New York State
Senate Finance Committee
Democratic Conference
Economic and Revenue Forecast SFY 2013-14

Senator Andrea Stewart-Cousins
Democratic Conference Leader

Senator Liz Krueger
Ranker, Senate Finance Committee

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Democratic Conference

February 27, 2013

Senate Finance Committee

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New York State Senate

Economic and Revenue Forecast SFY 2013-14

Senate Finance Committee – Democratic Conference

Senator Liz Krueger, Ranking Member

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EXECUTIVE SUMMARY

The Senate Finance Committee Democratic Conference reviewed and analyzed the economic and revenue projections contained within the Executive Budget for SFY 2012-13 and SFY 2013-14. State personal income tax (PIT) collections are forecast to be slightly higher than those projected by Division of the Budget (DOB) in both years. Business tax collections are projected to be slightly lower than those projected by the DOB for this year and next. Sales tax collections are also projected to be slightly lower than those projected by DOB for the close-out of this year and the next State Fiscal Year.

The Senate Finance Committee Democratic Conference projects $88 million in General Fund revenues (inclusive of miscellaneous receipts, lottery receipts, and transfers) above the Executive Budget forecast for SFY 2013-14. This increase is in addition to the estimate for the remainder of SFY 2012-13, which is $73 million more than the Executive estimate. Therefore, the two year General Fund receipts forecast is $161 million above the Executive's projections.

New York has a variety of tax revenues that are deposited in the General Fund as well as in special revenue funds, capital projects funds, and debt service funds which are to be utilized for specific spending purposes. In addition, certain tax revenues (e.g. petroleum business taxes and real estate transfer taxes) are exclusively deposited in these other funds. By aggregating all the revenues collected by the State in each fund, the Senate Finance Committee Democratic Conference projects All Funds tax revenues to be $92 million above the Executive for SFY 2013-14. Similar to the projections for General Fund revenues, higher All Funds revenues totaling $79 million are projected for SFY 2012-13. This results in a two year All Funds tax revenue forecast that is $171 million above the Executive.

The economy at the national level is measured by the Gross Domestic Product (GDP), which is essentially a combination of goods and services produced and the consumption of these goods and services. Real US GDP increased by 2.2 percent in 2012 and real GDP is estimated to grow at a rate of 1.8 percent in 2013. US wages increased 3.2 percent in 2012 and are expected to increase by 4.4 percent in 2013.

The New York economy has been recovering at a pace similar to that of the national economy this year. DOB's coincident economic index indicates that between January and October 2012, the index accelerated 1.9 percent from the same period in 2011, and down only slightly from the 2.1 percent growth observed for all of 2011. However, based on the leading index, growth in State economic activity is projected to slow to 0.7 percent. Total New York wages increased 3.1 percent in 2012 and are projected to increase 3.3 percent in 2013.

In 2011, NY personal income increased 4.4 percent and total wages increased 3.7 percent. In 2012, personal income increased by 3.4 percent and total wages increased by 3.1 percent. In NYS, the unemployment rate is expected to decrease from 8.6 percent to 8.2 percent by the end of 2013. Generally, the NYS labor market appears to have experienced fairly strong growth job growth, 1.3 percent in CY 2012.

As outlined in the following tables, the Senate Finance Committee Democratic Conference projects that total All Funds tax collections will be $66.0 billion in SFY 2012-13. This estimate is $79 million above the Executive Budget forecast. For SFY 2013-14, All Funds tax revenues are expected to increase to $69.20 billion or $92 million above the Executive's estimates. Total SFY 2012-13 General Fund revenues (including transfers) are projected to be $61.19 billion. For SFY 2013-14, General Fund revenues are projected to be $64.27 billion.

SFY 2012-13 General Fund Collections			
(Millions of Dollars)			
	Senate Finance	**Executive Budget**	**Variance**
Personal Income Tax	**26,850**	**26,818**	**32**
Withholding	31,843	31,818	25
Estimated Payments	12,208	12,188	20
Final Returns	2,171	2,171	0
Other Payments	1,174	1,174	0
Gross Collections	47,396	47,351	45
Refunds/Offsets	(7,225)	(7,225)	0
STAR	(3,276)	(3,276)	0
Revenue Bond Tax Fund	(10,045)	(10,032)	(13)
User Taxes and Fees	**9,124**	**9,127**	**(3)**
Sales and Use	8,435	8,430	5
Cigarette/Tobacco	440	448	(8)
Alcoholic Beverage	249	249	0
Business Taxes	**6,064**	**6,038**	**26**
Corporate Franchise	2,565	2,570	(5)
Corporate Utilities	660	655	5
Insurance	1,292	1,291	1
Bank	1,547	1,522	25
Other Taxes	**1,069**	**1,064**	**5**
Estate and Gift	1,050	1,045	5
Pari-mutuel	18	18	0
Other	1	1	0
Total General Fund Taxes	**43,107**	**43,047**	**60**
Miscellaneous Receipts	3,724	3,724	0
Federal Grants	60	60	0
Lottery	3,054	3,054	0
Transfers	12,243	12,230	13
Total General Fund Receipts	**62,188**	**62,115**	**73**

SFY 2012-13 All Funds Collections			
(Millions of Dollars)			
	Senate Finance	**Executive Budget**	Variance
Personal Income Tax	**40,171**	**40,126**	**45**
Withholding	31,843	31,818	**25**
Estimated Payments	12,208	12,188	**20**
Final Returns	2,171	2,171	**0**
Other Payments	1,174	1,174	**0**
Gross Collections	47,396	47,351	**45**
Refunds/Offsets	(7,225)	(7,225)	**0**
User Taxes and Fees	**14,620**	**14,630**	(10)
Sales and Use	11,999	11,994	**5**
Auto Rental	109	109	**0**
Cigarette/Tobacco	1,545	1,561	**(16)**
Motor Fuel	490	490	**0**
Alcoholic Beverage	249	249	**0**
Highway Use	141	141	**0**
Taxicab Surcharge	87	86	**1**
Business Taxes	**8,214**	**8,181**	33
Corporate Franchise	2,936	2,946	**(10)**
Corporate Utilities	849	839	**10**
Insurance	1,449	1,448	**1**
Bank	1,855	1,823	**32**
Petroleum Business	1,125	1,125	**0**
Other Taxes	**1,829**	**1,819**	10
Estate and Gift	1,050	1,045	**5**
Real Estate Transfer	760	755	**5**
Pari-mutuel	18	18	**0**
Other	1	1	**0**
MTA Payroll	**1,168**	**1,167**	**1**
Total All Funds Receipts	**66,002**	**65,923**	79

SFY 2013-14 General Fund Collections			
(Millions of Dollars)			
	Senate Finance	**Executive Budget**	Variance
Personal Income Tax	**28,453**	**28,396**	**57**
Withholding	33,516	33,466	**50**
Estimated Payments	12,982	12,957	**25**
Final Returns	2,266	2,266	**0**
Other Payments	1,208	1,208	**0**
Gross Collections	49,972	49,897	**75**
Refunds/Offset	(7,477)	(7,477)	**0**
STAR	(3,419)	(3,419)	**0**
Revenue Bond Tax Fund	(10,623)	(10,605)	**(18)**
User Taxes and Fees	**9,490**	**9,492**	(2)
Sales and Use	8,812	8,802	**10**
Cigarette/Tobacco	429	441	**(12)**
Alcoholic Beverage	249	249	**0**
Business Taxes	**6,259**	**6,244**	15
Corporate Franchise	2,831	2,881	**(50)**
Corporate Utilities	648	633	**15**
Insurance	1,364	1,364	**0**
Bank	1,416	1,366	**50**
Other Taxes	**1,154**	**1,154**	0
Estate and Gift	1,135	1,135	**0**
Pari-mutuel	18	18	**0**
Other	1	1	**0**
Total General Fund Taxes	**45,356**	**45,286**	70
Miscellaneous Receipts	3,101	3,101	**0**
Federal Grants	2	2	**0**
Lottery	3,123	3,123	**0**
Transfers	12,685	12,667	**18**
Total General Fund Receipts	**64,267**	**64,179**	88

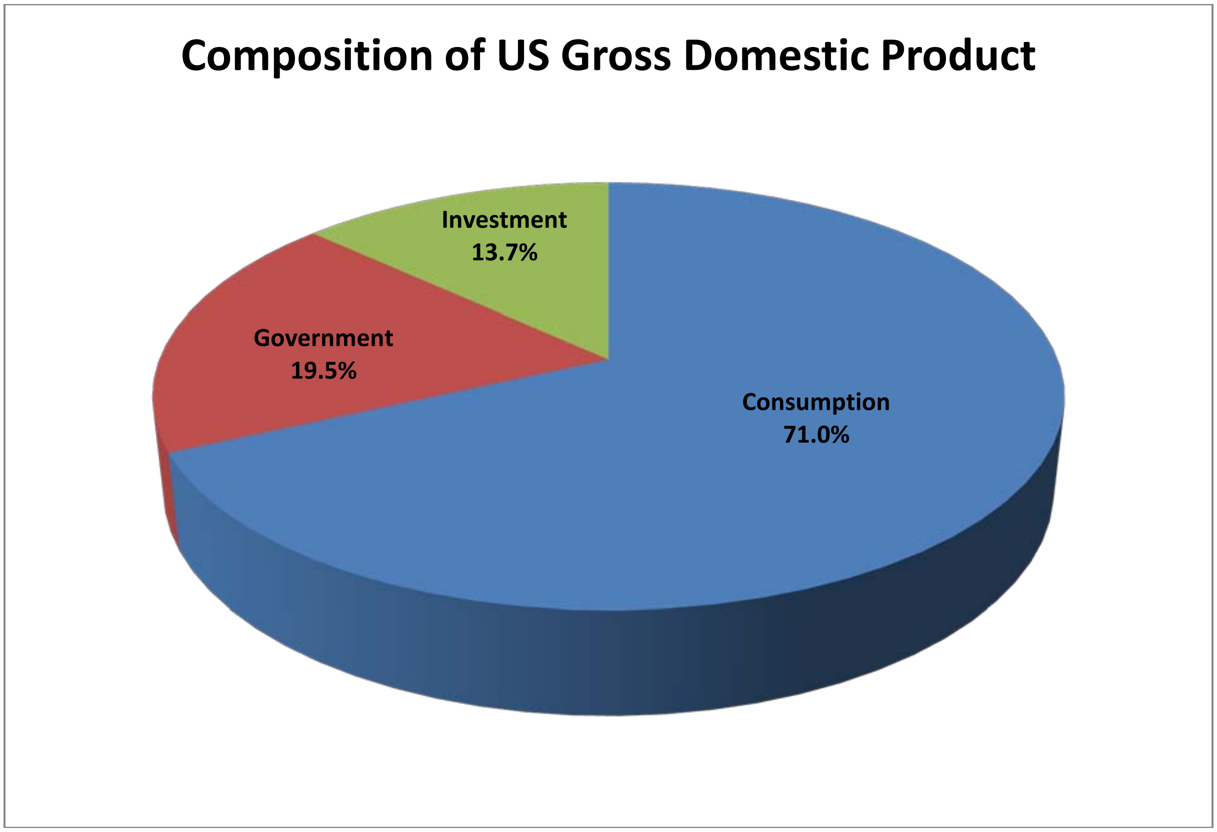
SFY 2013-14 All Funds Collections			
(Millions of Dollars)			
	Senate Finance	**Executive Budget**	Variance
Personal Income Tax	**42,495**	**42,420**	75
Withholding	33,516	33,466	**50**
Estimated Payments	12,982	12,957	**25**
Final Returns	2,266	2,266	**0**
Other Payments	1,208	1,208	**0**
Gross Collections	49,972	49,897	**75**
Refunds/Offsets	(7,477)	(7,477)	**0**
User Taxes and Fees	**15,162**	**15,167**	(5)
Sales and Use	12,548	12,533	**15**
Auto Rental	114	114	**0**
Cigarette/Tobacco	1,515	1,535	**(20)**
Motor Fuel	500	500	**0**
Highway Use	140	140	**0**
Taxicab Surcharge	96	96	**0**
Alcoholic Beverage	249	249	**0**
Business Taxes	**8,470**	**8,460**	10
Corporate Franchise	3,240	3,310	**(70)**
Corporate Utilities	831	811	**20**
Insurance	1,531	1,531	**0**
Bank	1,678	1,618	**60**
Petroleum Business	1,190	1,190	**0**
Other Taxes	**1,849**	**1,839**	10
Estate and Gift	1,135	1,135	**0**
Real Estate Transfer	695	685	**10**
Pari-mutuel	18	18	**0**
Other	1	1	**0**
MTA Payroll	**1,221**	**1,219**	2
Total All Funds Receipts	**69,197**	**69,105**	92

ECONOMIC OUTLOOK

GDP

The national economy as a whole is measured by the Gross Domestic Product (GDP); on the state level, it is measured by Gross State Product (GSP). GDP and GSP are essentially a combination of all the goods and services produced and consumed by the three sectors of the economy: the consumer, business, and government. These three sectors then utilize various inputs from the economy, such as interest rates and inflation, to conform to their needs. How these sectors interact with each other and react to the ever changing inputs of the economy form the basis by which the economy either expands or contracts. For example, the amount of income affects how much the consumer will spend. Increases in consumer spending translate into corporate profits for the business sector who then utilize such profits to make capital investments and hire new workers. Increases in both these sectors translate into increased tax revenues for the government sector, allowing for budgetary spending growth and/or tax relief.

As shown below, the consumer is the major contributor to the economy. Consumption accounts for 71 percent of the national GDP. Due to the recession, business' share of GDP declined from 15 percent in 2007 to 10 percent in 2010. The proportion is closer to 13.7 percent now. Although business accounts for a relatively small share of GDP, it is still an important contributor to the economy as it drives employment and wages which, in turn, spur consumer spending. Government, through its own spending habits, also plays a significant part in the US economy. While the contribution to GDP by business declined during the recession, government's share of GDP increased. This was primarily due to the federal stimulus programs enacted to spur economic growth. The total contribution from all levels of government amounts to almost 20 percent of US GDP.



Negative net exports reduces total by approximately 4%
Source: World Bank

THE GREAT RECESSION

In 2008, the collapse of a housing market bubble caused the value of those securities tied to the housing market to fall significantly. As a result, global financial markets were on the verge of collapse. Credit markets seized up, restraining financings at all levels. Without access to credit, domestic spending contracted and the housing market declined even more. By the end of 2008, the Troubled Asset Relief Program (TARP) had been implemented in order to strengthen financial markets.

At the beginning of 2009, the national economy was still deep in recession. Job losses were mounting as businesses continued to cut costs as a result of decreased consumer demand. In order to jump start the economy, the American Recovery and Reinvestment Act (ARRA) was enacted.

The national economy, as measured by real GDP, continued to contract in the first half of 2009. Real GDP declined at the annualized rate of 6.4 percent and 0.7 percent in the first and second quarters, respectively. As the federal stimulus measures worked their way through the economy, economic growth returned; real GDP grew by 2.2 percent and 5.7 percent in the third and fourth quarters, respectively. However, for all of 2009, real GDP declined by 2.6 percent.

In 2010, the economic recovery that began in the second half of 2009 continued, albeit at a slower pace than the fourth quarter of 2009. With the bottoming out of the housing market and job losses in the first half of 2010, real GDP increased by 2.8 percent in 2010, and for 2011, real GDP increased by 1.8 percent, followed by a projected growth of 2.3 percent in 2012 and 2.0 in 2013.

2013 OUTLOOK

The Blue Chip consensus forecast of year-to-year (y/y) inflation adjusted (real) GDP growth in 2013 slipped a little this month but forecasts of 2013 and 2014 growth measured on a fourth quarter over quarter basis increased. The improvement in the outlook for q4/q4 real GDP growth in 2013 likely is in part attributable simply to the weaker than expected performance of the economy in the final quarter of 2012 when it unexpectedly contracted. However, consensus forecasts of quarterly real GDP growth in 2013 increased this month, the improvement likely prompted by the relatively healthy pace of underlying private sector growth last quarter, coupled with somewhat less concern about the fiscal drag this year following passage of the American Taxpayer Relief Act 2012 (AFTA) that largely averted the “fiscal cliff.” Some of the improvement in the consensus projections due real growth also results from reduced inflationary expectations as analysts marked down their estimates of quarterly changes in the GDP index this year. Indeed, the consensus forecast of the y/y change in current dollar (nominal) GDP growth in 2013 actually slipped this month. Some of the reductions in the y/y forecast of nominal GDP growth in 2013 simply reflects base effects given its very weak rate of growth last quarter. Nonetheless, it is now projected by the consensus to register the smallest y/y increase in three years. In 2014, however, the consensus now forecasts that real GDP will register its largest y/y increase since 2005 and nominal GDP its biggest y/y gain since 2007.

According to the Blue Chip Economic Indicators, economic growth in last year's final quarter was a bit more than a percentage point weaker than consensus expectations. However, much of the softness is thought to have resulted from temporary factors since underlying private sector growth actually picked up in Q4. Real GDP contracted -0.1% at a seasonally adjusted annual rate in the final quarter of last year and nominal GDP grew by only 0.5%, according to the government's preliminary estimate (these estimates will be revised in March). Both represented the weakest performances since the Q2 of 2009. As expected, business inventories, defense spending and the trade sector exerted drags on US growth during the quarter, these factors were worse than analysts had expected. Real private business inventories and defense spending each subtracted 1.3% from the pace of real GDP growth in Q4 as they more than reversed the large contributions to growth in Q4 as they more than reversed the large contributions to growth that occurred in Q3. Sluggish growth abroad produced the first decline in real exports since the recession of 2009 and net exports subtracted another 0.3% from the real GDP's growth rate. In contrast, growth in the major components of private domestic final sales actually accelerated last quarter.

Real personal consumption expenditures grew 2.2 versus 1.6% in Q3 and 1.5% in Q2. Nonresidential fixed investment grew 8.4%, the best quarterly performance in exactly a year. The gain was supported by 12.4% growth in business spending on software and equipment that was the strongest since Q3 2011. Residential investment increased 5.3%, its seventh consecutive increase and the best quarterly gain since Q1 of last year. As a result, private final sales to domestic purchasers increased at a healthy 3.3% pace in Q4. Two other notable events last quarter was the surge in disposable personal income and the slow pace of inflation. Real disposable personal income (DPI) surged in Q4 as accelerated and special dividends were paid out ahead of 2013 tax increases. Indeed, personal dividend income in current dollars soared 82.5% in Q4. Inflation was unusually low for the quarter. The GDP price index increased only 0.6%, the slowest quarterly pace this year.

Expected to act as headwinds to economic growth in the first half of this year are: the January 1st increase in workers' payroll taxes and increased income taxes on high-income households; the sharp jump in gasoline process over the past several weeks and the potential for further increases given the level of crude oil prices; still relatively sluggish export growth due to a softness abroad; as Q1 contraction in disposable personal income following the Q4 2012 surge; and, the potential for further cuts in Federal spending of the budget sequester foes into effect as scheduled on March 1st.

Expected to act as elements *for* growth include: a rebound in business inventories following the sharp pullback last quarter; continued strength in residential investment, aided by rebuilding in the Northeast following Hurricane Sandy; the record high age of the nations' auto fleet on the road that should act to push vehicle sales higher; a pick-up in exports as growth abroad gradually improves; and, anticipated further gains in capital spending by businesses.

ECONOMIC INDICATORS/FORECAST

U.S. and New York Economies CALENDAR YEAR			
	2011 (Actual)	**2012 (Estimate)**	**2013 (Forecast)**
U.S. Economy:			
Real GDP	1.8%	2.2%	1.8%
Personal Income	5.1%	3.5%	3.1%
Nonagricultural Employment	1.2%	1.7%	1.5%
Consumer Price Index	3.1%	2.1%	2.1%
Wages	4.0%	3.2%	4.4%
Unemployment Rate	8.9%	8.1%	7.6%
10 Year Treasury Rate	2.8%	1.8%	2.1%
Corporate Profits	7.3%	6.2%	4.9%
Government Spending	(3.1%)	(1.7%)	(2.2%)
New York State Economy:			
Non-Farm Employment	1.2%	1.3%	1.3%
Wages (Total)	3.7%	3.1%	3.3%
Personal Income	4.4%	3.4%	2.2%
Unemployment Rate	8.2%	8.6%	8.2%

Source: Blue Chip Economic Indicators; DOB

Compared with the national economy, the US economy outperformed the NYS economy regarding personal income and wages CY 2011. Furthermore, the US economy is also expected to generally outperform the State economy for wages, personal income, and non-farm employment in CY 2012. However, the unemployment rate was lower in NYS (8.2%) than in the US (8.9%) at the end of the year. In contrast, for 2013, wages and personal income are expected to grow at similar levels for both the State and the national economy. Finally, the unemployment rate is expected to decrease by 0.4% in 2013 in NYS but 0.5% in the USA in CY 2013. Non-farm employment is also expected to increase at slightly higher levels for the US in CY 2013.

US LABOR MARKET AND INCOME

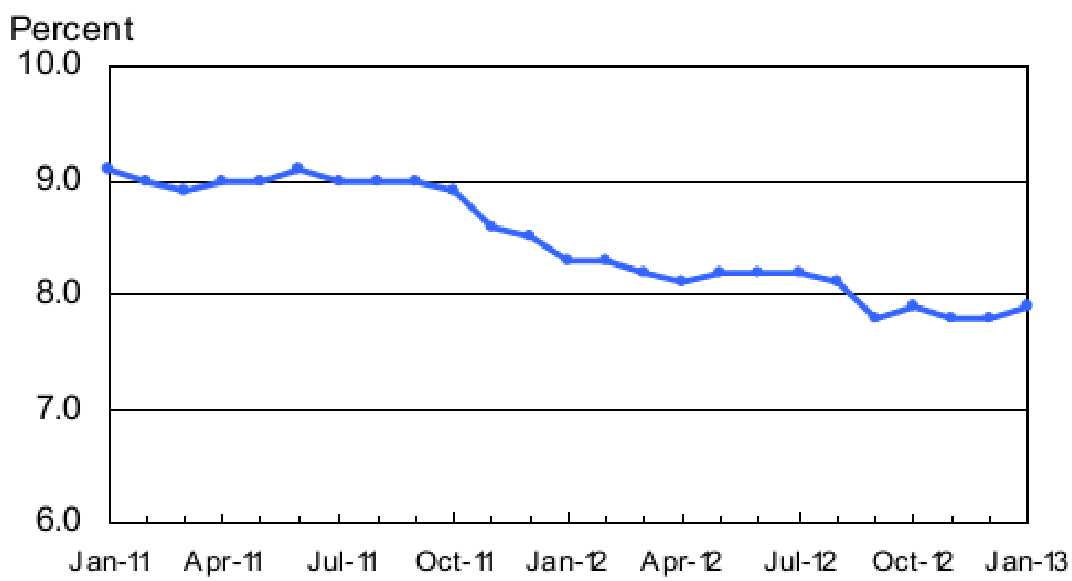
US Employment and Unemployment

According to the U.S. Bureau of Labor Statistics, total nonfarm payroll employment in the United States increased by 157,000 in January 2013, and the unemployment rate was basically unchanged at 7.9 percent. During January 2013, sectors that added jobs include retail trade, construction, health care, and wholesale trade.

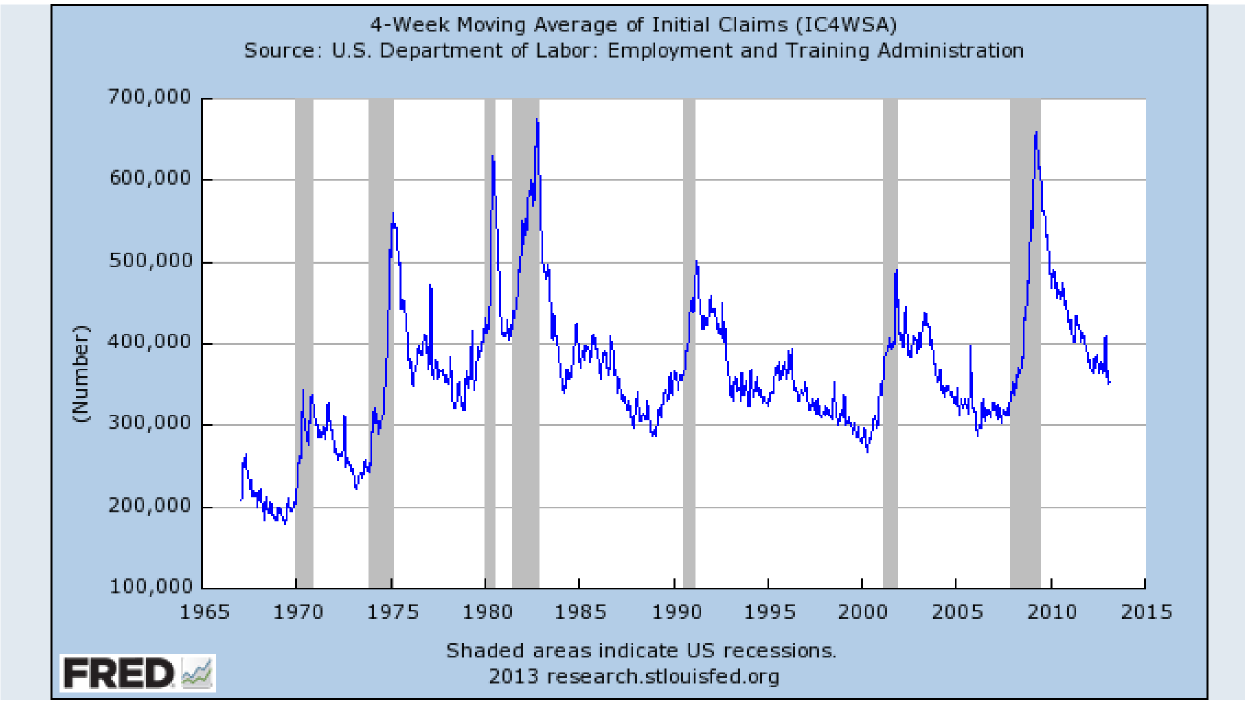
The number of unemployed persons was changed little in January 2013 at 12.3 million. The unemployment rate has been around that level since September 2012 at 7.9 percent. The unemployment rates for adult men (7.3 percent), adult women (7.3 percent), teenagers (23.4 percent), whites (7.0 percent), blacks (13.8 percent), and Hispanics (9.7 percent) changed little in January. The jobless rate for Asians changed little from a year earlier at 6.5 percent (not seasonally adjusted).

Unemployment Rate, Seasonally Adjusted

January 2011 –January 2013



Source: U.S. Bureau of Labor Statistics



Source: Federal Reserve Bank of St. Louis

The number of long-term unemployed (those jobless for 27 weeks or more) in January 2013 was nearly unchanged at 4.7 million and was 38.1 percent of the unemployed. The employment-population ratio (58.6 percent) was unchanged in January 2013 as well as the civilian labor force participation rate (63.6 percent). The number of persons employed part time for economic reasons changed little in January 2013 at 8.0 million. This category of those who are employed part time were working part time because their hours had been cut back or because they were unable to find a full-time job.

The marginally attached to the labor force is down by 366,000 in January 2013 from a year earlier at 2.4 million persons. The marginally attached to the labor force is composed of individuals who are not in the labor force, wanted and were available for work, and had looked for a job sometime in the prior 12 months. Because they had not searched for work in the 4 weeks preceding the survey, these individuals were not counted as unemployed. There were 804,000 discouraged workers in January 2013, a decline of 255,000 from a year earlier among the marginally attached. Those persons not currently looking for work because they believe no jobs are available for them are considered discouraged workers. In January 2013, the remaining

1.6 million persons marginally attached to the labor force had not searched for work in the 4 weeks preceding the survey. This could be due to reasons such as school attendance or family responsibilities.

Employment growth averaged 181,000 per month in 2012. Job increases took place in retail trade, construction, health care, and wholesale trade, while employment edged down in transportation and warehousing in January 2013. In January 2013, employment in retail trade increased by 33,000 in comparison with an average monthly gain of 20,000 in 2012. Employment increased in construction by 28,000 in this past January. Most of the job growth occurred in specialty trade contractors (+26,000). This increase was nearly equally split between residential and nonresidential specialty trade contractors. Construction employment has grown by 296,000, with one-third of the gain occurring in the last 4 months, since reaching a low in January 2011. The January 2013 level of construction employment remained about 2 million below its previous high in April 2006, according to the U.S. Bureau of Labor Statistics.

Health care added jobs this past January (+23,000). Job growth occurred in ambulatory health care services (+28,000). This increase was offset by a decrease of 8,000 jobs in nursing and residential care facilities. Health care employment has increased by 320,000 over this past year. In January 2013, employment increased in wholesale trade (+15,000). Wholesale trade has added 291,000 jobs since the recent low point in May 2010.

In January 2013, manufacturing employment was largely unchanged and also has changed little since July 2012. Other areas that showed little change over the month include financial activities, professional and businesses services, leisure and hospitality, and government. The average workweek for all employees on private nonfarm payrolls at 34.4 hours was unchanged in January. The workweek for manufactured edged down by 0.1 hour to 40.6 hours, and factory overtime was unchanged at 3.3 hours. For production and nonsupervisory employees on private nonfarm payrolls, the workweek edged down by 0.1 hour to 33.6 hours.

For all employees on private nonfarm payrolls, average hourly earnings increased by 4 cents to $23.78. The average hourly earnings have risen by 2.1 percent over the past year. The average hourly earnings of private-sector production and nonsupervisory employees rose by 5 cents to $19.97 in January 2013.

New York Employment and Unemployment

The New York State's economy added 34,300 private sector jobs in December 2012 according the New York State Department of Labor. New York State's overall year-to-date private sector job gain is 123,200--reaching an all-time high private sector job count of 7,353,000.

New York State's unemployment rate decreased from 8.3% to 8.2% between November and December 2012. In December 2012, the New York City unemployment was unchanged. The unemployment rate in New York State outside of New York City during this period from 7.9% to 7.8%.

Unemployment Rates (%)*

	December 2012*	November 2012	December 2011
United States	**7.8**	7.8	8.5
New York State	**8.2**	8.3	8.2
New York City	**8.8**	8.8	9.1
NYS, outside NYC	**7.8**	7.9	7.5

*Data are preliminary and subject to change, based on standard procedures outlined by the U.S. Bureau of Labor Statistics
NYS Department of Labor

Since December 2011

- The number of private sector jobs in the state increased by 119,800, or 1.6%. Over the same time frame, the nation's private sector job count increased by 1.7% since December 2011.

- The private sector jobs grew by 1.9% over the past year in the 10-county Downstate region. Jobs grew by 2.4% in New York City and by 0.9% in the suburban counties within the Downstate region.

- The private sector job count grew by 0.2% over the past year, with job growth occurring in both the region's metro areas (+0.2%) and in counties outside of metro areas (+0.7%) in the 52-county Upstate region.

- Private sector jobs grew most rapidly in these metro areas in the state over the past year:
  - Glens Falls (+3.6%)
  - Ithaca (+3.5%)
  - New York City (+2.4%)

- Metro areas in New York State that experienced private sector job losses between December 2011 and December 2012 include:
  - Elmira (-2.8%)
  - Buffalo-Niagara Falls (-0.5%)
  - Rochester (-0.5%)
  - Kingston (-0.4%)
  - Binghamton (-0.2%)

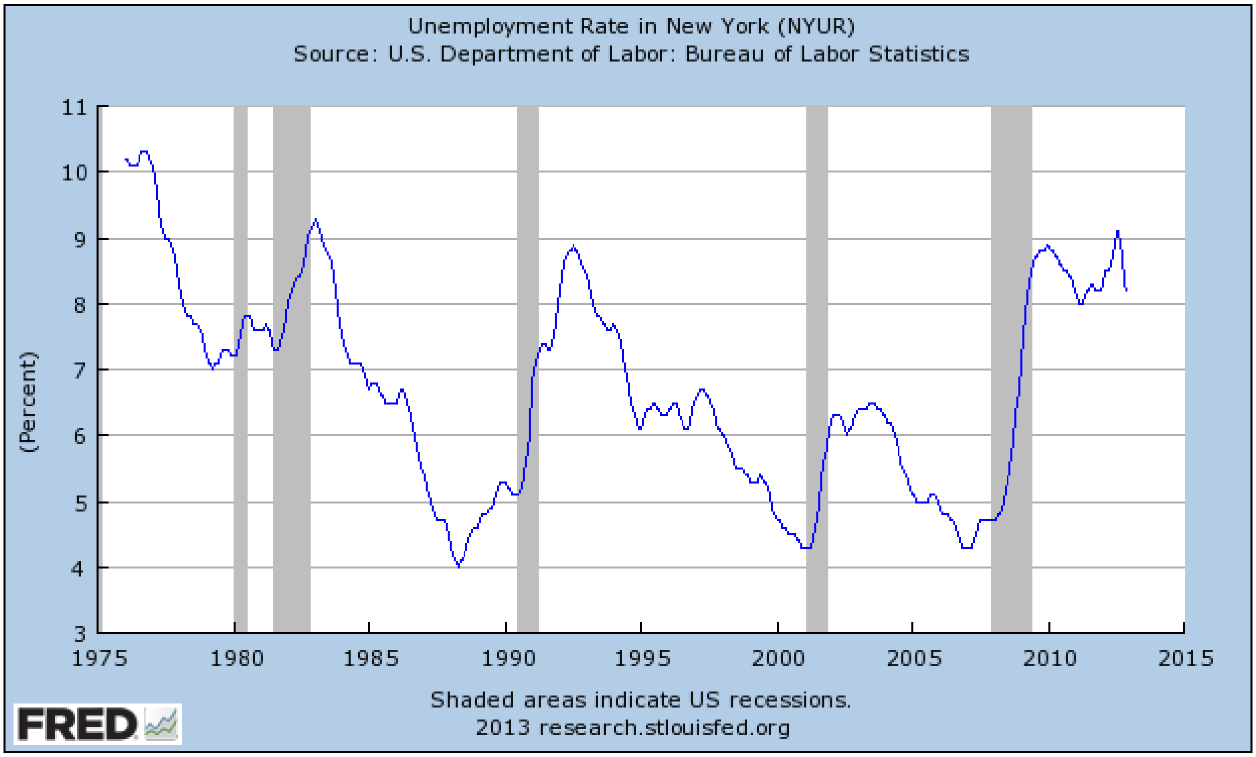
Change in Total Nonfarm and Private Sector Jobs
December 2011 - December 2012

	Change in Total Nonfarm Jobs: (private sector + government)		**Change in Private Sector Jobs:**	
	Net	**%**	**Net**	**%**
United States	+1,857,000	+1.4%	+1,916,000	+1.7%
New York State	+118,300	+1.3%	+119,800	+1.6%
Downstate NY (10-co. area)	+84,000	+1.5%	+92,700	+1.9%
New York City	+78,700	+2.0%	+79,700	+2.4%
Suburban Counties	+5,300	+0.3%	+13,000	+0.9%
Nassau-Suffolk	+2,700	+0.2%	+8,800	+0.8%
Putnam-Rockland-Westchester	+2,600	+0.5%	+4,200	+0.9%
Upstate NY (52-co. area)	+2,000	+0.1%	+6,100	+0.2%
Metro Areas	+2,000	+0.1%	+3,100	+0.2%
Albany-Schenectady-Troy	+400	+0.1%	+2,700	+0.8%
Binghamton	-600	-0.5%	-200	-0.2%
Buffalo-Niagara Falls	-2,100	-0.4%	-2,300	-0.5%
Elmira	-900	-2.3%	-900	-2.8%
Glens Falls	+1,300	+2.3%	+1,600	+3.6%
Ithaca	+3,000	+4.7%	+1,900	+3.5%
Kingston	-400	-0.6%	-200	-0.4%
Poughkeepsie-Newburgh-Middletown	+900	+0.4%	+1,500	+0.7%
Rochester	-1,500	-0.3%	-2,200	-0.5%
Syracuse	+1,500	+0.5%	+900	+0.4%
Utica-Rome	+400	+0.3%	+300	+0.3%
Non-metro Counties	0	0.0%	+3,000	+0.7%

NYS Department of Labor
*The educational and health services industry is in the private sector. Government includes public education and public health services.

Change in Jobs by Major Industry Sector December 2011 - December 2012	
Sectors With Job Gains:	
Professional & Business Services	+47,900
Educational & Health Services*	+33,800
Leisure & Hospitality	+17,100
Other Services	+13,000
Trade, Transportation & Utilities	+10,900
Financial Activities	+7,400
Information	+2,400
Sectors With Job Losses:	
Construction	-6,900
Manufacturing	-5,800
Government*	-1,500

NYS Department of Labor

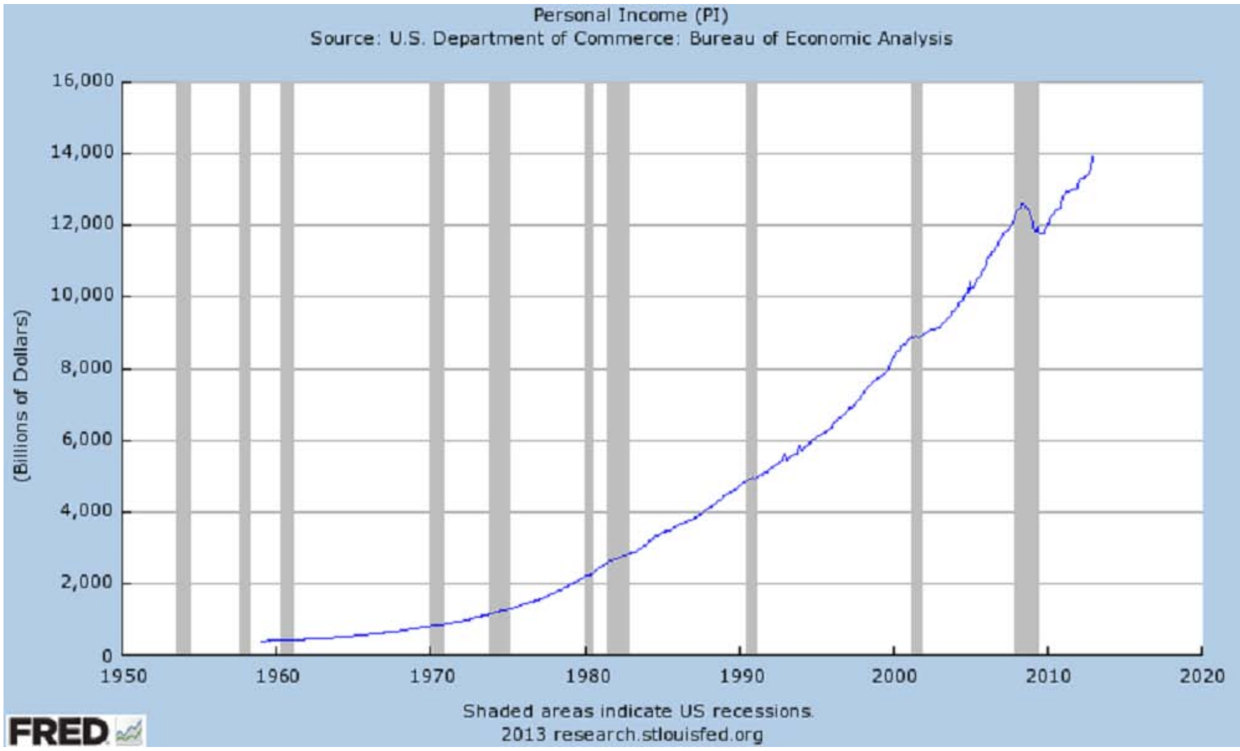


Source: Federal Reserve Bank of St. Louis

Personal Income

Personal income in the United States increased $352.4 billion, or 2.6 percent, and disposable personal income (DPI) increased $331.3 billion, or 2.7 percent, in December 2012 according to the U.S. Bureau of Economic Analysis (BEA). At $22.6 billion, personal consumption expenditures (PCE) increased at 0.2 percent. Personal income increased $135.8 billion, or 1.0 percent, DPI increased $125.5 billion, or 1.0 percent, and PCE increased $41.6 billion or 0.4 percent in November 2012.

Real disposable income increased 2.8 percent in December 2012. This figure compares with an increase of 1.3 percent in November 2012. Real PCE rose 0.2 percent in December 2012 while it increased by 0.6 percent in November 2012. Personal income rose 3.5 percent in 2012 (that is, from the 2011 annual level to the 2012 annual level). This 2012 figure compares with an increase of 5.1 percent in 2011. DPI increased 3.3 percent in 2012, compared while it increased by 3.8 percent in 2011. PCE increased 3.6 percent in 2012, while it increased by 5.0 percent in 2011. Real DPI rose 1.5 percent in 2012, compared with an increase of 1.3 percent in 2011. Real PCE increased 1.9 percent in 2012, compared with an increase of 2.5 percent in 2011.



Source: Federal Reserve Bank of St. Louis

The Bridgeport-Stamford-Norwalk, Conn., metropolitan area, near New York City, had the highest percentage of households with high income in the nation at 17.9 percent, according to a February 2013 report by the U.S. Census Bureau. The two metro areas with the lowest percentage, Danville, Virginia and Danville, Illinois -- each had 1.1 percent of households having high income.

The definition of high income in this report is being in the top 5 percent of national income distribution, which is an annual household income of at least $191,469. The data comes from *The Geographic Concentration of High-Income Households*, an American Community Survey brief, which contains findings from the 2007-2011 five-year survey estimates.

The coastal areas had large proportions of counties with high concentrations of high-income households, particularly the New England, Middle Atlantic and Pacific divisions. The East South Central division, comprised of Alabama, Kentucky, Mississippi and Tennessee, tended to have low concentrations of such households.

The 50 most populated metro areas had 52 percent of all U.S. households and 72 percent of high-income households. Nearly 4.9 percent of households in central cities were among the top 5 percent within the metro areas--this compares with 6.1 percent of those in the suburbs. About 1.9 percent of households were in the top 5 percent of households outside metro areas,

CONSUMPTION

New York

According to the Beige Book January 2013 report by the Federal Reserve Board, holiday season sales were up modestly from last year but came in slightly below plan. Sales were disappointing across New York State in the days leading up to Christmas 2012 as well as in the days after. Retail sales in Upstate New York were flat to up compared to a year earlier. The weaker than expected holiday sales could be due to a combination of online shopping, mild weather, fiscal cliff concerns, and slow insurance payouts to those affected by Sandy. Retail prices were steady or up moderately.

In November 2012, Buffalo-area auto dealers indicate that vehicle sales picked up but were expected to be flat to slightly lower than a year earlier in December. Rochester-area dealers had strong sales for both months to end 2012. Tourism declined in the immediate aftermath of Sandy. Hotels in the Albany area were affected by the storm, as widespread meeting and conference cancellations pushed down hotel occupancy rates in November 2012. Broadway theaters' attendance and revenues increased after a significant post-Sandy decline in the first half of November 2012. December attendance decreased 5 to 10 percent from 12 months earlier and revenues were hardly changed. Consumer confidence in the region weakened at the end of 2012. The Conference Board's survey of residents of the Middle Atlantic States (NY, NJ, Pa) reported confidence falling to its lowest level in more than a year. The Siena College's survey of New York State residents indicated a modest decline.

National

Over the past year, consumer spending increased to some degree in all twelve Districts, according to the Beige Book January 2013 report by the Federal Reserve Board. Holiday sales around the country increased slightly compared with last year. Boston had strong demand for clothing, shoes, and furniture, and San Francisco reported robust online sales. A major New York retail chain indicated that sales increased in early January 2013. Expectations for future sales were positive in Philadelphia, Kansas City, and Dallas. Auto sales were steady to stronger around the nation, including in Richmond, Atlanta, and San Francisco. New York and Dallas cited mixed sales that were generally positive and auto sales in Kansas City slowed. Chicago auto dealers were expecting stronger new car sales due to pent-up consumer demand, easing credit conditions, and rising used vehicle prices.

Tourism held steady or grew in most of the nation. Tourism had declined in the immediate aftermath of Hurricane Sandy throughout most of the New York and Philadelphia Districts but has returned in all but the hardest hit areas. Boston, Atlanta, and San Francisco had strong tourism, with Boston and Atlanta citing business and international travel as key factors, according to the Beige Book January 2013 report by the Federal Reserve Board.

Real Personal Consumption Expenditures

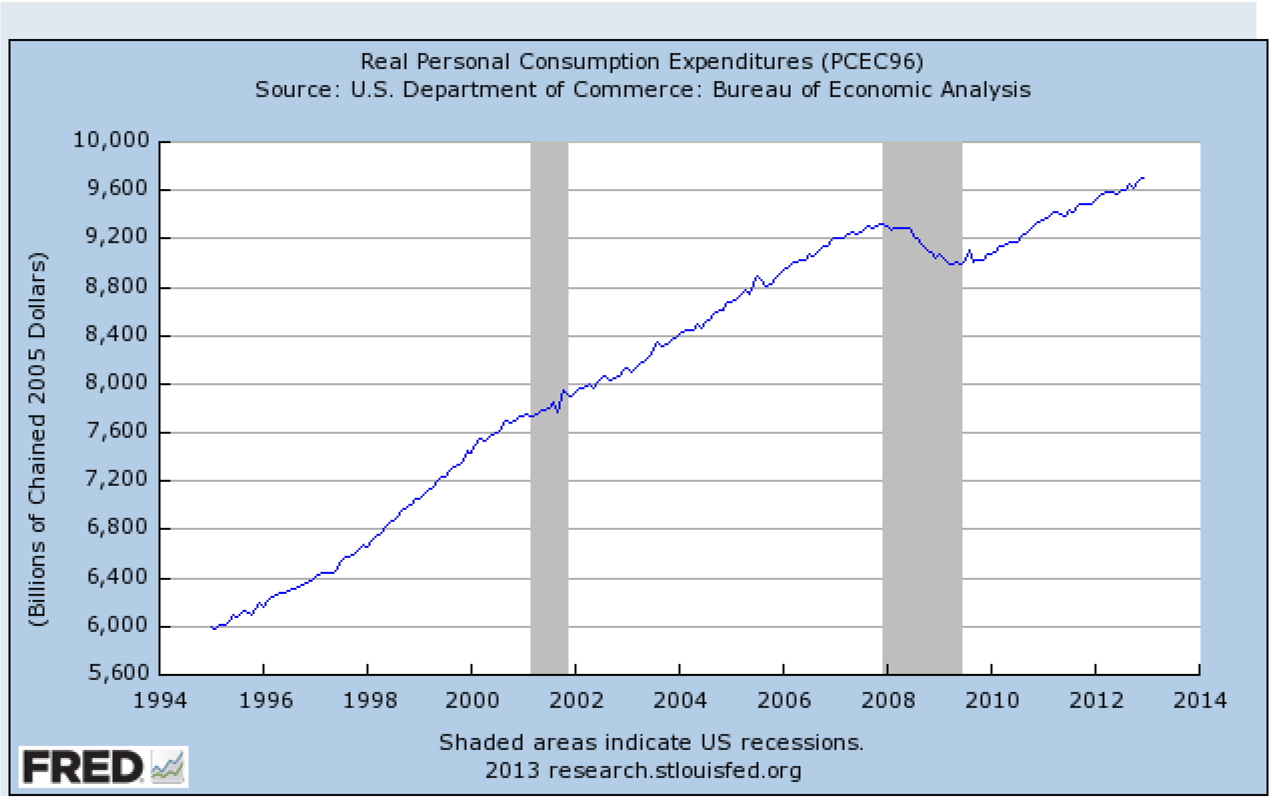
According to the U.S. Bureau of Economic Analysis (BEA), real personal consumption expenditures increased 2.2 percent in the fourth quarter of 2012, compared with an increase of 1.6 percent in the third of 2012. Durable goods increased 13.9 percent in the fourth quarter 2012 and increased by 8.9 percent in the third quarter. Nondurable goods increased 0.4 percent in the fourth quarter of 2012 and increased by 1.2 percent in the third quarter of 2012. Services increased 0.9 percent in the fourth quarter of 2012 and increased by 0.6 percent in the third quarter of 2012.

Real nonresidential fixed investment increased 8.4 percent in the fourth quarter of 2012 and decreased by 1.8 percent in the third quarter of 2012. Equipment and software rose 12.4 percent in the fourth quarter of 2012 and declined by 2.6 percent in the third quarter of 2012. Real residential fixed investment rose by 15.3 in the fourth quarter of 2012 and increased by 13.5 percent in the third quarter of 2012.

Real exports of goods and services decreased 5.7 percent in the fourth quarter 2012 and increased by 1.9 percent in the third quarter of 2012. Real imports of goods and services decreased 3.2 percent in the fourth quarter of 2012 and decreased by 0.6 percent in the third quarter of 2012.

Real federal government consumption expenditures and gross investment decreased 15.0 percent in the fourth quarter of 2012 and rose by 9.5 percent in the third quarter of 2012. National defense decreased 22.2 percent in the fourth quarter of 2012 and increased by 12.9 percent in the third quarter of 2012. Nondefense increased 1.4 percent in the fourth quarter of 2012 and increased by 3.0 percent in the third quarter of 2012. Real state and local government consumption expenditures and gross investment decreased 0.7 percent in the fourth quarter of 2012 and increased by 0.3 percent in the third quarter of 2012.

Real Personal Consumption Expenditures (PCEC96)

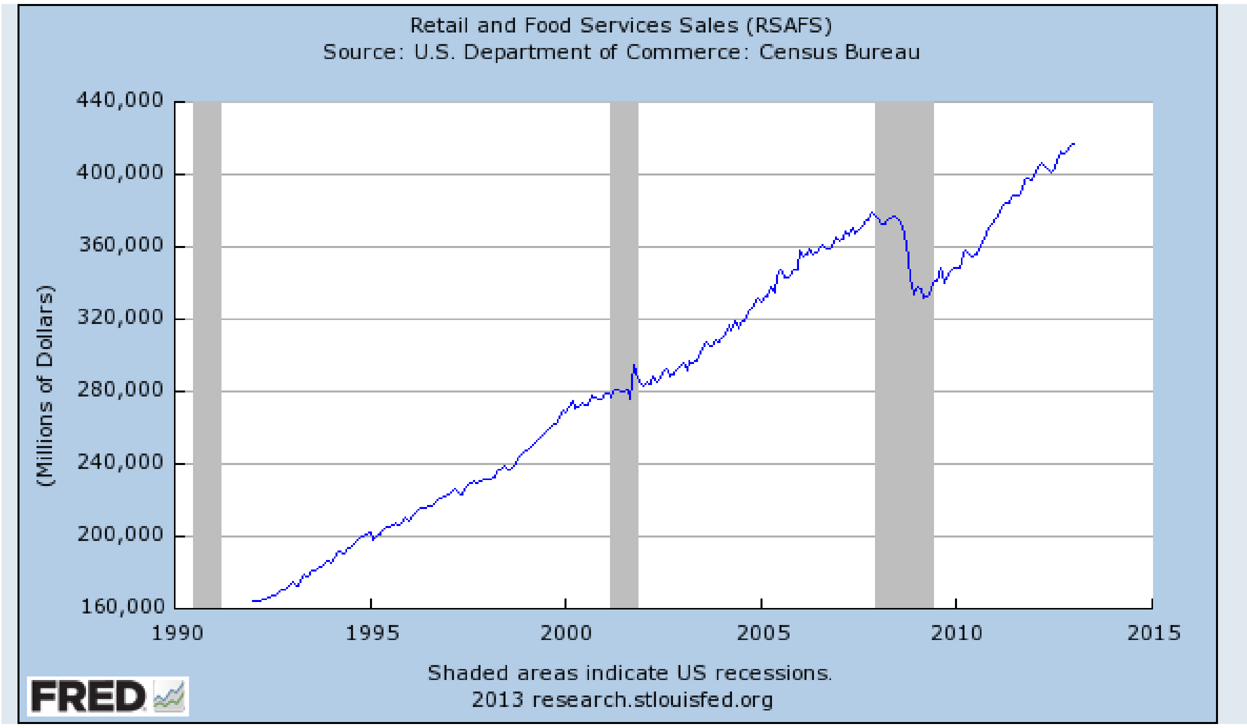


Source: Federal Reserve Bank of St. Louis

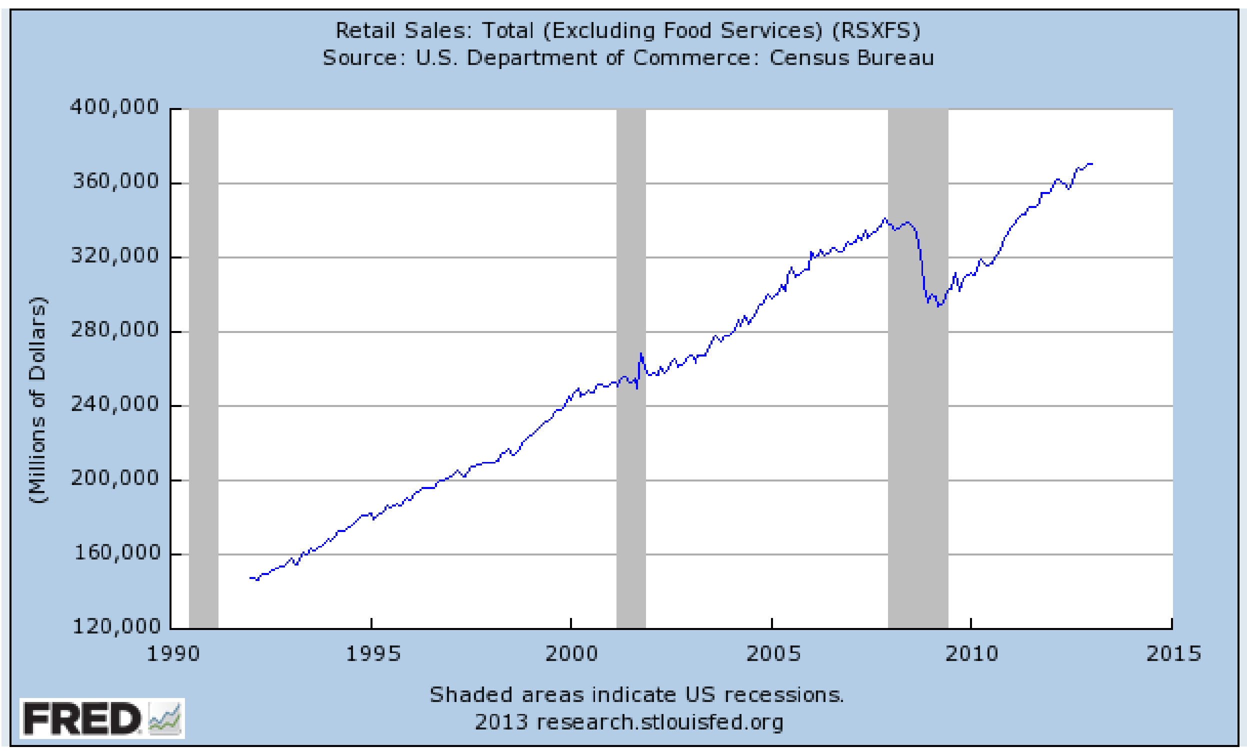
Retail Sales

The advance estimates of U.S. retail and food services sales for January, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $416.6 billion, an increase of 0.1 percent from the previous month and 4.4 percent above January 2012 according to the U.S. Census Bureau. From the same period a year ago, total sales for the November 2012 through January 2013 period were up 4.5 percent.

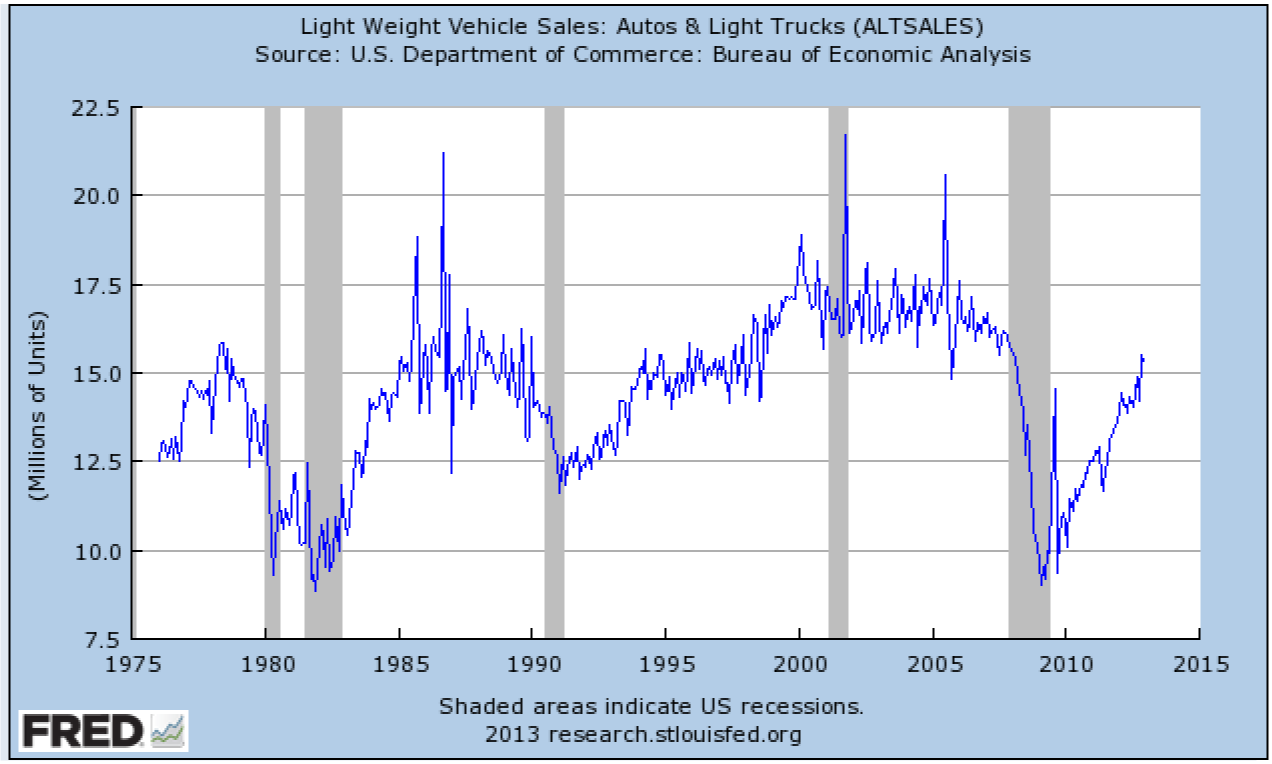
Retail trade sales were up 0.1 percent from December 2012 and 4.1 percent above last year. Nonstore retailers were up 15.7 percent from January 2012. Auto and other motor vehicle dealers were up 9.4 percent from last year.



Source: Federal Reserve Bank of St. Louis



Source: Federal Reserve Bank of St. Louis

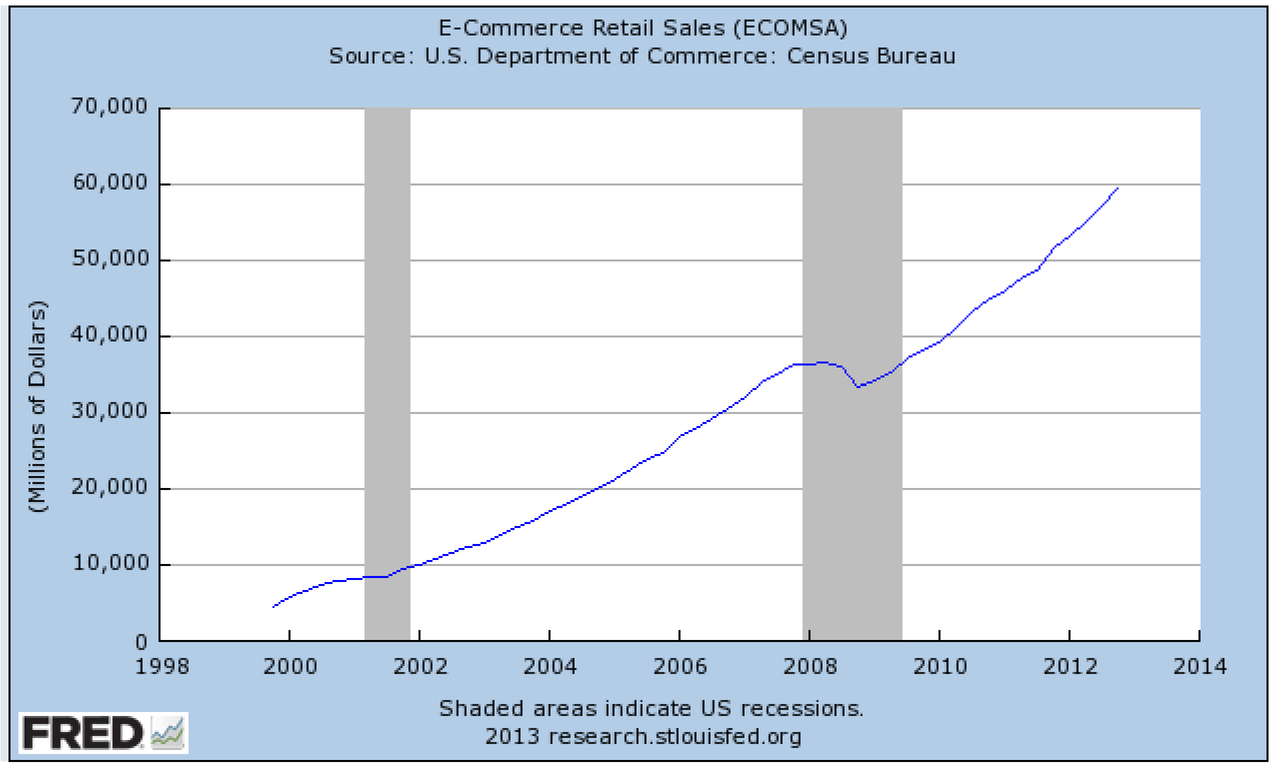


Source: Federal Reserve Bank of St. Louis

The estimate of U.S. retail e-commerce sales for the fourth quarter of 2012, adjusted for seasonal variation, but not for price changes, was $59.5 billion, an increase of 4.4 percent from the third quarter of 2012 according to the Census Bureau of the Department of Commerce. Total retail sales for the fourth quarter of 2012 were estimated at $1,106.8 billion. This is an increase of 1.4 percent from the third quarter of 2012. For e-commerce, the fourth quarter 2012 estimate increased 15.6 percent from the fourth quarter of 2011. Total retail sales increased 4.0 percent in the same period. E-commerce sales accounted for 5.4 percent of total sales in the fourth quarter of 2012.

The estimate of U.S. retail e-commerce sales for the fourth quarter of 2012 totaled $71.6 billion, an increase of 36.3 percent from the third quarter of 2012. The fourth quarter 2012 e-commerce estimate increased 15.8 percent from the fourth quarter of 2011. The total retail sales increased 4.0 percent in the same period.

In the fourth quarter of 2012, e-commerce sales accounted for 6.2 percent of total sales. Total e-commerce sales for 2012 were estimated at $225.5 billion. This is an increase of 15.8 percent from 2011. In 2012, total retail sales increased 5.0 percent from 2011. E-commerce sales accounted for 5.2 percent of total sales in 2012. E-commerce sales accounted for 4.7 percent of total sales in 2011.



Source: Federal Reserve Bank of St. Louis

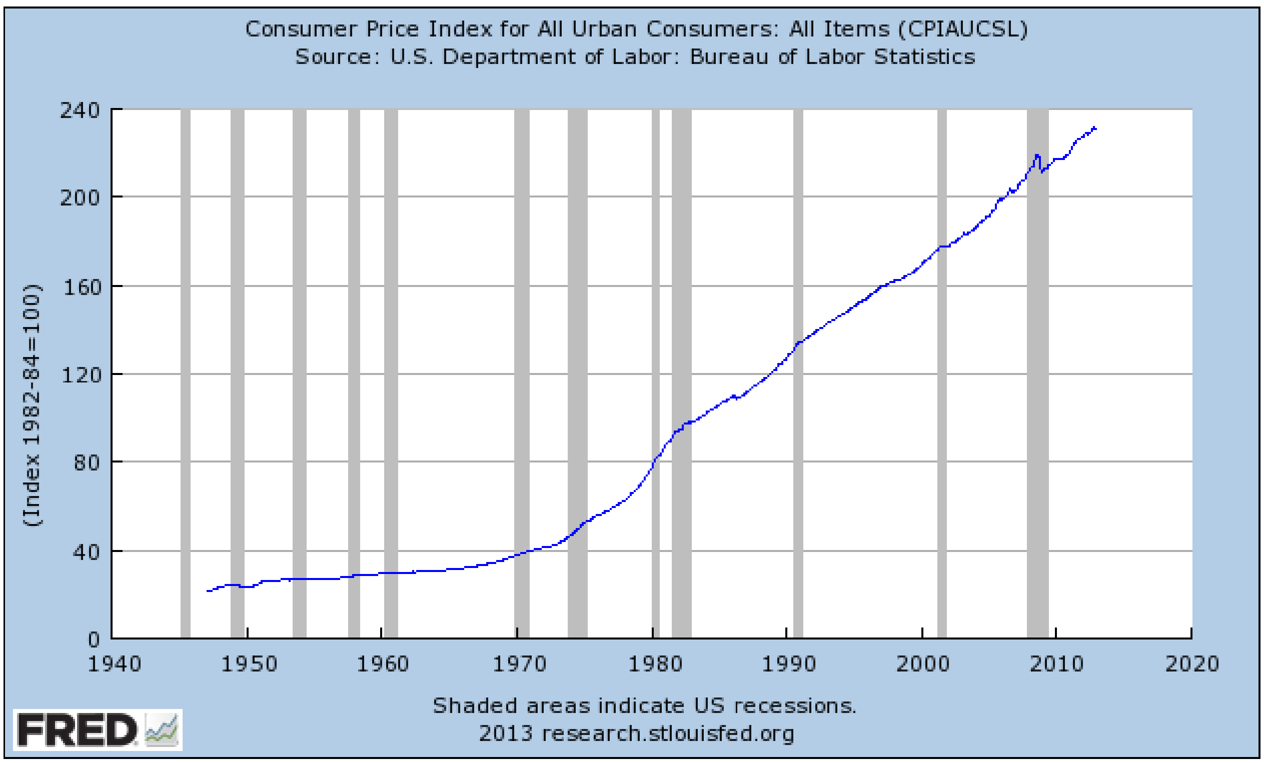
Consumer Price Index (CPI)

The Consumer Price Index for All Urban Consumers (CPI-U) was unchanged in January 2013 on a seasonally adjusted basis according to the U.S. Bureau of Labor Statistics. The all items index increased 1.6 percent before seasonal adjustment over the last 12 months.

In January 2012, the index for all items less food and energy increased 0.3 percent. This increase offset another decline in the gasoline index and resulted in the seasonally adjusted all items index being unchanged. The indexes for shelter and apparel had increases which accounted for much of the increase in the index for all items less food and energy. The indexes for recreation, medical care, and airline fares also increased.

The energy index declined 1.7 percent in January 2013. The gasoline, natural gas and fuel oil indexes declined. The electricity index increased. The food index was unchanged in January 2013 after rising in each of the previous ten months.

Over the last 12 months, the all items index increased 1.6 percent. The index for all items less food and energy rose 1.9 percent over the last 12 months. The food index has risen 1.6 percent over the last 12 months. The energy index has declined 1.0 percent.



Monthly, Seasonally Adjusted

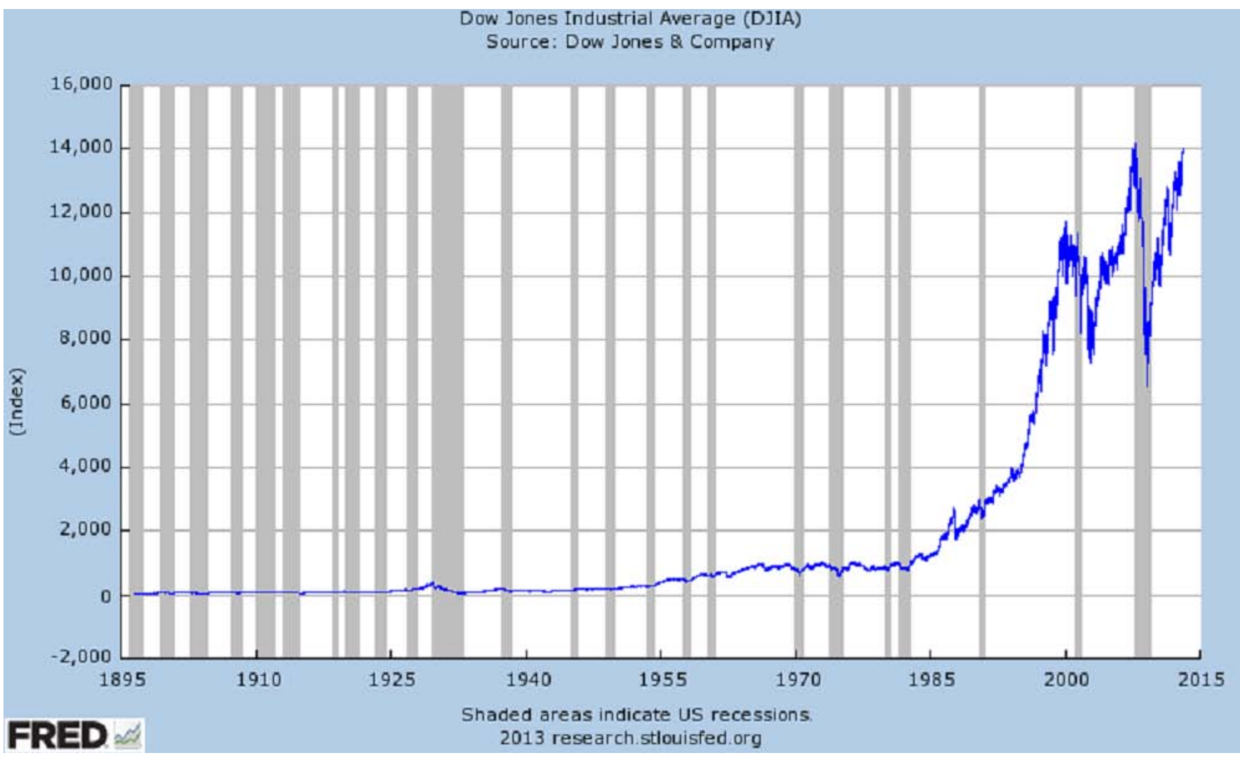
Source: Federal Reserve Bank of St. Louis

FINANCIAL MARKETS

In 2012, the Standard & Poor's 500 increased 13.4%, this is the U.S. index's biggest annual return since 2009 and fourth-largest return in the last ten years. **The NASDAQ Composite Index increased nearly 16% in 2012.** This compares to a year ago when the index fell 1.8%.

In 2012, 128 companies went public, which is the second-highest IPO total in the last five years. **The Russell 2000 Index increased 14.7% this year.**

Apple, the world's largest stock, gained 31% in 2012 and topped $700 for the first time in its history at one point. **Bank of America** stock increased by more than 100%. Shares of the six largest U.S. financial institutions increased an average of 40% in 2012.



Source: Federal Reserve Bank of St. Louis

GAO Report: Financial Crisis Losses and Potential Impacts of the Dodd- Frank Act
(Excerpts from Report)

The U.S. General Accountability Office (GAO) released a report in January 2013 called the *Financial Crisis Losses and Potential Impacts of the Dodd- Frank Act.* The 2007-2009 financial crisis has been associated with large economic losses and increased fiscal challenges. Studies estimating the losses of financial crises based on lost output (value of goods and services not produced) suggest losses associated with the recent crisis could range from a few trillion dollars to over $10 trillion. Also associated with the crisis were large declines in employment, household wealth, and other economic indicators. Some studies suggest the crisis could have long-lasting effects: for example, high unemployment, if persistent, could lead to skill erosion and lower future earnings for those affected. Finally, since the crisis began, federal, state, and local governments have faced greater fiscal challenges, in part because of reduced tax revenues from lower economic activity and increased spending to mitigate the impact of the recession.

While the Dodd-Frank Wall Street Reform and Consumer Protection Act's (Dodd- Frank Act) reforms could enhance the stability of the U.S. financial system and provide other benefits, the extent to which such benefits materialize will depend on many factors whose effects are difficult to predict. According to some academics, industry representatives, and others, a number of the act's provisions could help reduce the probability or severity of a future crisis and thereby avoid or reduce the associated losses. These include subjecting large, complex financial institutions to enhanced prudential supervision, authorizing regulators to liquidate a financial firm whose failure could pose systemic risk, and regulating certain complex financial instruments. In contrast, some experts maintain these measures will not help reduce the probability or severity of a future crisis, while others note that their effectiveness will depend on how they are implemented by regulators, including through their rulemakings, and other factors, such as how financial firms respond to the new requirements. Quantifying the act's potential benefits is difficult, but several studies have framed potential benefits of certain reforms by estimating output losses that could be avoided if the reforms lowered the probability of a future crisis.

Federal agencies and the financial industry are expending resources to implement and comply with the Dodd-Frank Act. First, federal agencies are devoting resources to fulfill rulemaking and other new regulatory responsibilities created by the act. Many of these agencies do not receive any congressional appropriations, limiting federal budget impacts. Second, the act imposes compliance and other costs on financial institutions and restricts their business activities in ways that may affect the provision of financial products and services. While regulators and others have collected some data on these costs, no comprehensive data exist. Some experts stated that many of the act's reforms serve to impose costs on financial firms to reduce the risks they pose to the financial system. Third, in response to reforms, financial institutions may pass increased costs on to their customers. For example, banks could charge more for their loans or other services, which could reduce economic growth. Although certain costs, such as paperwork costs, can be quantified, other costs, such as the act's impact on the economy, cannot be easily quantified. Studies have estimated the economic impact of certain of the act's reforms, but their results vary widely and depend on key assumptions. Finally, some experts expressed concern about the act's potential unintended consequences and their related costs, adding to the challenges of assessing the benefits and costs of the act. For full report, see http://www.gao.gov/assets/660/651322.pdf

FEDERAL GOVERNMENT POLICIES AND SPENDING

The last minute enactment of the Federal American Taxpayers relief Act (ATRA) helped the US avert the notorious “fiscal cliff,” which lessened a substantial portion of the uncertainty that clouded the economic outlook toward the end 2012. According to the Division of the Budget, the deal effectively cut the potential fiscal drag on the US economy by about two thirds. However, the provisions that were allowed to expire are still projected to subtract substantially from growth in early 2013. According to DOB and Macroeconomic Advisors, US growth of only 0.9 percent is projected for the first quarter of this year. Although a decision on the magnitude of the spending cuts related to the sequester has been postponed until March 2013, the Budget Division, in its Revenue and Economics presentation, assumes that Federal spending for the 2013 calendar year will ultimately be reduced by $20 billion, although there is a great deal of uncertainty surrounding that estimate. In total, according to DOB and Macroeconomic Advisors, the fiscal drag due to the four major components (expiration of the US Payroll Tax reduction; the expiration of some elements of the "Bush Tax cuts"; a surcharge on high income specified by the Affordable Health Care Act; and, the aforementioned spending reductions initially totaling $20 billion), are excepted to result in a 0.5 percentage point decline from real U.S. GDP growth in 2013 below what would have occurred without these actions.

As DOB notes in its presentation, with Federal Fiscal policy slowing US economic growth in CY 2013, the Federal Reserve has again responded by pledging to continue to buy long-term U.S. Treasury securities to benefit the entire US economy, and the housing market, in particular, by buying mortgage-backed securities.

RISKS TO THE FORECAST

As with any forecast, there are unforeseen risks associated with forecasting the economy. Any "shock" to the various sectors of the economy, whether positive or negative, can have a significant impact on the shape and pace of the economic recovery. For example, the global economy, generally, appears to be slowing. In addition, possible fallout from the Eurozone debt crisis can undermine the world's financial markets and international trade.

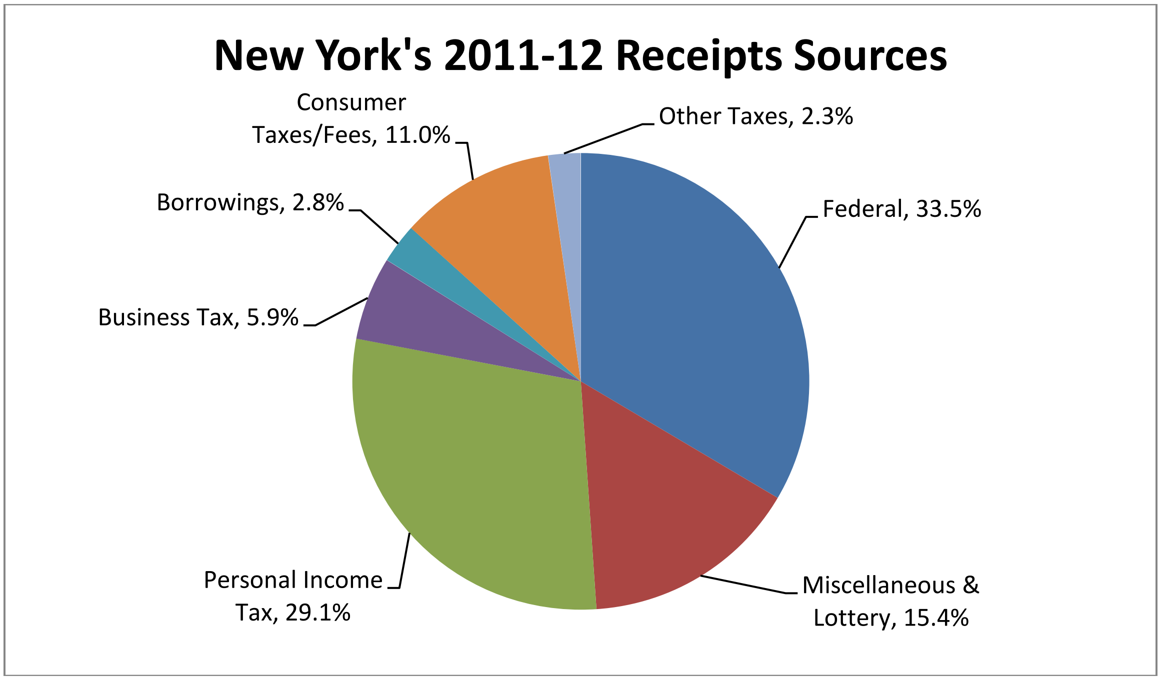
The housing sector is definitely improving. However, as DOB points out, without a timely resolution to the foreclosure backlog, a complete housing market recovery could be further delayed, in turn delaying the recovery in household net worth which could result in lower rates of household spending than projected. In contrast, a large increase in household formation could result in stronger demand for housing and therefore a quicker recovery in home prices and construction employment than expected.

Recently, rising oil prices have increased fears that the economy could be stalled by this development. Oil prices have climbed sharply in recent weeks as mounting tension with Iran has raised the threat of a disruption in global supplies. This increase in energy prices comes at a sensitive time. The job market had shown signs of life but the economy may not be strong enough to absorb an energy price "shock." Higher energy prices may raise the risk of higher interest rates and consumers having lower disposable income thereby potentially slowing the expansion.

As mentioned above, the impact US fiscal policy on the national and state economies is also a tangible risk. Automatic Federal budget cuts beginning in 2013 will reduce state spending which leads to national less disposable income and consumption.

REVENUE OUTLOOK

Revenues are largely affected by economic changes and changes in Federal and State tax policies. The tax base is a measure of the State's ability to generate revenue. As seen in years of a fiscal downturn, for example, a decreasing tax base may force State's spending reductions and/or increased taxes in order to maintain Financial Plan balance.

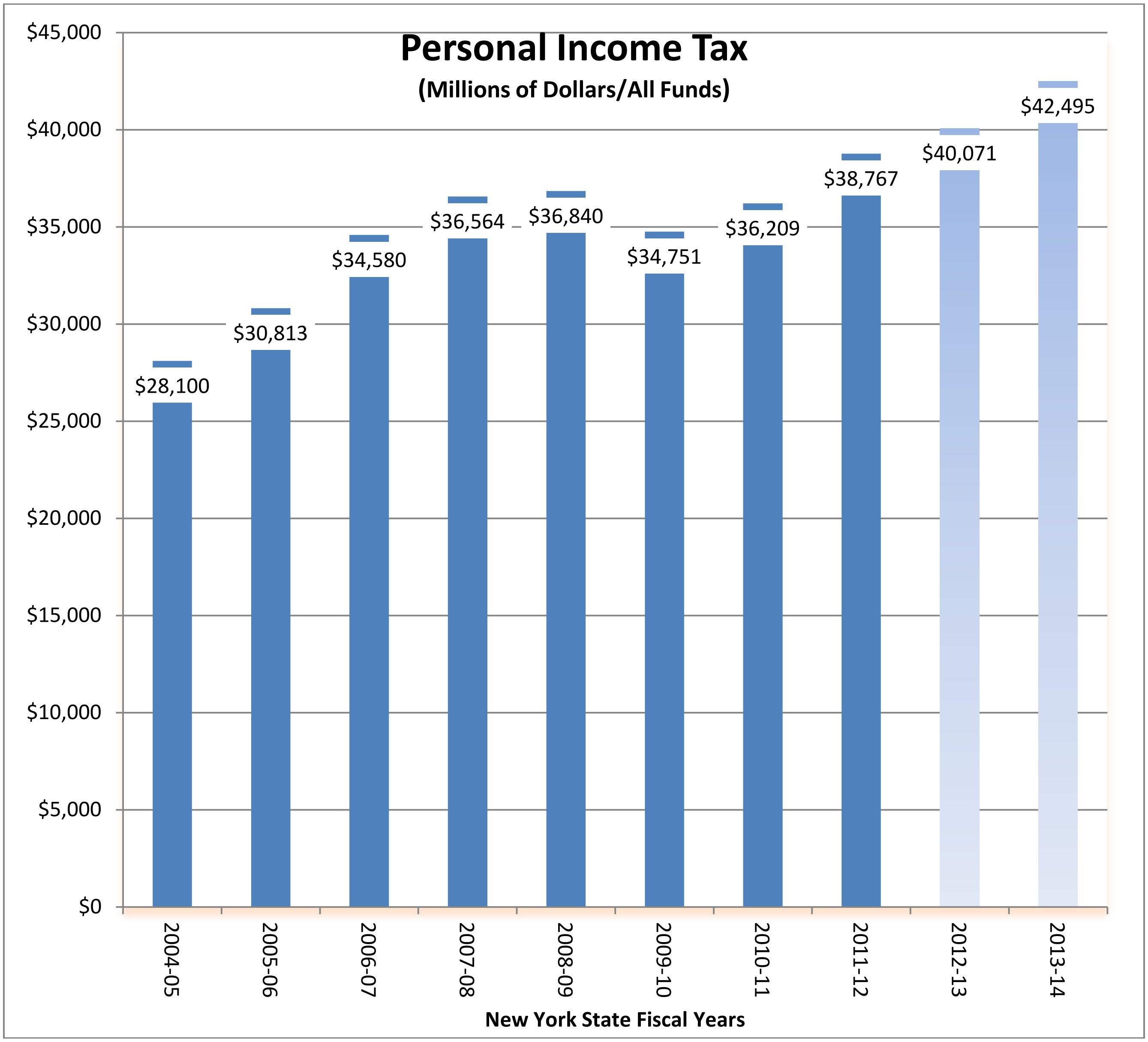


Office of New York State Comptroller

The Senate Finance Committee Democratic Conference estimates Total General Fund Receipts in SFY 2012-13 to increase by 3.9 percent to $61,188 million (including transfers). On an All Funds basis, total All Fund Receipts are estimated to increase by 2.4 percent to $66,002 million in SFY 2012-13.

In SFY 2013-14, the Senate Finance Committee Democratic Conference projects that Total General Fund Receipts will increase by 3.8 percent to $64,268 million. Total All Funds Receipts will increase by 4.8 percent to $69,197 million

PERSONAL INCOME TAX



*2012-13 is estimated
*2013-14 is projected

Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

New York State imposes a tax on income earned within the State by individuals, estates, and trusts. Personal Income Tax (PIT) receipts constitute over one half of all tax collections deposited into the General Fund. New York's definition of income closely follows federal rules, which include wages, salaries, capital gains, unemployment compensation, and interest and dividend income. Those components sum to federal adjusted gross income (FAGI). New York State adjusted gross income (NYSAGI) is calculated starting with this base, from which certain income items are then added or subtracted. The New York standard deduction or itemized deductions are subtracted from NYSAGI to arrive at New York State taxable income. Certain credits are then subtracted from the calculated tax to determine total personal income tax liability.

The personal income tax, which accounts for more than 60 percent of New York State tax revenue, is paid in a variety of ways: the withholding of wages and other income payments, the payment of estimated taxes, the payment of unpaid taxes through final returns, and the payment of overdue taxes known as delinquencies through assessments. Any overpayment of the personal income tax is refunded to the taxpayer. The manner of payment determines the income year to which the tax applies. For example, withholding is paid when the income is earned. Therefore, 2013 wages would be reflected in 2013 withholding. However, personal income tax payments made with final returns are associated with the preceding year's income. As a result, final payments made in 2013 are a reflection of income earned in 2012. The same pattern holds true for refunds.

All Funds net personal income tax receipts for SFY 2012-13 are estimated at $40,171 million, an increase of $1,403 million, or 3.6 percent, from SFY 2011-12. Gross receipts are estimated to increase by $1,339 million, or 2.9 percent from SFY 2011-12.

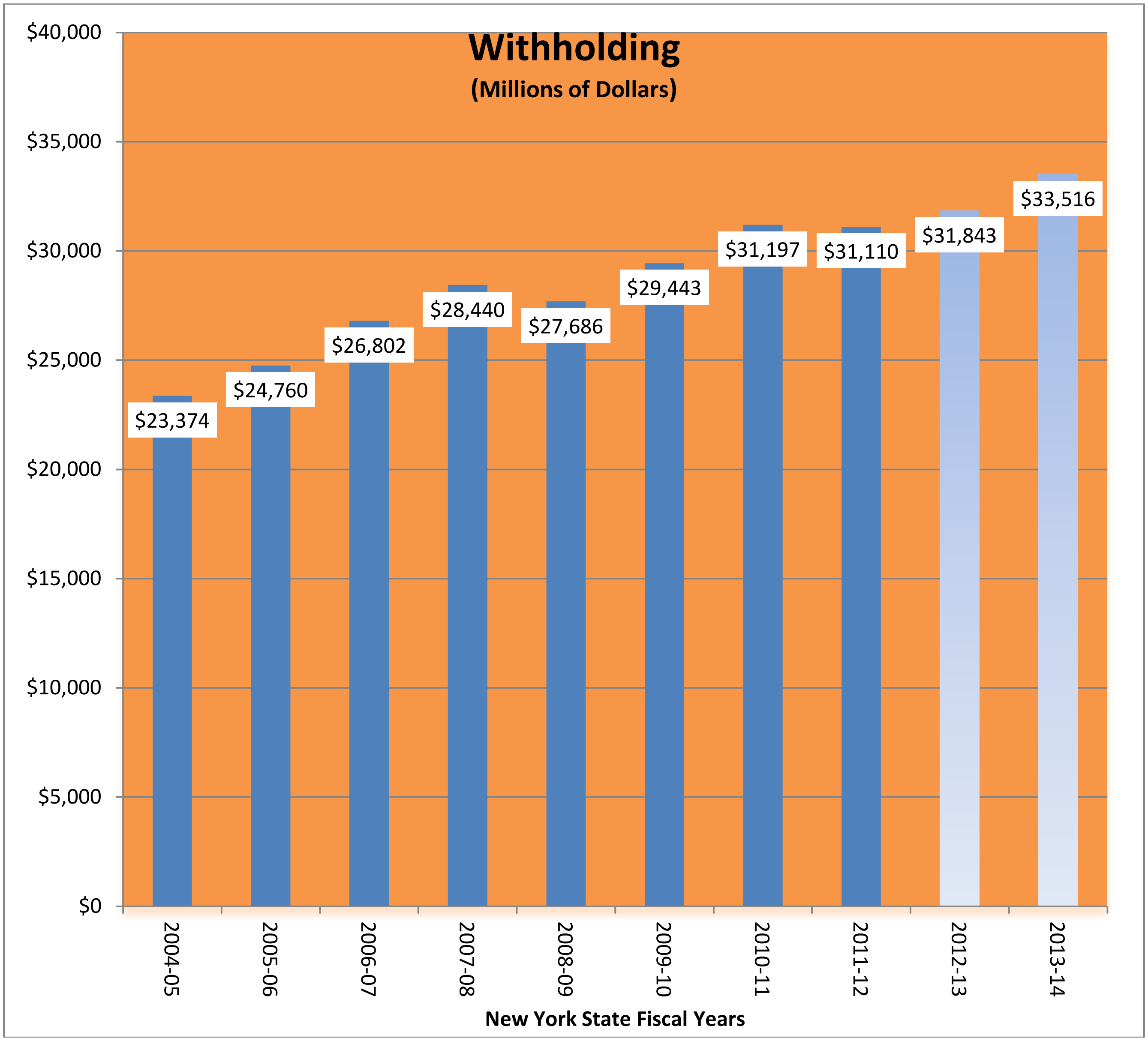
All Funds net personal income tax receipts for SFY 2013-14 are projected to increase by $2,324 million, or 5.8 percent, to $42,495 million. Gross collections are projected to increase by $2,576 million, or 6.4 percent, reflecting an increase in wage growth as well as the continued impact of the PIT rate change enacted in December 2011.

General Fund receipts for SFY 2012-13 are estimated to be $26,850 million, $1 billion higher than SFY 2011-12. General Fund receipts for SFY 2013-14 are projected at $28,453 million, an increase of $1,603 million from SFY 2012-13. This increase is a result of an increase in withholding taxes and estimated payments as a result of better economic conditions and the PIT surcharge.

For tax years 2012 to 2014, four new tax brackets and rates replaced the former bracket and rate applicable to taxpayers with taxable income above $40,000 for married filing jointly returns (with lower levels for other filing categories). The tax rate for taxpayers (married filing jointly returns) with taxable income in the $40,000 to $150,000 and $150,000 to $300,000 brackets has been lowered to 6.45 percent and 6.65 percent respectively, while the rates on the $300,000 to $2 million tax bracket remained unchanged from 2008 law at 6.85 percent. The top rate for those earning $2 million and above (married filing jointly returns) has been increased to 8.82 percent. The tax brackets and standard deduction amounts were also indexed to the consumer price index (CPIU) starting in tax year 2013. Enacted in December 2011, the estimated net tax *increase* from this measure is projected to be $1.931 billion in SFY 2012-13 and $2.034 billion in SFY 2013-14.

The above mentioned personal income tax reform enacted in December of 2011 affects both the liability and cash estimates and projections for the five fiscal years starting in 2011-12.

Withholding

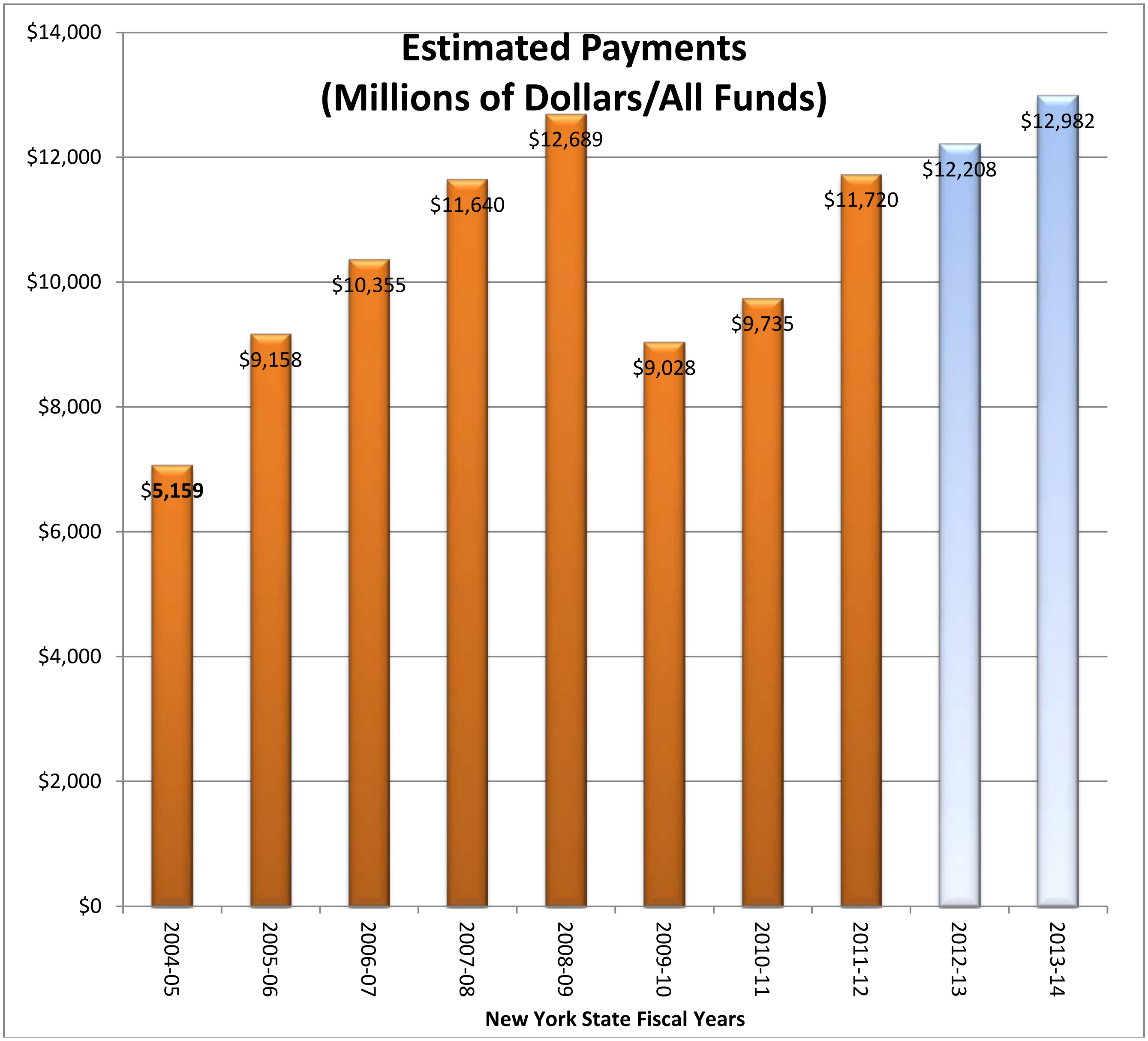


*2012-13 is estimated
*2013-14 is projected

Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

Employers are required to withhold an amount from their employees' paychecks, which is used as an offset at the end of the year toward the taxpayer's total liability. Withholding has a slight lag from the period in which it is withheld to the time the State receives the payment from the employer. However, withholding is closely correlated to the wages and salaries received during any given quarter of the year. For SFY 2012-13, withholding taxes are estimated to be $31,843 million, an increase of $644 million from SFY 2011-12. For SFY 2013-14, withholding is projected at $33,516 million, an increase of $1,643 million.

Estimated Payments



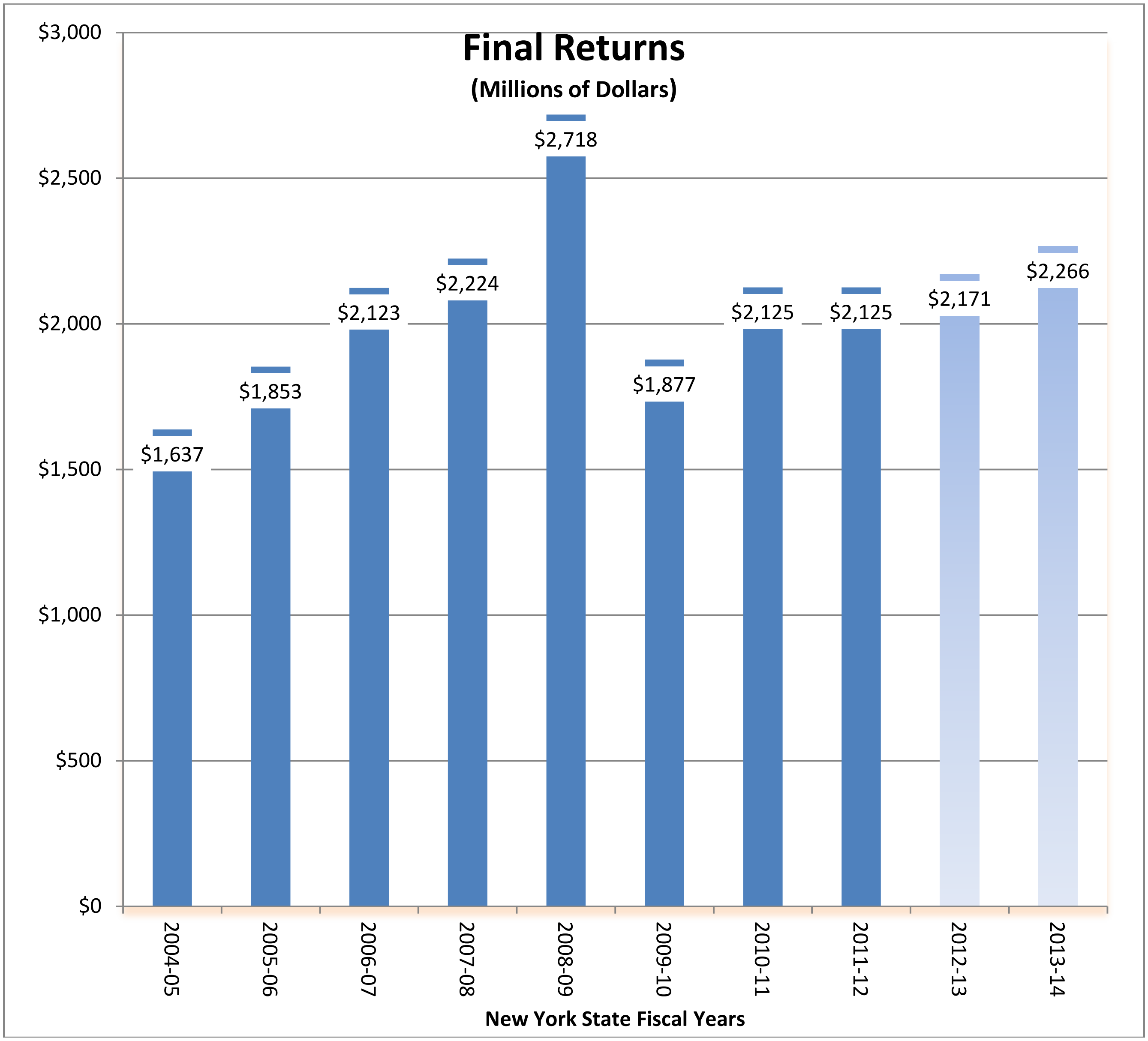
*2012-13 is estimated
*2013-14 is projected

Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

Individuals make estimated payments if the tax they will owe for the year is significantly more than the amount of tax being withheld from their wages. Individuals who have large amounts of non-wage income (self-employment income, interest, dividends, or capital gains) generally make these quarterly payments. Estimated tax payments are due on the 15th of April, June, September, and January.

Estimated payments are also made when a taxpayer requests an extension to file his annual return. When a taxpayer files for an extension, he is required to estimate his tax liability and, if payment is due, submit it with the extension. Estimated payments for SFY 2012-13 are projected to be $12,208 million, an increase of $580 million from SFY 2011-12. This increase is consistent with the current economic conditions. Non-wage income, especially income earned by proprietors is projected to increase, resulting in the rise in estimated payments in SFY 2012-13. For SFY 2013-14, estimated payments are projected at $12,982 million. This increase is a result of the projected increase in personal income as a result of the recovering economy.

Final Returns

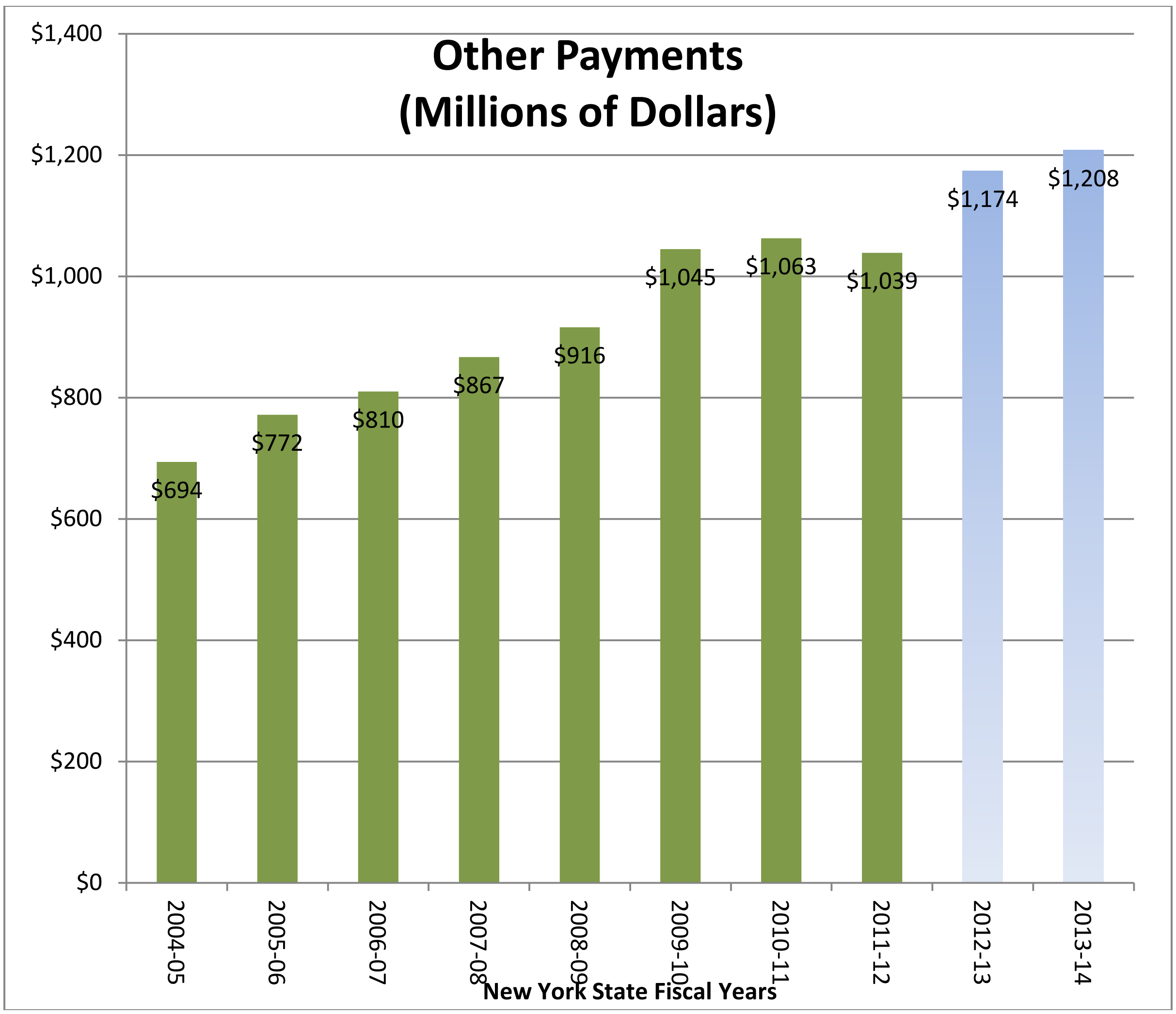


*2012-13 is estimated
*2013-14 is projected

Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

Final returns are due by April 15th of every year. The final return is essentially a reconciliation between a taxpayer's withholding and/or estimated payments and tax liability calculated on the total personal income received throughout the tax year. A payment is due when the combination of withholding and estimated payments results in an underpayment of the total tax liability. For SFY 2012-13, personal income tax collections from final returns are estimated at $2,171 million, $54 million higher than collections in SFY 2011-12. This increase is largely attributed to the increase in personal income growth from 2011. For SFY 2013-14, collections from final returns are projected to be $2,266 million, an increase of $113 million from SFY 2012-13.

Other Payments



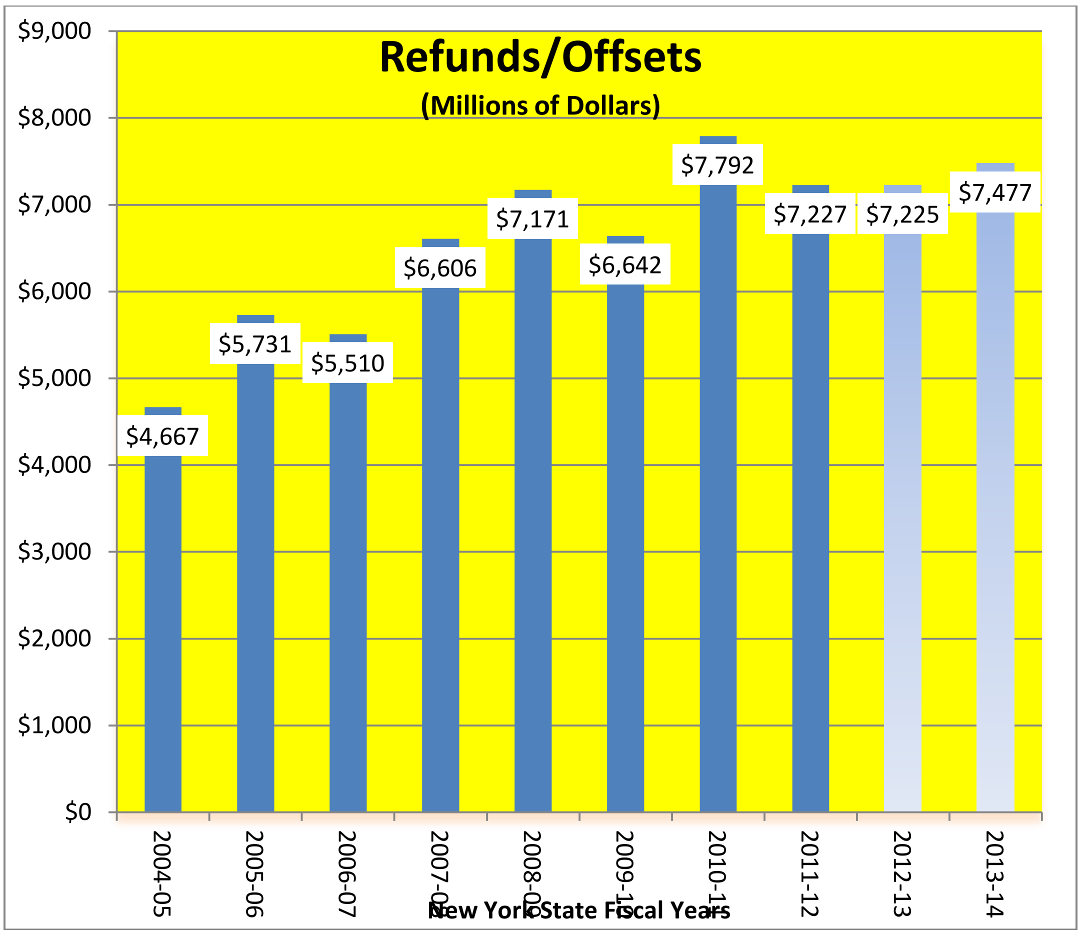
*2012-13 is estimated
*2013-14 is projected

Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

These collections are comprised of assessment and filing fees required to be paid by the State's limited liability companies and limited liability partnerships. Assessments are any penalties and interest imposed on past due liabilities. These remittances are essentially collections received from State Tax Department audits.

For SFY 2012-13, other payments are estimated at $1,174 million, an increase of $85 million from SFY 2011-12. For SFY 2013-14, collections from other payments are projected at $1,208 million, an increase of $34 million, or 2.9 percent, over collections from SFY 2012-13.

Refunds/Offsets



*2012-13 is estimated
*2013-14 is projected

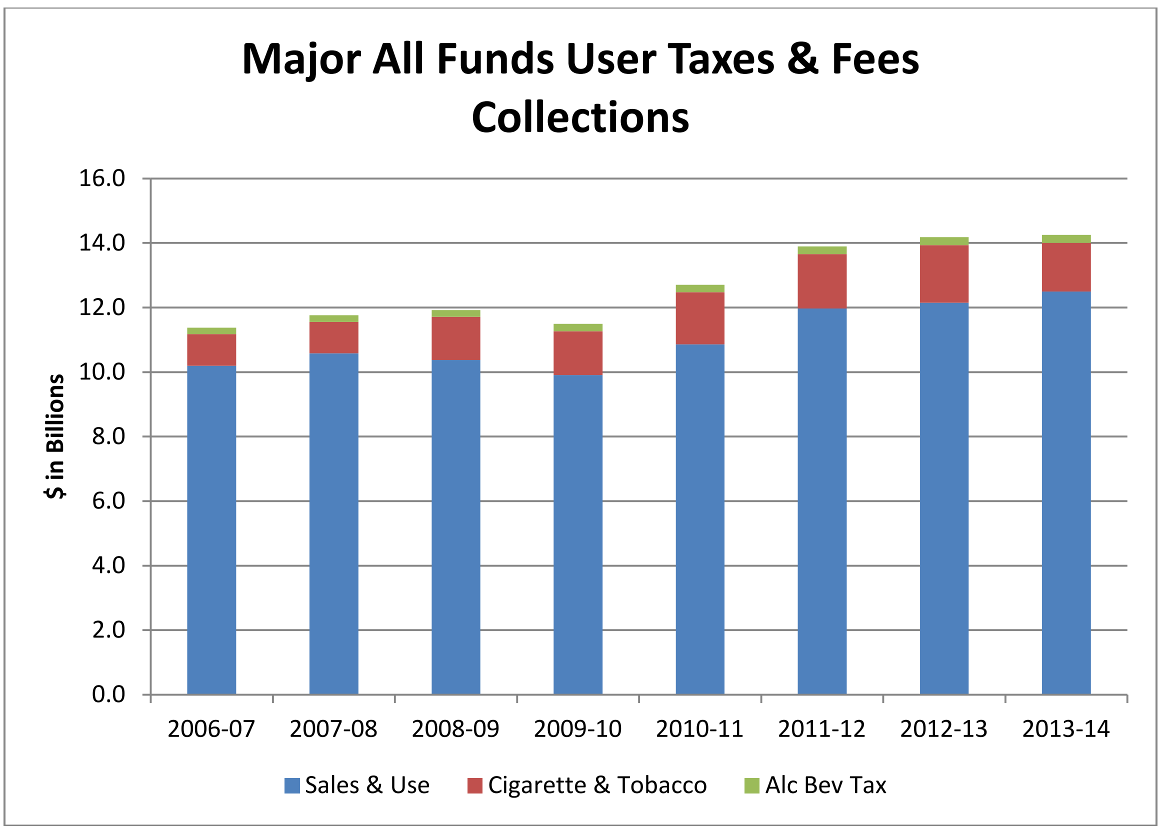
Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

A refund occurs when a taxpayer overpays his personal income tax, either through over-withholding or remitting excess estimated payments. Similar to payments made with final returns, refunds are made as a result of filing an annual return.

For SFY 2012-13, refunds/offsets are estimated at $7,225 million, a decrease of $59 million from SFY 2011-12. This decrease is primarily due to the amount of refunds paid in the fourth quarter of the fiscal year.

For SFY 2013-14, refunds/offsets are projected to be $7,477 million, an increase of $252 million from SFY 2012-13.

USER TAXES AND FEES

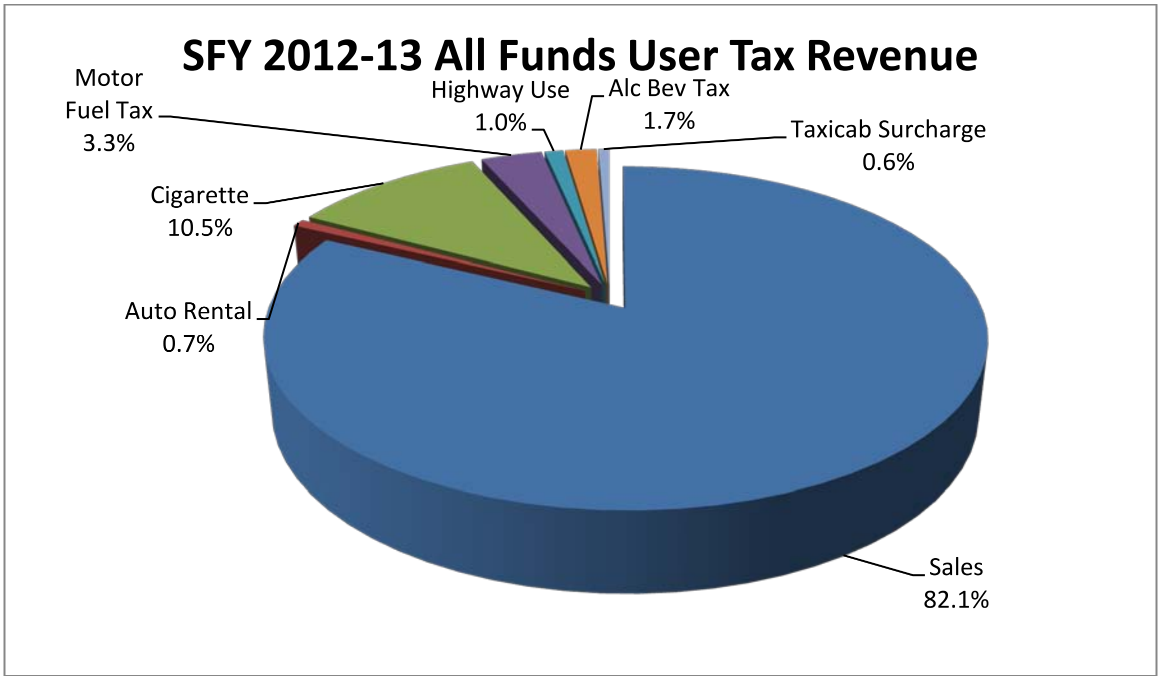


*2012-13 is estimated
*2013-14 is projected
NYS Senate Finance Committee – Democratic Conference

Collections of user taxes and fees follows a quarterly pattern, with larger collections realized in months at the conclusion of calendar quarters, this pattern of collections reflects the impact of quarterly taxpayers, especially in relation to the sales tax.

There are eight taxes or fees that comprise this category:

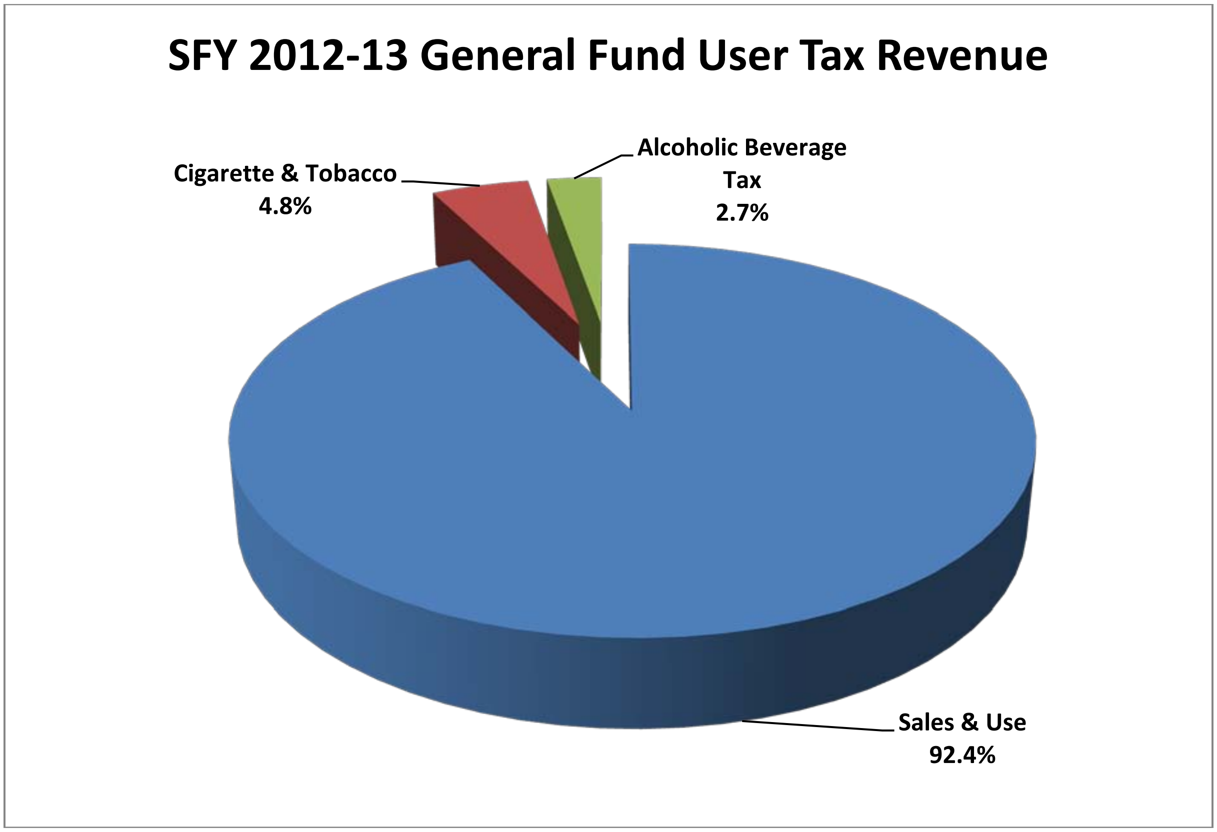
- Sales & Use Tax,
- Cigarette & Tobacco Tax,
- Motor Fuel Tax,
- Motor Vehicle Fees,
- Alcoholic Beverage Tax
- Alcoholic Beverage Control License Fees,
- Highway Use Tax, and
- Auto Rental Tax



Source: NYS Senate Finance Committee – Democratic Conference

As shown in figure above, the sales and use tax dominates user tax collections with contributing 82.1 percent of total User Tax collections of New York State. All Funds user tax revenue shares are expected to remain almost the same in the next fiscal year with the only exception being a small increase in the share of Cigarette & Tobacco Taxes, due to a recent increase in the tax rate.

On the other hand, General Fund revenue from user taxes and fees are comprised of four of the above taxes. Similar to All Funds, the Sales and Use Tax is the primary source of collections in this category with its share of approximately 92.4 percent.



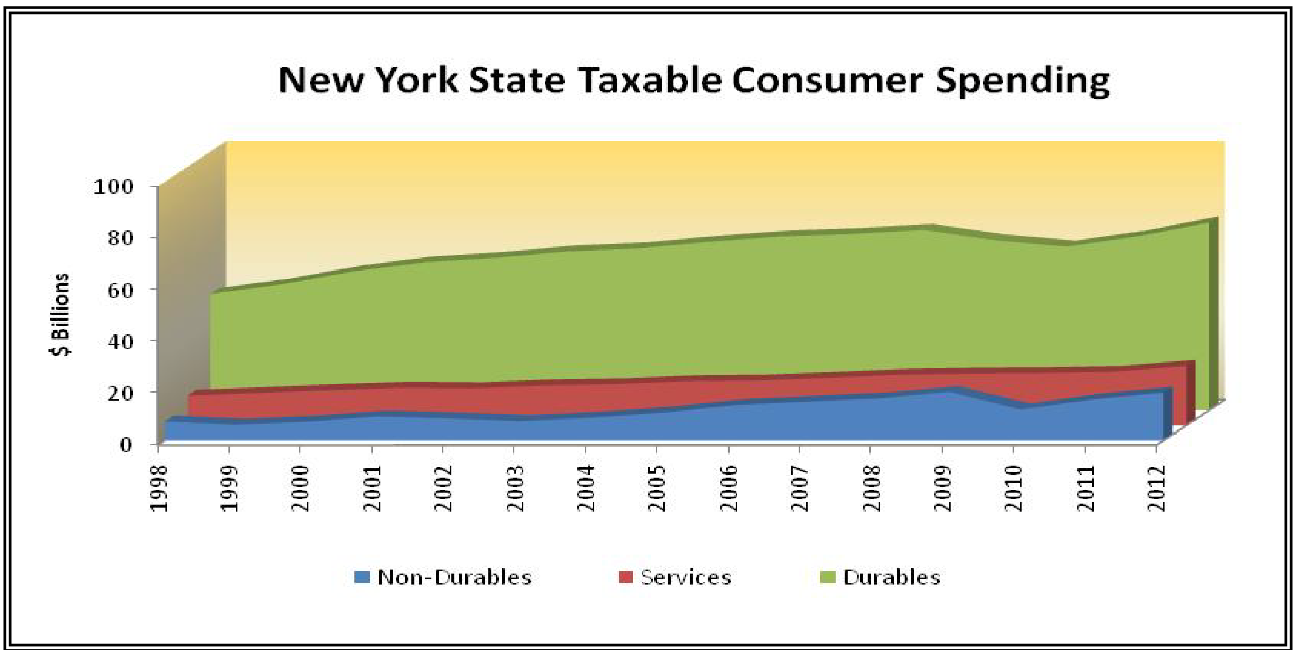
Source: NYS Senate Finance Committee – Democratic Conference

Sales Tax

Retail sales and tangible personal property are taxed under Article 28 of the Tax Law unless statutorily exempt. The sales tax is imposed upon receipts from the sales of tangible personal property, statutorily specified services, specified electricity, gas, refrigeration and steam services, telephone service, food and beverages sold by restaurants and caterers, hotel occupancy and certain admission charges.

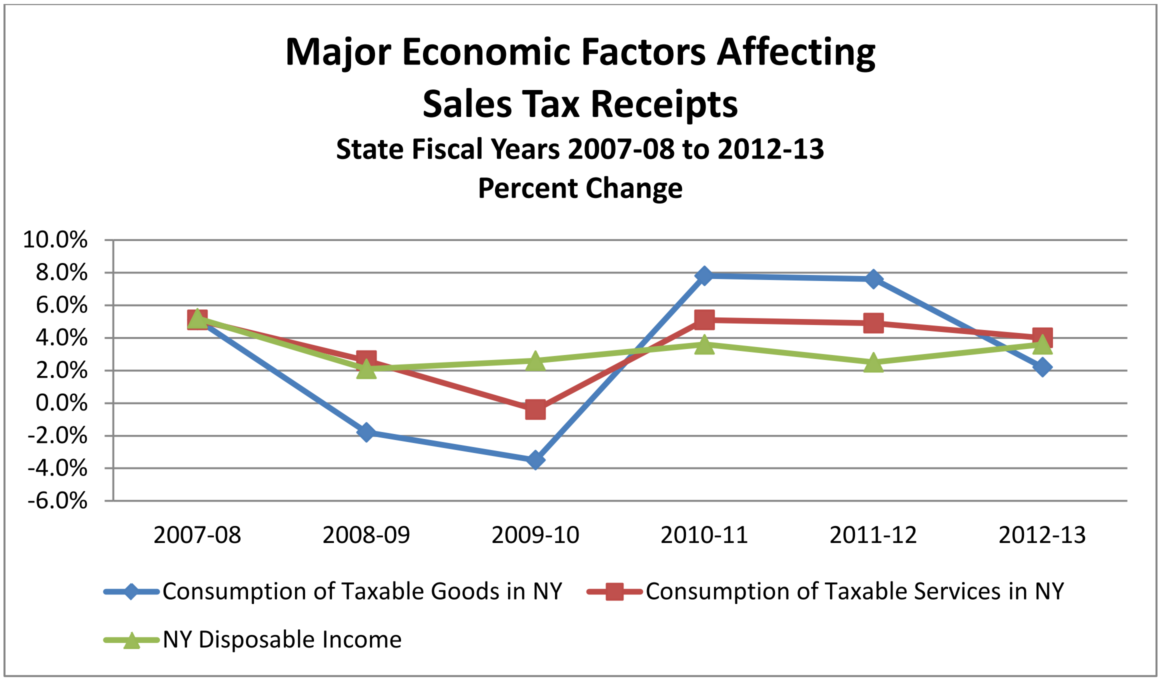
In New York State, the sales and compensating use tax was enacted in 1965 at the rate of 2 percent. The tax rate was subsequently increased to 3 percent in 1969, 4 percent in 1971, and to 4.25 percent in 2003. The last increase in the tax rate was a temporary increase of one quarter of one percent in order to address state budget deficits resulting from the economic recession in 2001. The sales tax rate reverted back to 4 percent in June 2005. The $110 clothing and footwear exemption has been repealed until March 31, 2012; a temporary $55 exemption was been implemented for the period from April 1, 2011, to March 31, 2012.

Sales tax collections are primarily impacted by any kind of change in the Tax Law, especially tax rate changes, and changes in economic activity such as income level, employment and stock prices. Consumer spending on durable goods holds the major share of New York State's overall consumer spending. Consumption of New York taxable goods and services are expected to increase by 2.6 percent in SFY 2012-13 and 2.2 percent in SFY 2013-14.



Source: NYS Senate Democratic Finance Committee/Tax and Finance

The Sales and Use tax is the second largest revenue source for the State. Changes in total User Tax revenues are primarily determined by the pattern of Sales Tax collections. In the current fiscal year, All Funds Sales Tax collections are estimated to increase by 1.0 percent while total State aggregate user tax collections are expected to rise by .33 percent. In SFY 2013-14, user tax collections are projected to increase by 3.7 percent with sales tax collection increasing by 4.5 percent. The table below illustrates the major factors affecting sales tax receipts in NYS. During the depth of the recession, consumption of taxable goods and consumption of taxable services declined. The Sales tax base (leaving aside law changes) decreased dramatically during those years also.



Source: NYS Senate Democratic Conferecne Finance Committee, DOB

On an All Funds basis, in SFY 2012-13 Sales and Use Tax collections are estimated to be $11.99 billion, a 1 percent increase from SFY 2011-12. General Fund collections are also estimated to rise by 1.08 percent from $8.345 billion to $8.435 billion in SFY 2012-13. For SFY 2013-14, All Funds sales tax collections are projected to be $12.548 billion, an increase of 4.6 percent. On a General Fund basis, sales and use tax collections are projected to be $8.812 billion, a 4.5 percent increase from SFY 2012-13.

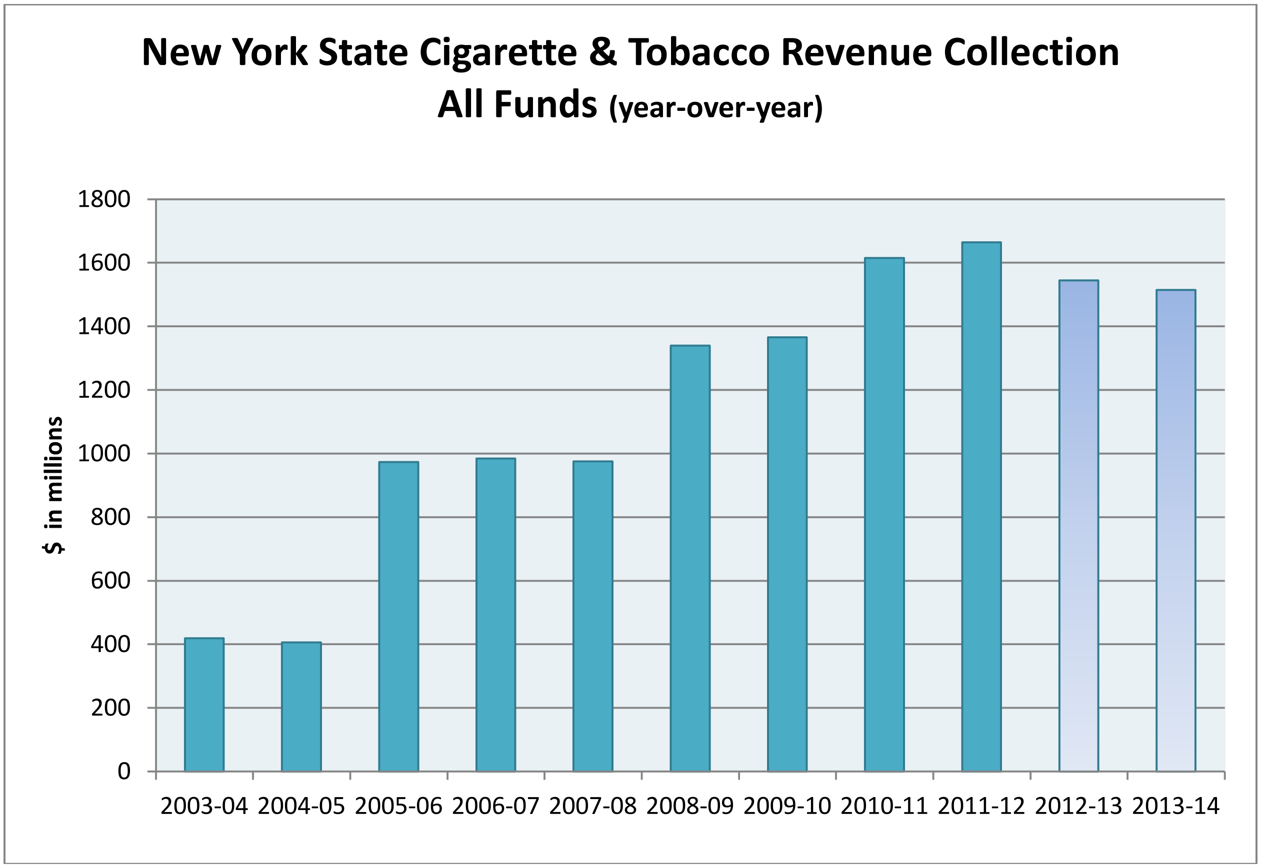
Cigarette & Tobacco Taxes

New York State imposes an excise tax on the sale or use of cigarettes within the State. Effective March 1, 2000, New York raised its tax by 55 cents to $1.11 per pack and effective April 3, 2002, by 39 cents to $1.50 per pack. On June 3, 2008, the State's tax was increased by $1.25 to $2.75 per pack. New York City levies a separate cigarette excise tax of $1.50 per pack. The State also imposes an excise tax on other tobacco products, such as chewing tobacco, snuff, cigars, pipe tobacco and roll-your-own cigarette tobacco. These products are taxed at a rate of 37 percent of their wholesale price except for snuff products, which are taxed at a rate of 96 cents per ounce. In the current fiscal year, tobacco tax rate has increased from 37 percent to 46 percent.

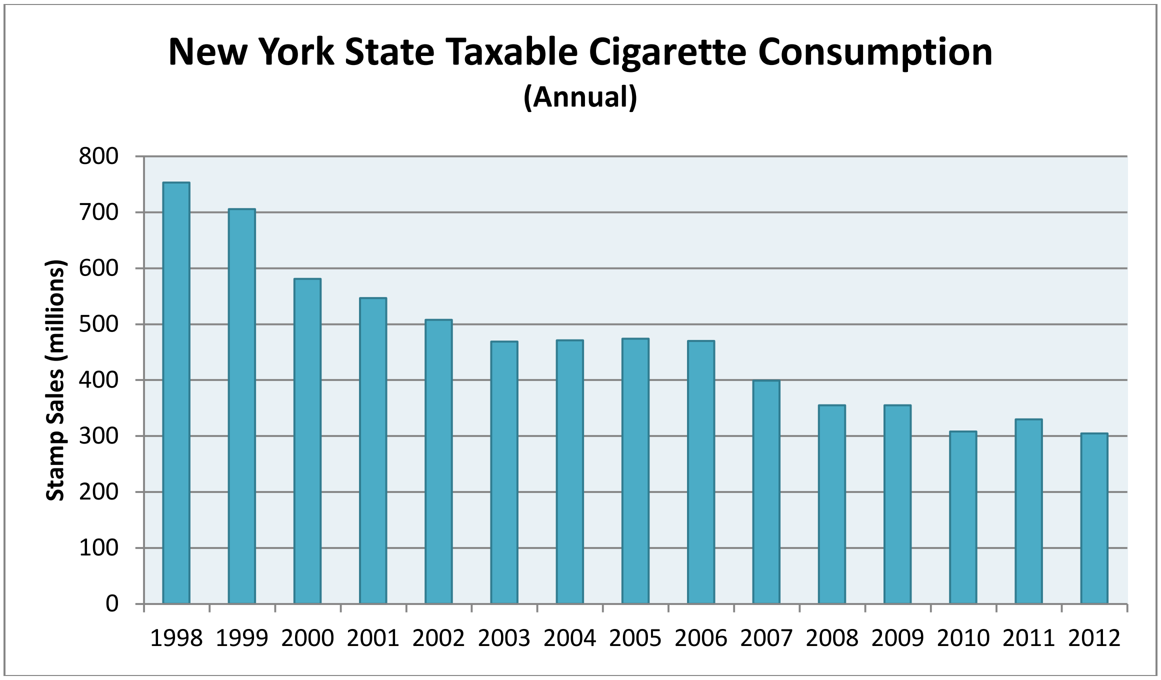
In 2010, the cigarette excise tax has increased from $2.75 per pack to $4.35 per pack. The tobacco products tax has also increased to 75 percent of the wholesale price from 46 percent; the tax on snuff increased to $2.00 per ounce from $0.96 per ounce; and legislation has created a new category under the tobacco products tax imposing a tax on "little cigars" at a rate equivalent to the cigarette tax rate. Also in 2010, NY legislation was enacted providing for a prior approval system that allows for the sale of untaxed, stamped cigarettes to be sold to reservation retailers in an amount that will provide an adequate supply of untaxed cigarettes for consumption by the nation or tribe. The Indian nation or tribe can opt to use the coupon system in place of the prior approval system. The prior approval/coupon system was implemented in 2011 after a Federal Court injunction was lifted. To date, no tribes have participated in the coupon system and there has only been limited transactions using the prior approval system. Also, in 2010, the Federal Government prohibited the shipment of cigarettes through the US Postal Service.

For SFY 2012-13, All Funds collections from cigarette and tobacco taxes are estimated to decrease from $1.63 billion to $1.54 billion, a decrease of 5.5 percent. On a General Fund basis, collections from these taxes are estimated to decrease from $471 million in SFY 2011-12 to $440 million in SFY 2012-13, a decrease of 6.6 percent. In SFY 2013-14, All Funds cigarette and tobacco tax collections are projected to decrease to 1.515 billion, a decrease of 1.9 percent from

SFY 2012-13. General Fund collections are projected to decrease to $429 million, a decrease of 2.6 percent.



*2012-13 is estimated
*2013-14 is projected
NYS Senate Finance Committee – Democratic Conference



*2011 is estimated
*2012 is projected

Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

Taxable cigarette consumption is a function of retail cigarette prices and a long-term downward trend in consumption. As shown in figure above, although tax collections from cigarettes have been increasing, consumption has been declining. The increase in collections is primarily a result of the amount of the tax. The decline in consumption reflects the impact of increased public awareness of the adverse health effects of smoking, smoking restrictions imposed by governments, anti-smoking education programs, and changes in consumer preferences toward other types of tobacco. Declines in taxable consumption have also been exacerbated by evasion.

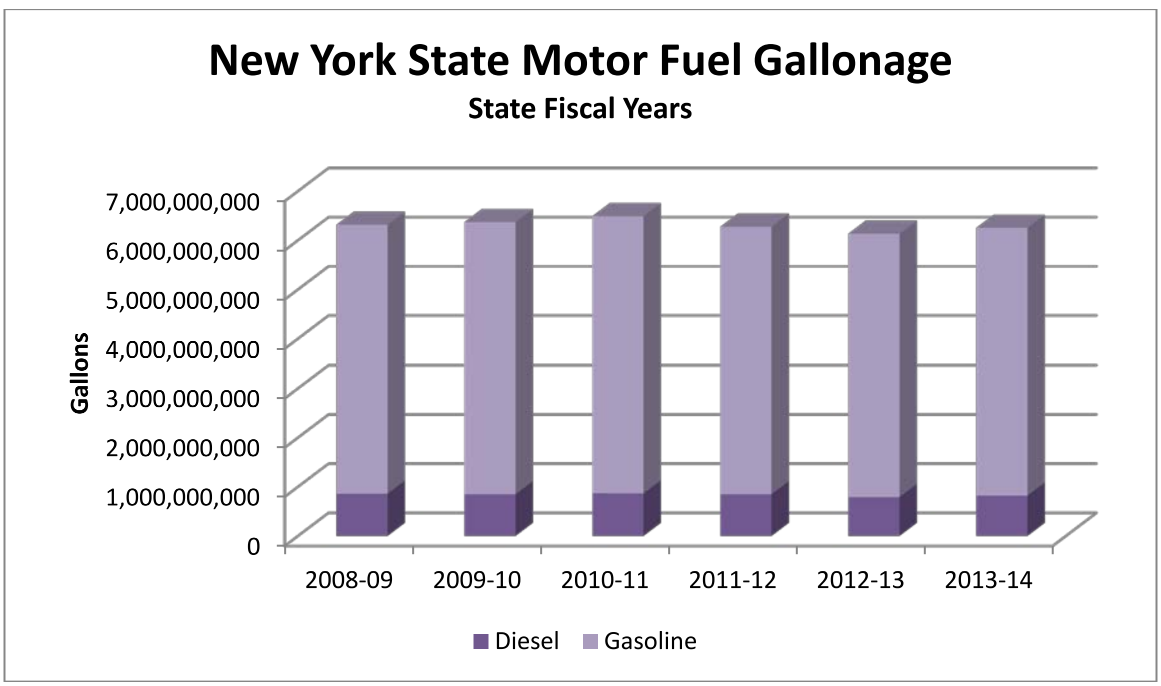
Motor Fuel Tax

Motor fuel and diesel motor fuel taxes are imposed by Article 12-A of the Tax Law upon the sale, generally for highway use, of motor fuel and diesel motor fuel, respectively. The motor fuel tax is levied primarily on fuel used in motor vehicles operating on the public highways of the State or on fuel used in recreational motorboats operating on the State's waterways.

A motor fuel tax of two cents per gallon was imposed on gasoline motor fuel in 1929. The tax on gasoline was increased to three cents in 1932, to four cents in 1937, to six cents in 1956, to seven cents in 1959 and to eight cents in 1972.

A motor fuel tax of two cents was imposed on diesel motor fuel in 1936. The tax on diesel fuel was increased to four cents in 1947, to six cents in 1956, to nine cents in 1959 and to ten cents in 1972. The tax on diesel fuel was reduced to eight cents in 1996.

Motor fuel tax collections are a function of the number of gallons of fuel imported into the State by distributors and any change in the relevant tax law. Gallonage is determined in large part by fuel prices, the amount of fuel held in inventories, the fuel efficiency of motor vehicles and overall state economic performance. Hence, fuel tax collections are an indirect function of fuel prices. The collections from the motor fuel tax do not fluctuate significantly from year to year since the number of gallons of fuel imported into the State does not fluctuate significantly, as shown in the Figure below.



*2012-13 is estimated
*2013-14 is projected

Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

For SFY 2012-13, All Funds collections from the motor fuel tax are estimated to be $490 million, a 2.3 percent decrease from SFY 2011-12 collections. For SFY 2013-14, collections are projected to increase to $500 million, or 2 percent. Currently, all motor fuel receipts are deposited into the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund.

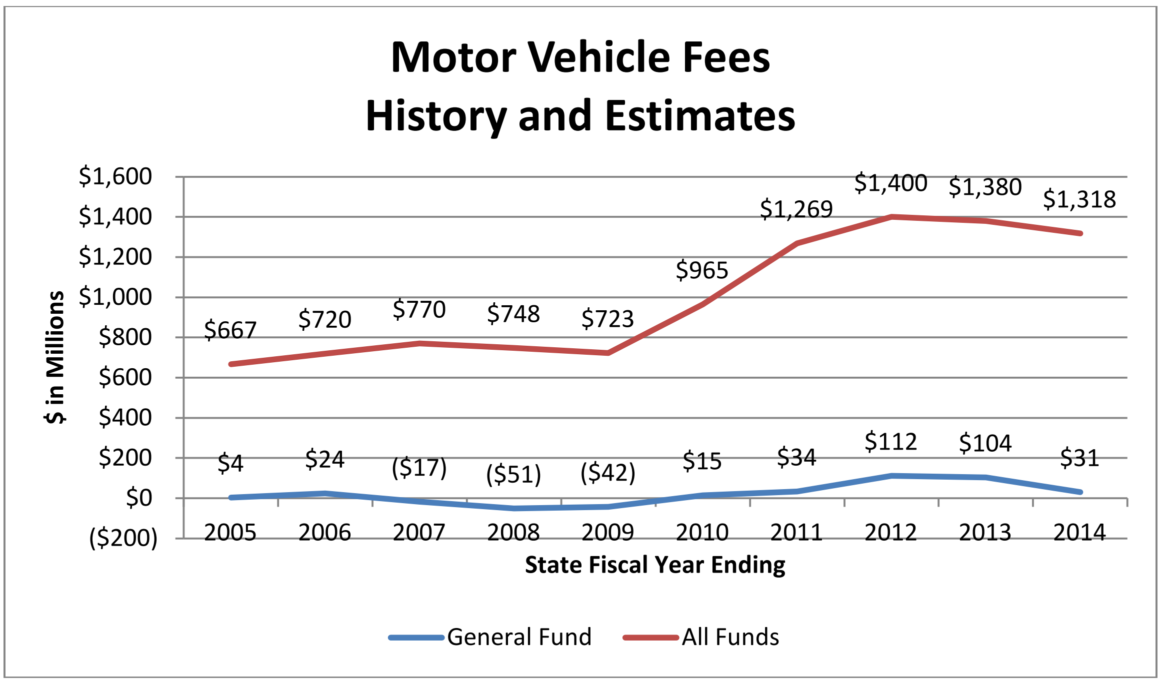
Motor Vehicle Fees

Motor vehicle fees are imposed under the Vehicle and Traffic Law. These fees include registrations for motor vehicles operated in the State, fees for drivers' licenses, and other fees such as: fees for inspection and emission stickers, repair shop certificates, and insurance civil penalties. Certain vehicles registered in New York are exempt from registration fees. The exemptions include: vehicles owned by the State or municipalities; passenger vehicles owned by consular offices, provided reciprocity is granted; and vehicles owned and used for the transportation of animals by societies for the prevention of cruelty to animals.

Most vehicle registration fees in New York are based on weight except for buses, which are charged according to seating capacity, and semi-trailers, which are charged a flat fee. Vehicle registration and driver licensing fees are a function of fee schedules, the number of licensed drivers and registered vehicles, and the number of years between license and vehicle registration renewals. Historically, the collections from motor vehicle fees are not significantly impacted by economic conditions. Collections from these fees are impacted more by changes in the fee or renewal schedules.

From September 2009, most registration fees have increased by 25 percent, licenses fees and the photo fee have also increased by 25 percent and legislation has imposed a supplemental fee of $25 on registrations and $1 per six months on licenses in the Metropolitan Commuter Transportation District (MCTD). In April, 2010, legislation increased the fee for license plate issuance from $15 to $25.

For SFY 2012-13, All Funds collections from motor vehicle fees are estimated to be $1,380 million, a 2.7 percent decrease in collections from SFY 2011-12. The decrease is mainly due to lower license renewals after the cycle peaked in 2011-12 and a cash flow issue involving Fund 073. The DOB is currently working with OSC to resolve these cash flow issues. Before SFY 2011-12, assessments and fines were not included in the motor vehicle fee total. For SFY 2013-14, All Funds collections from motor vehicle fees are projected to total $1,318 million, a 4.5 percent decrease from the current year.



*2012-13 is estimated
*2013-14 is current law
Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

Alcoholic Beverage Tax

New York State imposes excise taxes at various rates on liquor, beer, wine and specialty beverages. Overall, per capita consumption of taxed beverages and receipts has remained fairly constant in recent years with declines in one beverage class being offset with increases in others, due to shifts in consumer preferences. Currently, all receipts from the alcoholic beverage tax are deposited in the General Fund.

For SFY 2012-13, alcoholic beverage tax collections are estimated to be $249 million, which represents a $10.4 million increase from collections in SFY 2011-12. For SFY 2013-14, collections are projected to be $249 million.

Alcoholic beverage tax revenue is a function of any type of tax law change, and the general trend of sales and the consumer price index of alcoholic beverages. In SFY 2009-10, the tax rate on beer increased from 11 cents to 14 cents per gallon and the rate on wine increased from 19 cents to 30 cents per gallon.

Alcoholic Beverage License Fees:

New York State distillers, brewers, wholesalers, retailers, and others who sell alcoholic beverages are required by law to be licensed by the State Liquor Authority. On an All Funds basis, alcoholic beverage license fee collections are estimated to be $56.0 million in SFY 2012-13, a 5.2 percent decrease in collections from SFY 2011-12. For SFY 2013-14, All Funds collections are projected to decrease to $54.0 million, a 3.6 percent decrease from SFY 2012-13.

Auto Rental Tax:

The auto rental tax is imposed on vehicles rented by a resident or a nonresident, regardless of where the vehicle is registered. The tax does not apply to a car lease covering a period of one year or more. Receipts from the auto rental tax are influenced by the overall health of the economy, particularly general trend of consumer and business spending on travel.

Since June 1, 1990, the State has imposed a five percent tax on charges for the rental or use of a passenger car with a gross vehicle weight of 9,000 pounds or less. In June 2009, the rate was increased to six percent and a five percent tax was imposed on the rental of vehicles within the Metropolitan Commuter Transportation District.

Auto rental tax collections are estimated to increase from $104 million in SFY 2011-12 to $109 million in SFY 2012-13, an increase of 4.8 percent increase. This increase is a result of the supplemental tax on passenger car rentals in the MCTD. Collections are projected to continue to increase to $114 million in SFY 2013-14, a 4.6 percent increase over SFY 2012-13 collections.

Highway Use Tax:

Articles 21 and 21-A of the Tax Law imposes a highway use tax on commercial vehicles using the public highways of the State. Highway use tax revenues are derived from three sources:

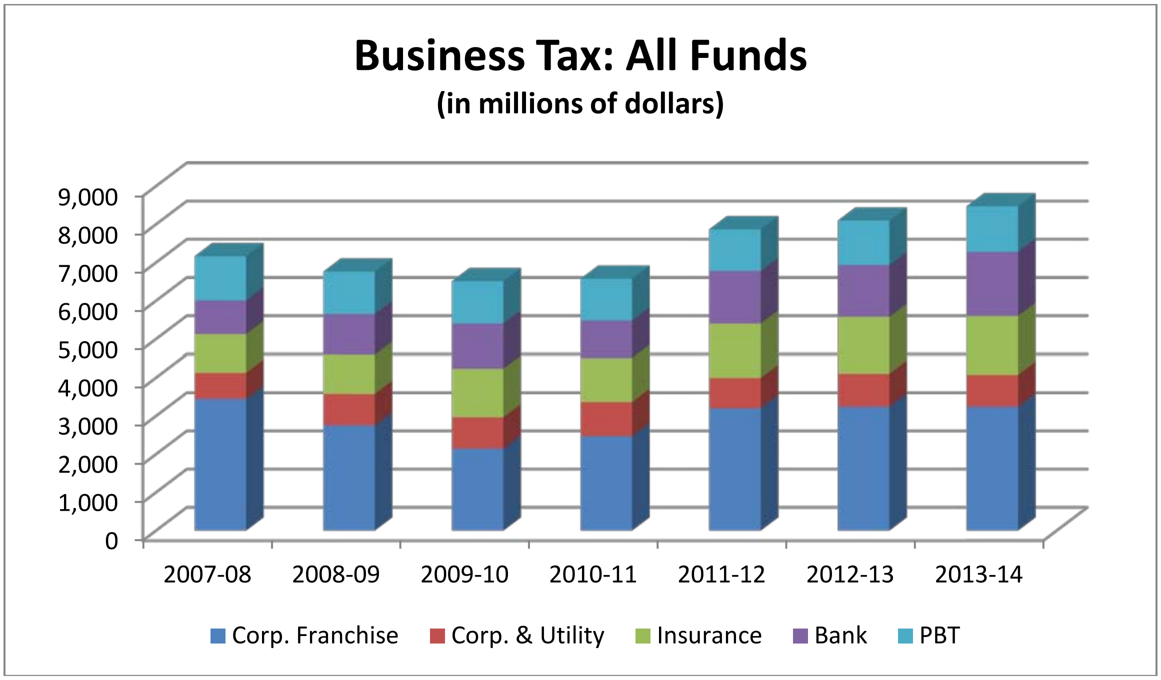
- the truck mileage tax,
- the fuel use tax, and
- registration fees.

Currently, all highway use tax receipts are deposited to the Dedicated Highway and Bridge Trust Fund.

The truck mileage tax (TMT) is levied on commercial vehicles having a loaded gross weight of more than 18,000 pounds, or an unloaded weight in excess of 8,000 pounds for trucks and 4,000 pounds for tractors. The tax is imposed at rates graduated according to the gross vehicle weight. In addition, a supplemental tax equal to the base truck mileage tax was imposed in 1990. Effective January 1, 1999, the supplemental tax was reduced by 50 percent, and effective April 1, 2001, the supplemental tax was reduced by an additional 20 percent of the remaining tax.

For SFY 2012-13, All Funds collections from the highway use tax are estimated to be $141 million, a 6.8 percent increase from SFY 2011-12. In SFY 2013-14, highway use tax collections are projected to total $140 million. SFY 2013-14 is not a triennial registration year. Current year projections assume that with increased enforcement and improved economic conditions, truck mileage tax receipts will increase significantly.

BUSINESS TAXES



*2012-13 is estimated
*2013-14 is projected
Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

Business taxes in New York are imposed on various aspects of a business' income. The corporate franchise tax and the bank tax are imposed on a business' entire net income; the corporate utility tax is imposed on the gross receipts of the business; and the insurance tax is imposed on premiums. The petroleum business tax is imposed on the gross receipts from the sale of various petroleum products by the business. Tax rates are indexed with annual adjustments made in January of each year to the base and supplemental tax rates to reflect the percentage change in the producer price index (PPI) for refined petroleum products for the 12 months ending August 31 of the preceding year.

In addition, all businesses which are located within the Metropolitan Commuter Transportation District, except for those subject to the petroleum business tax, are subject to the Metropolitan Transportation Authority (MTA) surcharge. This surcharge is imposed at a rate of 17 percent of the filer's tax liability and is used to support mass transit systems in the New York City metropolitan area.

In March, calendar year filers are required to make a first installment payment based on the taxpayer's prior year liability. Filers then make estimated payments in June, September, and December based on projected liability for the current tax year. A final settlement is made in March, along with the next mandatory prepayment. As of January 1, 2010, the mandatory March prepayment was increased from 30 percent to 40 percent of the taxpayer's prior year liability. Fluctuations in the estimated payments and final settlement account for most of the variation in tax collections from year to year. These payments are affected by changes in taxpayers' liability, which are driven by economic performance.

All Funds business tax receipts are estimated to total $8.21 billion for SFY 2012-13. This represents a 4.3 percent increase over the $7.87 billion collected in SFY 2011-12. General Fund collections are expected to total to $6.07 billion for the current fiscal year, an increase of 5.5 percent from SFY 2011-12.

For SFY 2013-14, All Funds business tax receipts are projected to increase by 3.1 percent, totaling $8.47 billion. General Fund receipts are projected to increase to $6.26 billion, an increase of 3.0 percent.

Corporate Franchise Tax

Levied by Articles 9-A and 13 of the New York Tax Law, the corporate franchise tax collects receipts from domestic and foreign corporations for the privilege of exercising their corporate franchise or doing business, employing capital, owning or leasing property, or maintaining an office in New York. Article 13 imposes a 9 percent tax on unrelated business income from not-for-profit organizations. The corporation franchise tax accounts for the most revenue of all business taxes, approximately 40 percent of business tax receipts.

Article 9-A consists of business entities that are classified as either C Corporations or S Corporations. According to the New York State Corporate Tax Statistical Report, C Corporations made up only 41 percent of the total number of Article 9-A filers, yet accounted for 96 percent of the tax liability. For C Corporations, the Tax Law mandates that the tax liability be calculated by using four different bases: entire net income (ENI), alternative minimum, allocated business and investment capital, and the fixed dollar minimum. Taxes are collected on whichever base yields the highest liability.

Unlike C Corporations, which have their tax liability determined at an entity level, S corporations have their tax liability determined at a member level. That is, the income of the S corporation is distributed to the members of the corporation who then pay the tax on such income under the personal income tax. However, S corporations are subject to the fixed dollar minimum tax under Article 9-A at rates stipulated in the Tax Law. These rates are based on the amount of the taxpayer's payroll which includes the salaries of the general executive officers.

For SFY 2012-13, All Funds receipts are estimated to total $2.93 billion, a decrease of 7.9 percent from SFY 2011-12. General Fund receipts are estimated to total $2.56 billion, a decrease of 5.8 percent over 2011-12. The decrease primarily attributable to lower audit receipts.

For SFY 2013-14, All Funds receipts are projected to increase to $3.24 billion which represents a 10.6 percent increase over the current year. On a General Fund basis, receipts are projected to increase to $2.83 billion, a 10.5 percent increase over the current year. Audits are projected to be $258 million higher than 2012-13 bases on expected caseload. Gross receipts are projected to increase 6.3 percent, which in part reflects expected corporate profit growth. The 2010 credit deferral program is expected to increase SFY 2013-14 receipts by $398 million.

Corporation and Utilities Tax

Specialized industries including public utilities, newly organized or reorganized corporations, out-of-State corporations doing business in New York State, transportation and transmission companies, and agricultural cooperatives are required to pay taxes and fees under Article 9 of the Tax Law. Historically, a majority of Article 9 revenues have been derived from public utilities and the transportation and telecommunications industries. However, due to regulatory and statutory changes over the last six years, the telecommunications industry has become the primary source of corporation and utilities tax revenues.

For SFY 2012-13, All Funds collections are estimated to total $849 million, an increase of 6.5 percent compared with SFY 2011-12. The growth is largely due to a large telecommunications audit that was received in April 2012. Gross receipts are estimated to decline by 1 percent over the prior year as the telecommunications sector erodes due to a shift in consumer behavior towards mobile internet based communication away from landline telecommunications. General Fund receipts are estimated to total $660 million, a 7.0 percent increase from the prior fiscal year.

All Funds receipts are projected to increase to $831 million in SFY 2013-14, a decrease of 2.2 percent. General Fund receipts are projected to decrease 2.7 percent to $648 million from $666 million. This reduction is primarily attributable to an increase in refunds.

Insurance Tax

Article 33 of the Tax Law imposes taxes on insurance companies, insurance brokers, and certain insurers for the privilege of conducting business in the State. A premiums-based tax is levied on non-life insurers and independently procured insurance. Accident and health premiums received by non-life insurers are taxed at the rate of 1.75 percent and all other premiums received by non-life insurers are taxed at the rate of 2 percent. A $250 minimum tax applies to all non-life insurers.

The insurance tax on life insurance companies is imposed on two components. The first component is the highest of four alternative bases, similar to the corporate franchise tax. An additional eight-tenths of a cent rate applies to each dollar of subsidiary capital allocated to New York. The second component is an additional franchise tax on gross premiums, less returned premiums. The tax rate on premiums is 0.7 percent and applies to premiums written on risks located or resident in New York.

All Funds Insurance Tax receipts are estimated to total $1.45 billion in SFY 2012-13, an increase of 2.5 percent over SFY 2011-12 receipts. The increase is principally attributable to higher current year liability. General Fund receipts for SFY 2012-13 are estimated at $1.29 billion, an increase of 2.7 percent over the prior year.

All Funds collections are projected to total $1.53 billion in SFY 2013-14, an increase of 5.7 percent from SFY 2012-13 collections. General Fund receipts are forecast to increase to $1.36 billion, which represents 5.4 percent growth from the current year.

Bank Tax

Bank Tax revenues are collected under Article 32 of the Tax Law. The tax is imposed on banking corporations conducting business in New York State, broken down into three groups: clearinghouse, savings institutions, and other commercial banks. Similar to Article 9-A requirements, Bank Tax liability is computed under four alternative bases: alternative minimum, entire net income (ENI), asset base, and a fixed dollar minimum. Liability is collected on the highest of these bases.

For SFY 2012-13, All Funds receipts are estimated to total $1.86 billion, an increase of 33.8 percent over SFY 2011-12. General Fund receipts are estimated to amount $1.56 billion, an increase of 34.8 percent. These increases are attributable to strong collections for commercial bank estimated payments on 2012 liability along with the corresponding increase in March pre-payments. Additionally, audits are higher by $258 million due to a large audit received in December 2012.

In SFY 2013-14, All Funds and General Fund receipts are projected to decrease to $1.68 billion and $1.41 billion, respectively. These decreases are primarily attributable to a significant decrease in audit collections (49.5 percent) based on the expected case load. The unusually high commercial bank calendar filer payments seen in 2012-13 are not expected to be repeated in 2013-14.

Petroleum Business Tax

Petroleum Business Taxes (PBT) are levied under Article 13-A of the Tax Law on petroleum related businesses based upon the quantity of various petroleum products imported for sale or use in the State. PBT rates are annually indexed on January 1st of each year to reflect the twelve month change in the Petroleum Producers Price Index ending the previous August 13th. Rates are limited to a maximum 5 percent increase or decrease per year.

Base PBT collections are deposited into both the Mass Transportation Operating Assistance Fund and the Dedicated Funds Pool. All receipts collected from the supplemental tax and carrier tax are also deposited into the Dedicated Funds Pool, whose collections are then divided between the Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund.

Petroleum Business Tax All Funds receipts are estimated to total $1.12 billion in SFY 2012-13, $25 million more than SFY 2011-12. Decreases in motor and diesel motor fuel taxable gallonage have been offset by the increase in PBT tax rates set in January 2012. All Funds receipts are projected to total $1.19 billion in SFY 2013-14, a 5.8 percent increase from SFY 2012-13. The PBT index increased by 5 percent on January 1, 2012 and is also expected to increase by 3.0 percent on January 1, 2014.

OTHER TAXES

Estate Tax

New York's estate taxes are not required to be remitted until nine months following a person's death. As a result, the amount of estate taxes paid in any particular month is not a reflection of the current economy, but the economy at the time of death. The estate tax revenue is a function of household's real net worth, related indirectly to the stock index and any kind of tax law change, specifically related to credit exemption on the value of inherited estates. These collections are also a function of the size of the estates on which the taxes are paid.

Legislation has set the State's unified credit to provide a $1,000,000 exemption level independent of the Federal Credit from January, 2010.

Estate taxes are estimated to slightly decrease in SFY 2012-13 by to $1,050 million from SFY 2011-12. Tax collections are projected to increase by 5.6 percent in SFY 2013-14 to $1,135 million. This projection results from expected transaction increases for all estate sizes next year.

Real Estate Transfer Tax

The New York State Real Estate Transfer Tax (RETT) is imposed by Article 31 of the Tax Law on each conveyance of real property or interest therein, when the consideration exceeds $500, at a rate of $4 per $1,000 of consideration (price). The tax became effective August 1, 1968. Prior to May 1983, the rate was $1.10 per $1,000 of consideration. Effective July 1, 1989, an additional 1 percent tax was imposed on residential conveyances for which the consideration is $1 million or more.

Real estate transfer tax receipts are a function of the number and type of conveyance and the consideration per conveyance. Conveyances and prices are largely determined by mortgage rates, vacancy rates and inflation. The Manhattan commercial real estate market, which has historically been subject to large swings in demand and capacity, can have a significant impact on receipts.

Real Estate Transfer Tax collections for SFY 2012-13 are estimated to be $760 million which is $150 million, or 25.0 percent, more than SFY 2011-12. This year, commercial transactions and REITS are experiencing growth following a perceived rise in investor confidence. Refund activity is expected to be minimal this year.

Real estate transfer tax collections for SFY 2013-14 are projected to be $695 million, decreasing by 3 percent. Residential sales and Mansion tax receipts are projected to increase by $6 million in SFY 2013-14. Commercial transactions are projected to continue improvements as NYC is seeing a rise in investor confidence and the potential return of major REIT transactions.

This increase reflects the projected improvement in the housing market in the second half of the fiscal year.

Metropolitan Commuter Transportation Mobility Tax

Established in 2009, the Metropolitan Transportation Commuter Mobility Tax, also referred to as the MTA payroll tax, provides additional revenue to the Metropolitan Transportation Authority. Originally, the tax imposed a rate of .34 percent on the payrolls of certain employers and self-employed individuals doing business within the Metropolitan Commuter Transportation District. In December 2011, the Mobility Tax was modified.

Chapter 56 of the Laws of 2011 amended sections 800 and 801 of Article 23 of the Tax Law relating to the Metropolitan Commuter Transportation Mobility Tax (MCTMT). Section 801(a) of the Tax Law that imposes the MCTMT on self-employed individuals has been amended. For tax years beginning on or after January 1, 2012, an individual will be subject to the MCTMT only if his or her net earnings from self-employment attributable to the MCTD exceed $50,000 for the tax year. Prior to the amendment, an individual was subject to the MCTMT only if his or her net earnings from self-employment attributable to the MCTD exceeded $10,000 for the tax year. The rate of the MCTMT for self-employed individuals (.34%) has not changed.

Section 800(b) of the Tax Law that defines *employer* for purposes of the MCTMT has been amended. Effective for the calendar quarter beginning on April 1, 2012, the quarterly payroll expense threshold that an employer must exceed to make the employer liable for the MCTMT increased from $2,500 in any calendar quarter to $312,500 in any calendar quarter. In addition, employers that meet the definition of *eligible educational institutions* are no longer subject to the MCTMT.

An eligible educational institution means any public school district; a board of cooperative education services; a public elementary or secondary school; a school approved pursuant to Article 850-89 of the Education Law to serve students with disabilities; or a non-public elementary or secondary school that provides instruction in grade one or above.

All Funds receipts for SFY 2012-13 are estimated to total $1.16 billion, a 15.5 percent decrease from SFY 2011-12. This reduction is primarily the result of the December 2011 enacted payroll tax reform which is estimated to reduce receipts by $310 million.

In SFY 2013-14, receipts are projected to increase by a net 5.1 percent, totaling $1.21 billion which represents a net increase of $59 million from the current State Fiscal Year. This tax law increase reflects higher gross receipts and self-employments remittances.