent. This decline is explained by increasing competition from the Seneca Nation who operates the Seneca Niagara Resort & Casino, the Seneca Buffalo Creek Casino, and the Seneca Allegany Resort & Casino. In addition, recent State-Tribal compact re-agreements with the Seneca Nation, enforcing the exclusivity zones, expressly forbid any ability for Hamburg Gaming at the Fairgrounds to offer any other form of gambling entertainment.

SFY 2015-16

The Committee staff projects the combined total in Lottery revenue, including casino revenue of $171 million, will be $3.353 billion, representing growth of 6.8 percent or $214 million over SFY 2014-15. The staff's estimate is $11 million above the Executive's estimate. The staff anticipates that traditional lottery revenue receipts will total $2.229 billion, an increase of 0.9 percent over SFY 2014-15. The staff anticipates that VLT receipts will total $953 million, an increase of 2.6 percent over SFY 2014-15.

Traditional lottery receipts in SFY 2015-16 are expected to be mixed with the only game to experience any significant growth being Quick Draw, with a growth of 7.4 percent. The decline in year-over-year growth of Quick Draw is attributable to the conclusion of retail expansion. Multi-state lottery games such as Mega Millions and Powerball are expected to return to normal levels, as the large year-over-year decrease realized in SFY 2014-15 was a result of historically high jackpot levels in SFY 2013-14. SFY 2015-16 will also be the first full-year phase in of the Cash 4 Life game.

Video Lottery Terminal revenue receipts are likely to continue to decline at many of the smaller facilities, albeit it at a modest rate. Resorts World at Aqueduct is likely to maintain year-over-year growth. Legislation in the SFY 2015-16 Executive Budget proposes to expand forms of gaming permissible at existing video lottery terminal facilities, which if enacted could spur facilities to expand gaming floors. As part of the 2013 Upstate New York Gaming Economic Development Act, an Off-Track Betting facility is authorized to establish a video lottery terminal facility in Long Island which when fully functional will contribute to video lottery terminal receipts in SFY 2015-16.

Underlying Economic Conditions

Overall, growth in Lottery receipts is premised on VLT receipts as Traditional Lottery games (Lotto, Take 5, Instant 65 and 75, etc.) have been flat or declining while receipts from the multi-state (Mega Millions and Powerball) games have been mixed, with growth dependent on jackpot size. With passage of recent legislation allowing casino expansion as part of the SFY 2013-14 Executive Budget, existing VLT facilities may consider expanding while new gaming facilities may begin development in Upstate New York. In addition to the aforementioned legislation, as part of the exclusivity agreements made with Tribal operated casino facilities, existing VLT facilities are required to no longer market themselves as casinos; as a result the Hamburg Gaming at the Fairgrounds VLT facility in particular has witnessed continued declines in patronage. Casino expansion is likely to draw significant revenue from existing VLT facilities that either do not opt to convert, or do not have the ability to as per exclusivity agreements.

Executive Budget Proposals

- The Executive proposes to extend the video lottery gaming vendor’s capital awards program for one year.

- The Executive proposes to extend certain pari-mutuel tax rates and simulcast provisions for one year.

- The Executive proposes to extend the term of the Reorganization Board of the New York Racing Association, Inc. for an additional year. This proposal extends the existing term limit from three to four years.

- The Executive proposes to expand electronic gaming offerings at Video Lottery Gaming Facilities. The proposal expands the definition of “video lottery gaming” to include clarification that games that combine elements of chance and skill are permissible.

Miscellaneous Receipts

Miscellaneous Receipts – All Funds

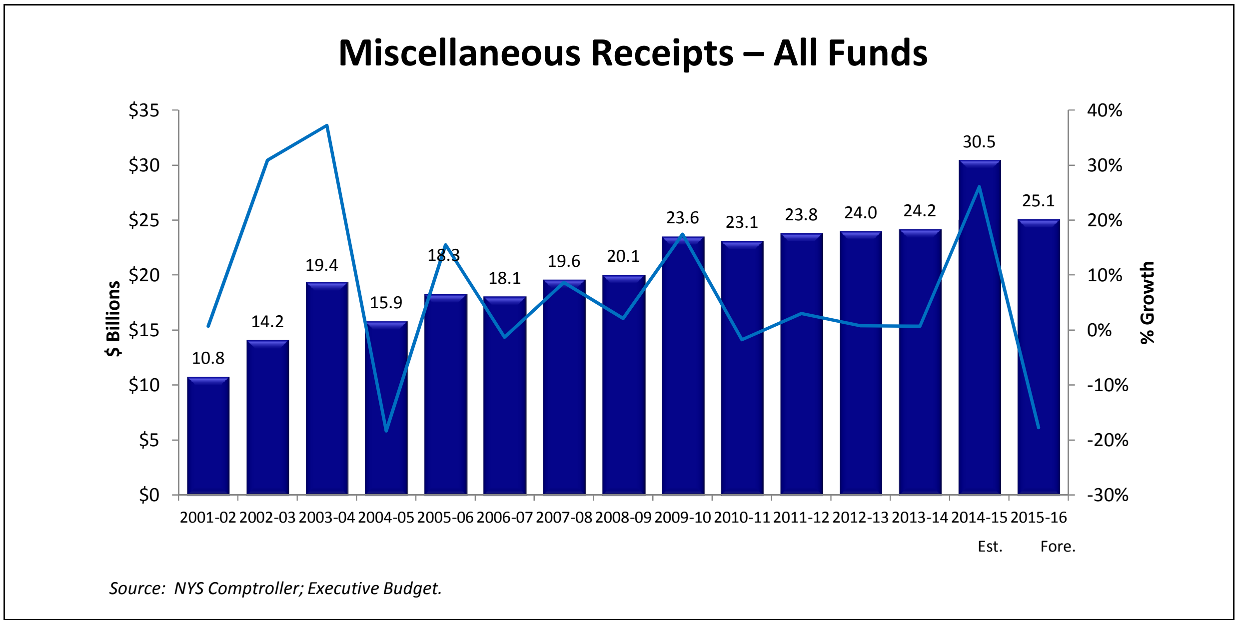


Figure 45

For SFY 2014-15 All Funds Miscellaneous Receipts are estimated to total $30.5 billion. The distribution is as follows: General Fund - $8.879 billion, Special Revenue Fund - $16.314 billion, Debt Service - $515 million, and Capital Projects - $4.782 billion. Estimated miscellaneous receipts for SFY 2015-16 represent a decrease of 17.6 percent over SFY 2014-15. The Committee staff expects collections to total $30.5 billion in SFY 2014-15 followed by collections of $25.1 billion in SFY 2015-16.

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

Miscellaneous Receipts – General Fund

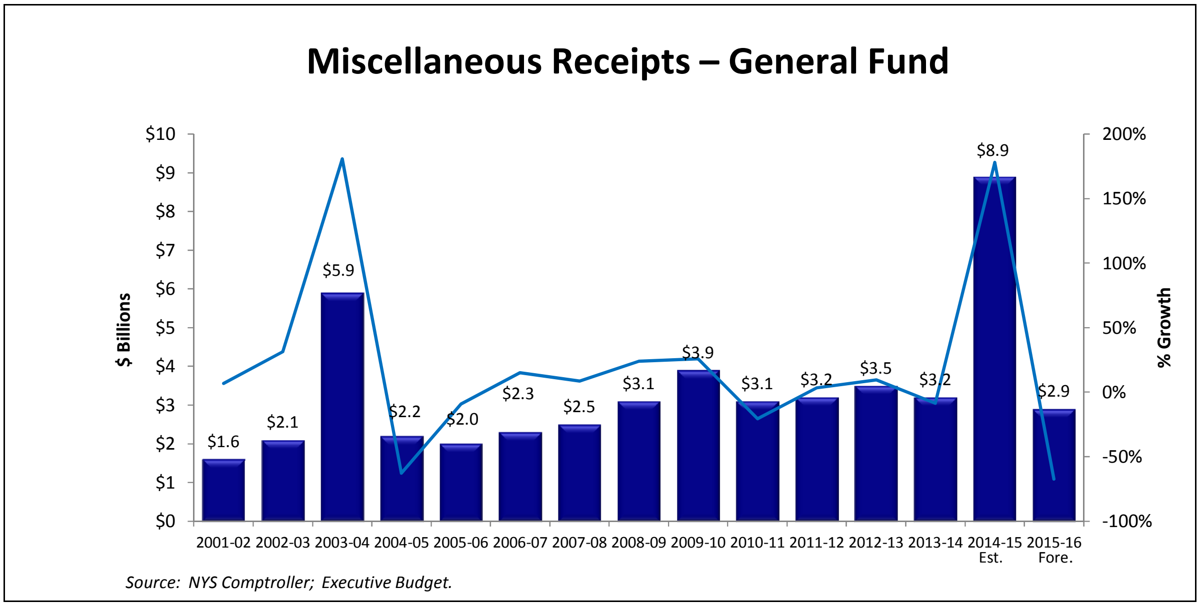


Figure 46

General Fund collections are more volatile as a result of one-time deposits and settlements. SFY 2003-04 witnessed a sizable increase in collections due to the securitization of tobacco bonds which totaled $4.2 billion. The bonds were backed by future Personal Income Tax receipts and were meant to ensure that there would be no decrease in funds available for the Health Care Reform Act (HCRA).

SFY 2009-10 saw multiple revenue sources contributing to its sharp increase. The Executive's SFY 2009-10 Mid-Year update cited higher indirect cost reimbursements, higher 18-a utility collections, revenue from legal settlements, higher workers' compensation surplus revenue remittance, and positive changes to transfers as the cause of higher collections. The substantial increase for SFY 2014-15 is discussed below.

SFY 2014-15

General Fund Miscellaneous Receipts are estimated to total $8.879 billion in SFY 2014-15. One time proceeds totaling $5.7 billion are expected from bank and insurance settlements including $3.6 billion from BNP Paribus; $715 million from Credit Suisse AG; $315 million from Bank of Tokyo Mitsubishi; $300 million from Standard Chartered Bank; $300 million from Bank of America; $50 million from Metropolitan Life Insurance Company; $25 million from PricewaterhouseCoopers; $20 million from AXA Equitable; $92 million from Citigroup; $130 million from Bank Leumi; $100 million from Ocwen Financial; $35 million from AIG; and $7 million in other settlements.

SFY 2015-16

The Executive forecasts General Fund Miscellaneous Receipts totaling $2.925 billion for SFY 2015-16, matching the Committee staff's estimate.

Key Components

General Fund Miscellaneous Receipts contains revenues from a multitude of sources. The most consistent sources are:

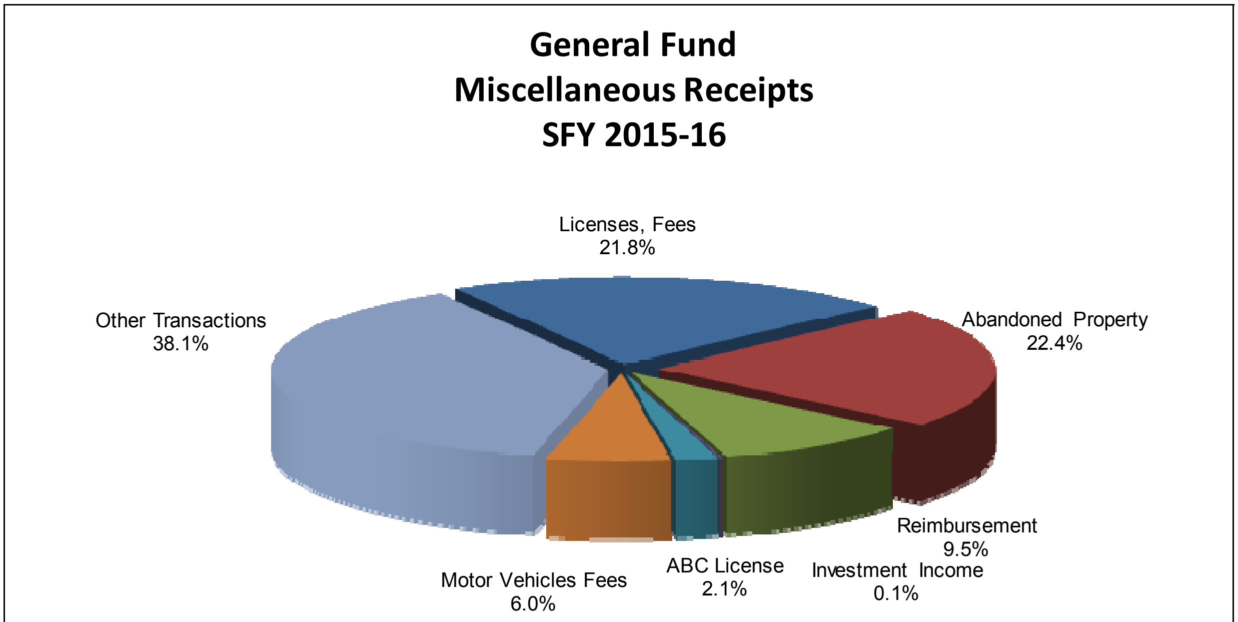
- licenses and fees;
- abandoned property;
- reimbursements;
- investment income;
- ABC License; and
- Motor Vehicle Fees.

Although consistent, the above revenues only accounted for a combined 54.4 percent of total General Fund Miscellaneous Receipts. Other transactions include but are not limited to: temporary utility assessment, settlements, medical provider assessment, Medicaid sales tax intercept payments, settlement proceeds from District Attorney's offices, Bottle Bill proceeds, bond issuance charges, State of New York Mortgage Authority supplemental wireless surcharge, New York Power Authority, civil recoveries, short term interest on bank accounts, Housing Finance Agency, and released State Insurance Fund Reserves.

Table 62

Miscellaneous Receipts - General Fund
($ in Millions)

	2013-14 Actual	2014-15 Estimated	2015-16 Projected	Change	Percent Change
Licenses, Fees	$622	$662	$638	($24)	(3.6%)
Abandoned Property	533	655	655	0	-
Reimbursements	281	284	279	-5	(1.8%)
Investment Income	1	4	4	0	-
ABC License	64	62	60	-2	(3.2%)
Motor Vehicles Fees	2	172	175	3	1.7%
Other Transactions	1,716	7,040	1,114	-5,926	(84.2%)
Total	**$3,219**	**$8,879**	**$2,925**	**($5,954)**	**(67.1%)**



Source: Executive Budget; Ways and Means Committee Staff.

Figure 47

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

Miscellaneous Receipts – Special Revenue Funds

SFY 2014-15

The Committee staff estimates Special Revenue funds to total $16.314 billion in SFY 2014-15, whereas Capital Projects are expected to total $4.782 billion while Debt Service is anticipated to receive $515 million in receipts.

SFY 2015-16

The Committee staff estimates Special Revenue funds to total $16.165 billion in SFY 2015-16, with Capital Projects expected to total $5.577 billion while Debt Service is anticipated to receive $448 million in receipts.

Key Components

State Funds Miscellaneous Receipts consist of Special Revenue Funds, Capital Projects, and Debt Services. Special Revenue is comprised of the following:

Health Care Reform Act (HCRA)

Receipts include surcharges, assessments on hospitals and assessments on certain insurance providers, a portion of cigarette tax revenues, and other dedicated proceeds.

HCRA receipts are used to finance New York's Medicaid program, Family Health Plus, workforce recruitment and retention, the Elderly Pharmaceutical Insurance Coverage, Child Health Plus, Graduate Medical Education, AIDS programs, and other public health initiatives.

Medicaid

State Medicaid costs are financed by the General Fund and other various Special Revenue funds. The key contributions are partially-reimbursable assessments amounting to 9 percent on nursing home revenues and 0.75 percent on hospital and home care revenues.

State University Income

Receipts into the State University Income Fund are from the operation of SUNY from tuition, patient revenue, and user fees. Tuition is sourced from the sixty-four SUNY campuses while patient revenues come from SUNY's teaching hospitals at Brooklyn, Stony Brook, Syracuse, as well as the Long Island Veterans' Home. SUNY user fees, interest earning, and fringe benefits account for the remaining collections

Lottery

Sale of lottery tickets and Video Lottery Terminals (VLTs) are used to support public education and Lottery administrative operating costs.

Motor Vehicle Fees

Motor vehicle fees are derived from a list of fees imposed by the Vehicle Traffic Law. License fees, registration revenue, inspection fees, emission stickers, repair shop certificates, as well as insurance civil penalties all contribute. Motor Vehicle Fee revenues are dedicated to various trust funds which cover infrastructure funding and administrative costs.

Capital Projects

Capital Projects spending is funded from two sources: authority bond proceeds which support spending financed through Public Authority Bonds; and Miscellaneous Receipts which finance State pay-as-you-go spending to support the State Capital Plan.

Debt Service

Miscellaneous Receipts in the Debt Service Fund are comprised of Mental Hygiene service providers that receive payments from Medicare and insurance companies; dormitory room rental fees and associated fees from SUNY students; and from patient care revenues of hospitals and certain veterans' homes from payments of Medicaid, Medicare, insurance, and individuals.

Industry Assessment and All Other

Receipts comprising Industry Assessments and All Other are from reimbursements of regulated industries to fund the administrative costs of the State agencies. Receipts may consist of fees, licenses, and assessments. The Department of Financial Services, Public Services Commission, and the Workers' Compensation Board are all fully funding by assessments of their respective regulated industry. The following agencies account for the largest collections in this category: Health; Environmental Conservation; Tribal State Compact; State Police; Higher Education Service Corporation; Education; CUNY; Children and Family Services; Homeland Security and Emergency Services.

Financial Plan Highlights

Education

The New York State Education Department administers school aid, regulates school operations, certifies teachers, and administers a host of other education programs. Education funding is critical to school districts and comprises the second largest spending area in the budget.

To fund these districts, the Executive proposes to increase overall education aid by $1.06 billion to $23.14 billion, reflecting a 4.8 percent growth in School Year (SY) 2015-16. This increase is comprised of $1.01 billion for School Aid, $25 million for Prekindergarten Programs for three year olds, and $25 million for other education initiatives.

Major Features of the Multi-Year Education Plan

- The Executive proposes to continue the school aid cap which is equal to the annual growth in personal income. Personal income is projected to grow at an average rate of 5.2 percent for the next three years.

- The Executive proposes several changes to the STAR program reducing state spending by almost $200 million.

- The Executive Budget continues to provide $340 million of recurring annual funding to support Statewide Universal Pre-Kindergarten.

- The State anticipates $137 million in commercial gaming revenues to supplement School Aid in SFY 2015-16, additional casino revenue begins in SFY 2017-18.

- Capital spending is estimated at $2.3 billion over the next five years, including $2 billion for the Smart Schools Bond Act.

Increases in Education are attributed to a series of proposed initiatives including statewide Universal Full-day Prekindergarten. The Executive Budget continues funding for Statewide Full-Day Prekindergarten at $340 million, as first included in the 2014-15 Enacted Budget, in addition to a new $25 million grant program to expand access to half-day and full-day programs for three year olds.

Also proposed are six other grant programs including: $8 million for failing schools, $5 million for the Master Teacher Program, $3 million for P-Tech expansion, $3 million to establish a New York Teacher Residency Program with scholarship opportunities for SUNY/CUNY students, and $3 million for Quality Stars NY.

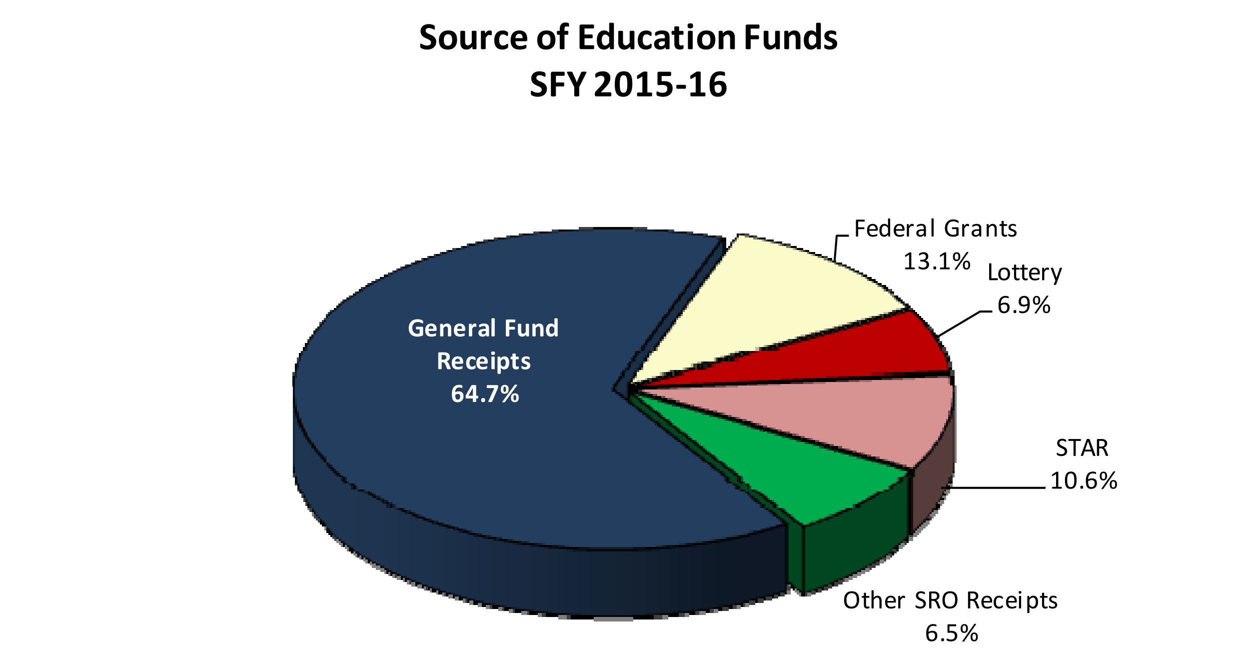
Education receives the bulk of its funding from the General Fund. As such, it must compete with other State spending needs. Education receives additional funds from the NYS Lottery Program and Federal grants. Total Education receipts for SFY 2015-16 are estimated at $33.9 billion, an increase of $1.7 billion over SFY 2014-15.

General Fund support for Education in SFY 2015-16 is estimated at $21.9 billion, an increase of $1.3 billion above SFY 2014-15.

Special Revenue Education receipts are forecast at $2.6 billion in SFY 2015-16. However, it also receives funds from the NYS Lottery program. It is set to raise $2.2 billion to supplement funding for Education which is $56 million or 2.6 percent more than last year

Table 63

Source of Education Funds ($ in Millions)	2014-15 Actual	2015-16 Projected	2015-16 Estimated	Change	Percent Change
Federal Grants	$3,928	$3,918	$3,875	($43)	(1.1%)
Lottery	$2,235	$2,164	$2,220	$56	2.6%
STAR	$3,357	$3,374	$3,231	($144)	(4.3%)
Other SRO Receipts	$2,034	$2,114	$2,627	$513	24.3%
General Fund Receipts	$19,306	$20,628	$21,903	$1,275	6.2%
Total Education Receipts	**$30,860**	**$32,197**	**$33,855**	**$1,658**	**5.1%**



Source: Executive Budget.

Figure 48

Table 64

Use of Education Funds ($ in Millions)				
	2014-15 Estimated	2015-16 Projected	Change	Percent Change
State Funds School Aid	$21,609	$23,426	$1,818	8.4%
STAR	$3,374	$3,231	($144)	(4.3%)
Special Education	$1,487	$1,466	($21)	(1.4%)
Federal Aid	$3,916	$3,875	($41)	(1.0%)
All Other	$907	$905	($2)	(0.2%)
Total Disbursements	**$31,293**	**$32,903**	**$1,610**	**5.1%**

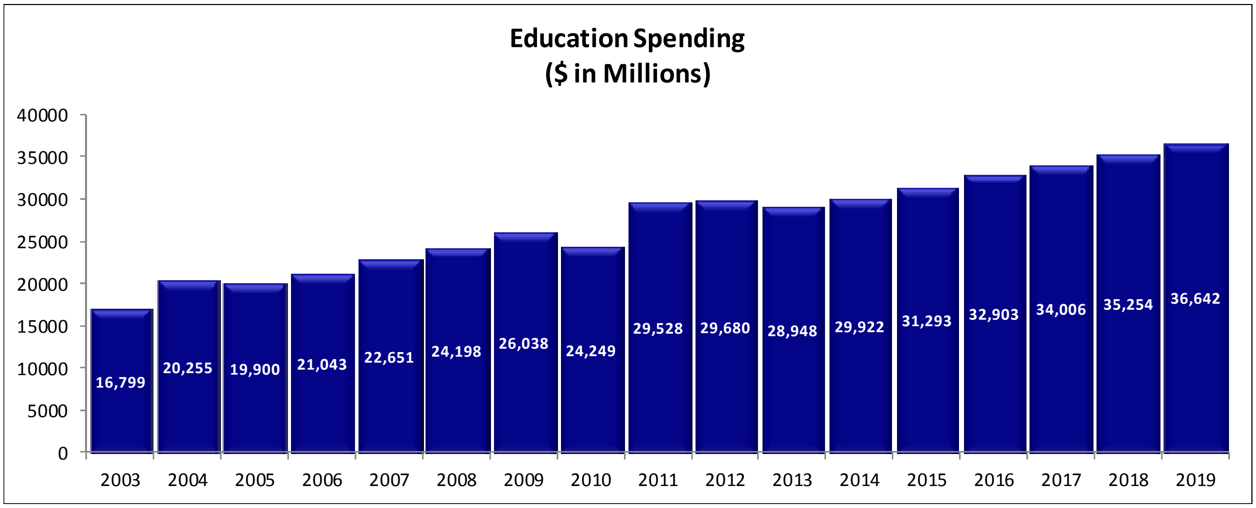


Figure 49

As shown above, Education spending is projected to grow from $32.9 billion in SFY 2015-16 to $36.6 billion in SFY 2018-19. This includes annual growth rates of 5.1 percent in SFY 2015-16; 3.4 percent in SFY 2016-17; 3.7 percent in SFY 2017-18; and 3.9 percent in SFY 2018-19.

Table 65

Education Aid Cap ($ in Millions)			
School Fiscal Year	School Aid	Change	Percent Change
2015	22,079		
2016	23,142	1,063	4.8%
2017	24,065	923	4.0%
2018	25,168	1,103	4.6%
2019	26,498	1,330	5.3%
Limit aid growth to rate of State personal income growth.			

The Executive Budget increases funding for school districts with a two-year appropriation. This appropriation provides a 4.8 percent increase in School Aid for the 2015-16 school year based on growth corresponding to New York State personal income, and 4.0 percent the following year.

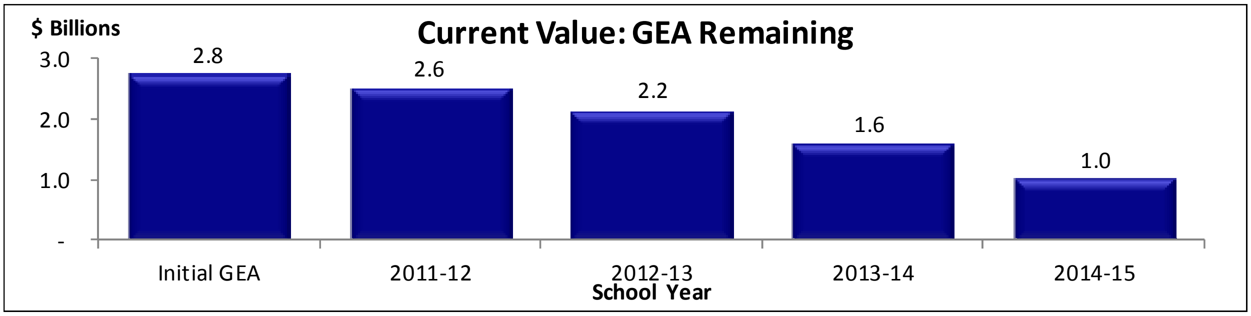


Figure 50

Education

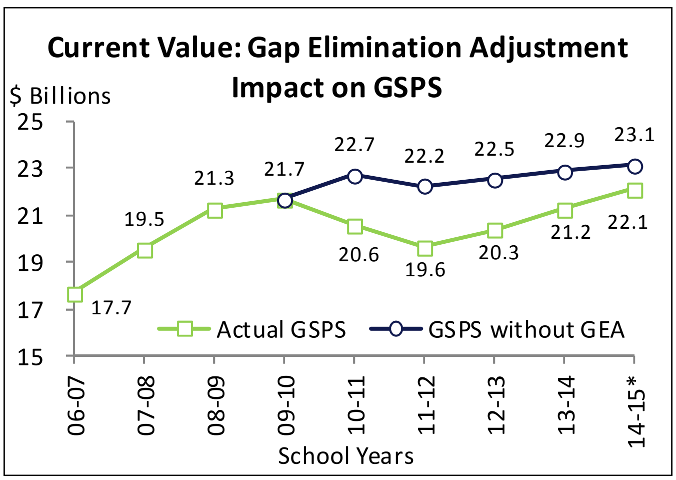


Figure 51

The Gap Elimination Adjustment (GEA) began in the SFY 2010-11 school year deducting a portion of state aid allocated funds from each school district to help the State's revenue shortfall. As the Executive did not provide a methodology for the distribution of school aid from SFY 2015-16, the above charts show the current value of the GEA through SFY 2014-15.

Health Care

The State of New York spends approximately $59 billion annually on health care. This is the largest spending area within the budget. The Department of Health's (DOH) mission is to provide quality health services to all New Yorkers, including comprehensive health care and long-term care coverage for low and middle income individuals and families through Medicaid, Child Health Plus, and Elderly Pharmaceutical Insurance Coverage (EPIC) programs. In addition to its health insurance programs, DOH promotes and supervises public health activities throughout the State, reduces infectious diseases, directs a variety of emergency preparedness initiatives, and oversees all health care facilities in the State.

The major components of proposed heath care spending include the extension of the Medicaid Global Cap which limits these expenditures to $17.57 billion in SFY 2015-16 and $17.87 billion in SFY 2016-17; a cost-neutral series of new Medicaid Redesign Team (MRT) initiatives for SFY 2015-16; and the full takeover of local Medicaid expenditures growth which, when combined with existing limits on local Medicaid spending, will provide counties with $2.03 billion in savings in SFY 2015-16.

Major Features of the Multi-Year Health Plan

- State Medicaid spending is estimated at $17.5 billion, an increase of $609 million or 3.6 percent for SFY 2015-16.

- The Executive proposes to continue the Medicaid cap, the 10 year moving average of the medical component of the Consumer Price Index, estimated at 3.6 percent for SFY 2016.

- Through SFY 2019, Medicaid spending grows at an average rate of 3.4 percent.

- The Executive proposes $1.4 billion in new capital spending for the Health Care Facility Transformation Program, in addition to the $1.2 billion Capital program enacted last year.

- The Executive proposes various new programs related to the implementation of the Affordable Care Act, which will generate additional Federal funds over the financial plan.

- Adoption of additional MRT action is estimated to increase federal funding by $785 million.

For the New York State Health Benefit Exchange, the Executive proposes $388.4 million in State support for the New York State of Health, and incudes a new assessment on health insurance policies.

Under the Patient Protection and Affordable Care Act (ACA), the State began to receive enhanced matching rates for single, childless adults beginning January 1, 2014. The Executive estimates a total State benefit of $1.42 billion in SFY 2015-16 from this enhanced matching rate. In addition, under the ACA local social services districts will realize a savings of $522.2 million in SFY 2015-16.

All Funds Health Care receipts for SFY 2014-15 are forecast to total $58.1 billion, an increase of $3.6 billion over the previous fiscal year. Health Care receipts support several programs including Medicaid.

Health Care spending totals $59.2 billion, an increase of $5.2 billion over SFY 2014-15.

Medicaid is the largest health care program and coordinates the provision, quality and cost of care for its enrolled members. Medicaid in SFY 2015-16 is $41 billion, an increase of $3.3 billion or 8.0 percent above the previous year. Federal grants have increased by an estimate of $6.1 billion in SFY 2015-16 related to the Affordable Care Act.

The General Fund support for Medicaid is forecast at $11.8 billion, an increase of $579 million above SFY 2014-15. Other General Fund Health spending is forecast at $3.0 billion, a decrease of $91 million from SFY 2014-15.

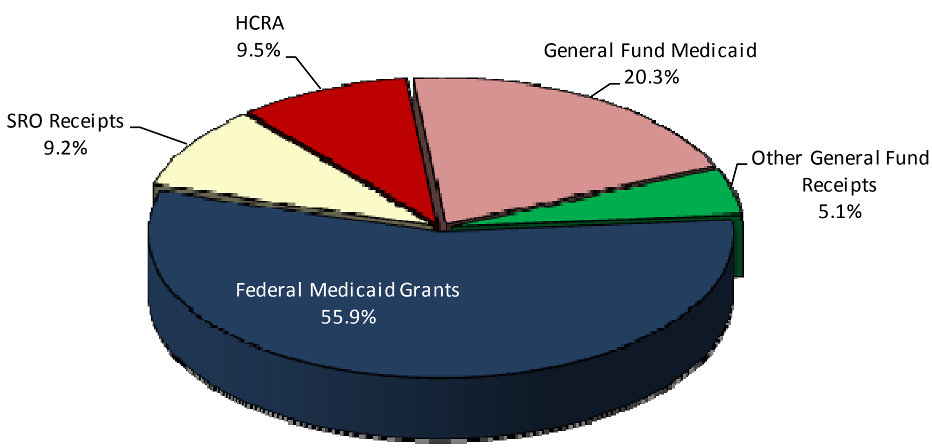
Special Revenue Health Care receipts other than HCRA are anticipated to increase $350 million above the previous fiscal year. HCRA is anticipated to receive $5.5 billion, an increase of $85 million above SFY 2014-15.

The Executive federal Medicaid forecast is $32.5 billion, an increase of $2.7 billion from SFY 2014-15.

Table 66

Source of Health Care Funds ($ in Millions)				
	2014-15 Estimated	2015-16 Projected	Change	Percent Change
Federal Medicaid Grants	$29,824	$32,509	$2,684	9.0%
SRO Receipts	$4,996	$5,346	$350	7.0%
HCRA	$5,422	$5,507	$85	1.6%
General Fund Medicaid	$11,212	$11,791	$579	5.2%
Other General Fund Receipts	$3,051	$2,960	($91)	(3.0%)
Total Receipts	**$54,506**	**$58,113**	**$3,607**	**6.6%**

Source of Health Care Funds
SFY 2015-16



Source: Executive Budget.

Figure 52

Health Care Taxes, Fees and Assessments

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

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

The Committee Staff forecast for SFY 2015-16 HCRA receipts is $5.5 billion and projected HCRA expenditures of the same amount.

The following table outlines the dedicated fund tax receipts for the HCRA for SFY 2015-16:

Table 67

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

	2014-15 Estimate	2015-16 Executive	Change	Percent Change
Surcharges	2,899	2,937	$38	1.3%
Covered Lives Assessment	1,095	1,110	$15	1.4%
Cigarette Tax Revenue	963	915	($48)	(5.0%)
Hospital Assessment (1 percent)	375	376	$1	0.3%
NYSOH Exchange Assessment	-	69	$69	-
NYC Cigarette Tax Transfer/Other	90	100	$10	11.1%
Total Receipts	**$5,422**	**$5,507**	**$85**	**1.6%**

In SFY 2015-16 an estimated $5.5 billion is dedicated to HCRA. Of the $5.5 billion, 53.3 percent is from surcharges on clinics and hospitals, 20.2 percent from the covered lives assessment paid by insurance companies based on the number of insured, while 16.6 percent comes from cigarette taxes. The one percent hospital assessment is a fee on inpatient services and accounts for 6.8 percent of HCRA revenues. Total HCRA receipts are forecast to grow by 1.6 percent in SFY 2014-15.

Surcharges

Varying surcharges are assessed on the net patient revenue of general hospitals and freestanding clinics. Surcharges are expected to yield $2.9 billion in SFY 2015-16. The surcharge levels are as follows:

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

HCRA expires on March 31, 2017, with sufficient funds and remains in balance without General Fund support.

Covered Lives Assessment

The covered lives assessment is a regionally calculated assessment on certain insurance providers based on the number of individuals insured. The covered lives assessment is estimated to produce $1.1 billion in SFY 2015-16.

Cigarette Tax

Currently, New York State levies a $4.35 per pack tax on each package of cigarettes. Per statute, 76 percent of revenue collected from this tax is dedicated to HCRA – approximately $915 million in SFY 2015-16. The remaining is deposited into the General Fund.

Hospital Assessment

Every hospital in New York State is required to pay one percent of its annual inpatient revenue to HCRA. This assessment is estimated to yield approximately $376 million in SFY 2015-16.

All Other

All other HCRA revenue sources are from the New York City Transfer Tax accounting for one percent or $100 million for HCRA in SFY 2015-16.

HCRA Receipts

Table 68

HCRA Receipts
($ in Millions)

Fiscal Year	Surcharges, Assessments & Other	Cigarette Tax	Conversions	Total
2002-03	2,034	675		2,709
2003-04	2,394	593		2,987
2004-05	3,846	573		4,419
2005-06	2,700	571	2,743	6,014
2006-07	3,128	574	514	4,216
2007-08	3,332	567	999	4,898
2008-09	3,400	894	233	4,527
2009-10	3,886	910	95	4,891
2010-11	4,150	1,136	-	5,286
2011-12	4,155	1,162	-	5,317
2012-13	4,325	1,113	-	5,438
2013-14	4,494	1,037	-	5,531
2014-15	4,459	963	-	5,422
2015-16	4,592	915	-	5,507

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

Revenues generated provide for partial financing of hospital indigent care, Elderly Pharmaceutical Insurance Coverage (EPIC), Child Health Plus (CHP), workforce recruitment and retention, capital improvement to health care facilities, and other public health programs. The increased demand for HCRA revenues are driven by the increased costs of health care services. The General Fund will supplement the HCRA Fund if HCRA revenues are not sufficient to support the HCRA program.

Receipts for HCRA have increased $2.8 billion or 103 percent since SFY 2002-03. All current and proposed HCRA funding sources rely on excise taxes ($4.35 per pack of cigarettes) or ad-valorem taxes (a tax that is imposed as a fixed percent of revenues, e.g. the one percent Hospital Assessment and other Surcharges.)

The HCRA surcharges, hospital assessments and other revenues have increased 126 percent from SFY 2002-03, increasing from $2 billion to $4.6 billion.

Cigarette revenues declined steadily until June 2008, when legislation changed the distribution of cigarette revenues from 61.2 percent to 70.6 percent to benefit HCRA. In July 2010, legislation increased the share of cigarette revenues to HCRA to 76 percent from 70.6 percent. Cigarette Tax receipts are expected to be $915 million, a decrease of $48 million from the SFY 2014-15 estimates.

The merger of WellChoice and WellPoint that was implemented in SFY 2005-06 generated $4.83 billion in conversion revenues for HCRA. At the time of the merger, the State received $2.7 billion in cash and 27 million shares of WellPoint common stock. Conversion proceeds and interest income accounted for $514 million in SFY 2006-07, $1 billion in SFY 2007-08, $233 million in SFY 2008-09 and $95 million in SFY 2009-10. The state sold shares of stock from such conversions and the proceeds enabled the State to maintain funding for existing programs and add more health services. New receipts in proceeds from the sale of insurance company conversions are not projected in the Executive proposal.

Table 69

Use of Health Care Funds ($ in Millions)	2014-15 Estimated	2015-16 Projected	Change	Percent Change
DOH Medical Assistance	$43,581	$46,979	$3,398	7.8%
DOH Medicaid Administration	$1,383	$1,316	($67)	(4.9%)
Basic Health Plan	-	$1,679	$1,679	-
Public Health	$4,059	$4,423	$364	9.0%
Medicaid Inspector General	$57	$54	($3)	(5.3%)
Stem Cell and Innovation	$32	$30	($2)	(6.2%)
OASAS Medicaid	$82	$85	$3	3.7%
OMH Medicaid	$1,845	$1,787	($58)	(3.1%)
OPWDD Medicaid	$3,000	$2,883	($117)	(3.9%)
DOCCS Medicaid	-	-	-	-
Total Disbursements	**$54,038**	**$59,235**	**$5,197**	**9.6%**

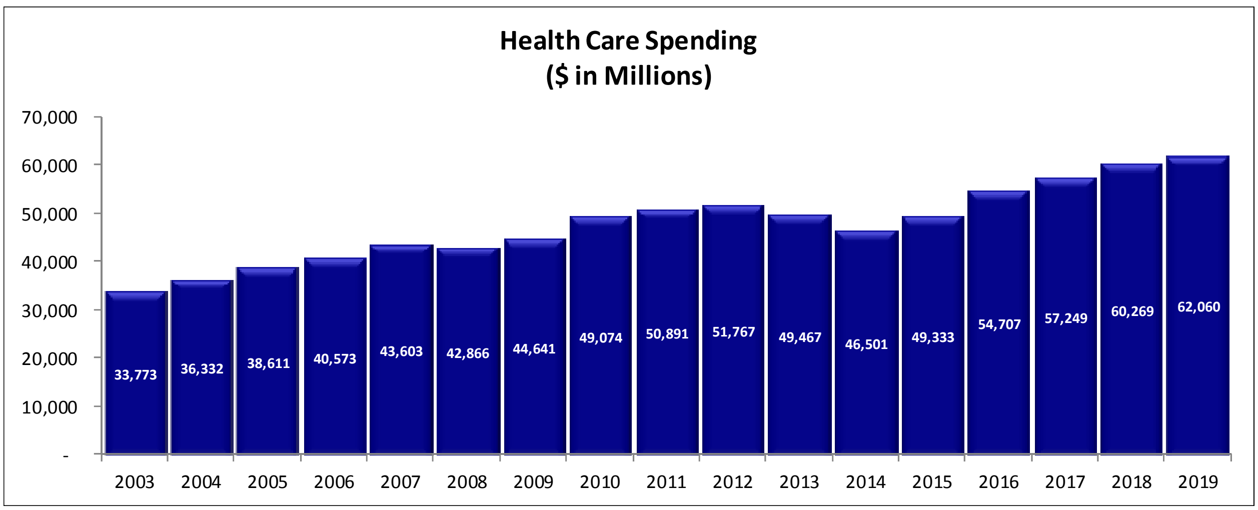


Figure 53

As shown above, Health Care spending continues to grow from $54.7 billion in SFY 2015-16 to $62.1 billion in SFY 2018-19. This includes annual growth rates of 10.9 percent in SFY 2015-16; 4.6 percent in SFY 2016-17; 5.3 percent in SFY 2017-18; and 3.0 percent in SFY 2018-19. The greatest drivers fueling this growth include DOH Medical Assistance and OPWDD related Medicaid costs.

Medicaid Caps

The Medicaid spending cap limits growth in the Department of Health Medicaid spending to the ten year rolling average of the Medical Consumer Price Index, currently estimated at 3.6 percent. In the event that Medicaid expenditures exceed the global cap, the Commissioner of the Department of Health (DOH) is authorized to reduce payment rates and benefits to ensure expenditures remain within the cap. Medicaid expenditures are currently capped at $17.0 billion in SFY 2014-15 and $17.6 billion in SFY 2015-16. The Executive proposes Medicaid growth of 3.6 percent or $609 million in SFY 2015-16.

Table 70

Total State Share Medicaid Disbursements					
	2015 Current	2016 Proposed	2017 Projected	2018 Projected	2019 Projected
Department of Health:					
Local Assistance	16,732	17,347	17,623	18,367	19,085
State Operations	230	224	245	245	245
DOH State Share	16,962	17,571	17,868	18,612	19,330
Annual $ Change - DOH Only		609	297	744	718
Annual % Change - DOH Only		3.6%	1.7%	4.2%	3.9%

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

To close the budget gap, the Executive proposes $200 million in annual State-share Medicaid savings in SFY 2015-16 by funding certain OPWDD-related Medicaid costs under the Medicaid Global Cap.

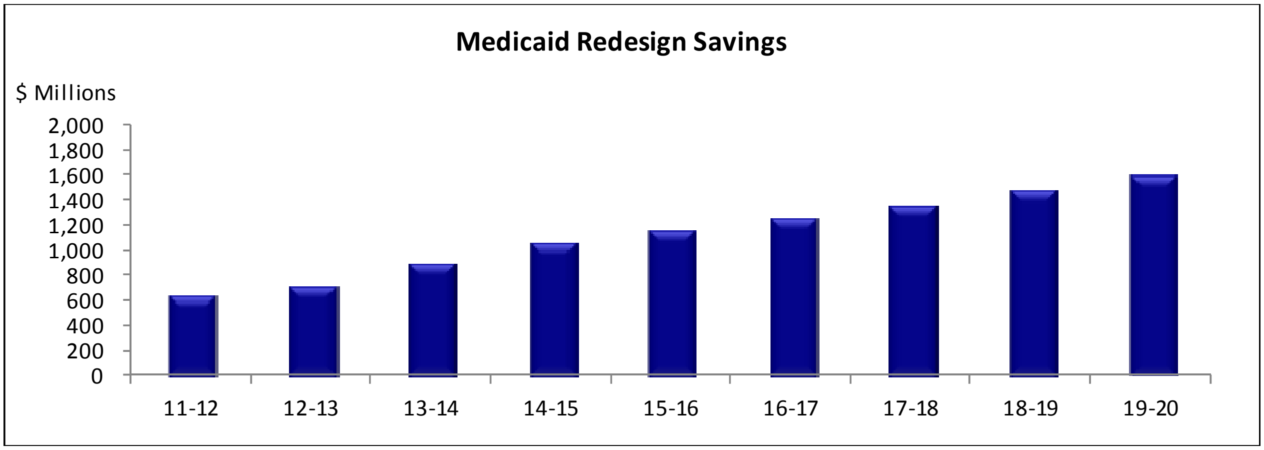


Figure 54

Medicaid

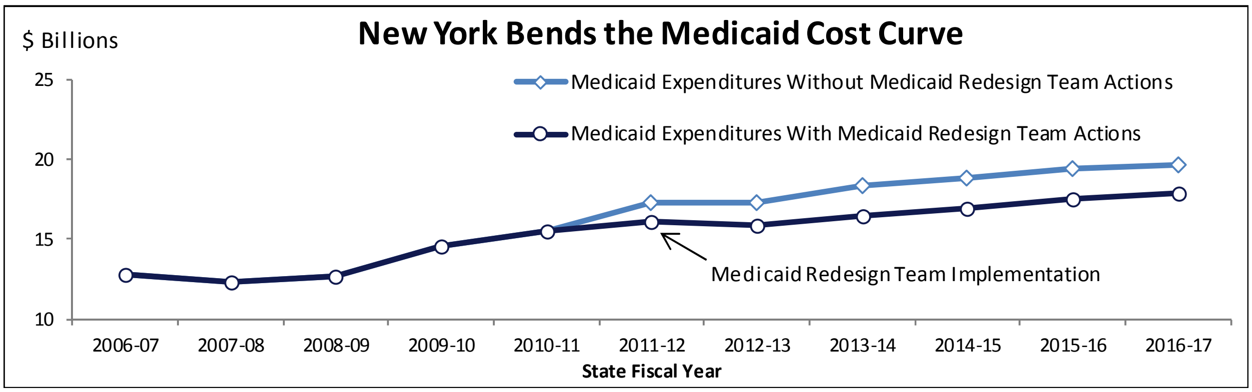


Figure 55

The SFY 2015-16 budget continues to control Health Care spending through the Medicaid Redesign Team. This includes the savings actions enacted as part of the SFY 2011-12 and SFY 2012-13 budgets estimated to save the state approximately $17.1 billion over the next five years. This budget also includes a series of cost-neutral MRT initiatives including new investments in health care delivery balanced by savings resulting from pharmacy reductions, health care fraud initiatives, and other Medicaid program reductions.

Transportation

New York State supports a vast transportation infrastructure with the goal of creating an interconnected statewide transportation system that addresses environmental and community concerns and efficiently moves people and goods throughout the State. The Department of Transportation (DOT) maintains and improves the State's more than 40,000 highway lane miles and 7,600 bridges; SFY 2014-15 marks the end of a two-year, $7.1 billion capital program including support for local highway and bridge construction, cities, rail and aviation projects. DOT partially funds local government highway and bridge construction including the Consolidated Highway Improvement Program (CHIPs), rail and aviation projects, as well as over 130 locally operated transit systems, including the Metropolitan Transportation Authority (MTA). The MTA maintains a fleet of 5,700 buses and 6,400 subway cars which operate on an infrastructure of 2,200 miles of track. MTA ridership has increased 54 percent since 1995 and in 2014 reached an all-time high of 2.7 billion people riding on its subways, buses and railroads, a number which is projected to reach 3.1 billion by 2030. Additionally, the MTA's nine bridges and tunnels carry 280 million vehicles annually.

Major Features of the Multi-Year Transportation Plan

- In SFY 2015-16 State Transportation spending is projected to total $4.8 billion, a $2 million decrease from SFY 2014-15.

- Through SFY 2019, transportation spending grows at an average rate of one percent.

- The Executive proposal includes a new State contribution of $750 million over five years to help fund the MTA's 2015-19 capital program. This is in addition to $770 million appropriated in SFY 2014-15.

- The Executive proposal includes a new capital appropriation of $1.285 billion to fund the replacement of the Tappan Zee Bridge as well as other Thruway improvements.

- The Executive proposes $200 million in new capital from New York Works and new funding of $750 million for State Aid local bridge projects.

The Executive proposes Capital Plan obligations of $3.53 billion in SFY 2015-16, an increase of $110 million or 3.2 percent. It includes a road and bridge capital construction program, including consultant engineering, worth $2.03 billion for SFY 2015-16. Other major components of the $3.53 billion Capital Plan include $478 million for CHIPs and Marchiselli, $408 million for State Forces Engineering, and $367 million in preventive maintenance. The Executive does not continue funding of $40 million for extreme weather recovery that was distributed through the CHIPs program in SFY 2014 15. The Executive proposal does not include a five-year DOT capital plan.

Additionally, the Executive proposes $4.82 billion in total transit operating assistance, $179 million is for upstate transit systems and $286 million is for non-MTA downstate transit systems, reflecting no change from prior year levels. Of the $121.5 million in capital mass transit support the Executive proposes, non-MTA downstate transit systems would receive $17.4 million, bringing their total cash support to $303.5 million.

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

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

The Department of Transportation (DOT) is responsible for managing programs related to highways, bridges, transit, aviation, ports, rail and other modes of transportation. All Fund receipts dedicated for transportation are estimated at $8.7 billion in SFY 2014-15 and $8.6 billion in SFY 2015-16. Non-federal Special Revenue Receipts dedicated for transportation purposes are $7.2 billion in SFY 2014-15 and $7.4 billion in SFY 2015-16. Federal receipts for transportation purposes are estimated to be $1.5 billion in SFY 2014-15 and $1.2 billion in SFY 2015-16.

Table 71

Source of Transportation Funds ($ in Millions)	2013-14 Actual	2014-15 Estimated	2015-16 Projected	Change	Percent Change
Dedicated Highway and Bridge Trust Funds	$2,022	$1,968	$1,952	($16)	(0.8%)
Mass Trans. Operating Assistance Fund	$1,983	$2,035	$2,163	$128	6.3%
Dedicated Mass Transportation Trust Fund	$673	$607	$592	($15)	(2.5%)
MTA Financial Assistance Fund	$1,841	$1,896	$1,976	$80	4.2%
General Fund	$685	$656	$643	($13)	(2.0%)
Other Special Revenue Funds	$46	$46	$46	-	-
Federal Funds	$1,723	$1,533	$1,186	($347)	(22.6%)
Total Transportation Receipts	**$8,973**	**$8,741**	**$8,558**	**($183)**	**(2.1%)**

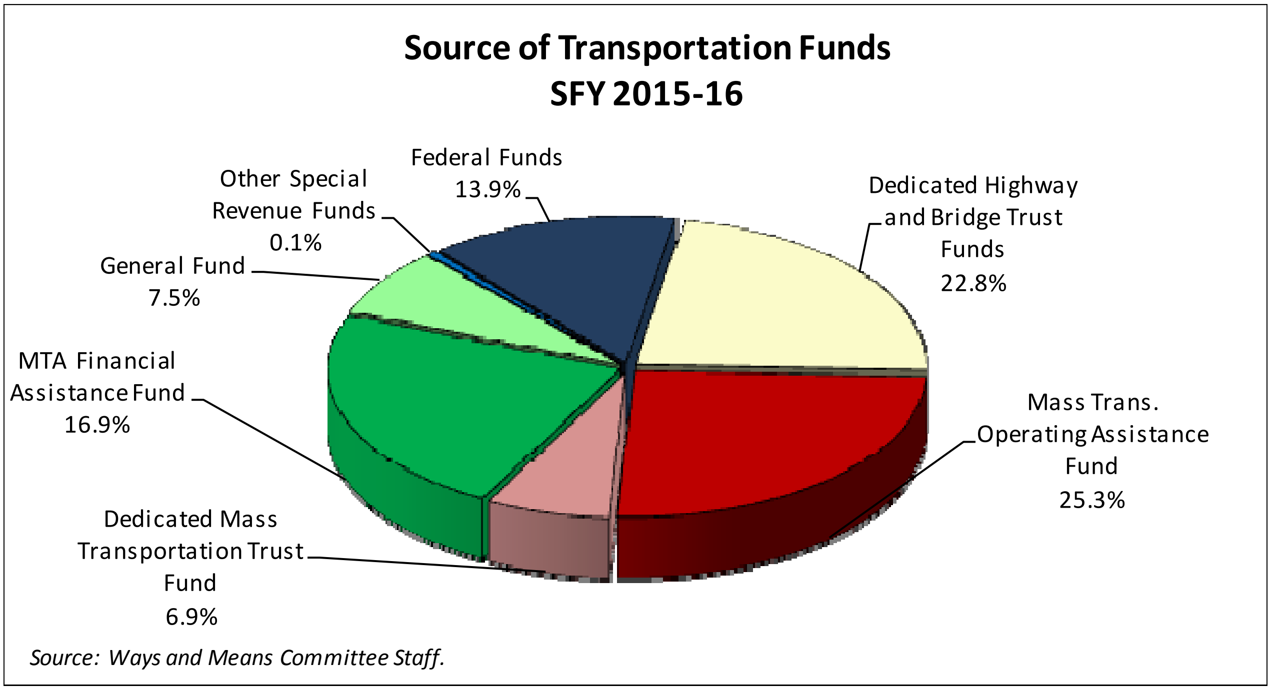


Figure 56

Mass Transportation Operating Assistance Fund (MTOAF)

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

Table 72

Mass Transportation Operating Assistance Fund
($ in Millions)

	2013-14 Actual	2014-15 Estimated	2015-16 Projected	Change	Percent Change
Business Tax Surcharges					
Corporation Franchise Tax	$567	$484	$769	$285	58.9%
Corporation and Utilities Tax	$115	$108	$111	$3	2.8%
Insurance Tax	$146	$154	$171	$17	11.0%
Bank Tax	$162	$240	$28	($212)	(88.3%)
Other					
Sales and Use Tax	$802	$854	$894	$40	4.7%
Petroleum Business Tax	$137	$135	$130	($5)	(3.7%)
Corporation and Utilities - Sections 183 &184	$54	$60	$60	-	-
Total Receipts	**$1,983**	**$2,035**	**$2,163**	**$128**	**6.3%**

This fund receives deposits from the following tax sources:

- A 0.375 percent sales tax imposed on the MTA district (inclusive of all the counties that comprise the MCTD);
- A 17 percent corporate franchise surcharge for the MTA district;
- An approximately 12 percent share from PBT revenues; and,
- 80 percent of the imposed corporate surcharge based on the Utility Tax in the MTA district (the remaining is deposited with the DHBTF).

The Ways and Means Committee Staff estimates that $2.0 billion in SFY 2014-15 and $2.1 billion in SFY 2015-16 will be dedicated to support the activities funded through the MTOAF.

Dedicated Fund Pools

There are two dedicated funds for Transportation, the Dedicated Mass Transportation Trust Fund and Dedicated Highway and Bridge Trust Fund. These dedicated funds split revenues from the PBT, Motor Fuel Tax and Motor Vehicle Fees.

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

- 80.3 percent of the Petroleum Business Tax (PBT);

- Motor Fuel Tax: 4 cents per gallon for gasoline and 8 cents for diesel with revenues flowing into the Dedicated Funds Pool;

- Motor Vehicle Fees: based on registration and other fees around 55 percent of receipts flow into the Dedicated Funds Pool and the rest into the Dedicated Highway and Bridge Trust Fund;

- Once revenues have been collected in the Dedicated Funds Pool about a third goes to the Dedicated Mass Transportation Trust Fund and the rest to the Dedicated Highway and Bridge Trust Fund (DHBTF). The DHBTF also receives 20 percent of the surcharge imposed in the MTA district for Utility taxpayers; and,

- The DHBTF also receives 100 percent of the revenues from the Highway Use and Auto Rental taxes. Payments from this fund are pledged to support the debt service on DHBTF Bonds with debt service coverage of two times the revenues to support debt service costs.

Table 73

Dedicated Mass Transportation Trust Fund
($ in Millions)

	2013-14 Actual	2014-15 Estimated	2015-16 Projected	Change	Percent Change
Petroleum Business Tax (PBT)	$376	$372	$357	($15)	(4.0%)
Motor Fuel Tax	$99	$102	$102	-	-
Motor Vehicle Fees	$198	$133	$133	-	-
Total Receipts	**$673**	**$607**	**$592**	**($15)**	**(2.5%)**

The Dedicated Mass Transportation Trust Fund receives dedicated revenues from the PBT, Motor Fuel Tax, and Motor Vehicle Fees. Dedicated tax revenues deposited into the DMTTF are expected to total $607 million in SFY 2014-15, and $592 million in SFY 2015-16. The moneys of the DMTTF are used for the reconstruction, replacement, purchase, modernization, improvement, reconditioning, preservation and maintenance of mass transit facilities, vehicles and rolling stock, for rail projects or the payment of debt service and operating expenses incurred by mass transit operating agencies.

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

Fund monies are used to support transportation, including the reconstruction, replacement, reconditioning, restoration, rehabilitation and preservation of state, county, town, city and village roads, aviation projects, matching federal highway grants, snow and ice removal, acquisition of real property, bus safety inspection, rail freight facilities, intercity rail passenger facilities, state, municipal and private ports, ferry lines and a portion of operations cost.

Table 74

Dedicated Highway and Bridge Trust Fund
($ in Millions)

	2013-14 Actual	2014-15 Estimated	2015-16 Projected	Change	Percent Change
Petroleum Business Taxes	$641	$633	$608	($25)	(3.9%)
Motor Fuel Tax	$375	$385	$382	($3)	(0.8%)
Motor Vehicle Fees	$785	$725	$725	-	-
Highway Use Tax	$136	$136	$145	$9	6.6%
Transmission Tax	$14	$15	$15	-	-
Auto Rental Tax	$71	$74	$77	$3	4.1%
Total Receipts	**$2,022**	**$1,968**	**$1,952**	**($16)**	**(0.8%)**

This fund is expected to receive $2.0 billion in both SFY 2014-15 and SFY 2015-16.

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

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

Table 75

MTA Financial Assistance Fund ($ in Millions)					
	2013-14 Actual	2014-15 Estimated	2015-16 Projected	Change	Percent Change
MCTD Payroll Tax	$1,204	$1,260	$1,337	$77	6.1%
Motor Vehicle Fees	$174	$171	$171	-	-
Auto Rental Tax	$43	$45	$47	$2	4.4%
Taxicab Surcharge	$85	$85	$85	-	-
Total Receipts	**$1,506**	**$1,561**	**$1,640**	**$79**	**5.1%**
General Fund Transfers	335	335	336	$0	0%
Total Receipts and Transfers	**1,841**	**1,896**	**1,976**	**$79**	**4%**

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

Receipts collected from the supplemental Motor Vehicle Fees are all derived from the MCTD. These receipts are deposited into the MTA Aid Trust Fund Account of the MTA Financial Assistance Fund.

The MTA Financial Assistance Fund is estimated to receive $1.9 billion in both SFY 2014-15 and $2.0 billion in SFY 2015-16. The General Fund is estimated to support the MTA Financial Assistance Fund with $335 million in SFY 2014-15 and $336 million in SFY 2015-16.

Table 76

Use of Transportation Funds ($ in Millions)	2014-15 Estimated	2015-16 Projected	Change	Percent Change
DOT and Transit	$1,205	$1,347	$142	11.8%
MTA	$4,346	$4,403	$57	1.3%
Motor Vehicles	$309	$305	($4)	(1.3%)
Thruway Authority	$26	$23	($3)	(11.5%)
Highway & Bridge Capital	$3,666	$3,962	$296	8.1%
Total Disbursements	**$9,552**	**$10,040**	**$488**	**5.1%**

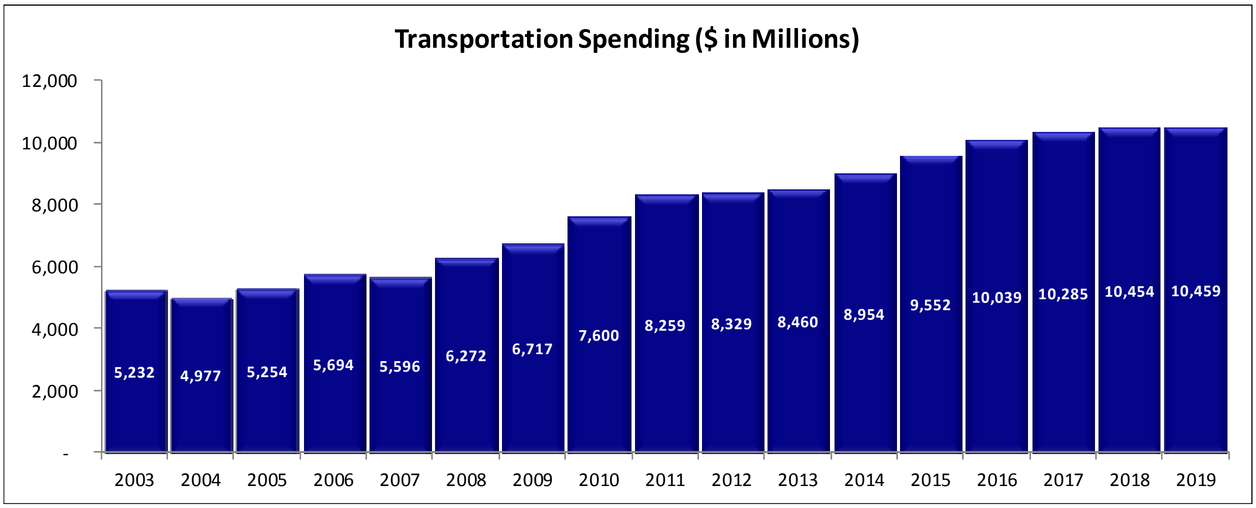


Figure 57

As shown above, Transportation funding increases from $9.6 billion in SFY 2045-15 to $10.5 billion in SFY 2018-19, an increase of $420 million. This is largely attributable to decreases in Highway and Bridge Capital and the Department of Motor Vehicles.

Transportation Funds are primarily used for the Highway and Bridge projects, MTA and Transit infrastructure. New York Works infrastructure plan proposes to spend $375 million of new state funding to increase investment and improve the State's Highway and Bridge infrastructure.

The Executive Budget proposes $1.3 billion of Highway, Bridge and Other Transit aid, an increase of $142 million over prior year levels. The MTA will receive $4.4 billion, which includes General Fund support of approximately $336 million to offset the revenue impact of the recent payroll tax reform on the MTA's 2012 fiscal year. Other transit systems will receive $501.4 million, the same as SFY 2014-15.

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

Higher Education

New York has a strong commitment to providing higher education opportunities to its citizens. New York State's system of public higher education consists of the State University of New York (SUNY) which is composed of 64 campuses educating 462,000 students and the City University of New York (CUNY) which is composed of 24 campuses educating 269,00 students. Both systems include community colleges, four year institutions, and graduate and professional schools, providing a wide range of opportunities to the residents of the State. Additionally, as part of its academic mission, the SUNY system is responsible for three academic hospitals which are attached to the system's medical schools.

The Executive recommends State operating support of $987 million for State-operated campuses of the State University of New York (SUNY) and $536.5 million for the Senior Colleges of the City University of New York (CUNY) in SFY 2015-16.

The 2015-16 Academic Year (AY) will mark the last year of the five year 2020 program which balances predictable tuition increases with a State commitment to maintain funding to the SUNY and CUNY systems.

Major Features of the Multi-Year Higher Education Plan

- State Higher Education spending is projected to total $23.0 billion in SFY 2015-16, an increase of $70 million or 2.4 percent from SFY 2015.

- Through SFY 2019, Higher Education spending is projected to grow at an average rate of 2.1 percent.

- The Executive proposes new funding of the DREAM Act at $27 million.

- The Executive proposes a new $5 million funding for the "Get on Your Feet" Loan Forgiveness Program for recent graduates.

- The Executive provides $50 million in new capital resources to fund the planning and development costs for the School of Pharmacy at Binghamton.

- The Executive proposes two $55 million appropriations for a fourth round of SUNY 2020 and CUNY 2020 grants.

Additionally, for the past three years the Legislature has provided increases in State funding to community colleges on a per Full Time Equivalent (FTE) basis. The Executive recommends maintaining base aid for SUNY and CUNY Community Colleges at 2,497 per full-time equivalent (FTE) student, maintaining the AY 2014-15 level of support. The Executive Budget includes $459.4 million to support base aid, which is an increase of $361,900 from AY 2014-15. Funding of $5 million is continued for the Next Generation College Linkage Program for community colleges. Additionally, the Executive provides $2.5 million for grants to pay for enhanced services at three community colleges using the community schools model.

To serve over 731,000 students the SUNY and CUNY systems have a variety of academic buildings which require both continuing maintenance and occasional capital reinvestment. Between 2008 and 2013 a 5-year Capital Plan was enacted for both SUNY and CUNY to provide both required critical maintenance and to construct and renovate facilities, where necessary. The Executive Budget provides $462.4 million in new capital appropriations to SUNY, which includes $200 million in critical maintenance project funding. CUNY is provided with $181.8 million in new capital appropriations with $103 million in critical maintenance funding.

In addition, the Executive proposes a series of higher education new initiatives including the DREAM Act, the Get On Your Feet Loan Forgiveness Program, and Teacher Scholarships.

Higher Education Funds include income received from tuition, fees, and patient revenues from the City and State University system, and the Higher Education Services Corporation (HESC). Total Higher Education Receipts are forecast at $10.4 billion, a decrease of $190 million below SFY 2014-15 estimates.

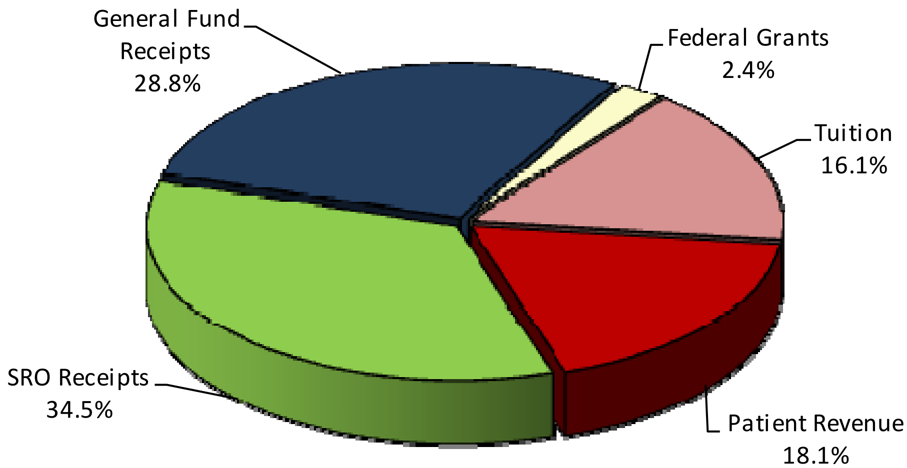
General Fund receipts for SFY 2015-16 are forecast at $3.0 billion, a decrease of $68 million from SFY 2014-15. SUNY General Fund receipts are expected to be $540.8 million, a decrease $156 million below SFY 2014-15. CUNY General Fund receipts are forecast to increase by $16 million to $1.4 billion in SFY 2015-16. HESC General Fund receipts will increase by $72 million to $1.1 billion.

Higher Education Special Revenue receipts are forecast at $3.6 billion, a decrease of $189 million below SFY 2014-15. Capital Projects are forecast to be $1.0 billion, a decrease of $28 million from the prior fiscal year. SUNY Dormitory fees, which are pledged for debt service to the Dormitory Authority on bonds issued, are no longer forecasted within the State budget. As part of the restructuring, lease revenue from the student dormitory program will no longer flow to the State's All Governmental Funds budget, and instead flow directly to the Dormitory Authority where it will be used to make debt service payments outside of the State's All Governmental Funds budget.

Table 77

Source of Higher Education Funds ($ in Millions)				
	2014-15 Estimated	2015-16 Projected	Change	Percent Change
Federal Grants	$250	$250	($0)	(0.0%)
Tuition	$1,606	$1,686	$80	5.0%
Patient Revenue	$1,907	$1,894	($13)	(0.7%)
SRO Receipts	$3,794	$3,605	($189)	(5.0%)
General Fund Receipts	$3,080	$3,012	($68)	(2.2%)
Total Receipts	**$10,637**	**$10,446**	**($190)**	**(1.8%)**

Source of Higher Education Funds SFY 2015-16



Source: Executive Budget.

Figure 58

Table 78

Use of Higher Education Funds ($ in Millions)				
	2014-15 Estimated	2015-16 Projected	Change	Percent Change
SUNY	$7,566	$7,368	($198)	(2.6%)
CUNY	$1,315	$1,321	$6	0.4%
Community Colleges	$705	$701	($4)	(0.6%)
SUNY Hospital Subsidy	$88	$59	($29)	-
HESC	$1,092	$1,145	$53	4.9%
All Other	$8	$16	$8	96.4%
Total Disbursements	**$10,774**	**$10,611**	($164)	**(1.5%)**

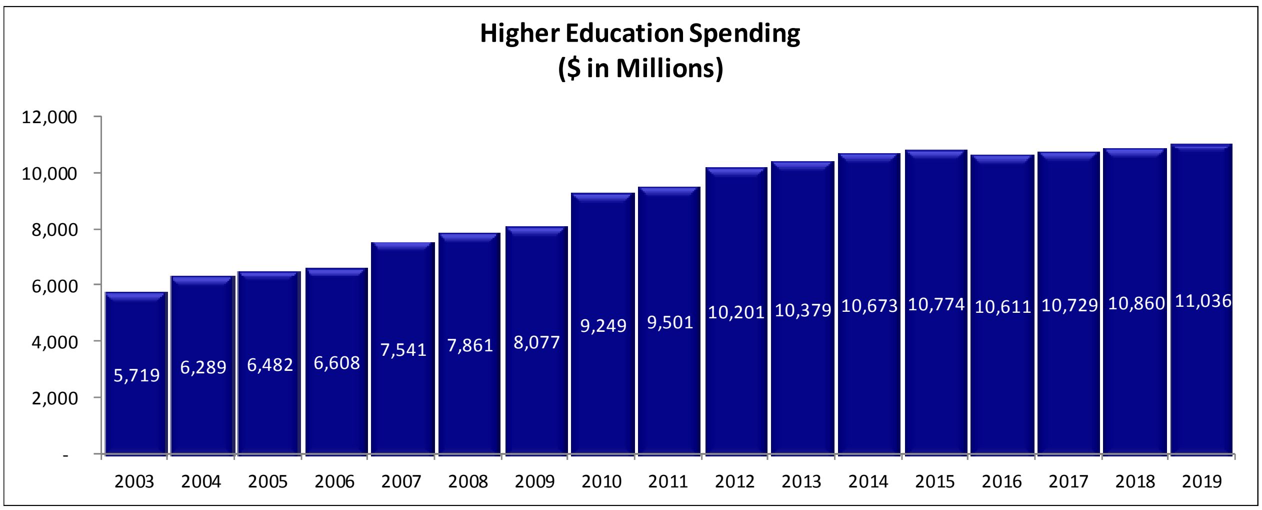


Figure 59

As shown above, Higher Education spending grows modestly from $10.6 billion in SFY 2015-16 to $11.0 billion in SFY 2018-19. This includes a 1.5 percent decrease in SFY 2015-16; annual growth rates 1.1 percent in SFY 2016-17; 1.2 percent in SFY 2017-18; and 1.6 percent in SFY 2018-19. The greatest driver of this modest growth is CUNY operating support.

The majority of Higher Education funds are allocated to SUNY with 69.4 percent of spending, followed by CUNY with 12.5 percent.

HESC makes up the third largest portion of Higher Education spending at 10.8 percent. The Executive Budget appropriates the Tuition Assistance Program (TAP) at $1.02 billion, an increase of $43 million from SFY 2014-15 resulting from increased payments due to tuition increases at SUNY and CUNY community colleges and funding for the Dream Act. The Executive also includes new spending of $27 million for the DREAM Act and $5 million for the Get On Your Feet Loan Forgiveness Program.

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

In SFY 2015-16, the Executive proposal includes two $55 million appropriations for a fourth round of SUNY 2020 grants and a new round of NY CUNY 2020 grants. Projects will be selected in a competitive manner based on economic impact, advancement of academic goals, innovation and collaboration.

Environment

New York State has a variety of agencies entrusted with protecting our natural environment and aiding in the protection and productivity of its land. The State also has an interest in ensuring an adequate supply of energy is available to consumers who are entitled to protections against unreasonable practices.

In SFY 2015-16, proposed environment spending amounts to $1.2 billion, a $36 million increase over the prior year. The major spending is accounted for in the Department of Environmental Conservation (DEC), Department of Agriculture and Markets, and The Office of Parks, Recreation and Historic Preservation (OPRHP). The DEC's mission is to conserve and improve the State's natural resources and environment and to prevent, abate, and control water, land and air pollution. DEC's responsibilities include the administration of a portion of the State's Environmental Protection Fund (EPF) and the Clean Water/Clean Air Bond Act of 1996. The Department of Agriculture and Markets is charged with fostering a competitive and safe New York Food and Agriculture industry to benefit producers and consumers. The OPRHP is responsible for the conservation, protection, and enhancement of New York State's natural, historic and cultural resources.

Major Features of the Multi-Year Environmental Plan

- State Environmental spending if projected to total $479.3 million, a modest decrease of $3 thousand from last year.
- Through SFY 2019, Environmental spending declines at an average rate of 1.4 percent.
- The Executive proposes to fund the EPF at $172 million, an increase of $10 million from SFY 2015.
- The Executive proposes legislation to extend and modify the Brownfield Cleanup Program for 10 years, which includes a new $100 million appropriation to continue the State's Superfund program for one year.
- The Executive proposes to allocate $50 million from the Special Infrastructure Account to help agriculture and agriculture-related businesses in the Southern Tier and Hudson Valley.
- The Executive proposes $10 million in new capital funding for the Olympic Regional Development Authority (ORDA), with $2.5 million of this funding continuing to be provided by a New York Works appropriation in the Office of Parks, Recreation, and Historic Preservation.

The Executive Budget proposes a new $100 million appropriation to continue the State Superfund program, which includes the authority to address municipally owned brownfields through the Environmental Restoration Program. It also extends the Brownfields program for 10 years and modifies the Brownfields Cleanup tax credit program.

The Executive Budget proposes $172 million for the EPF, an increase of $10 million from SFY 2014-15. Of these funds, $13 million would be supported by the Regional Greenhouse Gas Initiative (RGGI), which is $10 million more than last year.

Environment Funds include income received from the General Fund, the Environmental Facilities Corporation and the Real Estate Transfer Tax. Total Environment receipts are forecast at $2.0 billion, an increase of $61 million from SFY 2014-15.

General Fund receipts for SFY 2015-16 are forecast to decrease $12 million to $209 million.

Environment Special Revenue receipts are forecast at $585 million, a $71 million increase from SFY 2014-15. The Real Estate Transfer Tax receipts are forecast at $1.0 billion, no change from SFY 2014-15. The components of the Real Estate Transfer Tax receipts are anticipated to remain flat for Clean Water/Clean Air bonds for Environmental Protection Fund (EPF) Capital Projects Fund and in the Debt Service Fund.

Federal grants are forecast to be $166 million a $2 million increase from the previous year.

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

Table 79

Source of Environment Funds ($ in Millions)				
	2014-15 Estimated	2015-16 Projected	Change	Percent Change
Federal Grants	$164	$166	$2	1.3%
Real Estate Transfer Tax	$1,038	$1,038	-	-
SRO Receipts-Other	$515	$585	$71	13.7%
General Fund Receipts	$221	$215	($6)	(2.7%)
Total Receipts	**$1,937**	**$2,004**	**$67**	**3.4%**

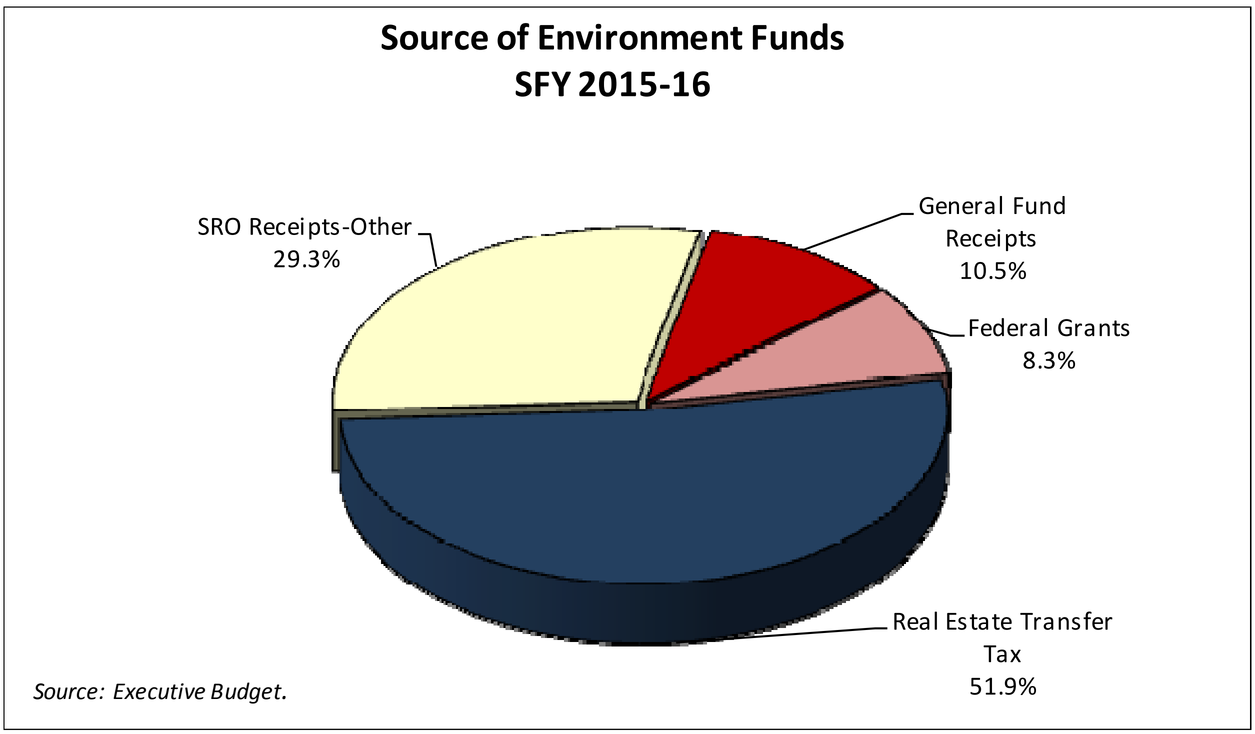


Figure 60

Table 80

Use of Environment Funds ($ in Millions)				
	2014-15 Estimated	2015-16 Projected	Change	Percent Change
Adirondack Park Agency	$5	$5	$0	0.8%
Environmental Conservation	$887	$899	$12	1.3%
Parks, Recreation, and Historic Preservation	$292	$320	$28	9.5%
Total Disbursements	**$1,184**	**$1,223**	$39	**3.3%**

The majority of Environmental Fund spending is attributed to the Department of Environmental Conservation (DEC) at 73.6 percent followed by the Office of Parks, Recreation, and Historic Preservation (OPRHR) at 26 percent.

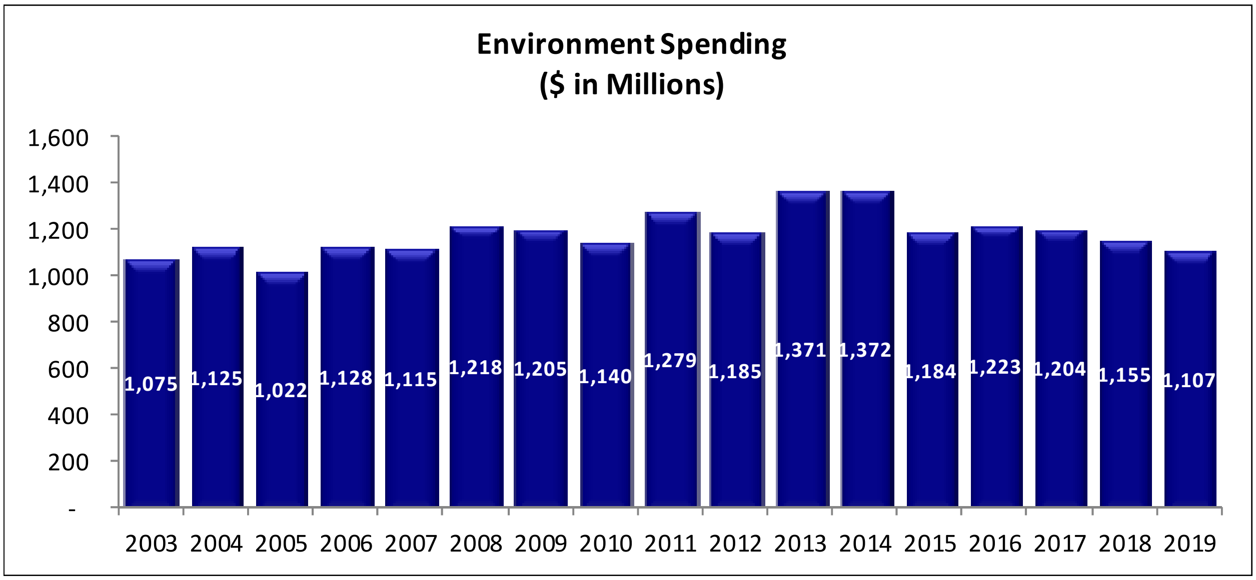


Figure 61

As shown above, Environment spending is one of the few program areas witnessing decreased spending. Spending decreases from $1.2 billion in SFY 2015-16 to $1.1 billion in SFY 2018-19. This is largely attributable to decreases in the DEC budget and All Other spending.

Pension

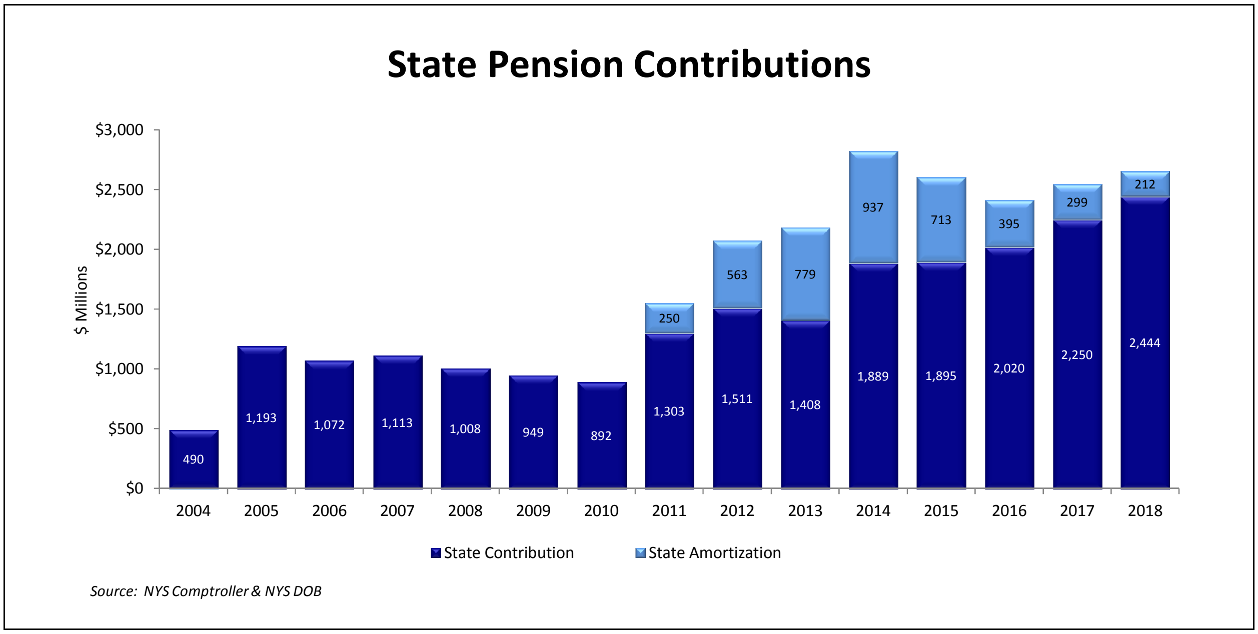


Figure 62

The State pension contribution is estimated to $2.0 billion in SFY 2015-16, with $395 million deferred through amortization. The contribution amounts include both the Employee Retirement System and the Police and Fire Retirement System. The pension system accounts for six tiers, of which Tier 6 was enacted in 2012.

The SFY 2010-11 Enacted Budget authorized the State to amortize a portion of their pension costs. Since the pension amortization authorization had been enacted, the State has amortized $3.5 billion in pension cost. Repayment of the deferred amounts will be amortized over a ten-year period at an interest rate to be determined by the State Comptroller. In SFY 2015-16, $395.1 million is estimated to be deferred.

The recent growth in Pension costs are a result of the new actuarial assumptions implemented in September 2014 by the New York State and Local Retirement Systems. In previous years, the State faced substantial pension contribution increases due to investment losses experienced by the Common Retirement Fund including increases and decreases based on the status of the stock market.

Since 2004, the State pension contributions have increased from $490 million to $2 billion in SFY 2015-16 or $2.4 billion without deferral.

Capital and Debt

Capital Plan

The Capital Plan plays a critical role in the state's effort to develop, maintain and compete with other regions. It outlines the State's multi-year capital spending on various programs and the impact of debt on the State's Financial Plan. For SFY 2015-16 through SFY 2019-20, Capital Spending is projected to remain flat.

The Five-Year Capital Plan

The Executive is proposing a $54.3 billion Five-Year Capital Plan: The new Capital Plan is $6.4 billion or 13.4 percent over the Enacted Capital Plan of SFY 2014-15. This new Five-Year Capital Plan reprioritizes and accelerates existing projects and implements a portion of the New York Works program.

Table 81

Capital Spending by Function
SFY 2014-15 through 2019-20
($ in Millions)

Spending	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Transportation	$4,505	$4,560	$4,385	$4,307	$4,423	$4,582
Education	$105	$540	$441	$437	$417	$417
Higher Education	$1,733	$1,780	$1,728	$1,631	$1,585	$1,543
Economic Development & Gov't Oversight	$545	$958	$1,145	$1,166	$1,098	$1,066
Mental Hygiene	$412	$443	$472	$482	$427	$427
Parks and Environment	$643	$681	$654	$630	$583	$528
Health	$151	$507	$494	$434	$434	$283
Social Welfare	$134	$181	$215	$217	$214	$206
Public Protection	$362	$425	$308	$290	$291	$290
General Government	$163	$261	$156	$169	$97	$79
Other	$153	$593	$893	$1,033	$1,301	$1,358
Total	**$8,906**	**$10,927**	**$10,891**	**$10,794**	**$10,870**	**$10,780**
Off-Budget Spending	($911)	($1,012)	($956)	($939)	($870)	($843)
Net Cash Spending	**$7,995**	**$9,915**	**$9,935**	**$9,856**	**$10,000**	**$9,937**

The State anticipates spending $10.9 billion in capital financing for SFY 2015-16, of which $4.6 billion or 41.7 percent in Transportation, $1.8 billion or 16.3 percent in Higher Education, and $4.6 billion or 42 percent in All Other programs.

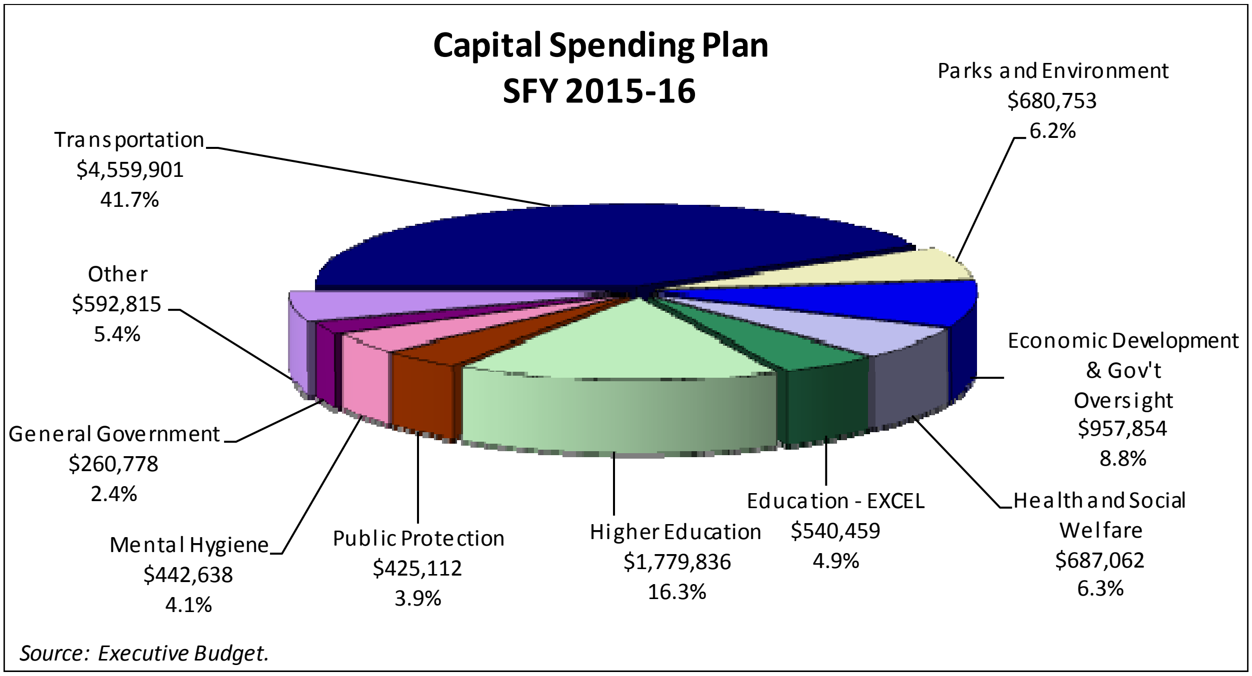

Capital Spending Plan
SFY 2015-16
Parks and Environment
$680,753
6.2%
Transportation
$4,559,901
41.7%
Other
$592,815
5.4%
Economic Development & Gov't Oversight
$957,854
8.8%
General Government
$260,778
2.4%
Education - EXCEL
$540,459
4.9%
Health and Social Welfare
$687,062
6.3%
Mental Hygiene
$442,638
4.1%
Public Protection
$425,112
3.9%
Higher Education
$1,779,836
16.3%
Source: Executive Budget.

Figure 63

New Capital Initiatives

The Executive Budget includes $14.6 billion in new bonded capital initiatives, all of which will be committed and spent over a five-year period.

Table 82

New Capital Appropriations SFY 2015-16 Executive Budget ($ in Thousands)			
Special Infrastructure Account	**3,050,000**	**Higher Education**	**676,254**
Thruway Stabilization Program	1,285,000	SUNY/CUNY Systemwide Maintenance	322,000
Broadband Initiative	500,000	Community College Projects	164,254
Hospitals	400,000	NY SUNY & CUNY 2020 Grants	110,000
Penn Station Access	250,000	Binghamton School of Pharmacy	50,000
Municipal Restructuring	150,000	Capital Matching Grants	30,000
Transit-Oriented Development	150,000		
Resiliency, Mitigation, Security & Response	150,000	**Parks & Environment**	**726,600**
Southern Tier/Hudson Valley Farm Initiative	50,000	Hazardous Waste Remediation	100,000
Other Infrastructure Improvements	115,000	Core Parks and Historical Preservation	173,700
		Core DEC Program	452,900
Economic Development	**1,754,723**		
Upstate Revitalization Fund	1,500,000	**Social Welfare**	**314,700**
Regional Economic Development Councils	150,000	Raise the Age	110,000
Nano/GE Power Electronics	33,500	Non-profit Infrastructure Capital Investment Program	50,000
Cornell Veterinary College	19,000	Affordable & Homeless Housing	154,700
All Other Economic Development	52,223		
		State Facilities, IT & Public Protection	**399,400**
Transportation/Transit	**5,852,854**	Harriman Campus Upgrades	152,000
DOT Bridge Program(1)	750,000	Information Technology	146,700
MTA Capital Contribution	750,000	Public Protection	100,700
Other Downstate Transit	121,548		
Core Transportation & DMV Program	4,231,306	**All Other Capital Appropriations**	**296,656**
Health & Mental Hygiene	**1,490,572**		
Health Care Facility Transformation	1,000,000		
Core DOH Program	150,600		
Core Mental Hygiene Program	339,972	**Total Capital Appropriations**	**14,561,759**
(1) $150 million per year over five years.			

The Proposed $14.6 billion in Capital Investment

Special Infrastructure Investments ($3.1 billion)

- The Executive proposes $3.1 billion for Infrastructure investments that will be used to fund multiple new capital initiatives stemming from large-scale, complex infrastructure projects to smaller, strategic investments across New York State. The initiatives will alleviate some of the structural challenges in the health care providers, transportation stabilization programs, municipalities and expanding and improving broadband networks throughout the State.

Thruway Stabilization Program ($1.3 billion)

- The Budget proposes $1.285 billion to fund the Thruway Stabilization Program for expenses related to both the New NY Bridge and the statewide system.

Penn Station Access ($250 million)

- The Executive proposes $250 million to support MTA's Penn Station Access project, which will open a new Metro-North link directly into Penn Station, and will provide enhanced system resiliency. Improvement in regional mobility, and construction of four new metro-North stations in the Bronx.

Infrastructure Improvements ($115 million)

- The Plan provides $115 million for capital investments in infrastructure including State Fair, transit, rail, port, and aviation facilities that promote economic development.

Broadband Initiative ($500 million)

- The Capital Plan establishes a $500 million New York Broadband initiative to expand the availability, speed and capacity of broadband across the State.

Hospitals ($400 million)

- The Plan provides up to $400 million of grants to essential health care providers that facilitate mergers, consolidation, acquisition, or other significant corporate restructuring activities. Funding may be used to restructure debt obligations or fund capital improvements of hospitals in rural communities.

Other new Capital Initiatives ($350 million) programs include:

- $150 million for Resiliency, Mitigation, Security, and Emergency Response; $150 million for Municipal Restructuring; and $50 million for Southern Tier/Hudson Valley Farm Initiative.

Economic Development ($1.8 billion)

- $150 million for Regional Economic Development Councils; $33.5 million for Nano/GE Power Electronics; $19 million for Cornell Veterinary College; $52.2 million for All Other Economic Development Initiatives.

- Upstate New York Economic Revitalization competition and Other Economic Development ($1.5 billion): The plan includes $500 million grants will be awarded to three upstate regions. The seven eligible regions are competing for one of three \$500 million grants: Mid-Hudson, Capital Region, Mohawk Valley, Central New York, North Country, Southern Tier, and Finger Lakes. Projects exhibiting region-wide impact will be made a priority and should focus on strengthening infrastructure, revitalizing communities, bolstering workforce development, growing tourism, and improving quality of life.

Transportation/ Transit (\$5.9 billion)

- \$750 million to Department of Transportation for a State and local Bridge Program which will be disbursed per year over the next five years to accelerate the rehabilitation, reconstruction, or replacement of various transportation infrastructures; \$750 million to MTA's multi-year plan capital plan for core infrastructure improvements; \$121 million for Other Downstate Transit; and \$4.23 billion for Core Transportation & DMV Programs.

Health & Mental Hygiene (\$1.5 billion)

- \$150.6 million for Core Department of Health Programs; and \$399.9 million for Core Mental Hygiene Programs.

- Health Care Facility Restructuring (\$ 1 billion): This program would support projects that improve the State's health care delivery system and to stabilize hospitals and make infrastructure investments to expand access to community-based initiatives in Brooklyn and create an integrated delivery system in Oneida County.

Higher Education- (\$676.2 million)

- \$322 million for SUNY/CUNY System wide infrastructure needs at both senior and community college campuses; \$164 million for Community College Projects; \$110 million for NY SUNY/CUNY 2020 Grants; \$10 million for a new Binghamton School of Pharmacy; and Capital Matching Grants.

Parks and Environment (\$727 million)

- \$173.7 million for Core Parks and Historical Preservation; and \$452.9 million for Core DEC Program.

- Hazardous Waste Remediation (Superfund) - \$100 million The Executive proposes \$100 million to continue the State Superfund program, which focuses on the identification, classification and remediation of hazardous waste sites and hazardous substances throughout the State.

Social Welfare ($317.7 million)

- $110 million for Raise the Age; $50 million for nonprofit infrastructure Capital Investment Program; and $154.7 million for Affordable & Homeless Housing.

State Facilities, IT & Public Protection ($399.4 million)

- $152 million for Harriman Campus Upgrades; $146.7 million for Information Technology; and $100.7 million for Public Protection.

Other programs – ($296.6 million)

Financing the Capital Plan for 2015-16

The Executive proposes to finance the Five-Year Capital program with a combination of pay as you go (PAYGO) funding and bonded resources: The Capital Program for SFY 2015-16 of $10.9 billion is proposed to be financed as follows:

Table 83

Capital Program and Financial Plan
Financing Sources
SFY 2015-16
($ in Millions)

Financing Source	FY 2015	FY 2016	$ Change	Annual % Change
Authority Bonds	4,539	5,650	1,112	24%
Federal Pay-As-You-Go	1,705	1,348	(356)	-21%
State Pay-As-You-Go	2,351	3,218	867	37%
General Obligation Bonds	312	710	398	128%
Total	**8,906**	**10,927**	**2,021**	**23%**

- $3.2 billion or 29.5 percent in State PAYGO;
- $1.3 billion or 12.3 percent in Federal PAYGO;
- $0.710 billion or 6.5 percent in General Obligation; and,
- $5.7 billion or 51.7 percent in Public Authority bonding.

State PAYGO

State PAYGO resources consists of General Fund taxes, other taxes and user fees dedicated for specific capital programs, repayment from Local Government and Public Authorities for their share of the projects, and transfers from other funds including the General Fund. Capital Projects financed by State PAYGO Resources will total $3.2 billion for SFY 2015-16. Capital spending supported by General Fund receipts is classified as a transfer to the various Capital Projects Funds. General Fund transfers to capital projects essentially finance non-bond eligible capital spending, including minor rehabilitation of facilities operated by Office of General Services, Department of Environmental Conservation, Parks and the Department of Mental Hygiene.

Approximately $628 million will be designated for the Dedicated Highway Bridge and Trust Fund (DHBTF).

Table 84

PAYGO Resources
($ in Thousands)

	State SFY 2015-16	Federal SFY 2015-16	Total PAYGO Financing
Transportation	$1,688,287	$1,115,593	$2,803,880
Parks and Environment	$243,616	$105,387	$349,003
Economic Development & Gov't Oversight	$306,756	$70,000	$376,756
Health	$86,500	$3,004	$89,504
Social Welfare	$2,475	$29,362	$31,837
Education	$3,400	$25,000	$28,400
Higher Education	$277,336		$277,336
Public Protection	$62,460		$62,460
Mental Hygiene	$83,938		$83,938
General Government	$61,750		$61,750
Other	$401,715		$401,715

Federal PAYGO

Federal PAYGO resources for SFY 2015-16 will total $1.3 billion, allocated primarily to Transportation ($1.1 billion) and Parks and Environmental projects ($105 million). Federal PAYGO supports spending financed by grants from the federal government, earmarked for highways and bridges, drinking water and water pollution control facilities. Public protection, Social Welfare and Health will total $524 million over the Five-Year Capital Plan.

Debt Management

State-supported debt is managed and measured by the Debt Reform Act of 2000 and the state is contractually obligated to pay debt service subject to appropriation. State-supported debt, along with Other State Obligations, is a component of State-related debt as reported by the Executive. Other State Obligations have not been issued by the State since the Tobacco bonds were issued in 2005. State-supported debt includes debt paid by State resources and has a direct budgetary impact on the financial plan, while State-related debt is a broader measure that includes State-supported, State-guaranteed debt moral obligations financing and certain contingent obligation financing when debt service is paid by non-State resources.

The Executive continues the implementation of debt management reforms that promote efficiency and effectiveness, economic growth, job creation, enhancement of the State's debt spending, and savings for SFY 2015-16 and beyond. The reforms include:

- Transitioning Consolidation Highway Improvement Program(s) from an "off-budget" to an "on budget" accounting structure, thereby mitigating risk to the State currently assumed due to bond proceeds being issued in advance of funding requests with associated project information.

- Continuing to prohibit borrowing to finance State administrative personnel. These costs will be funded from annual operating revenue. This important reform will assist the State in abiding by the Debt Reform Act cap.

- Pursuing options to improve oversight and management of State-supported bond transactions. In December 2013, the State (DOB) completed a centralized procurement for Financial Advisor Services. This contract will be used by DOB and its State debt issuers for all bond transactions to be executed in SFY 2015 and beyond.

- Simplifying investor's access to State disclosure documents in the municipal marketplace.

State-Supported Debt Outstanding

State-supported Debt outstanding is expected to increase from $52.7 billion in SFY 2014-15 to $55.04 billion in SFY 2015-16. Transportation and Education, which make up 28 percent and 34 percent of debt outstanding, respectively, are the majority of the State's obligations. The remaining obligations by function of debt outstanding are 10 percent in State Facilities and Equipment, 4 percent in LGAC, 9 percent in Health and Mental Hygiene, 4 percent in Environment, 11 percent in Economic Development and Housing while Tobacco is 2.4 percent and all other debt 0.9 percent of state-related debt outstanding.

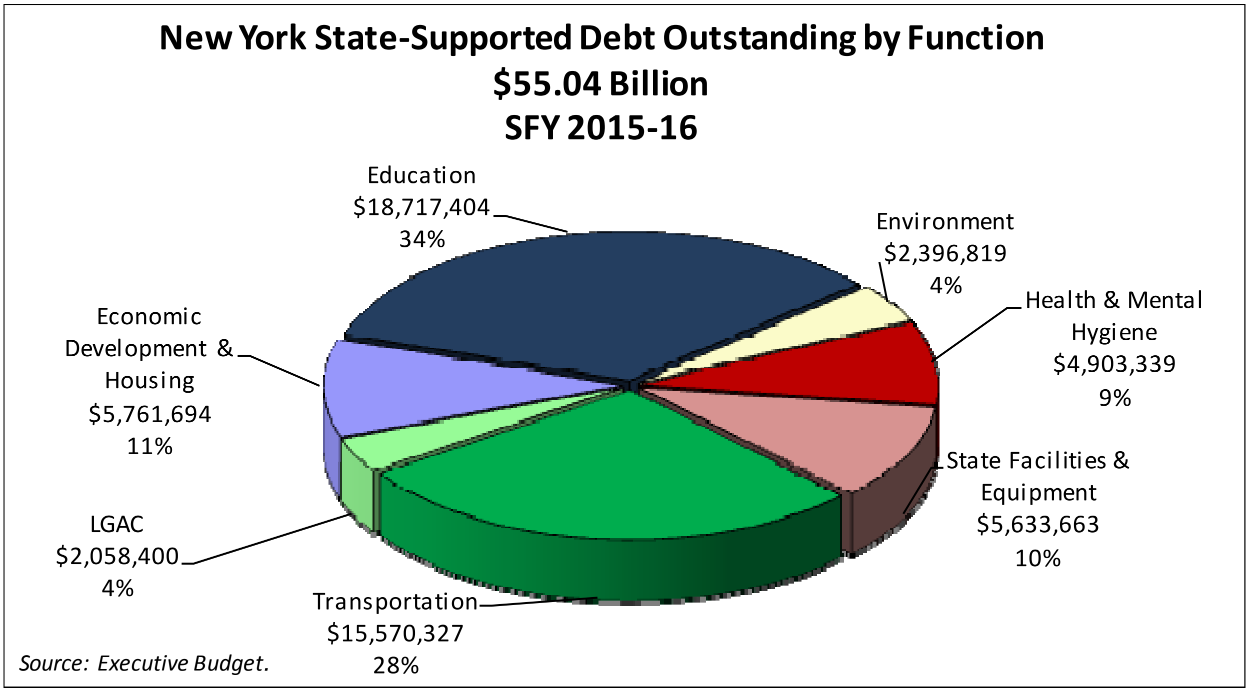


Figure 64

The $2.5 billion increase in state-supported Debt outstanding for SFY 2015-16 is offset by $3.7 billion in state-supported debt retirements and $6.2 billion in state-supported debt issuances. Increases in debt outstanding will occur in the following programs: $1.4 billion for Education facilities, $405 million for Health and Mental Hygiene, $519 million for Transportation, and $40 million for Environmental projects.

State-supported debt outstanding is projected to be $55.04 billion for SFY 2015-16. The projections also exemplifies the debt managing to remain under the statutory debt cap over Five-Year Plan, declining from $1.8 billion in SFY 2015-16, $1.1 billion in SFY 2016-17 to $851 million in remaining capacity SFY 2017-18. The State cap on the amount of debt outstanding is limited to four percent of Personal Income. The amount of debt projected service under the statutory cap for SFY 2014-15 is $3.7 billion below statutory cap.

Table 85

State Debt Outstanding Financing Program and Program Area SFY 2015 through SFY 2020 ($ in Millions)	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020
General Obligation Bonds	**3,198**	**3,614**	**3,765**	**3,898**	**4,045**	**4,183**
Revenue Bonds						
Personal Income Tax	29,915	32,762	34,926	36,813	38,773	40,522
Sales Tax	1,998	3,138	4,273	5,402	6,521	7,627
Dedicated Highway	5,480	4,972	4,478	4,008	3,519	3,010
Mental Health Services	1,636	1,460	1,288	1,113	958	826
SUNY Dorms	1,164	1,111	1,058	1,007	962	913
Health Income	236	219	202	183	164	144
LGAC	2,345	2,058	1,758	1,465	1,241	900
Subtotal Revenue Bonds	**42,777**	**45,723**	**47,986**	**49,993**	**52,141**	**53,944**
Service Contract	**6,593**	**5,704**	**4,915**	**4,018**	**3,300**	**2,756**
Total State-supported	**52,569**	**55,041**	**56,666**	**57,910**	**59,487**	**60,884**
Program Area						
Economic Development & Housing	5,470	5,761	5,923	6,018	6,176	6,368
Education	17,267	18,717	19,876	20,820	21,877	22,931
Environment	2,356	2,396	2,436	2,480	2,535	2,593
Health & Mental Hygiene	4,498	4,903	5,172	5,404	5,636	5,890
State Facilities & Equipment	5,579	5,633	5,635	5,599	5,580	5,526
Transportation	15,051	15,570	15,863	16,120	16,440	16,673
LGAC	2,345	2,058	1,758	1,465	1,241	900
Total State-supported	**52,569**	**55,041**	**56,666**	**57,910**	**59,487**	**60,884**

General Obligation Bonds

The State finances a small portion of its capital projects with general obligation (GO) bonds. GO bonds are issued with the full faith and credit of the State by voter approved authorization. The State expects that $3.6 billion or 6.6 percent of total State-supported debt outstanding is GO bond debt as of SFY 2015-16.

Majority of projected GO bonds spending was authorized in the 2005 Rebuild and Renew New York Bond Act. Spending authorizations from the remaining eight bond acts will be virtually depleted by SFY 2017-18. General Obligation bonds are the only debt obligations that the State is required to pay by law.

Revenue Bonds

The public authorities and benefit corporations authorized to issue revenue bond financing are as follows: The Dormitory Authority of the State of New York (DASNY); The Urban Development

Corporation (UDC); The New York State Thruway Authority (TA); The New York State Environmental Facilities Corporation (EFC); and The New York State Housing Finance Agency (HFA). The issuance of such revenue bonds shall not be a debt to the State nor shall the State be liable. Other Revenue Bonds are backed by a separate dedicated revenue stream relating to the projects that they fund, for example SUNY Dormitories would be backed by student fees.

Personal Income Tax Bonds (Revenue Bonds)

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

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

Debt issuance for PIT bonds is forecast at $4.3 billion for SFY 2015-16 and will be offset by $1.4 billion in debt retirements for a total of $32.7 billion in debt outstanding and $2.8 billion in debt service.

Service Contract & Lease-Purchase Agreements

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

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

The Service Contract & Lease-Purchase Agreement projects $5.7 billion in debt outstanding for SFY 2015-16, a decrease of $889 million or 13.5 percent since SFY 2014-15 estimates. The Service Contract & Lease-Purchase Agreement in debt outstanding will be offset by $889 million in debt retirements and $683 million in debt service.

State-Related Debt Outstanding

Table 86

State-Related Debt Outstanding (Other State Debt Obligations in addition to State-Supported) ($ in Thousands)		
	SFY 2014-15	**SFY 2015-16**
State-supported Subtotal	**$52,569,568**	**$55,041,647**
Contingent Contractual		
DASNY/MCFFA Secured Hospitals Program	304,390	255,495
Tobacco Settlement Financing Corporation	1,744,905	1,374,720
Moral Obligation		
HFA Moral Obligation Bonds	4,710	3,705
MCFFA Nursing Homes & Hospitals	0	0
State Guaranteed		
Job Development Authority (JDA)	9,255	6,170
State Funded		
MBBA Prior Year School Aid Claims	262,650	233,670
Total	**$54,895,478**	**$56,915,407**

State-related debt outstanding is estimated at $57 billion in SFY 2015-16, an increase of $2 billion over the prior year.

Contingent Obligations

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

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

Debt Instruments

The management of $55.04 billon state-supported debt outstanding is primarily in debt instruments of fixed rate (96.4 percent), Interest Rate Exchange Agreement (Swaps) (3.3 percent) and in variable rate (0.3 percent). When interest rates are favorable the State has often refunded outstanding debt to produce fiscal year savings.

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

The use of variable rate and swap instruments have declined due to the over exposure of the underlying markets to the economic crisis. The state has no plans to enter into additional swaps and in SFY 2015-16 swaps exposure is estimated to 3.6 percent of state-supported related debt outstanding. In order for the state to enter into swap agreements, the state counterparty rating must be AA rated at a minimum.

New York State uses certain debt instruments like interest rate exchange agreements (swaps) and variable rate debt obligations (VRDO) to manage debt. The State's net variable rate exposure (including a policy reserve) is projected to average 1.3 percent of outstanding debt from FY 2015 through FY 2020. Article 5-D of State Finance outlines the management of debt instruments.

Debt Coverage Ratio

Public authority bonds will be issued to support capital projects over the Executive Capital Plan. Authority revenue credits include State PIT Revenue Bonds, and Sales Tax Revenue Bonds.

Authority bond-financed capital spending is reimbursed by the proceeds of bonds sold by State public authorities pursuant to Contractual agreements with the State. Bond reimbursements is managed to provide the most efficient reimbursement possible. Factors affecting the timing of reimbursement of State expenditures include the availability of existing bond proceeds, bond market access, investment terms, and State cash flow considerations.

Table 87

Projected Revenue Bond Coverage Ratios
SFY 2015 through 2020
($ in Thousands)

	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020
Projected RBTF Receipts	$11,721,714.00	$12,407,232.00	$12,968,732.00	$13,300,788.00	$14,014,250.00
Projected New PIT Bonds Issuances	$4,271,371.00	$3,797,083.00	$3,684,522.00	$3,950,707.00	$3,907,894.00
Projected Total PIT Bonds Outstanding	$32,762,089.00	$34,926,081.00	$36,813,488.00	$38,773,139.00	$40,522,483.00
Projected Maximum Annual Debt Service	$3,170,916.00	$3,478,870.00	$3,773,846.00	$4,125,618.00	$4,429,484.00
Projected PIT Coverage Ratio	3.7	3.6	3.4	3.2	3.2

Table 88

Projected Sales Tax Revenue Bond Coverage Ratios
SFY 2015 through 2020
($ in Thousands)

	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020
Projected Sales Tax Receipts	$3,177,250.00	$3,322,500.00	$3,452,500.00	$3,592,500.00	$3,737,500.00
Projected New Sales Tax Bonds Issuances	$1,214,136.00	$1,250,560.00	$1,288,077.00	$1,326,720.00	$1,366,521.00
Projected Total Sales Tax Bonds Outstanding	$3,183,332.00	$4,273,483.00	$5,402,121.00	$6,521,477.00	$7,627,399.00
Projected Maximum Annual Debt Service	$241,217.00	$341,774.00	$450,091.00	$567,280.00	$689,047.00
Projected Sales Tax Coverage Ratio	13.2	9.7	7.7	6.3	5.4

Approximately 51 percent of total spending will be financed with authority bond proceeds. The receipts to debt service coverage for PIT Revenue bonds are 3.7 and Sales Tax Revenue bonds are 13.2, representing sufficient receipts for various bonding program.

State Bonds Caps

New York State bond caps provide the legal authorization to issue bonds to finance a portion of the State's Capital Plan. As bond cap for a particular programmatic purpose is reached, subsequent legislative changes are required to raise the statutory caps to the level necessary to meet the bondable capital needs. A total of $5.3 billion of increased bond authorizations were included in the SFY 2016 Executive Budget (See Appendix).

Credit Ratings

Ratings agencies have state that New York's positive outlook of job creation and economic development reflects not only the restoration of economic opportunities for New Yorkers but a movement toward structural budget balances. In the past, the State of New York has experienced late budgets adoptions due to fiscal stress periods. Ultimately, resulting to downgrades by various credit rating agencies which in turn raise interest rates for New York State to borrow in the future. Ironically, the three major credit rating agencies Standard & Poor's, Moody's and Fitch indicate a positive outlook for New York State due to exemplifying relative strength and recent resilience of its economy. Table 100 provides the State's current credit ratings on all its State-related bond-financed programs.

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

Table 89

Current Credit Ratings on New York State Debt

	Standard & Poor's	Fitch	Moody's[1]
Personal Income Tax Bonds (PIT)	AAA	AA+	NR
Sales Tax Revenue Bonds	AAA	AA+	Aa1
General Obligation (GO)	AA+	AA+	Aa1
Local Government Assistance Corporation (LGAC)	AAA	AA+	Aa1
Dedicated Highway & Bridge Trust Fund	AA+	AA+	NR
Mental Health Services Facilities Improvement Revenue	AA	AA	NR
Department of Health	AA	AA	NR
State Universty of New York Dormitory Revenue	AA-	AA-	Aa2
Tobacco Bonds	AA	AA	NR
Municipal Bond Bank Agency (MBBA) Special Schools Revenue	AA	AA	NR
Service Contract/Appropriation Credits[2]	AA	AA	NR

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

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

Debt of Public Authorities

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

Authority bond-finance Capital spending is reimbursed by the proceeds of bonds sold by State public authorities pursuant to contractual agreements with the State. Bond reimbursement is managed by the Executive according to timing needs and the availability of existing bond proceeds, bond market access, investment terms and State cash flow considerations.

As of December 31, 2013, each of the 19 authorities had an outstanding debt of $100 million or more, and the aggregate outstanding debt, including refunding bonds, was approximately $175 billion, only a portion of which constitutes State-supported or State-related debt. State-related debt bonding totaled $53.2 billion, with 48 percent in Dormitory Authority, 19 percent in Thruway Authority, 21 percent in Urban Development Corporation & Empire State Development, 5 percent in Local Government Assistance Corporation, 4 percent in Tobacco Settlement Financing Corporation, 1.6 percent in Housing Finance Agency, and 2.4 percent in the remaining bonding authorities. All public authorities' outstanding debt in the state totals $256.8 billion. The table on page 156 lists all entities that have issued Public Authority debt.

Public Authority Debt vs. State Public Authority Debt

State public authority debt outstanding totaled $154.6 billion in SFY 2013-14, a decrease of $20 billion or 11.7 percent from the prior year. Of that amount $59 billion is debt and the remaining $97.8 billion is comprised of non-related and other state public authorities' debt. Public Authorities debt is not a State obligation unless an appropriation is passed by the legislature each fiscal year. Approximately 95 percent of all State debt outstanding has been issued by public authorities. The Conduit Debt for SFY 2014 is $67.4 billion which the state is not obligated to pay.

Table 90

State Obligated Public Authority Debt SFY 2015-16 ($ in thousands)	
State-Supported Debt	49,998,064
State Guaranteed	12,422
State Contingent Obligation	351,355
Local Other State-Funded	6,171,641
Other State-Funded	2,408,539
State Moral Obligation	10,640
Grand Total	**58,952,661**

Sources: New York State Office of State Comptroller

What are Public Authorities?

Public authorities are corporate instruments of the State created by the Legislature to further public interests. Public authorities have various levels of autonomy from the State based on the powers, as well as the constraints, built into their legislative mandate. Some public authorities are completely self-supporting and operate entirely outside the budget process, while others rely on State appropriations to fund operations.

Public Authorities play an integral role in financing, shaping and fueling our economy. For decades, many of New York's State and local authorities facilitated major public infrastructure projects that remain critically important. They continue to be the driving force keeping New York State fiscally responsible, robust and progressive. Public Authorities are the catalyst for maintaining, developing, managing, operating enhancing, transporting, and revitalizing the way city, county, state constituents function on an everyday basis.

How is the debt of Public Authorities structured?

Public Authority borrowing supports the Capital Plan and authority revenue credits which include state Personal Income Tax Revenue Bonds, Dedicated Highway Bridge and Trust Fund, State University of New York Dormitory Facilities Revenue Bonds, Mental Health Facilities Improvement Revenue Bonds and Department of Health Revenue Bonds.

Table 91

State Debt Outstanding
Financing Program and Program Area
SFY 2015 - 2016
($ in millions)

	SFY 2015	SFY 2016
General Obligation Bonds	**3,198**	**3,614**
Revenue Bonds		
Personal Income Tax	29,915	32,762
Sales Tax	1,998	3,138
Dedicated Highway	5,480	4,972
Mental Health Services	1,636	1,460
SUNY Dorms	1,164	1,111
Health Income	236	219
LGAC	2,345	2,058
Subtotal Revenue Bonds	**42,777**	**45,723**
Service Contract	6,593	5,704
Total State-supported	**52,569**	**55,041**

Source: New York State Executive Capital Budget and Financial Plan

Table 92

Outstanding Debt of Certain Authorities*
As of December 31, 2013
($ in Millions)

Authority	State-Related Debt Bonding	Authority and Conduit Bonding	Total
Dormitory Authority	25,277	21,019	46,296
Metropolitan Transportation Authority	346	24,352	24,698
Port Authority of NY & NJ	0	21,876	21,876
Thruway Authority	10,056	4,830	14,886
Triborough Bridge and Tunnel Authority	0	8,292	8,292
Housing Finance Agency	859	11,077	11,936
UDC/ ESD	11,090	903	11,993
Environmental Facilities Corporation	645	6,158	6,803
Job Development Authority	15	7,011	7,026
Long Island Power Authority	0	6,967	6,967
Energy Research and Development Authority	0	3,434	3,434
State of New York Mortgage Agency	0	2,781	2,781
Local Government Assistance Corporation	2,592	0	2,592
Tobacco Settlement Financing Corporation	2,053	0	2,053
Power Authority	0	1,675	1,675
Battery Park City Authority	0	1,059	1,059
Municipal Bond Bank Agency	281	291	572
Niagara Frontier Transportation Authority	0	144	144
Bridge Authority	0	117	117
Total Outstanding	**53,214**	**121,986**	**175,200**

* Includes only Authorities with $100 million or more in outstanding debt.

Debt Affordability

Debt Reform Act of 2000

On May 15th, 2000, the State of New York enacted, the Debt Reform Act of 2000 which created a new Article 5-B in the State Finance Law outlining limitations on State-supported debt. The Act limited the issuance of State-supported debt to a capital work or purpose. The ceiling on debt outstanding and debt service became directly tied to total personal income and total governmental funds receipts, respectively. The imposed cap for State Fiscal Year (SFY) 2014-15 on new debt outstanding is four percent of personal income and five percent of total governmental funds on new debt service costs. In addition, the Act limited the maturity of all State-supported debt to 30 years. The following shows the impact of issuing State-supported debt outstanding:

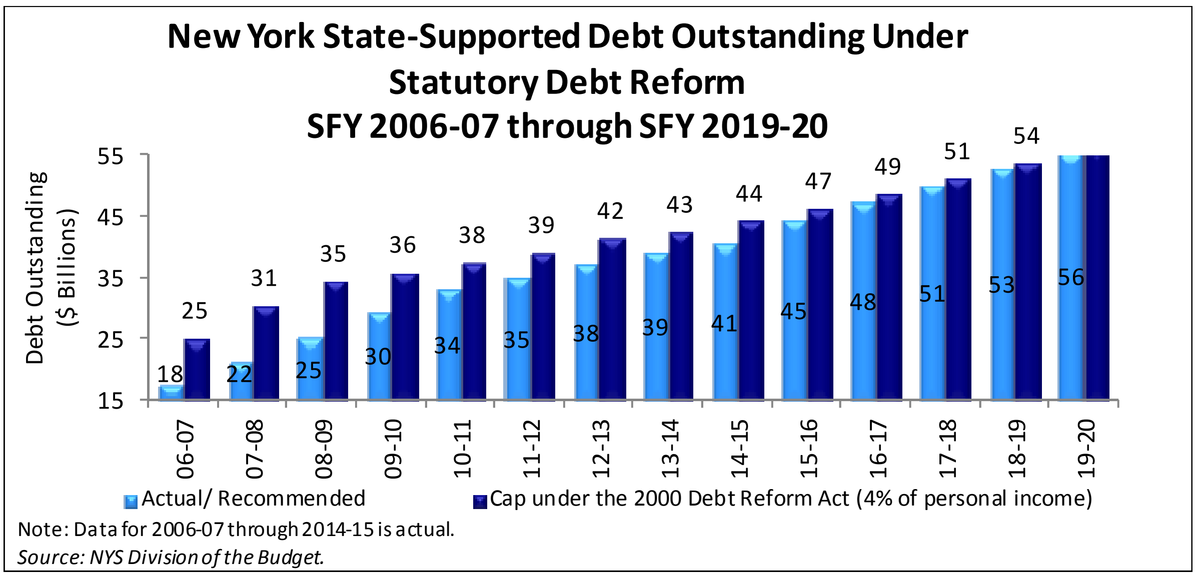


Figure 65

Due to the economic slowdown and the decline in revenues that impacted total personal income and governmental funds, the available room under the caps has declined for debt outstanding. As the available room to issue debt has declined, the Executive assumes debt outstanding capacity of $1.8 billion in SFY 2015-16, a decrease of $1.9 billion from SFY 2014-15.

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

Table 93

Debt Service Subject to Cap
($ in Millions)

Year	All Funds Receipts	Cap %	Cap $	Debt Service Since April 1, 2000	$ Remaining Capacity	Debt Service as a % of Revenue	% Remaining Capacity
SFY 2015	$148,133	5.00	$7,407	$3,997	$3,410	2.70	2.30
SFY 2015	$149,265	5.00	$7,463	$4,187	$3,276	2.80	2.20
SFY 2016	$152,222	5.00	$7,611	$4,603	$3,008	3.02	1.98
SFY 2017	$156,282	5.00	$7,814	$5,001	$2,813	3.20	1.80
SFY 2018	$159,344	5.00	$7,967	$5,409	$2,558	3.39	1.61
SFY 2020	$164,687	5.00	$8,234	$5,821	$2,413	3.53	1.47

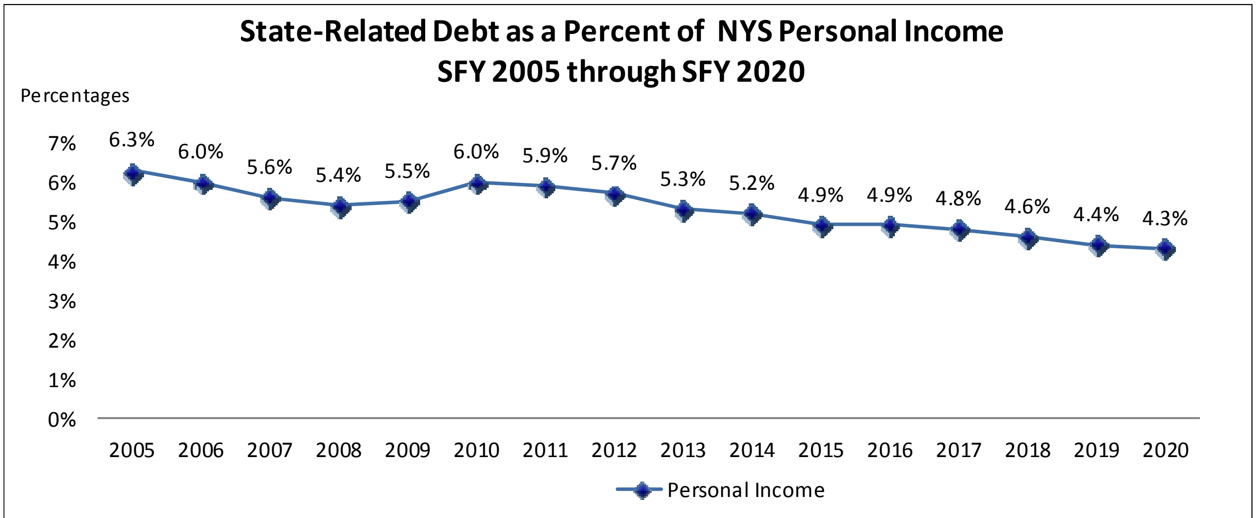
Table 94

Debt Outstanding Subject to Cap
($ in Millions)

Year	Personal Income	Cap %	Cap $	Debt Outstanding Since April 1, 2000	$ Remaining Capacity	Debt as a % of PI	% Remaining Capacity
SFY 2015	$1,112,300	4.00	$44,492	$40,824	$3,668	3.67	0.33
SFY 2015	$1,163,243	4.00	$46,530	$44,776	$1,754	3.85	0.15
SFY 2016	$1,222,944	4.00	$48,918	$47,833	$1,085	3.91	0.09
SFY 2017	$1,285,458	4.00	$51,418	$50,567	$851	3.93	0.07
SFY 2018	$1,349,232	4.00	$53,969	$53,365	$604	3.96	0.04
SFY 2020	$1,416,666	4.00	$56,667	$55,905	$762	3.95	0.05

State-Related Debt as a Percent of Personal Income

The State's debt outstanding as a percentage of personal income is projected to decline due to the recovery of personal income growth and the continued retirement of tobacco debt. As a result, State-related debt as a percent of New York personal income has decreased from 6.3 percent in SFY 2004-05 to an estimated 4.3 percent in SFY 2019-20.



Source: NYS Division of Budget Capital Program FY 2015.

Figure 66

Appendices

Appendices

Table 95

All Funds Collections SFY 2014-15 ($ in Millions)	2013-14 Actual	2014-15 Estimate	Change	Percent Growth	Diff. Exec.
Personal Income Tax	**$42,961**	**$44,012**	**$1,051**	**2.4%**	**$199**
Gross Receipts	**51,575**	**52,268**	**693**	**1.3%**	**79**
Withholding	33,368	35,057	1,689	5.1%	58
Estimated Payments	14,637	13,749	(888)	-6.1%	16
Vouchers	9,454	10,375	921	9.7%	16
IT 370s	5,183	3,374	(1,809)	-34.9%	-
Final Payments	2,395	2,178	(217)	-9.0%	2
Delinquencies	1,175	1,284	109	9.3%	3
Total Refunds	**8,614**	**8,256**	**(358)**	**-4.2%**	**(120)**
Net Collections	**42,961**	**44,012**	**1,051**	**2.4%**	**199**
User Taxes and Fees	**15,099**	**15,425**	**326**	**2.2%**	**(29)**
Sales and Use Tax	12,588	13,071	483	3.8%	(23)
Motor Fuel Tax	473	490	17	3.5%	3
Cigarette Tax	1,453	1,258	(195)	-13.4%	(24)
Highway Use	136	138	2	1.3%	2
Alcoholic Beverage Tax	250	254	4	1.8%	3
Auto Rental Tax	114	122	8	6.6%	3
Taxi Surcharge	85	93	8	9.4%	8
Business Taxes	**8,259**	**7,770**	**(489)**	**-5.9%**	**(7)**
Corporate Franchise	3,812	2,925	(887)	-23.3%	(42)
Utility Tax	798	787	(11)	-1.4%	14
Insurance Tax	1,444	1,524	80	5.5%	-
Bank Tax	1,050	1,378	328	31.2%	5
Petroleum Business Tax	1,155	1,157	2	0.2%	17
Other Taxes	**3,371**	**3,419**	**48**	**1.4%**	**(49)**
Estate and Gift	1,238	1,128	(110)	-8.9%	(41)
Real Estate Transfer	911	1,009	98	10.7%	(11)
Pari Mutuel	17	18	1	5.9%	-
Payroll Tax	1,204	1,263	59	4.9%	3
Total Taxes	**69,690**	**70,626**	**936**	**1.3%**	**114**
All Funds Misc. Receipts	21,061	27,351	6,290	29.9%	17
Lottery	3,173	3,138	(35)	-1.1%	46
Total Taxes with Lottery & Misc. Receipts	**93,924**	**101,115**	**7,191**	**7.7%**	**177**
Federal Funds	43,789	47,035	3,246	7.4%	-
Total All Funds Receipts	**$137,713**	**$148,150**	**$10,437**	**7.6%**	**177**

* Totals may not add up due to rounding

Table 96

All Funds Collections SFY 2015-16 ($ in Millions)	2014-15 Estimate	2015-16 Forecast	Change	Percent Growth	Diff. Exec.
Personal Income Tax	**$44,012**	**$46,979**	**$2,968**	**6.7%**	**$211**
Gross Receipts	**52,268**	**56,177**	**3,909**	**7.5%**	**172**
Withholding	35,057	37,462	2,405	6.9%	172
Estimated Payments	13,749	15,008	1,259	9.2%	12
Vouchers	10,375	11,381	1,006	9.7%	33
IT 370s	3,374	3,627	253	7.5%	(21)
Final Payments	2,178	2,375	197	9.0%	(3)
Delinquencies	1,284	1,332	48	3.8%	(9)
Total Refunds	**8,256**	**9,198**	**942**	**11.4%**	**(39)**
Net Collections	**44,012**	**46,979**	**2,968**	**6.7%**	**211**
User Taxes and Fees	**15,425**	**16,111**	**686**	**4.4%**	**71**
Sales and Use Tax	13,071	13,740	669	5.1%	77
Motor Fuel Tax	490	496	6	1.2%	12
Cigarette Tax	1,258	1,247	(11)	-0.8%	(36)
Highway Use	138	142	5	3.3%	(3)
Alcoholic Beverage Tax	254	262	7	2.9%	6
Auto Rental Tax	122	125	3	2.6%	1
Taxi Surcharge	93	100	7	7.5%	15
Business Taxes	**7,770**	**8,132**	**362**	**4.7%**	**(11)**
Corporate Franchise	2,925	4,625	1,700	58.1%	(24)
Utility Tax	787	802	15	2.0%	(3)
Insurance Tax	1,524	1,605	81	5.3%	1
Bank Tax	1,378	(10)	(1,388)	-100.7%	-
Petroleum Business Tax	1,157	1,110	(47)	-4.1%	15
Other Taxes	**3,419**	**3,532**	**113**	**3.3%**	**34**
Estate and Gift	1,128	1,118	(10)	-0.9%	13
Real Estate Transfer	1,009	1,049	40	4.0%	12
Pari Mutuel	18	18	0	0.0%	-
Payroll Tax	1,263	1,347	84	6.7%	10
Total All Funds Taxes	**70,626**	**74,754**	**4,129**	**5.8%**	**305**
All Funds Misc. Receipts	27,351	21,762	(5,590)	-20.4%	30
Lottery	3,138	3,353	214	6.8%	11
Total Taxes with Lottery & Misc. Receipts	**101,115**	**99,869**	**(1,247)**	**-1.2%**	**345**
Federal Funds	47,035	49,763	2,728	5.8%	-
Total All Funds Receipts	**$148,150**	**$149,632**	**$1,481**	**1.0%**	**345**

* Totals may not add up due to rounding

Property Tax Proposal & Recently Enacted Legislation

This section provides an overview of the current Executive proposal to provide a real property tax personal income credit. The Executive's proposal is in addition to a current refundable real property tax credit, or circuit breaker, enacted in 1978. The latter is available to qualified residents of the State with household gross income of $18,000 or less, whereas the current market value of the real property cannot exceed $85,000. The credit is also available to renters assuming the average monthly rent is $450 or less. The credit is the amount of excess property taxes over a percentage of income that ranges from 3.5 percent to 6.5 percent depending on income. The maximum possible credit is $75 if all household members are under the age of 65 and $375 if at least one member of the household is 65 or older.

This section also contains a discussion of more recently adopted property tax benefit programs to assist in the review of the Executive's proposal.

1. Executive Budget SFY 2015-16 Real Property Tax Personal Income Tax Credit

Homeowners

The Executive proposes a statewide "circuit breaker" tax credit for homeowners with incomes less than $250,000 whose taxes exceed six percent of their income. The homeowner will receive a credit of up to 50 percent of the excess of property taxes paid over a certain income threshold. The credit will apply to jurisdictions that stay under the property tax cap (except for NYC) and is designed to expire if the tax cap law is allowed to sunset. When fully implemented the program is expected to cost $1.3 billion with 1.3 million beneficiaries and an average credit value of $956. By year of implementation the following table provides an overview of the program for homeowners through 2018:

Table 97

Program Parameters - 2015 (only for School property taxes)			
Income Brackets	**Income Threshold**	**Credit Percent**	**Max Credit**
Less than $75,000	3.75%	14%	$500
$75,000-$150,000	3.75%	9%-14%	$350-$500
$150,000-$250,000	3.75%	3%-9%	$200-$350
Program Parameters - 2016			
Income Brackets	**Income Threshold**	**Credit Percent**	**Max Credit**
Less than $75,000	6%	23%	$1,000
$75,000-$150,000	6%	13%-23%	$750-$1,000
$150,000-$250,000	6%	7%-13%	$500-$750
Program Parameters - 2017			
Income Brackets	**Income Threshold**	**Credit Percent**	**Max Credit**
Less than $75,000	6%	36%	$1,600
$75,000-$150,000	6%	27%-36%	$1,200-$1,600
$150,000-$250,000	6%	10%-27%	$800-$1,200
Program Parameters - 2018			
Income Brackets	**Income Threshold**	**Credit Percent**	**Max Credit**
Less than $75,000	6%	50%	$2,000
$75,000-$150,000	6%	40%-50%	$1,500-$2,000
$150,000-$250,000	6%	15%-40%	$1,000-$1,500
Source: Executive Budget.			

Renters

The Executive proposes a statewide "circuit breaker" tax credit for renters with incomes less than $150,000. For renters a property tax "equivalent" is calculated equal to 13.75 percent of annual rent. When fully implemented the program is expected to cost $408 million with 1.0 million beneficiaries with an average credit of $400. By year of implementation the following table provides an overview of the program through 2018:

Table 98

Program Parameters - 2015 (13.75% property tax equivalent)				
Income Brackets	**Income Threshold**	**Credit Percent**	**Max Credit**	
			Upstate	**Downstate**
Less than $75,000	3.75%	14%	$150	$200
$75,000-$150,000	3.75%	9%-14%	$150	$200

Program Parameters - 2016 (13.75% property tax equivalent)				
Income Brackets	**Burden Thresholds**	**Overage %**	**Max**	
			Upstate	**Downstate**
Less than $75,000	6%	23%	$375	$500
$75,000-$150,000	6%	13%-23%	$375	$500

Program Parameters - 2017 (13.75% property tax equivalent)				
Income Brackets	**Burden Thresholds**	**Overage %**	**Max**	
			Upstate	**Downstate**
Less than $75,000	6%	36%	$450	$650
$75,000-$150,000	6%	27%-36%	$450	$650

Program Parameters - 2018 (13.75% property tax equivalent)				
Income Brackets	**Burden Thresholds**	**Overage %**	**Max**	
			Upstate	**Downstate**
Less than $75,000	6%	50%	$500	$750
$75,000-$150,000	6%	40%-50%	$500	$750

Source: Executive Budget.

2. New York City Circuit Breaker Credit Enacted SFY 2014-15

The 2014-15 Budget included a two-year (2014 and 2015) enhanced real property tax circuit breaker credit for taxpayers who reside in New York City. The credit will only be available to City taxpayers with qualifying incomes up to $200,000 and is conditional upon the size of the homeowner's property tax burden relative to a certain percentage of income.

The enhanced credit is also available for qualified City renters. For purposes of calculating the credit amount, 15.75 percent of monthly rent would be used as a proxy for property taxes paid by tenants, referred to as the property tax equivalent. The enhanced credit and its qualifying restrictions will have no impact on the existing circuit breaker credit and qualifying taxpayers may claim both credits. The table below provides a breakdown of the income thresholds and percentage of excess property taxes claimed depending on household income level.

Table 99

Maximum Income	$200,000
Income Threshold	4% if less than $100,000 5% if less than $150,000 6% if less than $200,000
Credit Percentage (% Excess of property taxes rebated)	4.5% if less than $100,000 3.0% if less than $150,000 1.5% if less than $200,000
Renters' Property Tax Equivalent	15.75%
Maximum Credit	$500

3. Property Tax Freeze Enacted SFY 2014-15

As part of the SFY 2014-15 Enacted Budget, a two-year property tax freeze credit was enacted for eligible homeowners. Some key highlights include:

- To qualify as an eligible homeowner: must meet the criteria specified under the School Tax Relief (STAR) exemption program pursuant to §425 of the Real Property Tax Law. A homeowner with an income under $500,000 whose primary residence is located in a taxing jurisdiction that abides by the New York State tax levy limit, commonly referred to as the property "tax cap", is eligible to receive a property tax credit.

- Certification of tax cap compliance: upon the adoption of a budget for the applicable fiscal year, the chief executive officer or budget officer for an eligible school district or municipal corporation is required to certify to the New York State Office of the State Comptroller, the Commissioner of the Department of Taxation and Finance, and the Commissioner of Education of the State of New York, that the budget of such school district or municipal corporation is compliant with the property "tax cap".

- What is the credit based on: eligible homeowners will receive a credit equal to the value of any eligible property tax increases:

  - Beginning in fiscal year 2014, the property tax credit applies to an increase in property taxes levied by independent and dependent school districts only;
  - When fully implemented in fiscal year 2015, the property tax credit will apply to any increase in property taxes levied by independent and dependent school districts, as well as municipal corporations such as villages, towns, cities, or counties;
  - The property tax credit will only apply to an increase in property taxes levied by dependent school district and municipal corporations in fiscal year 2016;
  - During the second year of implementation all taxing jurisdictions are required to demonstrate intent to create savings while abiding by the property "tax cap" by submitting efficiency plans that incorporate shared services, cooperation agreements, mergers, etc.

4. Property Tax Cap Enacted June 2011

Enacted in 2011 the property tax cap imposes a limit on the annual growth of property taxes levied by school districts and local governments to the lesser of two percent of the rate of inflation. The cap applies to all local government assessing units and all independent school districts, excluding the "Big 5" dependent school districts (Buffalo, Rochester, Syracuse, New York City, and Yonkers). There are a limited amount of exclusions to the property tax levy limit. Local governments can increase their tax levy as a result of tort actions and if the growth of certain pension actuarial contribution rates is unusually large (please see table below).

While a local government budget with a tax levy within the allowable levy limit must be approved by a simple majority of over 50 percent of voters, local governments have the ability to override the tax levy limit if so supported. For a local government to exceed the property tax levy limit, 60 percent of the total voting power of the governing body must approve the override, and for school districts, 60 percent of the school budget voters. If a local government fails to pass a budget under either scenario a contingency budget must be adopted that allows for no growth over the prior year tax levy.

Table 100

Tax Levy Limit Calculation
Tax levy of prior year
x Tax base growth factor (as provided from Dept. of Tax and Finance)
+ Payments in Lieu of Taxes (PILOTs) receivable in prior year
- Local capital expenditure in prior year (School Districts)
x Allowable levy growth factor (lesser of 2 percent or inflation)
- PILOTs receivable in current year
= Tax Levy Limit Before Exclusions
+ Court order exclusion (Torts)
+ Local capital expenditure exclusion in current year (School Districts)
+ Pension exclusion in current year
= Tax Levy Limit with Applicable Exclusions
Source: NYS Office of the State Comptroller, Local Government Snapshot, April 2012.

5. School Tax Relief (STAR)

Enacted in 1997 the STAR program is a property tax exemption aimed to reduce school property taxes for a homeowner's primary residence. There are two types of STAR exemptions:

Basic STAR

- Available for owner-occupied, primary residences where the resident owners' and their spouses income is less than $500,000;
- Exempts the first $30,000 of the full value of a home from school taxes.

- Provides an increased benefit for the primary residences of senior citizens (age 65 and older) with qualifying incomes;
- Exempts the first $65,300 of the full value of a home from school taxes as of 2015-16 school tax bills (up from $64,200 in 2014-15).

The STAR exemption applies only to school district property taxes and does not include taxes paid to other jurisdictions such as county, town, or city, except for the "Big 5" cities (Buffalo, New York City, Rochester, Syracuse, and Yonkers), where city property taxes fund schools.

Beginning with school year 2011-12 savings from the Basic or Enhanced STAR exemptions are limited to a two percent increase over the prior year.

Executive Tax Proposals

A. 3009 - REVENUE

PART	DESCRIPTION	SUMMARY
A	STAR Growth Cap	Caps the amount of tax savings at the 2014-15 levels beginning with the 2015-16 School year.
B	NYC PIT STAR Rate Reduction	Eliminates the NYC STAR PIT reduction for taxpayers with incomes over $500,000.
C	STAR Offset Program	STAR tax savings will not be used to offset delinquent tax liabilities. STAR benefits will apply once tax liabilities are paid. The program becomes permanent.
D	STAR to Tax Credit Conversion	Closes the STAR program to new applicants and establishes a refundable PIT tax credit. Current STAR recipients can opt into the new program.
E	STAR Unlawful Exemptions	Authorizes the Department of Taxation and Finance (DTF) to recoup improperly granted STAR exemptions.
F	STAR Unenrolled Registrants	Allows homeowners to receive the benefit for only tax year 2014 in those cases where taxpayers had registered with DTF but failed to file timely applications with local assessors.
G	Property Tax Credit "Circuit Breaker"	Phased in over four years, allows for a credit on property taxes paid by homeowners with incomes less than $250,000 and renters with incomes less than $150,000, when property taxes paid exceed six percent of income. Only applies to tax-cap compliant jurisdictions (except for NYC).
H	Charitable Contribution Deduction Cap	Makes permanent the current limitation on charitable contribution deductions for incomes over $1 million.
I	PIT and MTA Mobility Tax Technical Amendments	Various technical amendments to relevant Tax Law articles.
J	Reporting for the Commercial Production Credit	Requires new annual reporting requirements for the Department of Economic Development (DED) with regard to the Commercial Production Credit.
K	Extend Excelsior credit to entertainment companies	Amends the Excelsior Job Program to allow entertainment companies to participate subject to certain criteria for job creation and investments.
L	Investment Tax Credit (ITC) for Master Tapes	Reform the ITC by limiting the base of the credit to only include credits incurred in New York.
M	Urban Youth Jobs Program	Authorizes an additional $10 million per year allocation for 2015 to 2017, renames the Youth Works Tax Credit Program, and includes new criteria to target at-risk youth.
N	Reduce Tax on Small Businesses	Reduces over a three-year period the income tax rate for small corporate taxpayers from 6.5 percent to 2.5 percent.

O	Employee Training Incentive Program	Creates a new Employee Training tax credit equal to 50 percent of relevant expenses, up to $10,000 per employee. Total program costs are capped at $5 million allotted from currently available Excelsior tax credits.
P	Taxes on Wireless Communications	The franchise tax on transportation and transmission corporations will be extended to mobile telecommunications businesses.
Q	Sales tax refund requirements on Article 9 taxpayers	Requires taxpayers that pass through the economic incidence of a tax to their customers to refund such tax to their customers first before seeking a State refund.
R	Brownfields Cleanup Program	Extends the program for 10 years, limits eligibility for the tangible property credit, and streamlines program administration.
S	Combined Department of State (DOS) filings with tax return	Combines the DOS biennial information statements provided by corporations with their tax return filings. In addition it repeals the $9 filing fee.
T	Corporate Tax Reform technical changes	Various technical changes to the Statute enacted with last year's budget, including a sunset for the ITC for financial services.
U	Extend wine tasting sales tax exemption	Extends the wine tasting sales tax exemption to beer, cider and liquor tastings.
V	Local sales tax on prepaid wireless	Amends the Tax Law to clarify that sales tax applies to prepaid mobile calling services based on the retailer's location.
W	Industrial Development Authority (IDA) reform	Reforms the IDA program by requiring the IDA to obtain approval by the DED before providing State tax exemption benefits to new projects. Such approval will require specific job and investment targets. The bill authorizes the Tax Commissioner to audit IDA projects.
X	Sales tax on marketplace providers	Requires marketplace providers (e.g. eBay and Amazon) to collect sales tax on taxable sales they facilitate.
Y	Close certain sales tax loopholes	The bill will end four specific sales tax avoidance practices including the practice of creating out-of-state entities for the purpose of purchasing and bringing property in the State.
Z	Exempt solar power purchase agreements from sales tax	Expands existing sales tax exemption for solar energy system equipment to include electricity generated by such equipment sold under a power purchase agreement.
AA	Allow petroleum refunds for farm use	Extends current farming reimbursements for the purchase of certain motor fuels to the purchase of highway diesel motor fuel exclusively for farming uses.
BB	Estate tax reform technical amendments	Amends the Estate Tax to make technical amendments including extending the applicability of relevant tax rates and the clarification of gift add back provisions.
CC	Enhance motor fuel enforcement	Requires wholesalers of motor fuel to register and file information returns and make adjustments for prepaid sales tax on motor fuel when purchased and sold in different tax regions.
DD	Make permanent warrantless wage garnishment	Makes permanent the authority of the DTF Commissioner to serve wage garnishments without filing a warrant.

EE	Lower debt threshold for delinquent taxpayer's driver license suspension	Lowers the threshold for driver's license suspension due to delinquent past-due tax liabilities from $10,000 to $5,000.
FF	Tax compliance for medical practitioners	Requires practitioners to be compliant with State tax obligations before receiving excess medical malpractice coverage.
GG	Tax compliance for grantees	Requires grantees to be current with State tax obligations before receiving a State grant from a State or local authority.
HH	Reciprocal tax collection agreements	Authorizes the DTF Commissioner to enter reciprocal collection agreements with other states.
II	Multi-agency sharing taxpayer information	Creates a mechanism for information sharing among various agencies of the State to enhance enforcement initiatives.
JJ	Professional and business tax clearance	Prevents applicants from receiving or renewing professional or business licenses if they owe certain past-due tax liabilities.
KK	New State employees tax clearance	Requires tax clearance for new State employees and, at local option, for new local government employees.
LL	Sharing of child care data	Allows the OCFS to share day care subsidy information with the DTF to verify child and dependent care credit claims.
MM	Extend VLG capital awards	Extends for one year the deadline to receive approval and complete capital projects reimbursed through the Video Lottery Gaming (VLG) vendor's capital award.
NN	Pari-mutuel gaming extension	Extends for one year various provisions of the racing, pari-mutuel wagering and breeding law.
OO	Expansion of electronic gaming offerings	Clarifies and expands the State's authority to operate different types of video lottery games.
PP	Extend NYRA board term	Extends from three to four years the maximum term of the New York Racing Association.
QQ	NYC Corporate tax reform	Implements various changes to the New York City's corporate tax structure by merging the corporate and bank taxes and adopting statutory changes similar to the ones enacted by the State with last year's corporate reform.
RR	Amends the Alternative Fuels and Electric Vehicle Recharging Property Credit	Amends the credit calculation to allow the tax credit on costs that are not covered by a grant.
ELFA Part E	Education Tax Credit	Contingent upon enactment of the DREAM Act, the bill authorizes a 75 percent non-refundable credit, up to $1 million, for a total of $100 million in available credits annually.

Table 101

State-Supported Debt Caps SFY 2015-16 ($ in Thousands)		
Program	Current Low Bond Caps	Proposed Bond Cap Increases/Decreases
SUNY Educational Facilities	$10,984,000	$244,000
SUNY Dormitory Facilities	$1,561,000	
SUNY Upstate Community Colleges	$776,305	$62,153
CUNY Educational Facilities	$7,273,331	$119,422
Library for the Blind	$16,000	
SUNY Athletics Facilities	$22,000	
RESCUE	$195,000	
University Facilities (Jobs 2000)	$47,500	
School District Capital Outlay Grants	$140,000	
Judicial Training Institute	$16,105	
Transportation Transition Grants	$80,000	
Public Broadcasting Facilities	$15,000	
Higher Education Capital Matching Grants	$180,000	$30,000
EXCEL	$2,600,000	
Library Facilities	$126,000	$14,000
Cultural Education Facilities	$79,000	
State Longitudinal Data System	$20,400	
NY-SUNY 2020	$330,000	$110,000
Private Special Education	$5,000	
Total Education Bond Caps	**$24,466,641**	**$579,575**
Environmental Infrastructure Projects	$1,398,260	$177,500
Hazardous Waste Remediation (Superfund)	$1,200,000	$100,000
Riverbank State Park	$78,000	
Water Pollution Control (SRF)	$770,000	
State Park Infrastructure	$30,000	
Pipeline for Jobs (Jobs 2000)	$33,750	
Long Island Pine Barrens	$15,000	
Pilgrim Sewage Plant	$11,200	
Total Environment Bond Caps	**$3,536,210**	**$277,500**
Empire State Plaza	$133,000	
State Capial Projects (Attica)	$200,000	
Division of State Police Facilities	$149,600	$6,000
Division of Military & Naval Affairs	$27,000	
Alfred E. Smith Building	$89,000	
Elk St. Parking Garage	$25,000	
State Office Buildings and Other Facilities	$317,800	$152,000
Judiciary Improvements	$37,600	
OSC State Buildings	$51,700	
Albany Parking Garage (East)	$40,910	
OGS State Buikding and Other Facilities	$140,000	
Equipment Acquisition (Cops)	$784,285	
Food Laboratory	$40,000	
OFT Facilities	$21,000	
Courthouse Improvements	$76,100	
Prison Facilities	$7,148,069	$15,300
Homeland Security and Training Facilities	$197,000	

- continued

State-Supported Debt Caps SFY 2015-16 ($ in Thousands) *- continued -*		
Program	Current Low Bond Caps	Proposed Bond Cap Increases/Decreases
Youth Facilities	$465,365	$145,850
NYRA Land Acquisition/VLT Construction	$355,000	
Storm Recovery Capital	$450,000	
Office of Information Technology Services	$182,440	$86,700
Nonprofit Infrastructure Capital Investment Program		$50,000
Total State Facilities Bond Caps	**$10,930,869**	**$455,850**
Housing Capital Programs	$2,999,099	$154,700
Community Enhancement Facilities (CEFAP)	$423,500	
University Technology Centers (incl. HEAT)	$248,300	
Onondaga Convention Center	$40,000	
Sports Facilities	$144,936	
Child Care Facilties	$30,000	
Bio-Tech Facilities	$10,000	
Strategic Investment Program	$215,650	
Regional Economic Development	$1,189,700	
NYS Economic Development (2004)	$345,750	
Regional Economic Development (2004)	$243,325	
High Technology and Development	$249,000	
Regional Economic Development/SPUR	$89,750	
Buffalo Inner Harbor	$50,000	
Jobs Now	$14,300	
Economic Development 2006	$2,310,385	
Javits Convention Center (Expansion 2006)	$350,000	
Queens Stadium (Mets)	$74,700	
Bronx Stadium (Yankees)	$74,700	
NYS Ec. Dev. Stadium Parking (2006)	$75,000	
State Modernization Projects (Tram)	$50,450	
Int. Computer Chip Research and Dev. Center	$300,000	
2008 and 2009 Economic Development Initiatives	$1,269,450	
H.H. Richardson Complex/Darwin Martin House	$83,500	
Economic Development Initiatives	$2,203,257	$285,000
State and Municipal Facilities	$770,000	
Total Economic Development Bond Caps	**$13,854,752**	**$439,700**
Department of Health Faciliteis (inc. Axelrod)	$495,000	
Mental Health Facilities	$7,435,815	$287,000
HEAL NY Capital Program	$750,000	
Capital Restructuring Program and Health Care Facility Transformation Program	$1,200,000	$1,000,000
Total Health/Mental Hygiene Bond Caps	**$9,880,815**	**$1,287,000**
Consolidated Highway Improvement Program (CHIPS)	$8,120,728	$488,153
Dedicated Highway & Bridge Trust	$16,500,000	
High Speed Rail	$22,000	
Albany County Airport	$40,000	
MTA Transit and Commuter Projects	$2,005,455	
MTA Transportation Facilities	$770,000	$750,000
Transportation Initiatives	$465,000	$975,000
Transportation (TIFIA)	$750,000	
Total Transportation Bond Caps	**$28,673,183**	**$2,213,153**
Local Government Assistance Corporation (LGAC)	$4,700,000	
Total LGAC Bond Cap	**$4,700,000**	**$0**
General Obligation	$19,435,000	
Total General Obligation Bond Caps	**$19,435,000**	**$0**
Grand Total	**$115,477,470**	**$5,252,778**

Table 102

Capital Spending And Debt Measures At A Glance ($ in Millions)	Results (1)		Projected				
	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020
Total Capital Spending	9,104	8,907	10,928	10,892	10,796	10,871	10,780
Annual Growth		-2.2%	22.7%	-0.3%	-0.9%	0.7%	-0.8%
Financing Source (Annual Growth)							
Pay-As-You-Go (Federal and State)	4,311	4,056	4,567	4,905	4,984	4,769	4,774
		-5.9%	12.6%	7.4%	1.6%	-4.3%	0.1%
Bonded Capital Spending	4,793	4,851	6,361	5,987	5,812	6,102	6,006
		1.2%	31.1%	-5.9%	-2.9%	5.0%	-1.6%
Capital Spending Category (Annual Growth)							
Capital Spending in State Financial Plan	7,751	7,995	9,915	9,935	9,857	10,001	9,938
		3.1%	24.0%	0.2%	-0.8%	1.5%	-0.6%
Capital Spending Directly from Bond Proceeds	1,353	911	1,012	957	940	870	843
		-32.7%	11.1%	-5.4%	-1.8%	-7.4%	-3.1%
Capital Spending by Program (Annual Growth)							
Transportation	4,509	4,505	4,560	4,385	4,307	4,424	4,582
		-0.1%	1.2%	-3.8%	-1.8%	2.7%	3.6%
Education/Excel	80	105	540	441	437	417	417
		31.3%	414.3%	-18.3%	-0.9%	-4.6%	0.0%
Other Higher Education/ Education Programs	1,722	1,733	1,780	1,728	1,632	1,585	1,543
		0.6%	2.7%	-2.9%	-5.6%	-2.9%	-2.6%
Economic Development and Government Oversight	512	545	958	1,146	1,167	1,098	1,066
		6.4%	75.8%	19.6%	1.8%	-5.9%	-2.9%
Mental Hygiene	411	412	443	472	482	427	427
		0.2%	7.5%	6.5%	2.1%	-11.4%	0.0%
Parks and Environment	816	643	681	654	630	583	528
		-21.2%	5.9%	-4.0%	-3.7%	-7.5%	-9.4%
Health	440	151	507	494	434	434	284
		-65.7%	235.8%	-2.6%	-12.1%	0.0%	-34.6%
Social Welfare	139	134	181	215	217	214	206
		-3.6%	35.1%	18.8%	0.9%	-1.4%	-3.7%
Public Protection	282	362	425	308	290	291	290
		28.4%	17.4%	-27.5%	-5.8%	0.3%	-0.3%
All Other	193	316	854	1,050	1,200	1,397	1,437
		63.7%	170.3%	23.0%	14.3%	16.4%	2.9%
Debt Measures							
State-Related							
Debt Outstanding	55,165	54,895	56,915	58,130	58,957	59,791	61,124
		-0.5%	3.7%	2.1%	1.4%	1.4%	2.2%
Debt Service	6,890	6,304	6,059	6,753	7,192	7,301	7,339
		-8.5%	-3.9%	11.5%	6.5%	1.5%	0.5%
Debt Issuances	3,813	3,706	6,196	5,519	5,410	5,706	5,693
		-2.8%	67.2%	-10.9%	-2.0%	5.5%	-0.2%
Debt Outstanding as a percent of Personal Income	5.2%	4.9%	4.9%	4.8%	4.6%	4.4%	4.3%
Debt Service as a percent of All Funds Receipts	5.0%	4.3%	4.1%	4.4%	4.6%	4.6%	4.5%
Debt per Capita	2,807	2,780	2,874	2,929	2,965	3,001	3,062
State-Supported							
Debt Reform Act- Est. Debt Capacity (Cumulative)	3,627	3,668	1,754	1,085	851	604	761

Table 103

At A Glance SFY 2015-16 ($ in Millions)							
Category	**Description**	**Opening Balance**	**Receipts**	**Allocations**	**Change $**	**Other***	**Closing Balance**
General Fund	**State revenues not earmarked for specific purposes**	**7,768**	**66,090**	**70,629**	**(4,539)**		**3,229**
Dedicated Special Revenue Funds	State revenues that are legally restricted to use for specific purposes	2,163	24,271	31,055	(6,784)	7,038	2,417
Debt Service Funds	Payments of principal and interest on long-term debt and payments on lease-purchase agreements and other debt-like contractual obligations	87	19,516	5,573	13,943	(13,873)	157
State Operating Funds	**General Fund PLUS State Special Revenue Funds PLUS Debt Service Funds.**	**10,018**	**92,562**	**93,984**	**(1,422)**	**(2,793)**	**5,803**
Capital Projects Funds	Spending of state funds for capital construction, land acquisition, and payments to local governments to help finance their capital programs	(283)	6,910	8,567	(1,657)	5,765	3,825
State Funds	**State Operating Funds spending PLUS State Capital Projects Funds**	**9,735**	**99,472**	**102,551**	**(3,079)**	**2,972**	**9,628**
Federal Special Revenue Funds	Spending of aid from the federal government for operating purposes.	(133)	48,127	46,094	2,033	(2,002)	(102)
Federal Capital Projects Funds	Spending of aid from the federal government for capital projects.	(263)	1,668	1,348	320	(303)	(246)
All Funds**	**State Funds PLUS Federal Special Revenue Funds PLUS Federal Capital Projects Funds.**	**9,339**	**149,267**	**149,993**	**(726)**	**667**	**9,280**

*Other represents bond proceeds and transfers.

** All Funds allocations include Federal aid for Superstorm Sandy and the Affordable Care Act. Without this aid, All Funds disbursements total $141.6 billion, a growth of 2.8%.

Settlement Funds

The state received $5.7 billion from monetary settlements in SFY 2014-15. The Executive proposes using these one-time resources to fund non-recurring projects. In SFY 2014-15, a total $275 million was budgeted for financial settlements. In SFY 2015-16, the new Dedicated Infrastructure Investment Fund will receive $4.6 billion from General fund transfer: $3.1 billion for Special Infrastructure initiatives and $1.5 billion for the Upstate Economic Revitalization Regional Competition.

Table 104

Summary of Settlements Between Regulators and Financial Institutions ($ in Millions)	
Monetary Settlements Known/Expected	**5,680**
BNP Paribas	3,591
Department of Financial Services (DFS)	2,243
Assest Forfeiture (DANY)	1,348
Credit Suisse AG	715
Bank of Tokyo Mitsubishi	315
Bank of America	300
Standard Chartered Bank	300
Bank Leumi	130
Ocwen Financial	100
Citigroup (State Share)	92
MetLife Parties	50
American International Group	35
PricewaterhouseCoopers	25
AXA Equitable Life Insurance Company	20
Other Settlements (TBD)	7
Proposed Use of Available Settlements	**5,680**
Special Infrastructure	3,050
Thruway Stabilization Program	1,285
Penn Station Access	250
Infrastructure Improvements	115
Broadband Initiative	500
Hospitals	400
Transit-Oriented Development	150
Resiliency, Mitigation, Security, and Emergency Response	150
Municipal Restructuring	150
Southern Tier/Hudson Valley Farm Initiative	50
Upstate Revitalizaton	1,500
Reserve for Risks	850
Settlements Budgeted in FY 2015 Financial Plan	275
OASAS Chemical Dependence Programs	5

The infrastructure initiatives include projects across the State, including the New NY Bridge and the expansion of broadband services. The Upstate New York Economic Revitalization Competition, will award $500 million grants to three upstate regions.

Additionally, $850 million in settlement monies will be reserved for potential Financial Plan risks associated with adjustments in Federal aid reimbursements for Mental Hygiene.

JP Morgan Settlement

In December 2013, the State received $613 million from the JP Morgan Chase settlement. Of this sum, a total of $92 million will be transferred to the General Fund between SFY 2013-14 and SFY 2016-17. The SFY 2014-15 budget transferred the remaining $81.5 million to a fiduciary fund of the Attorney General for foreclosure avoidance and amelioration, and other housing initiatives.

The SFY 2015-16 Executive Budget includes appropriation language for the remainder of the $439.5 million of JP Morgan mortgage settlement in the Division of Housing and Community Renewal programs for support supportive housing, development and preservation of affordable housing, community development programs, rental assistance and mortgage assistance as initiatives listed below.

Table 105

JP Morgan Allocations ($ in Millions)	
Low and Middle Income Housing Program	50.0
Mitchell-Lama Repair and Revitalization	50.0
SONYMA Mortgage Rate Reduction	21.7
Access to Home for Heroes	19.6
HOPE / Restore (for the elderly)	5.0
NY/NY IV	116.0
ESD Restore NY	50.0
Community Development Financial Institution (CDFI)	15.0
NYC Rental Assistance	40.0
HIV/AIDS Rent Cap	27.0
Neighborhood & Rural Preservation programs (NPP/RPP)	20.3
NYCHA Capital Repairs	25.0
Total	**439.5**

Historical Growth

Historically, the enacted budget growth rates of the major funds showed differences from the actual growth rates. In SFY 2014-15, the updated spending estimates already show growth rates exceeding enacted growth levels for all four of the major funds except State funds.

Table 106

Enacted Vs Actual State Budgets ($ in Billions)								
	Enacted				Actual			
Fiscal Year Ending	**General Fund**	**All Funds**	**State Operating Funds***	**State Funds**	**General Fund**	**All Funds**	**State Operating Funds***	**State Funds**
2009	56.6	121.6	80.5	86	54.6	121.6	78.2	86.9
% Change	5.6%	4.8%	5.0%	5.7%	2.3%	4.7%	1.5%	6.4%
2010	54.9	131.9	78.7	84.7	52.2	130.9	76.9	86
% Change	0.6%	8.5%	0.7%	1.8%	-4.4%	7.6%	-1.0%	-1.0%
2011	55.6	135.9	81.1	87.1	55.4	134.8	84.4	90.1
% Change	6.5%	7.1%	5.4%	6.2%	6.1%	3.0%	9.8%	4.7%
2012	56.9	131.7	86.9	92.8	56.5	133.5	87.2	93.2
% Change	2.8%	-2.3%	2.9%	3.0%	2.1%	-1.0%	3.6%	3.6%
2013	58.9	133.4	88.9	95	59	133.1	88.8	94.5
% Change	4.2%	-0.1%	2.0%	2.0%	4.4%	0.3%	1.9%	1.4%
2014	61.2	140.5	90.2	96.4	61.2	137.5	90.6	96.4
% Change (projection)	3.7%	5.6%	1.6%	2.0%	3.7%	3.3%	2.0%	2.0%
2015	63.1	142	92.2	99	63.5	143	92.4	98.7
% Change	3.1%	3.2%	1.8%	2.7%	3.7%	4.0%	2.0%	2.4%
2016	70.6	150.0	94.0	102.6				
% Change	11.2%	4.9%	1.7%	3.9%				

*** State Operating Funds was not identified until SFY 2008-2009.**

Table 107

U.S. and NYS Macroeconomic Outlook							
	Levels (unless otherwise noted)				Percent Change		
U.S.	**2013**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
Billions of Chained 2009 $							
Real GDP	15,710	16,089	16,562	17,018	2.4%	2.9%	2.8%
Consuption	10,700	10,968	11,330	11,665	2.5%	3.3%	3.0%
Durables	1,319	1,411	1,508	1,593	7.0%	6.9%	5.6%
Non Durables	2,323	2,365	2,438	2,503	1.8%	3.1%	2.7%
Services	7,073	7,216	7,414	7,598	2.0%	2.7%	2.5%
Investment	2,556	2,709	2,873	3,043	6.0%	6.0%	5.9%
NonResidential	1,991	2,113	2,223	2,342	6.1%	5.2%	5.3%
NonResidential Structures	422	455	456	472	8.0%	0.1%	3.6%
Residential	488	496	546	612	1.6%	10.0%	12.1%
Inventories (Change)	64	78	76	62	22.0%	-1.5%	-18.6%
Exports	2,020	2,083	2,149	2,233	3.1%	3.2%	3.9%
Imports	2,440	2,535	2,673	2,820	3.9%	5.5%	5.5%
Government Expenditures	2,894	2,889	2,912	2,925	-0.2%	0.8%	0.5%
Federal	1,145	1,123	1,120	1,113	-1.9%	-0.3%	-0.7%
Index							
GDP Deflator	107	108	110	112	1.4%	1.3%	1.9%
Consumer Price Index	233	237	238	243	1.6%	0.5%	2.2%
S&P 500	1,643	1,931	2,054	2,111	17.5%	6.4%	2.8%
Billions of $							
Personal Income	14,167	14,717	15,365	16,087	3.9%	4.4%	4.7%
Wages	7,125	7,432	7,783	8,162	4.3%	4.7%	4.9%
Profits (Before Tax)	2,107	2,093	2,208	2,288	-0.6%	5.5%	3.6%
Millions							
Employment	136.4	139.0	142.1	144.7	1.9%	2.2%	1.8%
Percent Rate							
Unemployment Rate	7.4	6.1	5.6	5.3			
3-Month T-Bill	0.1	0.0	0.3	1.7			
10-Year Government Bond	2.4	2.5	2.3	3.4			
New York State							
Billions of $							
Personal Income	1,051	1,098	1,150	1,207	4.5%	4.7%	5.0%
Wages	547	579	606	636	5.8%	4.8%	4.9%
Bonuses	54	66	71	78	21.8%	8.3%	9.3%
Security Industry Bonuses	22	29	32	35	32.1%	9.9%	9.6%
Thousands							
Employment	8,655	8,800	8,938	9,067	1.7%	1.6%	1.4%
Index							
Consumer Price Index	257	260	261	266	1.3%	0.4%	1.9%

Source: U.S. Bureau of Economic Analysis, U.S. Department of Labor, NYS Department of Labor, Ways and Means Committee Staff estimates.