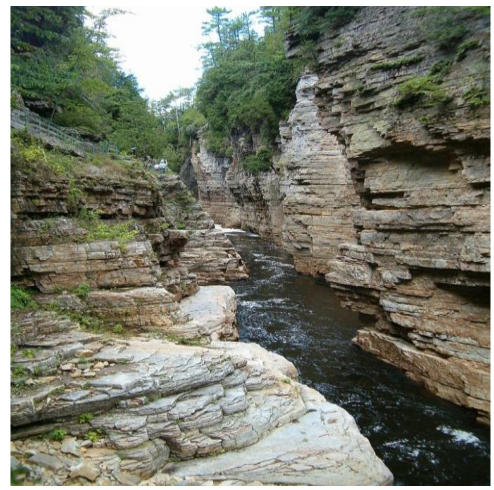
New York State
Senate Democratic Majority Conference
Finance Committee
Economic and Revenue Forecast SFY 2019-20





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February 2019

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Economic and Revenue Forecast
SFY 2019-20

Senate Majority Democratic Conference
Finance Committee

Senator Liz Krueger
Chair

Prepared by Senate Finance Committee/Democratic Conference, Office of Fiscal Studies

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EXECUTIVE SUMMARY

The Senate Democratic Conference Finance Committee, pursuant to Chapter 309 of the Laws of 1996 (Section 23 of the State Finance Law), which mandates a revenue and economic consensus forecasting process, has produced this State Fiscal Year (SFY) 2019-20 Economic and Revenue Forecast.

This law stipulates that by the end of February in each year, the Chairperson and Ranking Minority Member of the Senate Finance Committee, the Chairperson and Ranking Minority Member of the Assembly Ways and Means Committee, and the Director of the Budget jointly convene a consensus economic and revenue forecasting conference in the form of a joint Legislative-Executive public hearing, for the purpose of assisting the Governor and the State Legislature in reaching the NY State Consensus Revenue Forecast.

The conveners of the Conference also invite the New York State Comptroller and other participants to the Conference who provide guidance on current United States (U.S.) and New York State (NYS) economic conditions as well as the effect of these conditions on State receipts.

In addition, on or before March 1st in each year, the Director of the Budget, the Secretary of the Senate Finance Committee and the Secretary of the Assembly Ways and Means Committee issue a joint report containing a consensus forecast of the economy and estimates of receipts for the current and the ensuing State Fiscal Year (SFY).

NYS has a variety of dedicated tax revenues that are deposited in the General Fund as well as in special revenue funds, capital projects funds, and debt service funds. These monies are to be utilized for specific spending purposes. Additionally, certain tax revenues (e.g. petroleum business taxes and real estate transfer taxes) are exclusively deposited in funds other than the General Fund.

State Revenue

The Senate Democratic Conference Finance Committee projection for the General Fund tax revenues (inclusive of miscellaneous receipts and transfers) is $155 million and $306 million more than the SFY 2018-19 and SFY 2019-20 30 Day Executive Budget forecasts, respectively. Therefore, our two-year aggregate General Fund receipts forecast is $461 million above the 30-day Executive's projections.

By aggregating all the revenues collected by the State and deposited in each fund, the Senate Democratic Conference Finance Committee estimates SFY 2018-19 All Funds tax revenues to be $75.3 billion, or $301 million above, the Executive projection. We also project higher SFY 2019-20 All Funds revenues to be $81.4 billion, or $599 million above, DOB estimates. Therefore, the resultant two year aggregate All Funds tax revenue collections forecast is $900 million above the 30-day Executive Budget released as outlined in the tables that follow.

U.S. and NYS Economies

The economy at the national level is measured by the Gross Domestic Product (GDP), which is essentially a representation of the combination of goods and services produced and consumed. Real U.S. GDP increased by 2.9 % in CY 2018 and is estimated to grow at rate of 2.4% in 2019. U.S. wages increased 4.4 % in 2018 and are expected to increase by 4.2% this year.

In 2018, the NYS economy grew at a slightly slower pace than the national economy. DOB's coincident economic index, which measures aggregate State economic activity indicates that average monthly growth was 0.2% in the last twelve months through November 2018, the last month for which complete data are available. The DOB leading index also implies average marginal monthly growth for the twelve months through November 2019.

In 2018, NY personal income increased 4.8% and total wages increased 4.1%. In 2019, personal income is projected to increase by 3.8%, and total New York wages are projected to increase 3.8% and are also projected to increase 3.9 % in 2020. In NYS, the unemployment rate is expected to slightly decrease to 4.3% by the end of the 2019 Calendar Year (CY). Generally, the NY labor market appears to have experienced a moderate job growth rate in CY 2018, registering an 1.3% increase.

Revenue Forecast Highlights

General Fund Receipts SFY 2018-19 and SFY 2019-20

- The Senate Democratic Conference Finance Committee staff estimate for General Fund receipts (inclusive of miscellaneous receipts and transfers) in SFY 2018-19 is estimated to total $70.808 billion. This estimate represents a decline of $612 million, or 0.8 percent, over SFY 2017-18.

- The Committee staff's estimate for General Fund receipts (inclusive of miscellaneous receipts and transfers) is $150 million over the FY 2020 Executive Budget Financial Plan 30-Day Amendments SFY 2018-19 receipts estimate of $70.658 billion.

- The Committee staff's General Fund revenue projection for SFY 2019-20 is expected to total $74.839 billion. This estimate represents a growth of $4.031 billion, or 5.7 percent, over the Committee staff's SFY 2018-19 estimate.

- The Committee staff's General Fund revenue estimate for SFY 2019-20 is expected to be $301 million above the Executive 30-Day Amendments SFY 2019-20 receipts estimate of $74.538.

- The Committee staff's two-year aggregate General Fund receipts projection is $451 million above the 30-day Amendment's projections.

All Funds Receipts SFY 2018-19 and SFY 2019-20

- The Committee staff's estimate for All Funds receipts for SFY 2018-19 is estimated to total $75.272. This estimate represents a year-over-year decline of, $3.994 billion, or 5.0 percent over SFY 2017-18.

- The Committee staff's estimate for All Funds receipts is $296 million over the Executive 30-Day Amendments SFY 2018-19 receipts estimate of $74.976 billion.

- The Committee staff's All Funds revenue projection for SFY 2019-20 is expected to total $81.403 billion. This estimate represents a growth of $6.131 billion, or 8.1 percent over the Committee staff's SFY 2018-19 estimate.

- The Committee staff's All Funds revenue estimate for SFY 2019-20 is expected to be $594 million above the 30-Day Amendments SFY 2019-20 receipts estimate of $80.809.

- The Committee staff's two-year aggregate All Funds receipts projection is $890 million above the FY 2020 Executive Budget Financial Plan 30-day Amendment's projections.

REVENUE TABLES

SFY 2018-19 General Fund Tax Collections (Millions of Dollars)			
	Senate Finance Committee	Executive Budget 30 Day	Variance
Personal Income Tax (Net)	**21,424**	**21,367**	**57**
Withholding	40,791	40,721	70
Estimated Payments	13,943	13,956	(13)
Final Returns	2,649	2,629	20
Other Payments	1,505	1,500	5
Gross Collections	58,888	58,806	82
Refunds/Offsets	(11,191)	(11,223)	32
STAR	(2,424)	(2,424)	0
Revenue Bond Tax Fund	(23,848)	(23,792)	(56)
User Taxes and Fees	**7,756**	**7,709**	**47**
Sales and Use	7,166	7,120	46
Cigarette/Tobacco	326	327	(1)
Alcoholic Beverage	264	262	2
Business Taxes	**5,447**	**5,396**	**52**
Corporate Franchise	3,191	3,157	34
Corporation and Utilities	518	515	3
Insurance	1,636	1,622	14
Bank	102	102	0
Other Taxes	**1,074**	**1,074**	**0**
Estate and Gift	1,056	1,056	0
Pari-mutuel	15	15	0
Other	3	3	0
Total General Fund TAXES	**35,701**	**35,546**	**155**
Miscellaneous Receipts	3,195	3,195	0
Federal Grants	0	0	0
Transfers From Other Funds	31,917	31,917	0
Total General Fund Receipts	**70,813**	**70,658**	**155**

Senate Finance – Executive Budget = Variance

SFY 2018-19 All Funds Tax Collections (Millions of Dollars)			
	Senate Finance Committee	**Executive Budget 30 Day**	**Variance**
Personal Income Tax (Net)	**47,697**	**47,583**	**114**
Withholding	40,791	40,721	70
Estimated Payments	13,943	13,956	(13)
Final Returns	2,649	2,629	20
Other Payments	1,505	1,500	5
Gross Collections	58,888	58,806	82
Refunds/Offsets	(11,191)	(11,223)	32
User Taxes and Fees	**17,559**	**17,445**	**114**
Sales and Use	15,311	15,212	99
Auto Rental	135	130	5
Cigarette/Tobacco	1,111	1,112	(1)
Motor Fuel	535	531	4
Alcoholic Beverage	264	262	2
Highway Use	149	144	5
Taxicab Surcharge	50	50	0
Medical Marihuana Excise	4	4	0
Business Taxes	**7,817**	**7,744**	**73**
Corporate Franchise	4,020	3,977	43
Corporation and Utilities	700	685	15
Insurance	1,831	1,816	15
Bank	123	123	0
Petroleum Business	1,143	1,143	0
Other Taxes	**2,204**	**2,204**	**0**
Estate and Gift	1,056	1,056	0
Real Estate Transfer	1,130	1,130	0
Pari-mutuel	15	15	0
Other	3	3	0
MTA Payroll Tax	**0**	**0**	**0**
Total All Funds Tax Receipts	**75,277**	**74,976**	**301**

Senate Finance – Executive Budget = Variance

SFY 2019-20 General Fund Tax Collections (Millions of Dollars)			
	Senate Finance Committee	**Executive Budget 30 Day**	**Variance**
Personal Income Tax (Net)	**23,915**	**23,699**	**216**
Withholding	42,726	42,510	216
Estimated Payments	16,652	16,572	80
Final Returns	2,821	2,748	73
Other Payments	1,569	1,564	5
Gross Collections	63,768	63,394	374
Refunds/Offset	(11,566)	(11,624)	58
STAR	(2,186)	(2,186)	0
Revenue Bond Tax Fund	(26,101)	(25,885)	(216)
User Taxes and Fees	**8,157**	**8,119**	**38**
Sales and Use	7,580	7,542	38
Cigarette/Tobacco	312	312	0
Alcoholic Beverage	265	265	0
Business Taxes	**6,216**	**6,163**	**53**
Corporate Franchise	3,555	3,510	45
Corporation and Utilities	540	537	3
Insurance	2,061	2,056	5
Bank	60	60	0
Other Taxes	**1,092**	**1,092**	**0**
Estate and Gift	1,074	1,074	0
Pari-mutuel	15	15	0
Other	3	3	0
Total General Fund TAXES	**39,380**	**39,074**	**306**
Miscellaneous Receipts	2,071	2,071	0
Federal Grants	0	0	0
Transfers from Other Funds	33,393	33,393	0
Total General Fund Receipts	**74,844**	**74,538**	**306**

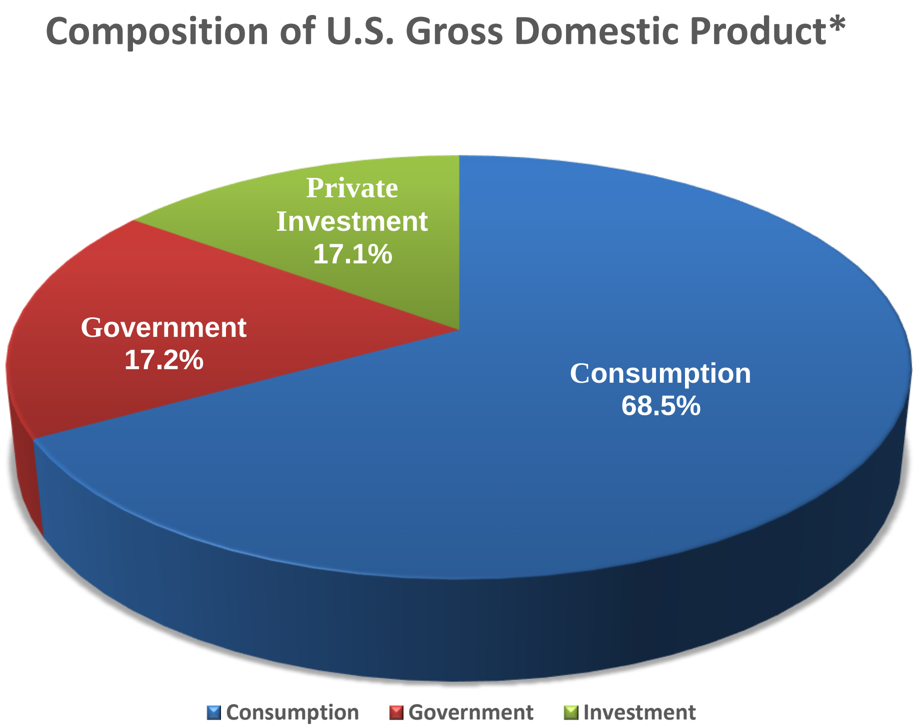
Senate Finance – Executive Budget = Variance

SFY 2019-20 All Funds Tax Collections (Millions of Dollars)			
	Senate Finance Committee	**Executive Budget 30 Day**	**Variance**
Personal Income Tax (Net)	**52,202**	**51,770**	**432**
Withholding	42,726	42,510	216
Estimated Payments	16,652	16,572	80
Final Returns	2,821	2,758	63
Other Payments	1,569	1,564	5
Gross Collections	63,768	63,394	374
Refunds/Offsets	(11,566)	(11,624)	58
User Taxes and Fees	**18,288**	**18,186**	**102**
Sales and Use	16,189	16,107	82
Auto Rental	95	95	0
Cigarette/Tobacco	1,047	1,048	(1)
Motor Fuel	529	515	14
Highway Use	149	142	7
Vapor Excise Tax	10	10	0
Alcoholic Beverage	265	265	0
Medical Cannabis Excise Tax	4	4	0
Business Taxes	**8,676**	**8,611**	**65**
Corporate Franchise	4,418	4,362	56
Corporation and Utilities	714	710	4
Insurance	2,312	2,307	5
Bank	71	71	0
Petroleum Business	1,161	1,161	0
Other Taxes	**2,242**	**2,242**	**0**
Estate and Gift	1,074	1,074	0
Real Estate Transfer	1,148	1,148	0
Pari-mutuel	15	15	0
Employer Compensation Expense	2	2	0
Other	3	3	0
MTA Payroll Tax	**0**	**0**	**0**
Total All Funds Tax Receipts	**81,408**	**80,809**	**599**

Senate Finance – Executive Budget = Variance

ECONOMIC OUTLOOK

U.S. GROSS DOMESTIC PRODUCT (GDP)



*Note: Negative net exports reduces the aggregate GDP total by approximately 2.7%
Source: Blue Chip Econometric Detail, September 10, 2018, Q1 2019 Forecast.

Economic Highlights:

- According to the Federal Reserve Bank of St. Louis, the U.S. economy grew by 3.05 percent in 2018, and is projected to grow by 2.4 percent and 1.9 percent in 2019 and 2020 respectively.
- According to Wells Fargo Securities, the U.S. unemployment rate will fall from 3.9 percent in 2018 to 3.7 percent and 3.4 percent in 2019 and 2020 respectively, reflecting net monthly job gains of 178,000 and 120,000 in 2019 and 2020 respectively.
- According to Wells Fargo Securities, the U.S. growth rate of Real Disposable Income, on an annualized basis, is projected to be 2.9 and 2.9 percent in 2019 and 2020 respectively, up from 2.8 percent in 2018.
- According to Wells Fargo Securities, the U.S. growth rate of Business Fixed Investment, on an annualized basis, is projected to be 3.8 and 3.6 percent in 2019 and 2020 respectively, down from 6.8 percent in 2018.

The national economy is measured by the Gross Domestic Product (GDP); while the Gross State Product (GSP) is the equivalent measurement on the New York State level. GDP and GSP are essentially a combination of all the goods and services produced and consumed by the three major sectors of the economy, the consumer, business, and government. 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 personal income affects how much the consumer will spend. Increases in consumer spending usually directly translate into increased corporate sales activity and potentially higher corporate profits. Commonly, corporations utilize these profits to make capital investments and hire new workers and/or increase wages for existing employees. Increases in both of these sectors result in increased tax revenues for the government sector, allowing for budgetary spending growth and/or tax relief.

As shown in the following figure, the consumer (personal consumption expenditure) is the major driving force for the U.S. economy. Consumption accounts for approximately 68.5% of the U.S. GDP. Due to the 2008-09 recession, the business share of GDP activity declined from 15% in 2007 to 10% in 2010. Because of the U.S. economic long-term recovery, the proportion of corporate activity is now closer to 17.1% with respect to GDP. Although business accounts for a relatively small share of GDP, it is still an important contributor to the economy as it directly supports aggregate employment and wages which engenders consumer spending. Governments, via various spending and monetary policies at all levels, also play a significant role 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 various Federal stimulus programs enacted to spur economic growth. The total government contribution to GDP from all levels of government is estimated to be approximately 17.2% of US GDP for the first quarter (Q1) of 2019.

NEW YORK AND U.S. ECONOMIC TRENDS

2018 NEW YORK REGIONAL TRENDS

Overview

According to the Federal Reserve's Beige Book[1], Economic activity in New York State, also known as the Second District, has leveled off in the last reporting period. However, the labor market has remained tight and wage growth has increased slightly. Input prices and selling prices continued to rise at a steady pace. Manufacturing activity leveled off, while business declined slightly in a number of service industries. Tourism for New York State has remained robust. Holiday season sales grew only marginally over last year. Housing markets have shown some signs of softening, while commercial real estate markets have been steady. Banks reported some weakening in loan demand and little change in delinquency rates.

Employment and Wages

The Federal Reserve Reports that the labor market has remained tight across the Second District as employers reported difficulties in filling a wide variety of open positions. Businesses reported that employment was little changed, on balance, since the last Federal Reserve report. Modest net hiring occurred in manufacturing, wholesale trade, finance, and leisure & hospitality, while firms in the transportation, health & education, and professional & business service sectors indicated that employment was flat or down modestly. Retailers noted little change in holiday-season hiring compared to the same period last year.

Wages have increased modestly, particularly in retail and leisure & hospitality. Employers have indicated that they are budgeting for moderately larger wage increases in 2019 than they did for 2018. A number of business contacts in New York State, including a few manufacturers, expressed concern about the recent hike in New York's minimum wage, according to the Beige Book.

Prices

Businesses reported little change in the pace of both input price increases and selling price increases in the latest reporting period. Input price pressures tended to be most widespread in manufacturing, finance, and education & health. Most industry sectors reported steady to moderately rising selling prices. However, real estate and transportation contacts planned to reduce

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[1] **U.S. FEDERAL RESERVE BEIGE BOOK:** Summary of Commentary on Current Economic Conditions by Federal Reserve Districts, January 2019

Commonly known as the Beige Book, this Report is published eight times per year by the US Federal Reserve. Each Federal Reserve Bank gathers anecdotal information on current economic conditions in its Districts through reports from Bank and Branch directors and interviews with key business contacts, economists, market experts, and other sources. The Beige Book summarizes this information by District and sector. An overall summary of the twelve district reports is prepared by a designated Federal Reserve Bank on a rotating basis.

rather than raise their prices. A sizeable proportion of businesses in transportation and wholesale trade indicated plans to increase prices in the months ahead.

Most retailers indicated that selling prices remained stable, although some retailers noted more widespread discounting than in recent years. The average ticket prices for Broadway shows rose less than usual in December 2018 and were down more than 5 percent from a year earlier.

Consumer Spending

The Beige Book reports that retail contacts reported retail sales were mixed, but on balance, up modestly. One major retail chain noted that holiday sales were up modestly from the prior year but were slightly below their financial plan. Retailers in upstate New York were more upbeat, characterizing sales as fairly strong. A growing share of sales have been online, including merchandise ordered in advanced and picked up at stores. Inventories were a bit leaner than usual going into the holiday season but were mostly at or slightly above desired levels at the start of the new year.

According to dealers in upstate New York, new vehicle sales were mostly flat in recent weeks and were down from a year earlier. New vehicle inventories remained slightly on the high side. Sales of used vehicles were mixed, but on balance, stead. Dealers indicated that credit conditions remained in good shape.

Consumer confidence in New York, New Jersey, and Pennsylvania, which had climbed to a cyclical high in November, retreated in December but remained elevated, based on the Conference Board's monthly survey.

Manufacturing and Distribution

The manufacturing and distribution sectors weakened noticeably in the latest reporting period. Manufacturers noted a sharp deceleration in business activity, while wholesale distributors and transportation firms reported outright declines. Contacts in these sectors remained somewhat optimistic for the months ahead, but were less optimistic than in recent months. A handful of contacts continued to express concern about tariffs and trade restrictions.

Services

Overall, business has been mixed but, on balance, softer in the latest reporting period. Contacts in the professional & business services, education & health, and information industries reported flat to declining activity at the end of the year, although these contacts remain cautiously optimistic about the near-term outlook.

Leisure & hospitality businesses reported steady, moderate growth. New York City saw fairly strong tourism over the holiday season. The Beige Book reported that one local tourism-sector expert indicated that the number of visitors has climbed and hotel occupancy rates remained high, though visitors were spending less, on average, than they have in the past. Broadway theaters reported strong gains in revenues and attendance, which was up more than 20 percent from a year earlier in December.

Real Estate and Construction

As reported in the Beige Book, the housing market across the District has softened since the last report. Home sales in upstate New York have slowed somewhat, and the prevalence of bidding wars has receded; still, the inventory of homes on the market remain exceptionally low, and prices have continued to rise, reflecting solid demand and low supply.

New York City's sales of existing co-ops and condos continued to slow, especially on new developments. Selling prices for newly-built condos have fallen sharply, while resale prices on existing apartments edged down last quarter but remained slightly ahead of a year earlier. The inventory of unsold homes has risen noticeably but is fairly low by historical standards. Housing markets in the rest of the metro have seen weakening sales, steady prices, and rising (but still low historically) inventories as well. A local housing-industry expert noted that the curtailed federal tax deductibility of homeowner expenses caused by the federal Tax Cuts and Jobs Act of 2017 has caused trepidation among both current and prospective homeowners.

Residential rents across the District have been mostly flat and little changed from a year earlier. In New York City, landlord concessions have remained ubiquitous, and this has helped to keep rental vacancy rates low.

Commercial real estate markets have been mixed but little changed overall. Office availability rates have been steady, while asking rents have been steady to up moderately. Retail markets have continued to soften, and there has been concern that retail vacancies will rise more sharply after the holiday season. Industrial markets, on the other hand, have remained robust. Rents have continued to climb briskly and availability rates have been steady at or near multi-year lows.

New multi-family construction starts were sluggish, though a substantial volume of residential development remains under construction, particularly in New York City. New commercial construction starts have also been fairly subdued, aside from a sizable volume of new office development in Long Island.

Banking and Finance

Small to medium sized banks in the District reported lower demand for consumer loans, residential mortgages, and C&I loans, but steady demand for commercial mortgages. A decrease was also reported in refinancing activity. Bankers noted unchanged credit standards for residential mortgages but tightening standards for other types of loans. There was some further narrowing in loan spreads for consumer loans and residential mortgages. Finally, banks reported that delinquency rates held steady across all categories.

2018 National Trends

Overview

According to the Beige Book, published in January 2019, economic activity increased in most of the United States, with eight of twelve Federal Reserve Districts reporting modest to moderate growth. Non-auto retail sales grew modestly, as several Districts reported more holiday traffic compared with last year. Auto sales were flat on balance. The majority of Districts indicating that manufacturing expanded, but the growth had slowed, particularly in the auto and energy sectors. New home construction and existing home sales were little changed, with several Districts reporting that sales were limited by rising prices and low inventory. Commercial real estate activity was also little changed. Most Districts reported modest to moderate growth in activity in the nonfinancial services sector, though a few Districts noted that growth in that sector had slowed. The energy sector expanded at a slower pace, and lower energy prices contributed to a pullback in the industry's capital spending expectations. The agriculture sector struggled as prices generally remained low despite recent increases Overall, lending volumes grew modestly, though a few Districts noted that growth had slowed. Outlooks generally remained positive, but many Districts reported that contacts had become less optimistic in response to increased financial market volatility, rising short-term interest rates, falling energy prices, and elevated trade and political uncertainty.

Employment and Wages

Employment increased in most of the country, with majority of Districts reporting modest growth. All Districts noted that labor markets were tight and that firms were struggling to find workers at any skill level. Minneapolis indicated that construction firms had turned down business because they could not find workers, and Atlanta reported that a few contacts were either actively overstaffing or retaining employees through lulls in demand in anticipation of future growth. Wages grew throughout the country, with the majority of Districts reporting moderate gains. Wages increased across skill levels, and numerous Districts highlighted rising entry-level wages as firms sought to attract and retain workers and as new minimum wage laws came into effect.

Prices

The Beige Book noted that most Districts reported modest to moderate price growth since the last report. A majority of Districts indicated that firms' input costs had risen, but reports were mixed on whether they could pass the higher costs on to customers. Reports often cited rising materials and freight prices as sources of cost increases, and a number of Districts said that higher tariffs were also a factor. While prices of most inputs were up, several Districts noted that fuel costs had gone down. A number of Districts reported rising home prices, while prices for commercial and industrial space either increased or were flat. Prices for agricultural commodities were generally slightly higher.

ECONOMIC INDICATORS FORECAST/U.S. AND NYS

U.S. and New York State Economies Calendar Year (CY)			
	2018 (Actual)	2019 (Estimate)	2020 (Forecast)
U.S. Economy			
Real GDP	2.90%	2.40%	2.10%
Personal Income	4.10%	4.40%	4.30%
Non-Farm Employment Growth Rate	1.70%	1.60%	1.20%
Consumer Price Index (CPI)	2.40%	2.00%	2.40%
Wages	2.90%	3.10%	3.70%
Unemployment Rate (percent)	4.40%	4.20%	4.30%
10 Year Treasury Yield	2.90%	2.80%	3.20%
Corporate Profits	n/a	6.30%	4.40%
Government Spending	1.60%	1.90%	0.90%
New York State Economy			
Non-Farm Employment (Total)	1.30%	1.10%	1.10%
Wages (Total)	4.10%	3.30%	3.90%
Personal Income	4.60%	3.80%	4.20%
Unemployment Rate (percent)	4.20%	4.30%	4.30%
Composite CPI of New York	2.10%	2.00%	2.40%

Sources: Blue Chip Economic Indicators; DOB

Compared with the U.S. economy, the New York economy outperformed the U.S. economy regarding wage growth in CY 2018. Non-farm employment growth rates are projected to slightly higher at the national level compared with NYS. In addition, the unemployment rate was slightly lower in the U.S. at the end of CY 2018 compared with NYS.

Finally, the NYS unemployment rate is expected decrease by 0.2% in CY 2019 but decrease by 0.2% in the U.S.. Non-farm employment is also expected to increase at a slightly higher rate for the U.S. (1.6%) in CY 2019 when compared with NYS estimates (1.1%)

U.S. LABOR MARKET AND INCOME

U.S. Employment: According to the U.S. Bureau of Labor Statistics (BLS), the unemployment rate was 4.0% January 2019, which is an increase of 0.1% from December 2018, and a decline of 0.1% from January 2018. The number of unemployed persons in January 2019 was 6.5 million, a decline of 200,000 from previous 12 months. The impact of the partial federal government shutdown contributed to the uptick in January. Among the unemployed, the number who reported being on temporary layoff increased by 175,000. This figure includes furloughed employees who were classified as unemployed on temporary layoff under the definitions used in the household survey. In January 2019, the number of long-term unemployed (those jobless for 27 weeks or more) was 1.3 million, and has shown little change since December 2018. The long-term unemployed represented 19.3% of the unemployed.

The unemployment rates for adult men (3.7 percent), adult women (3.6 percent), teenagers (12.9 percent), Whites (3.5 percent), Blacks (6.8 percent), and Asians (3.1 percent) showed little change over the month. The unemployment rates Hispanics increased to 4.9 percent in January, according to the BLS.

Federal Reserve Bank of St. Louis – FRED

The employment-population ratio increased to 60.7% changed little over the month and is up by 0.5 percentage point over the year. According to the BLS, the number of involuntary part-time workers (persons employed part time for economic reasons) was 5.1 million in January 2019, an increase of one-half million. Nearly all of this increase occurred in the private sector and may reflect the impact of the partial federal government shutdown.

In January 2019, 1.6 million persons were marginally attached to the labor force, which declined by 100,000 from January 2018, according to the BLS (The data are not seasonally adjusted). Persons marginally attached to the labor force are individuals who were not in the labor force but wanted and were available for work. These individuals also had looked for a job sometime in the prior 12 months and were not counted as unemployed because they had not looked for employment in the 4 weeks prior to the survey. There were 426,000 discouraged workers among the marginally attached to the labor force in January 2019, a decrease of 25,000 from a year earlier (Not seasonally adjusted.) A discouraged worker is defined as a person who is not looking for work currently because they believe no jobs are available for them. The other 1.2 million persons marginally attached workers in January 2019 had not looked for work for a variety of reasons, including attending school or meeting family responsibilities, according to the BLS.

NEW YORK STATE LABOR STATISTICS
November 2018 - December 2018
New York State Department of Labor, Bureau of Labor Statistics

The New York State's private sector job count in December 2018 increased by 11,600, or 0.1%, to 8,243,700, a new, all-time high, according to the New York State Department of Labor. The table below compares the over-the-month change in total nonfarm and private sector jobs in the United States and New York State between November and December 2018.

Change in Total Nonfarm and Private Sector Jobs, November 2018 - December 2018				
	Change in: Total Nonfarm Jobs (private sector + government)		**Change in Private Sector Jobs**	
	Net	**Percent**	**Net**	**Percent**
United States	+312,000	+0.2%	+301,000	+0.2%
New York State	+11,800	+0.1%	+11,600	+0.1%

Source: NYS and U.S. Departments of Labor

Unemployment Rates

The state's unemployment rate is calculated by the U.S. Bureau of Labor Statistics, using a statistical regression model that primarily uses the results of a telephone survey each month of 3,100 households in New York State. The statewide unemployment rate remained the same at 3.9% in December 2018, its lowest level on record. There was a decrease in the number of unemployed New Yorkers from 379,400 in November 2018 to 378,500 in December 2018, its lowest level since August 1988.

Unemployment Rates (%)*			
	December 2018*	**November 2018**	**December 2017**
United States	**3.9**	3.7	4.1
New York State	**3.9**	3.9	4.7
New York City	**4.0**	4.0	4.4
NYS, outside NYC	**3.8**	3.8	4.9

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

U.S., New York State, Major Regions, and Metro Areas
December 2017 - December 2018

The table that follows compares the over-the-year change in total nonfarm and private sector jobs that occurred in the United States, New York State, the Upstate and Downstate regions, and metro areas in the state between December 2017 and December 2018.

Change in Total Nonfarm and Private Sector Jobs
December 2017 – December 2018

	Change in Total Nonfarm Jobs: (private sector + government)		**Change in Private Sector Jobs:**	
	Net	**%**	**Net**	**%**
United States	+2,660,000	+1.8%	+2,576,000	+2.0%
New York State	+123,100	+1.3%	+120,600	+1.5%
Albany-Schenectady-Troy	+2,400	0.5%	+2,300	+0.6%
Binghamton	-100	-0.1%	+100	+0.1%
Buffalo-Niagara Falls	+7,500	+1.3%	+7,400	+1.5%
Dutchess-Putnam	+2,800	+1.8%	+2,800	+2.2%
Elmira	-500	-1.3%	-500	-1.6%
Glens Falls	+900	+1.6%	+900	+2.0%
Ithaca	+2,200	+3.3%	+2,300	+4.0%
Kingston	+900	+1.4%	+1,000	+2.1%
Nassau-Suffolk	+17,800	+1.3%	+18,100	+1.6%

	Change in **Total Nonfarm Jobs:** (private sector + government)		Change in **Private Sector Jobs:**	
	Net	**%**	**Net**	**%**
New York City	+71,000	+1.6%	+71,000	+1.8%
Orange-Rockland-Westchester	+3,300	+0.5%	+2,500	+0.5%
Rochester	+2,700	+0.5%	+2,500	+0.5%
Syracuse	+3,500	+1.1%	+3,400	+1.3%
Utica-Rome	+700	+0.5%	+1,000	+1.0%
Watertown-Fort Drum	-100	-0.2%	-100	-0.3%
Non-metro Counties	+2,300	+0.5%	+2,500	+0.7%

Source: NYS and U.S. Departments of Labor

Job highlights since December 2017:

- Thirteen metro areas in New York State added private sector jobs over the past year, with the most rapid growth in these areas:
  - Ithaca (+4.0%)
  - Dutchess-Putnam (+2.2%)
  - Kingston (+2.1%)
  - Glens Falls (+2.0%)
  - New York City (+1.8%)
  - Nassau-Suffolk (+1.8%)
- Non-metro counties in New York added 2,500 private sector jobs over the past year.
- Over the past year, two metro areas in the state – Elmira (-1.6%) and Watertown-Fort Drum (-0.3%) – lost private sector jobs.

Change in jobs by major industry sector: December 2017 – December 2018
Jobs data (not seasonally adjusted):

The table below compares the over-the-year change in jobs by major industry sector in New York State occurring between December 2017 and December 2018.

Sectors With Job Gains:	
*Educational & Health Services**	+62,600
Leisure & Hospitality	+15,500
Construction	+14,500
Professional & Business Services	+13,800
Other Services	+11,100
Trade, Transportation & Utilities	+6,100
*Government**	+2,500
Manufacturing	+1,800

Sectors With Job Losses:	
Information	-3,000
Financial Activities	-1,700
Natural Resources & Mining	-100
**Educational and health services is in the private sector. Government includes public education and public health services.*	

Source: NYS and U.S. Departments of Labor

Highlights among NYS sectors with job gains since December 2017:

- Private educational and health services added the most jobs (+62,600) of any major industry sector over the past year. Sector job gains were mostly in health care and social assistance (+58,600), especially ambulatory health care (+39,000).
- From December 2017 to December 2018, the second largest employment increase occurred in leisure and hospitality, which grew by 15,500. Over-the-year sector job gains in this sector were in accommodation and food services (+12,000), especially food services and drinking places (+10,300).

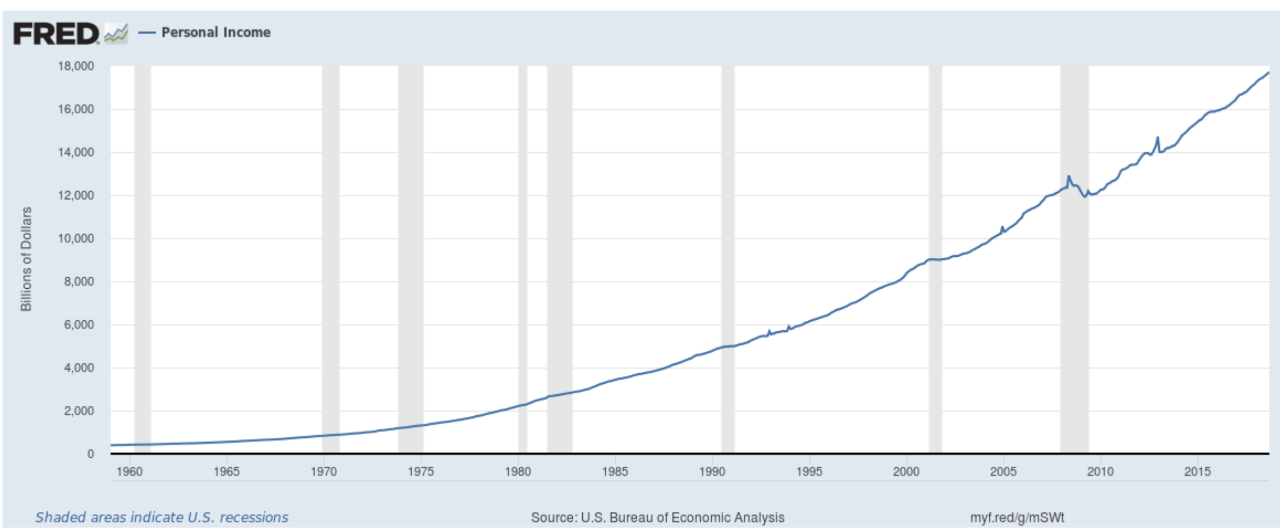
- The third largest employment increase over the past year occurred in construction (+14,500). Sector gains were largest in specialty trade contractors (+8,700) and construction of buildings (+3,400).
- Professional and business services had the fourth largest increase in jobs (+13,800) in the past twelve months. Over-the-year sector gains were concentrated in administrative and support services (+8,700) and professional, scientific and technical services (+7,200).

Highlights among NYS sectors with job losses since December 2017:

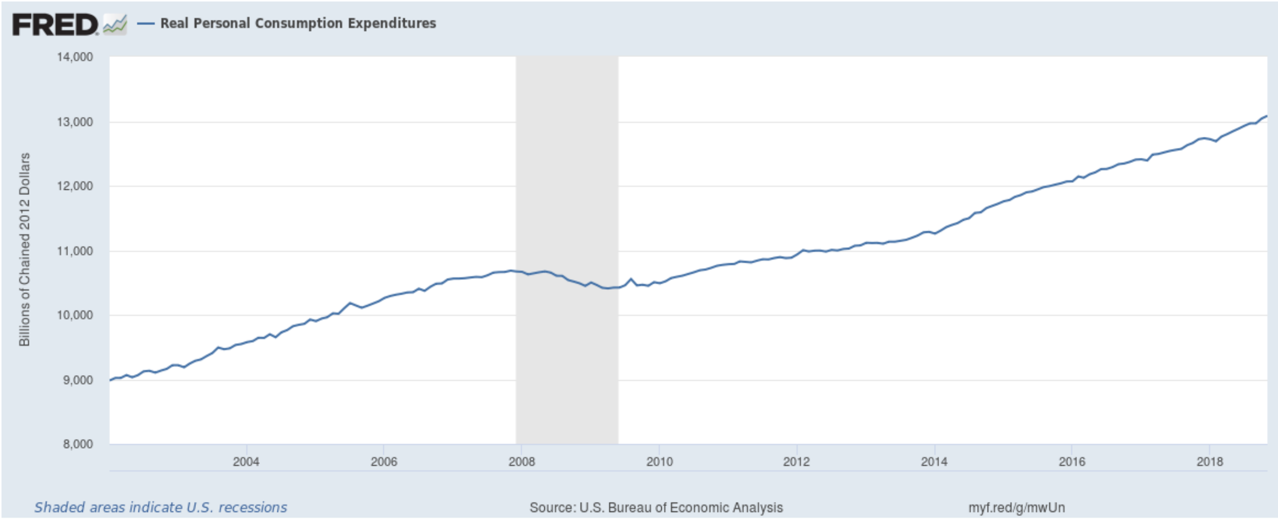
- Over the past 12 months, information lost the most jobs (-3,000) of any major industry sector in New York. Job losses were focused in publishing (-2,400).
- From December 2017 to December 2018, the second largest employment decrease occurred in financial activities, which lost 1,700 jobs. Over-the-year sector job losses were concentrated in finance and insurance (-5,300), especially insurance carrier and related activities (-3,400).

PERSONAL INCOME

According to the Bureau of Economic Analysis (BEA), personal income increased $40.2 billion, or 0.2%, and disposable personal income (DPI) increased $37.8 billion, or 0.2%, in November 2018. Personal consumption expenditures (PCE) increased $54.4 billion, or 0.4%. Disposable personal income (DPI) is defined as personal income less personal current taxes paid.



Federal Reserve Bank of St. Louis – FRED

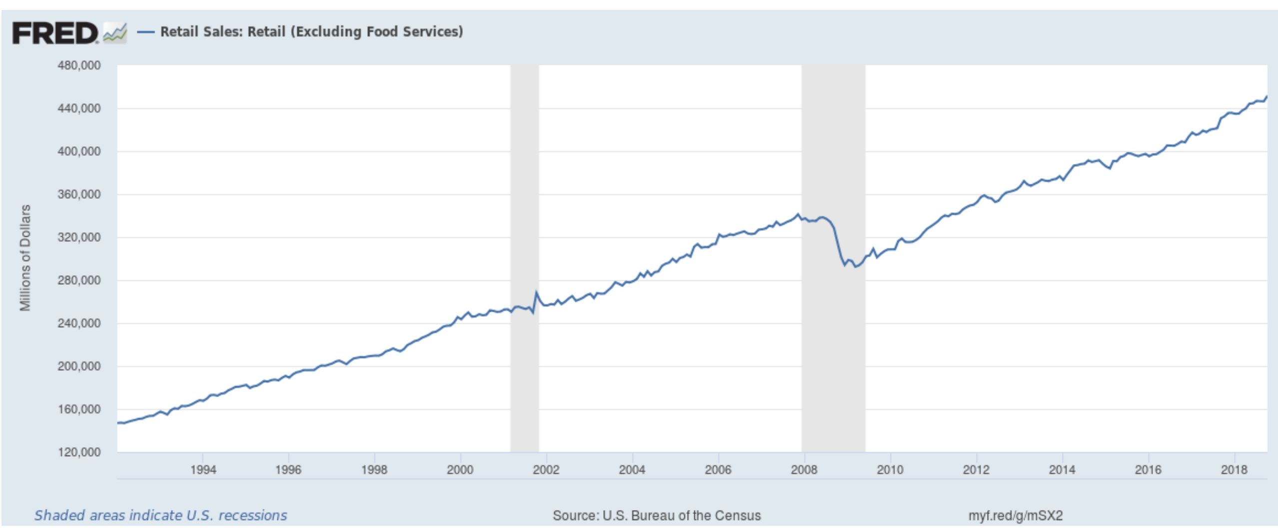


Federal Reserve Bank of St. Louis – FRED

Personal outlays increased $56.6 billion in November 2018. In November 2018, the personal saving was $944.2 billion and the personal saving rate was 6.0%. The personal saving rate is the personal saving as a percentage of disposable personal income.

RETAIL SALES

According to the U.S. Census Bureau, the advance estimates of U.S. retail and food services sales for December 2018, adjusted for seasonal variation and holiday and trading-day differences, but not for price changes, were $505.8 billion, an increase of 2.3% over December 2017.



Federal Reserve Bank of St. Louis – FRED

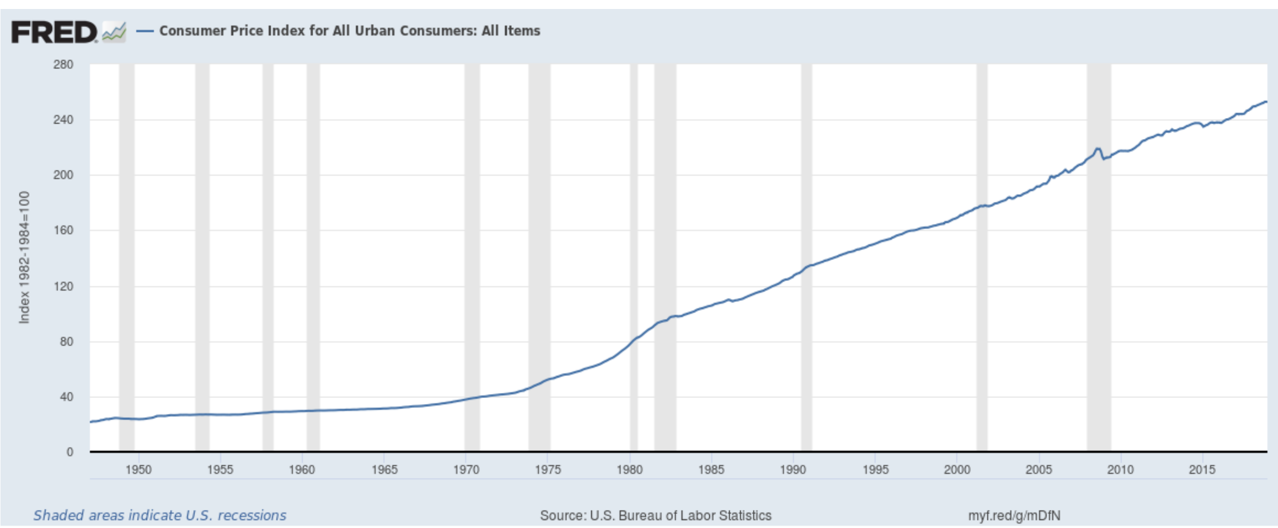
Total sales for the 21 months of 2018 were up 5.0% compared to 2017. Retail trade sales were down 1.3% from November 2018, but up 2.1% from last year. Non-store retailers were up 4.0% from last year.

CONSUMER PRICE INDEX (CPI)

According to the U.S. Bureau of Labor Statistics (BLS), the Consumer Price Index for All Urban Consumers (CPI-U) remained unchanged in January 2019 over the previous month on a seasonally adjusted basis. The all items index increased 1.6% before seasonal adjustment over the last 12 months.

The energy index declined for the third consecutive month in January 2019, offsetting increases in the indexes for all items less food, energy, and for food. All major energy component indexes declined in January, with the gasoline index falling 5.5%. The food index increased by 0.2% in January 2019. The index for all items less food and energy increased 0.2% in January 2019. The indexes for shelter, apparel, medical care, recreation, and household furnishings and operations rose in January, while the indexes for airline fares and for motor vehicle insurance declined.

The all items index increased 1.6% for the 12 months ending January 2019. The index for all items less food and energy increased 2.2% for the 12 months ending January 2019, and the energy index declined 4.8%. The food index increased 1.6% over the last 12 months, according to the BLS.



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U.S. CORPORATE PROFITS (THIRD QUARTER RESULTS)

According to the Bureau of Economic Analysis (BEA), profits from current production (corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj) increased $78.2 billion in the third quarter of 2018, compared to an increase of $65.0 billion in the second quarter of 2018.

Profits of domestic financial corporations decreased $6.1 billion in the third quarter of 2018, compared to an increase of $16.5 billion in the second quarter of 2018. Profits of domestic nonfinancial corporations increased $83.0 billion in the third quarter of 2018, compared to an increase of $53.0 billion in the second quarter of 2018, according to the BEA.

The rest-of-the-world component of profits increased $1.3 billion in the third quarter of 2018, compared with a decrease of $4.5 billion in the second quarter of 2018. The rest-of-the-world component of profits is calculated as the difference between receipts from the rest of the world and payments to the rest of the world. Receipts decreased 9.5 billion and payments decreased $10.8 billion in the third quarter of 2018, according to the BEA.

FINANCIAL MARKETS

The Standard & Poor’s 500 (S&P 500) finished the year of 2018 with 2,506.85 points, which is an decrease of 6.2% from where the S&P finished in 2017 (2,673.61). For the year of 2018, the Dow Jones Industrial Average (DJIA) ended at 23,327.46, a 5.6% decrease from 2017. The NASDAQ Composite finished 2018 with 6,635.28, a decrease of 3.9% from the year prior.

Federal Reserve Bank of St. Louis – FRED

RISKS TO THE U.S. AND NYS FORECASTS

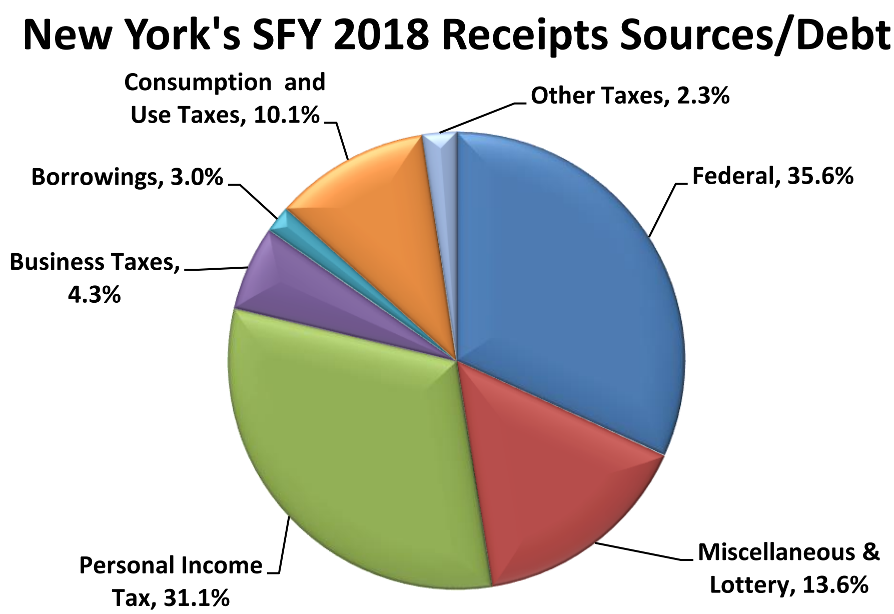
As with any forecast, there are unforeseen risks associated with forecasting the economy. Any sharp variation in expected performance to the various sectors of the economy, whether positive or negative, can have a significant impact on the shape and pace of the economic recovery. For example, some nations in the Euro-zone continue to experience economic uncertainty which is engendered by the UK's Brexit process. Any possible negative fallout from the Euro Zones economic situation can potentially undermine the world's financial markets and international trade.

Also, the Federal Reserve has begun its long-awaited process of reversing previous formal stated programs and policies in relation to its massive participation in U.S. financial markets and banking system. There is a lot of uncertainty as to how this process will develop over the next year. Another concern is the prospect of a political impasse over the national budget. U.S. debt and budget policies and security have a profound impact on the national and world economies.

More specific tangible risks include: weak exports due to the strong dollar and sluggish growth abroad keeping the manufacturing sector in the doldrums; Chinese growth concerns and the possibility of a "hard landing" that ripples through the global economy and world financial markets; the possibility of a "trade war" with China; deteriorating credit conditions/volatile global financial markets sapping business and consumer confidence; rising geopolitical risks, especially in the Middle East, producing a spike in oil prices; and, U.S. consumers becoming more frugal.

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.



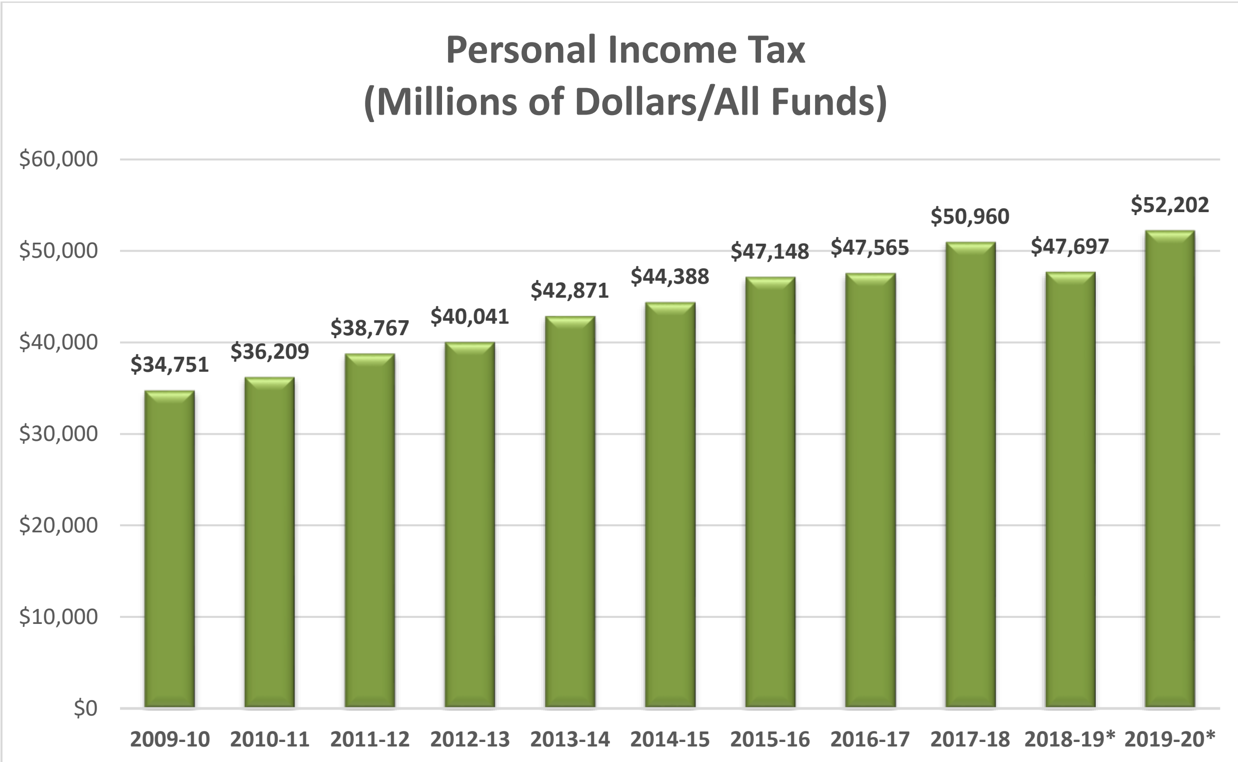
Source: Office of New York State Comptroller, 2018 Financial Condition Report.

SFC RECEIPTS PROJECTIONS

The Senate Democratic Conference Finance Committee projection for the General Fund tax revenues (inclusive of miscellaneous receipts and transfers) is \$154 million and \$302 million more than the SFY 2018-19 and SFY 2019-20 30 Day Executive Budget forecasts, respectively. Therefore, our two-year aggregate General Fund receipts forecast is \$456 million above the 30-day Executive's projections.

By aggregating all the revenues collected by the State and deposited in each fund, the Senate Democratic Conference Finance Committee estimates SFY 2018-19 All Funds tax revenues to be \$75.3 billion, or \$296 million above, the Executive projection. We also project higher SFY 2019-20 All Funds revenues to be \$81.4 billion, or \$594 million above, DOB estimates. Therefore, the resultant two year aggregate All Funds tax revenue collections forecast is \$890 million above the 30-day Executive Budget released as outlined in the tables that follow.

PERSONAL INCOME TAX



*2018-19 is estimated
*2019-20 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. 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 63% of New York State All Funds 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, 2018 wages would be reflected in 2018 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 2018 are a reflection of income earned in 2017. The same pattern holds true for refunds.

All Funds net personal income tax receipts for SFY 2018-19 are estimated at $47.697 billion, a decrease of $3.8 billion, or 7.4%, from SFY 2017-18.

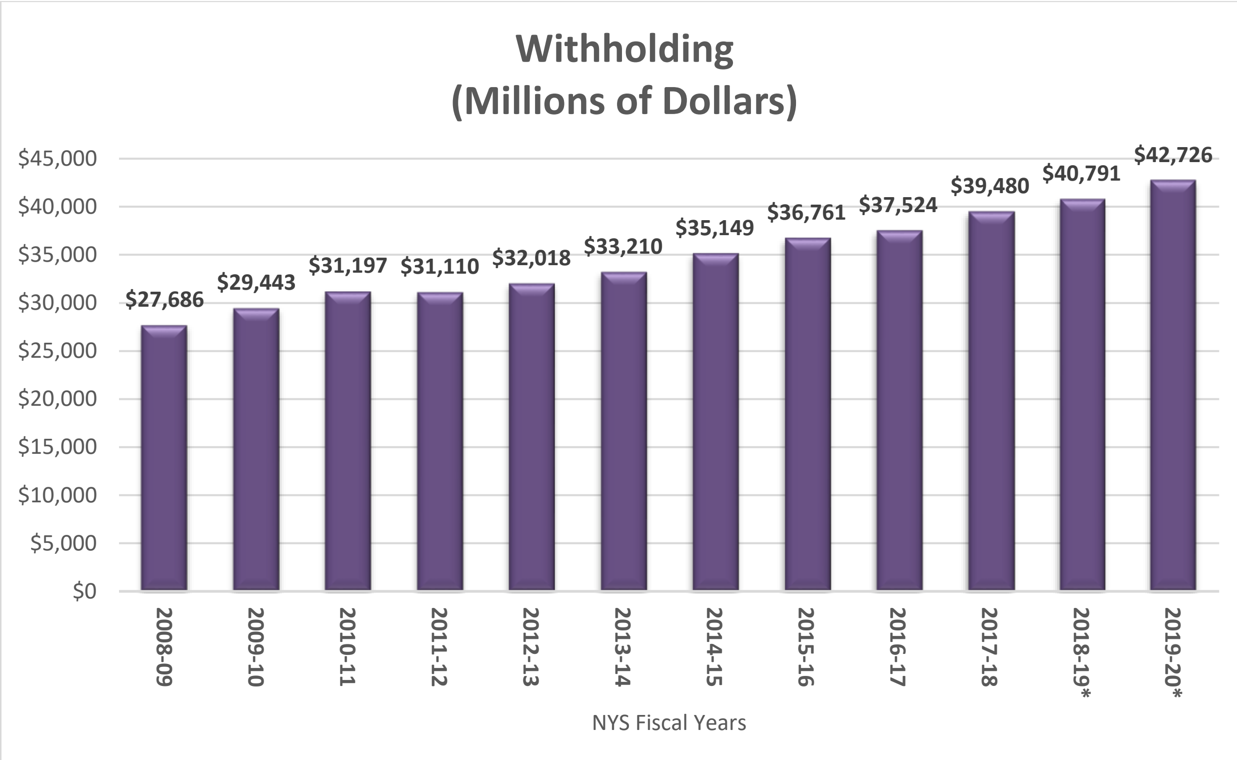
Gross All Funds receipts are estimated to decrease by $3.1 billion, or 5.1% from SFY 2017-18.

All Funds net PIT receipts for SFY 2019-20 are projected to increase by $4.9 billion, or 10.4%, to $52.2 billion. **Gross** collections are projected to increase by $4.8 billion, or 8.3%.

For State tax years 2012 to 2014, four new tax brackets and rates replaced the former brackets and rates applicable to married taxpayers filing joint returns with taxable income above $40,000 (with lower levels for other filing categories). The tax rate for these taxpayers with taxable income in the $40,000 to $150,000 and $150,000 to $300,000 brackets has been lowered to 6.45% and 6.65% respectively, while the rates on the $300,000 to $2 million tax bracket remained unchanged from the 2008 law at 6.85%. The top rate for those married and filing jointly returns earning $2 million and above has been increased to 8.82%. The tax brackets and standard deduction amounts were also indexed to the consumer price index (CPI) starting in tax year 2013

The SFY 2016-17 Enacted Budget extended the current PIT surcharge on the highest earners through CY 2020. The SFY 2019-20 Executive Budget proposes to extend the current PIT surcharge on the highest earners through CY 2025.

Withholding



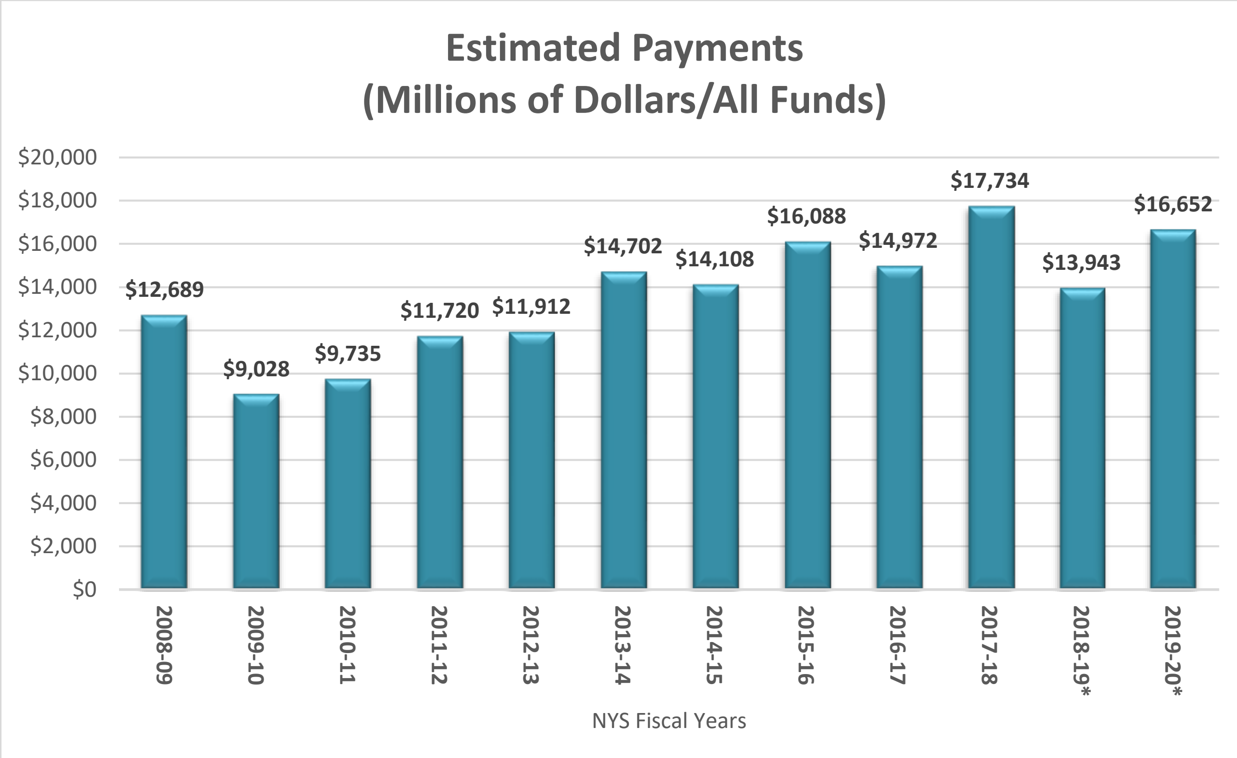
*2018-19 is estimated
*2019-20 is projected
Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

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 2018-19, withholding receipts are estimated to be $40.7 billion, an increase of $522 (1.3%) million from SFY 2017-18. For SFY 2019-20, withholding is projected at $42.7 billion, an increase of $1.9 (4.7%) billion.

The withholding component of the PIT is the largest portion of aggregate State PIT receipts.

Estimated Payments

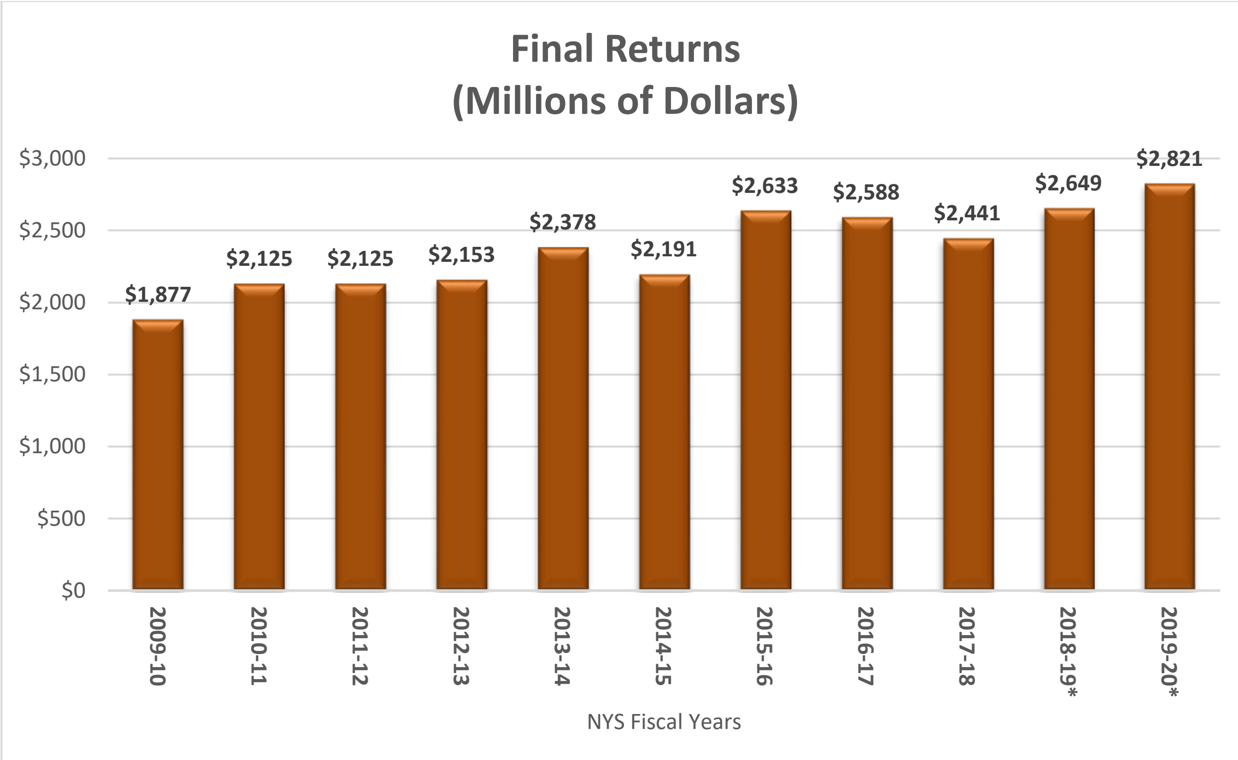


*2018-19 is estimated
*2019-20 is projected
Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

Individual taxpayers 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 2018-19 are projected to be $13.9 billion, a decrease of $3.8 billion (21.6%) from SFY 2017-18. For SFY 2019-20, estimated payments are projected at $16.7 billion which is an 19.4% increase, or $2.7 billion.

Final Returns

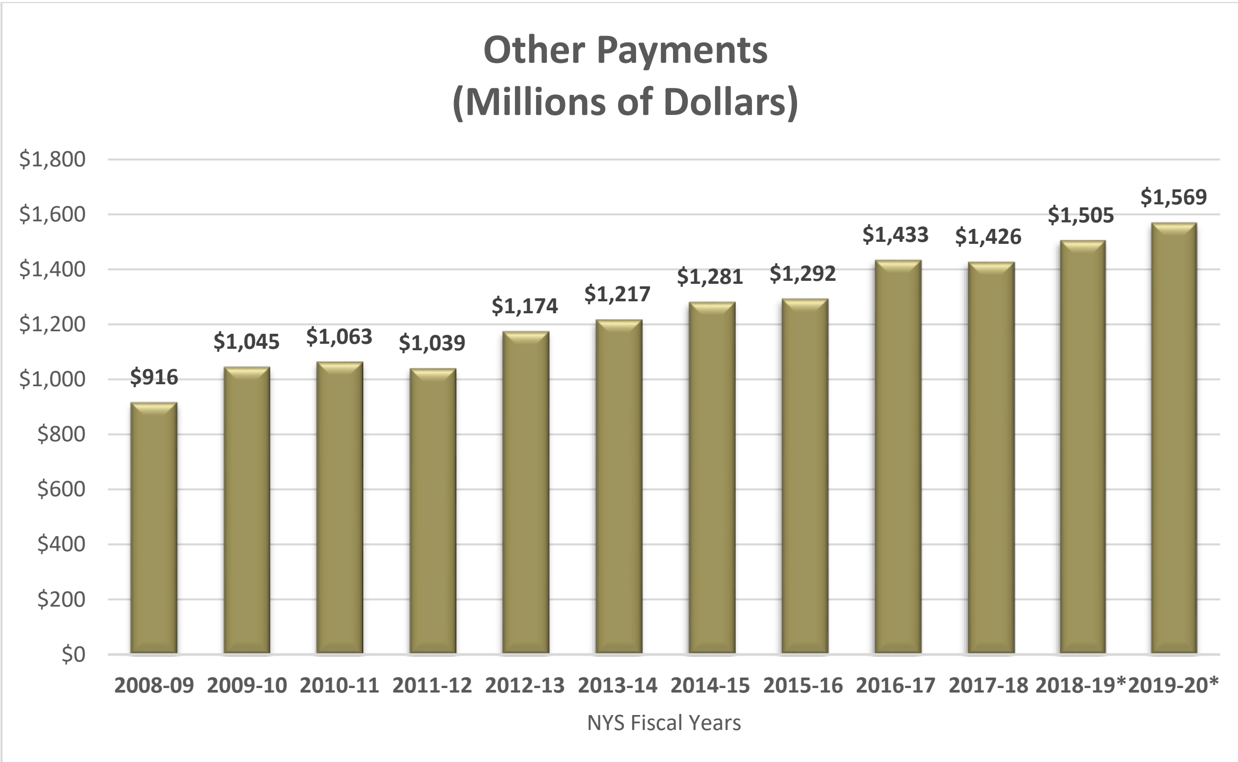


*2018-19 is estimated
*2019-20 is projected
Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

NYS 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 2018-19, State personal income tax collections from final returns are estimated at $2.6 billion, $171 million higher (6.9%) than collections in SFY 2017-18. For SFY 2019-20, collections from final returns are projected to be $2.8 billion, an increase of $172 million, or 6.5%, from SFY 2018-19.

Other Payments

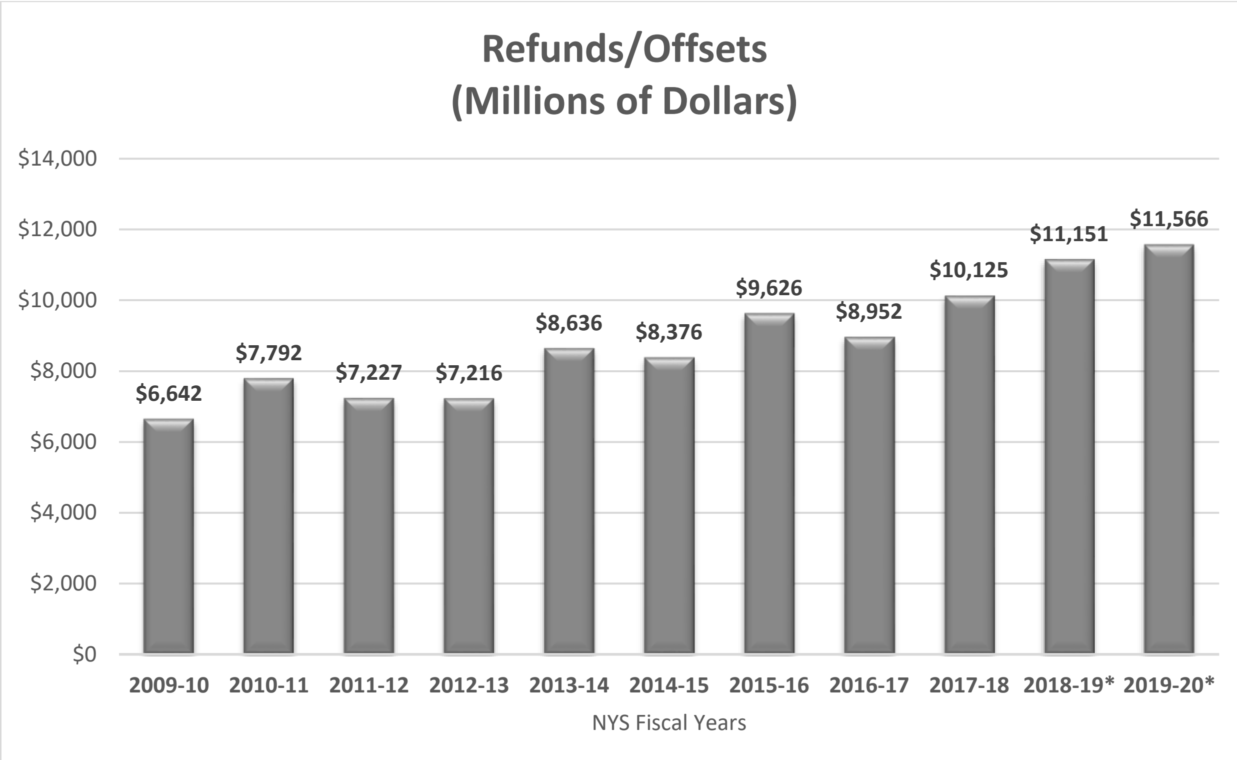


*2018-19 is estimated
*2019-20 is projected
Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

These collections are comprised of assessment and filing fees required to be paid by the State's limited liability companies (LLC's) and limited liability partnerships (LLP's). Also, assessments represent any penalties and interest imposed on past due liabilities. These remittances are essentially collections received from NY State Tax and Finance Department audits.

For SFY 2018-19, other payments are estimated at $1.5 billion, a decrease of $2 million from SFY 2017-18 (0.2%). For SFY 2019-20, collections from other payments are projected at $1.5 billion, an increase of $64 million, or 4.3 %, over collections from SFY 2018-19.

Refunds/Offsets



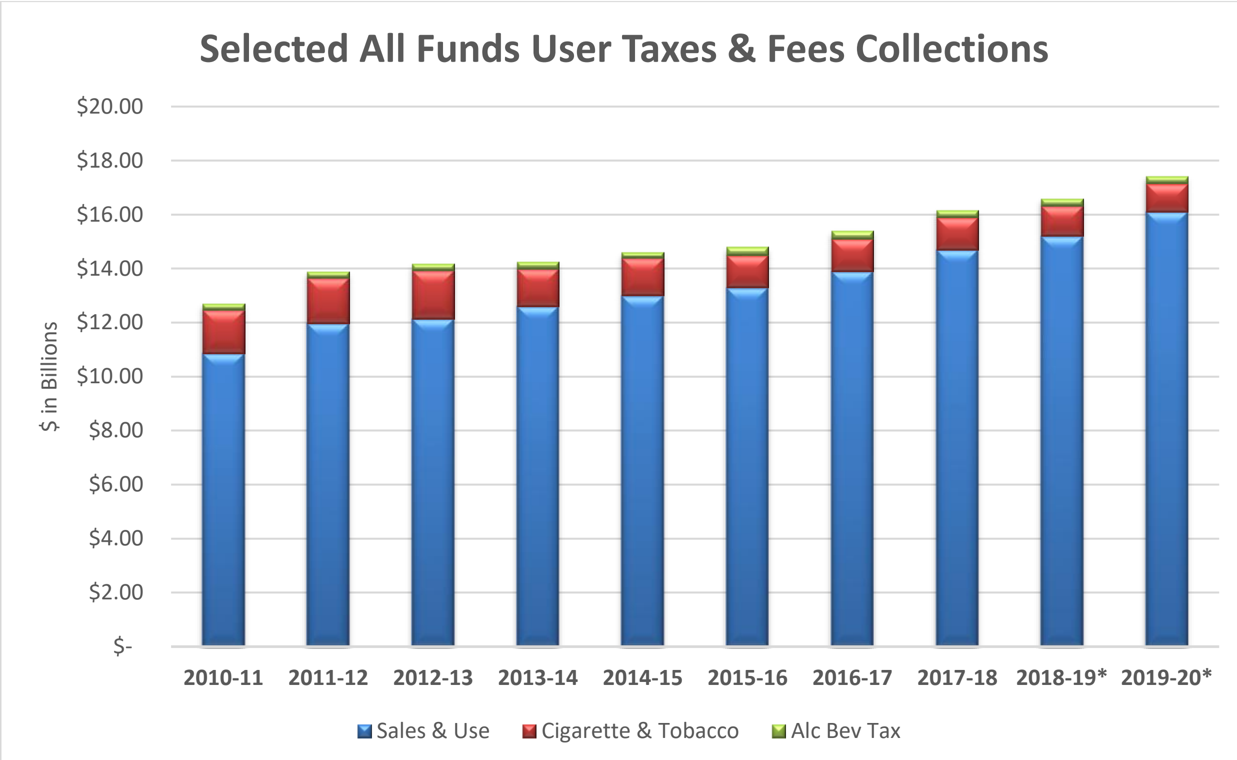
*2018-19 is estimated
*2019-20 is projected
Source: NYS Department of Taxation and Finance, NYS Senate Finance Committee – Democratic Conference

A refund occurs when a taxpayer overpays his or her 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 2018-19, refunds/offsets are estimated at $11.2 billion, an increase of $657 million from SFY 2017-18 (6.2%).

For SFY 2019-20 refunds/offsets are projected to be $11.6 billion, an increase of $375 million (3.4%) from SFY 2018-19.

__User Taxes And Fees__

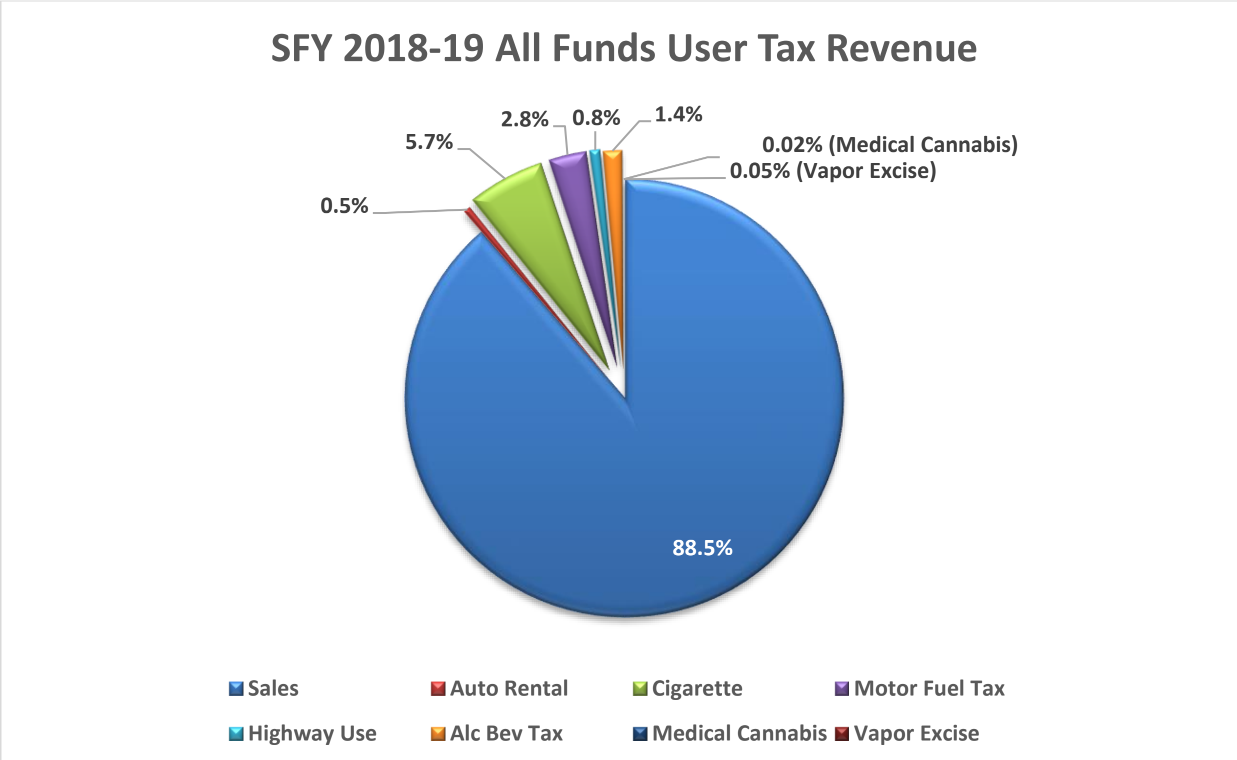


*2018-19 is estimated
*2019-20 is projected
NYS Senate Finance Committee – Democratic Conference

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.

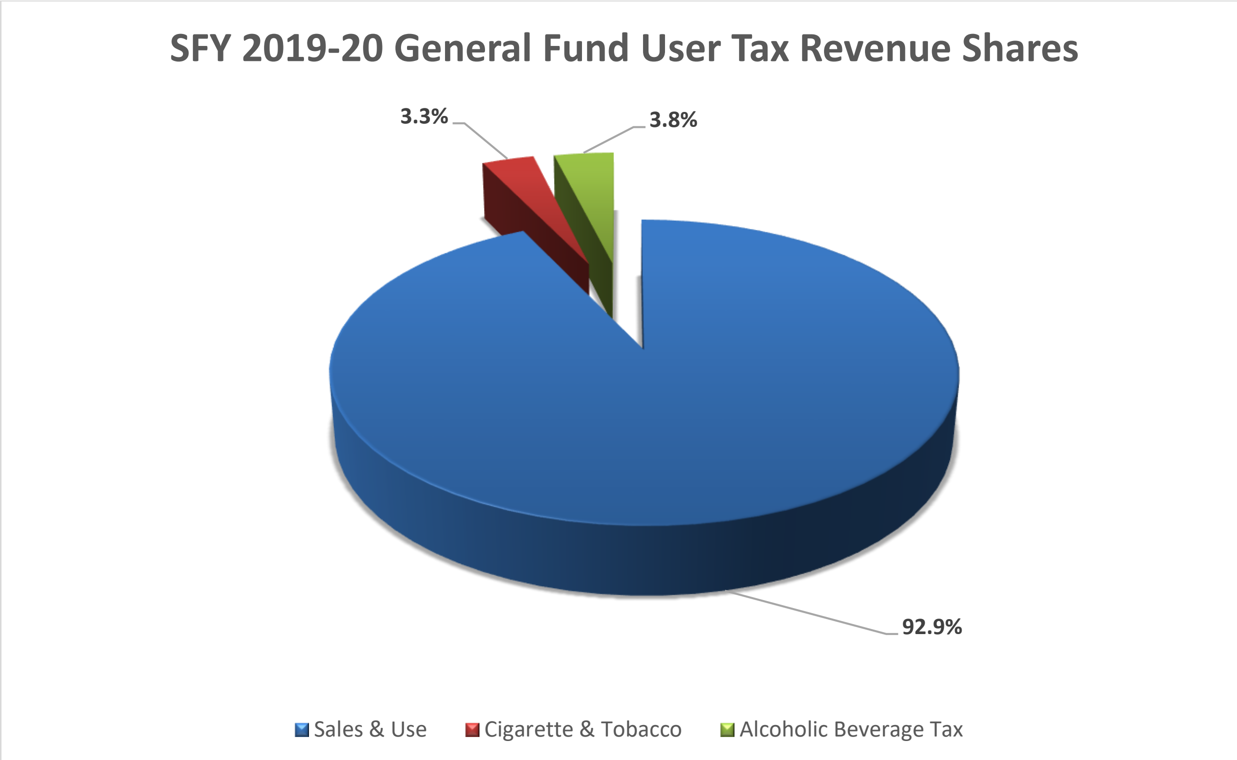
The following All Funds taxes and fees comprise this category:

- Sales & Use Tax
- Cigarette & Tobacco Tax
- Motor Fuel Tax
- Motor Vehicle Fees (General Fund and All Funds Misc. receipt)
- Alcoholic Beverage Tax
- Alcoholic Beverage Control License Fees (General Fund Misc. receipt)
- Highway Use Tax
- Auto Rental Tax.
- Medical Marihuana Excise Tax
- MTA Taxicab Surcharge



Source: NYS Senate Finance Committee – Democratic Conference

As shown in figure above, the Sales and Use Tax dominates user tax collections with contributing 87.2% of total user tax collections of New York State. All Funds receipts for FY 2020 are projected to total $18.3 billion, a $729 million (4.2%) increase from FY 2019 estimates. The projected increase in sales tax receipts reflects sales tax base growth (i.e., absent law changes) of 3.5% and an additional $389 million in projected revenue related to Executive Budget legislation.



Source: NYS Senate Finance Committee – Democratic Conference

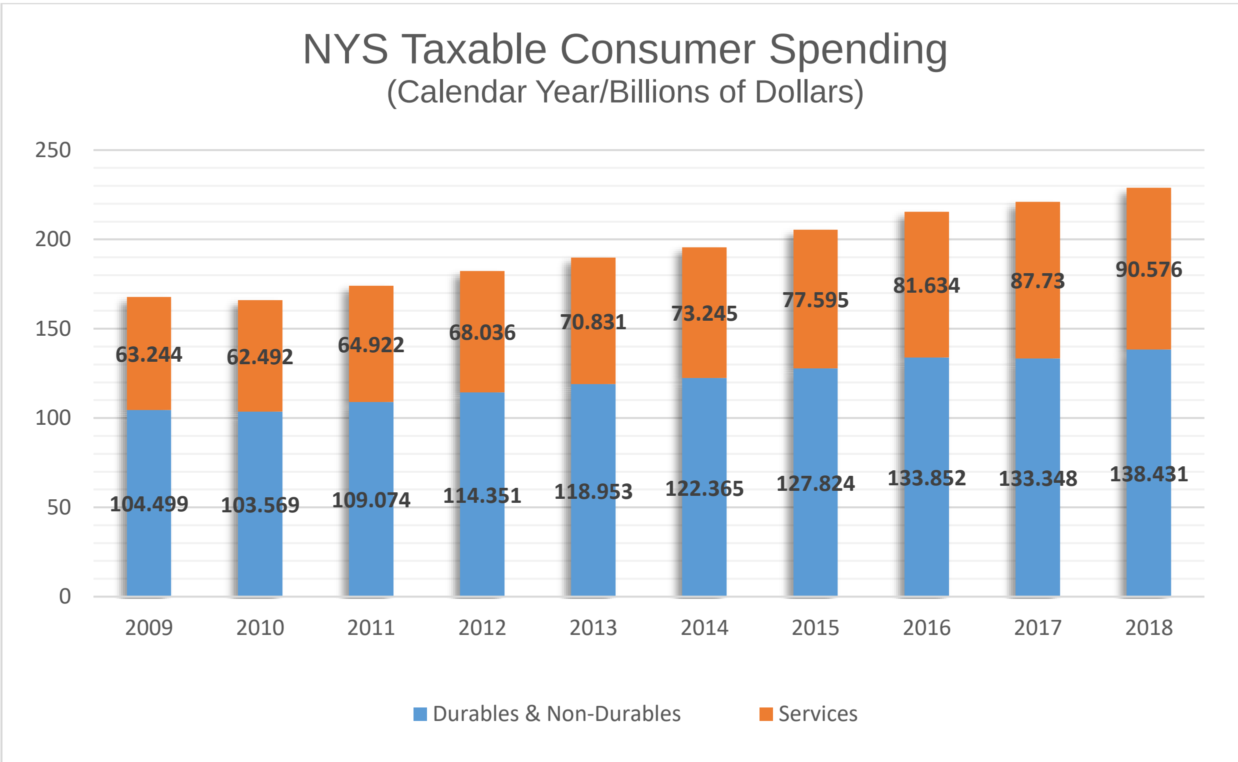
On the other hand, General Fund revenue from user taxes and fees are comprised of the three taxes depicted in the graph above, i.e. Sales and Use, Alcohol Beverage, Cigarette and Tobacco Taxes . Similar to All Funds, the Sales and Use Tax is the primary source of collections in this category, accounting for approximately 96% of such receipts.

Sales Tax

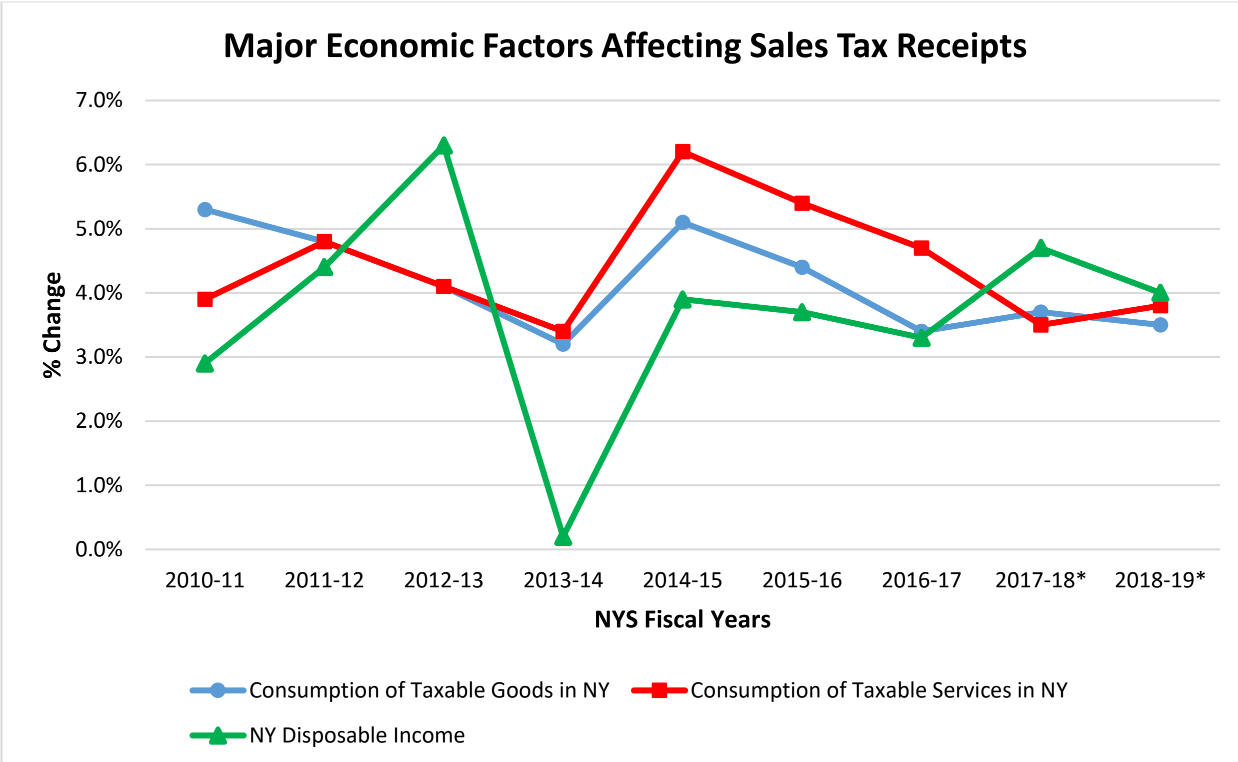
Retail sales and tangible personal property are taxed under Article 28 of the Tax Law unless statutorily exempt. The sales tax is imposed upon receipts from the sales of tangible personal property, statutorily specified services, specified electricity, gas, refrigeration and steam services, telephone 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%. The tax rate was subsequently increased to 3% in 1969, 4% in 1971, and to 4.25% in 2003. The last increase in the tax rate was a temporary increase of one quarter of 1% in order to address state budget deficits resulting from the economic recession in 2001. The sales tax rate reverted to 4% in June 2005. The $110 clothing and footwear exemption was repealed, but reinstated in 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 increased by 3.7% in SFY 2017-18 Consumption of taxable services increased 3.2% in SFY 2017-18. NYS taxable consumer spending is expected to total approximately $259.9 billion in CY 2018.



Source: DOB



*2018-19 is estimated
*2019-20 is projected
NYS Senate Finance Committee – Democratic Conference

The Consumption/Use Taxes represent the second largest revenue source for the State, accounting for an estimated 10.3% of State receipts in SFY 2018-19. In the long-run, Sales tax receipts are a function of changes in the tax rate and economic activity, measured by such factors as disposable income and employment. Short-run fluctuations in receipts can result from rapid changes in consumer prices, auto sales, and home sales. During the depth of the recession, consumption of taxable goods and services declined. Leaving aside law changes, the Sales Tax base decreased dramatically during those years.

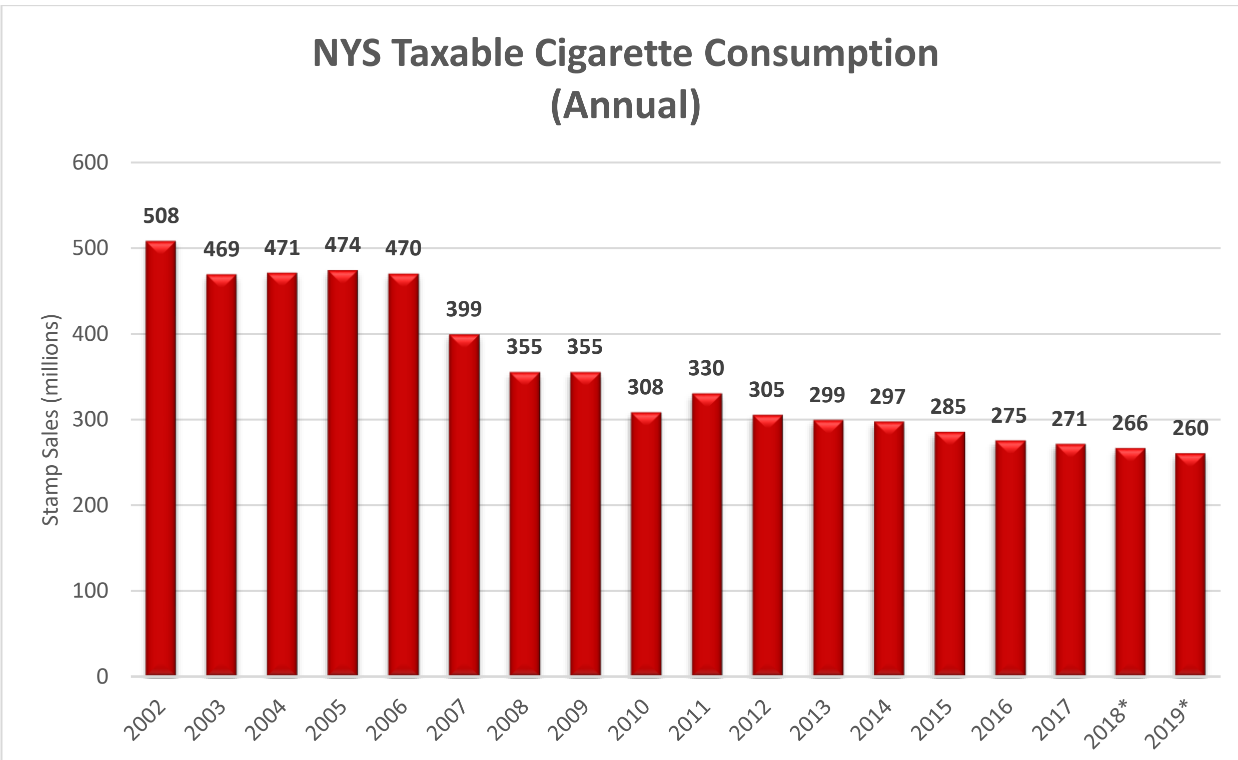
State Sales Tax Revenue

On an All Funds basis, in SFY 2018-19 Sales and Use Tax collections are estimated to be $15.3 billion, a 5.6% increase from SFY 2017-18. General Fund collections are estimated to increase by 5.4% from $7.4 billion to $7.8 billion in SFY 2018-19.

For SFY 2019-20, All Funds Sales Tax collections are projected to be $16.2 billion, an increase of 5.9%. On a General Fund basis, sales and use tax collections are projected to be $7.6 billion, a 5.6% increase from SFY 2018-19.

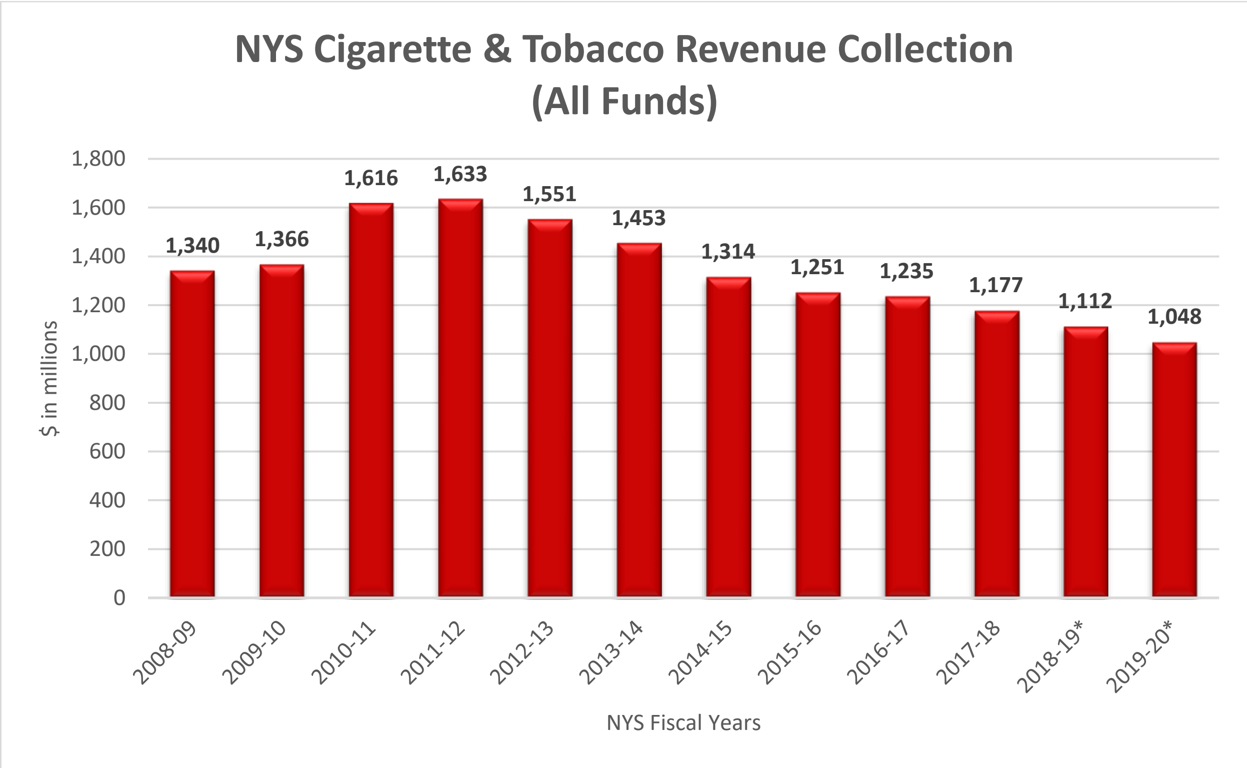
Cigarette & Tobacco Taxes

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 to $1.11 per pack and effective April 3, 2002, by $.39 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 were taxed at a rate of 37% of their wholesale price except for snuff products, which were taxed at a rate of $.96 cents per ounce. The tax rate was increased from 37% to 46%.



*2018 is estimated
*2019 is projected
Source: NYS Department of Taxation and Finance,

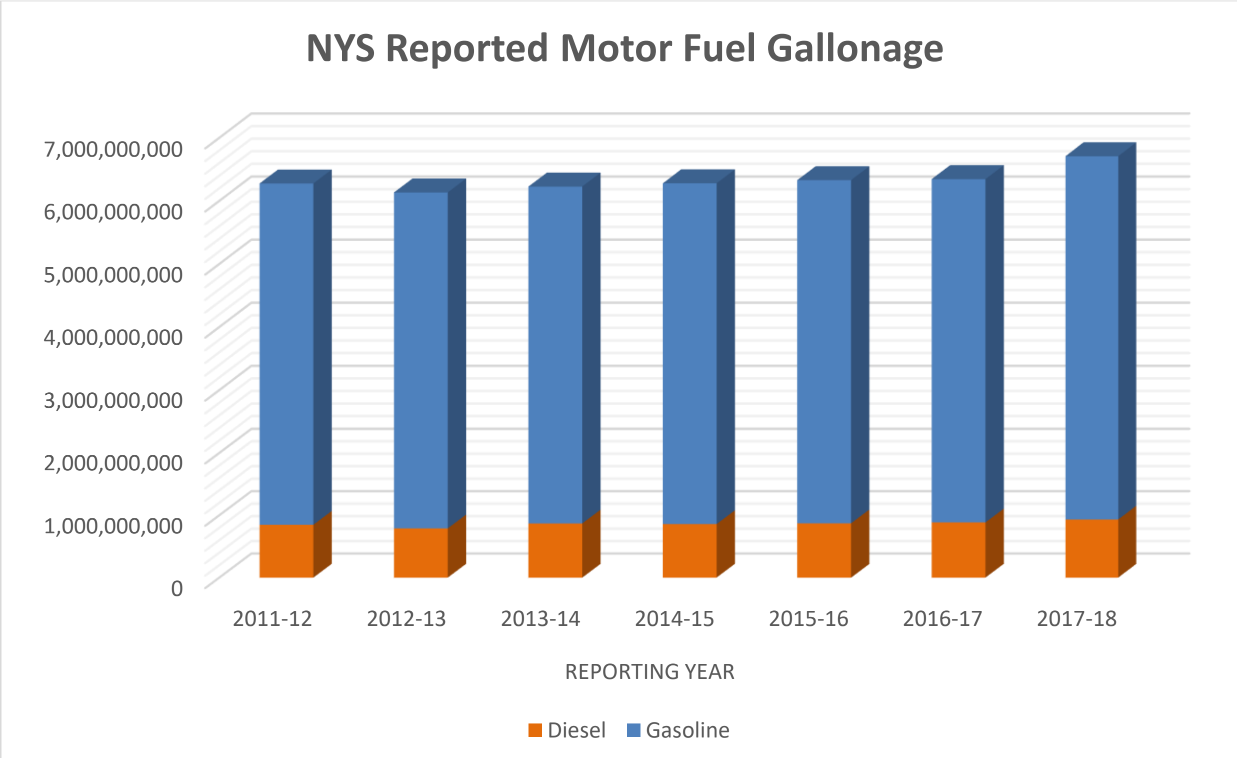
In 2010, the cigarette excise tax was increased from $2.75 per pack to $4.35 per pack. The tobacco products tax has also increased to 75% of the wholesale price from 46%; the tax on snuff increased to $2.00 per ounce from $0.96 per ounce; and legislation has created a new category under the tobacco products 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 U.S. Postal Service.



*2018-19 is estimated
*2019-20 is projected
Source: NYS Department of Taxation and Finance

For SFY 2018-19, All Funds collections from cigarette and tobacco taxes are estimated to decrease from $1.2 billion to $1.1 billion, a decrease of 9%. On a General Fund basis, collections from these taxes are estimated to decrease from $342 million in SFY 2017-18 to $326 million in SFY 2018-19, or a 4.9% decline. In SFY 2019-20, All Funds cigarette and tobacco tax collections are projected to decrease to $1.0 billion, a 4.8% decrease. General Fund collections are projected to decline by 4.3% in SFY 2019-20 to $312 million.

The decline in cigarette tax receipts are driven by a continued decline in taxable cigarette consumption. Taxable cigarette consumption is a function of retail cigarette prices and exhibit a long-term downward trend in consumption. As shown in the previous figure, 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, rising costs and changes in consumer preferences toward other types of tobacco. Declines in taxable consumption have also been exacerbated by evasion.



Source: NYS Department of Taxation and Finance,

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. 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 above figure.

For SFY 2018-19, All Funds collections from the motor fuel tax are estimated to be $535 million, a 4.5% increase from SFY 2017-18 collections. This increase is due to an increase in higher-than-expected gasoline consumption. For SFY 2019-20, collections are projected to be $529 million, a $14 million (3%) decrease from SFY 2018-19.

Currently, all motor fuel receipts are deposited into the Dedicated Highway and Bridge Trust Fund and the Dedicated Mass Transportation Trust Fund. There are no General Fund deposits for this tax.

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.

Alcoholic Beverage Tax revenue is a function of any type of tax law change, the general trend of beverage 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. Refunds are usually minimal for this tax.

For SFY 2018-19, alcoholic beverage tax collections are estimated to be $264 million, which represents a $5 million (2.0%) increase from collections in SFY 2017-18. For SFY 2019-20, collections are projected to be $265 million (1.1% growth).

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 the general trend of consumer and business spending on travel.

Since June 1, 1990, the State has imposed a 5% 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 6% and a 5% tax was imposed on the rental of vehicles within the Metropolitan Commuter Transportation District.

Auto Rental Tax All Funds tax collections are estimated to increase from $123 million in SFY 2017-18 to $135 million in SFY 2018-19. Collections are projected to decrease to $95 million in SFY 2019-20, or a 22.8% decline over SFY 2018-19 collections.

Highway Use Tax

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

- The Truck Mileage Tax
- The Fuel Use Tax
- Registration fees

Currently, all Highway Use Tax receipts are deposited to the State Dedicated Highway and Bridge Trust Fund. There are no General Fund receipts for this tax.

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%, and effective April 1, 2001, the supplemental tax was reduced by an additional 20% of the remaining tax.

For SFY 2018-19, All Funds collections from the highway use tax are estimated to be $149 million, a $56 million increase, or 60.2%, from SFY 2017-18. This notable change reflects resuming normal long-term trend levels following litigation-induced refund increases in FY 2018. In SFY 2019-20, Highway Use Tax collections are projected to total $149 million, a decline of 1.4%.

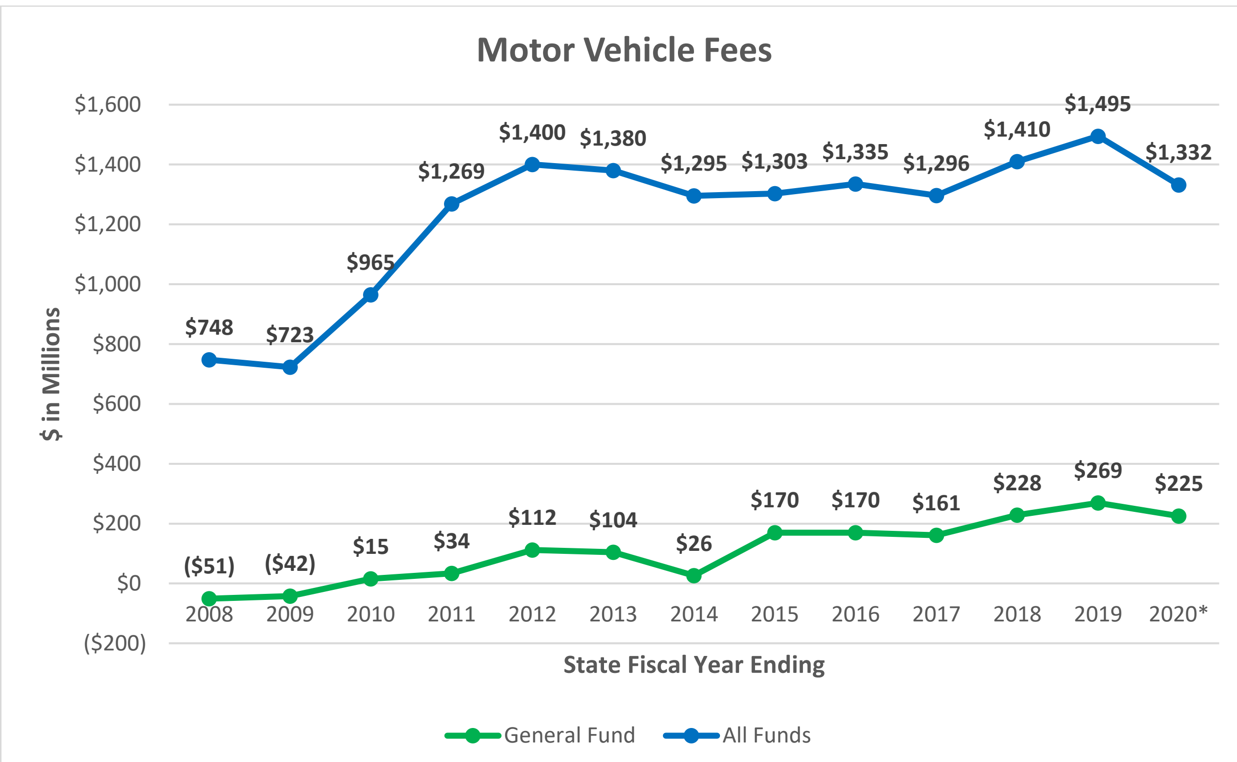
Motor Vehicle Fees (<u>General Fund and All Funds Miscellaneous Receipts</u>)

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. Proceeds from these fees are deposited into the General Fund and various special revenue funds.

From September 2009, most registration fees have increased by 25%, license fees and the photo fee have also increased by 25%. 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. In the SFY 2013-14 Enacted Budget, significant steps were made to reduce the cash flow irregularities to the Dedicated Funds. The General Fund transfer of $169.4 million was eliminated and all the revenues from the Driver Responsibility Act are now directed to the Dedicated Highway and Bridge Trust Fund as originally intended. Motor vehicles fees are largely used to support the State transportation system.



*2018-19 is estimated
*2019-20 is current law
Source: NYS Department of Taxation and Finance, DOB

Before SFY 2012-13, assessments and fines were not included in the motor vehicle fee total.

In SFY 2018-19, All Funds collections from motor vehicle fees are estimated to be $1.50 billion, which represents no change from collections to SFY 2017-18. General Fund collections are projected at $269 million. This represents a 6.7% increase over the previous year. This increase stems from the timing of payments.

For SFY 2019-20, All Funds collections from motor vehicle fees are projected to total $1.34 billion, 10.6% less than the current SFY. General Fund collections for SFY 2019-20 are projected at $303 million, an increase of $34 million or 12.6%.

Alcoholic Beverage License (ABC) Fees (<u>General Fund Miscellaneous Receipts</u>)

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 a General Fund basis, alcoholic beverage license fee collections are estimated to be $66 million in SFY 2018-19, a 1.5% increase from SFY 2017-18.

For SFY 2019-20, General Fund collections are projected to remain the same at $66 million, relative to SFY 2018-19.

Medical Marijuana Excise Tax <u>(User Tax)</u>

On July 5, 2014, the medical use of marihuana was authorized in NYS for the regulated treatment of the following conditions and ailments:

- Cancer;
- Positive status for human immunodeficiency virus or acquired immune deficiency
- Parkinson's disease;
- Multiple sclerosis;
- Damage to the nervous tissue of the spinal cord with objective neurological indication
- of intractable spasticity;
- Epilepsy;
- Inflammatory bowel disease;
- Neuropathies;
- Huntington's disease;

In addition, medical marihuana can be prescribed for a complication of treatment for:

- Cachexia or wasting syndrome;
- Severe or chronic pain;
- Severe nausea;
- Seizures; and
- Severe or persistent muscle spasms.

Tax Base and Rate
The Commissioner of the Department of Health has the authority to add conditions to the list. The product must be administered in a smokeless form. A seven percent excise tax is imposed when a New York dispensary sells the product to a patient or designated caregiver, and is remitted by the dispensary. The tax amount cannot be added as a separate charge on a receipt given to the retail customer.

Administration
The statutory maximum of five manufacturers was selected in 2015, and each manufacturer can have up to four dispensing sites. The manufacturers and dispensaries are geographically distributed throughout the State, as statutorily required.

Revenues from the State excise tax will be directed to the Medical Marihuana Trust Fund. 55% of the monies must be appropriated in the following manner, with the remainder appropriated by discretion annually:

- 22.5% transferred to the counties in which the medical marihuana was manufactured and allocated in proportion to the gross sales originating from medical marihuana manufactured in each such county;
- 22.5% transferred to the counties in which the medical marihuana was dispensed and allocated in proportion to the gross sales occurring in each such county;
- 5% transferred to the Office of Alcoholism and Substance Abuse Services (OASAS), to be used for additional drug abuse prevention, counseling and treatment services; and,
- 5% transferred to the Division of Criminal Justice Services (DCJS), to provide discretionary grants to state and local law enforcement agencies. These grants could be used for personnel costs of state and local law enforcement agencies.

Receipts: Estimates and Projections

SFY 2018-19
The dispensing of medical marihuana began on January 7, 2016. All Funds SFY 2018-19 receipts are estimated to be $4 million.

SFY 2019-20
All Funds SFY 2019-20 receipts are projected to be $4 million, unchanged from SFY 2018-19.

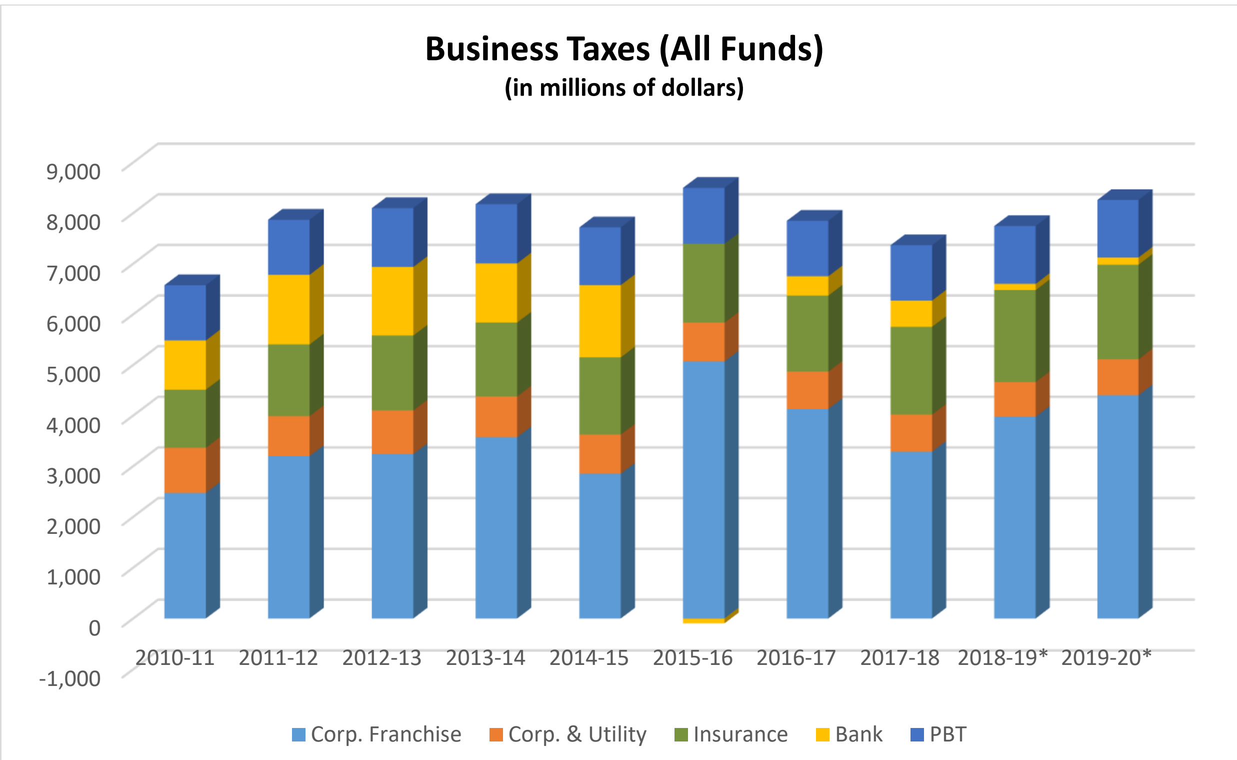
General Fund
No Medical Marihuana Tax receipts are deposited into the General Fund.

MTA Taxicab Surcharge (User Tax)

The tax on medallion taxicab trips is authorized by Section 1281 of the Tax Law and deposited to the MTA Aid Trust Account and the MTA Financial Assistance Fund. The tax is 50 cents per ride.

Estimated revenue for SFY 2018-19 is $50 million and $0 for SFY 2019-20. SFY 2017-18 collections totaled $56 million. This decrease from SFY 2017-18 primarily reflects an increase in the use of alternative transportation options not subject to this tax, while the SFY 2019-20 reflects the Executive Budget proposal to move those revenues off-budget and provide the revenue directly to the MTA. Notwithstanding the Budget proposal, receipts are projected to be unchanged in SFY 2019-20.

BUSINESS TAXES



*2018-19 is estimated
*2019-20 is projected
Source: NYS Department of Taxation and Finance, DOB

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. In 2018, this surcharge imposed at a rate of 28.6% 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% to 40% 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.

Aggregate State Business Taxes

All Funds aggregate State business tax receipts are estimated to total $7.8 billion for SFY 2018-19. This represents an 8.1% increase over the $7.16 billion collected in SFY 2017-18. General Fund collections are expected to total to $5.4 billion for the current fiscal year, an increase of 10.2% from SFY 2017-18.

For SFY 2019-20 aggregate State All Funds business tax receipts are projected to increase by 11.2%, to $8.7 billion. General Fund receipts are projected to increase to $6.2 billion, an increase of 15%. This increase largely reflects a projected increase in corporate profits, an increase in audit collections, and the conversion of a not-for-profit health insurer to a for-profit health insurer.

Corporation Franchise Tax (Articles 9-a and 13)

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% 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% of business tax receipts.

In April 2014, State corporate tax reform repealed the State's Bank Tax and imposed the Corporation Franchise Tax on former bank taxpayers beginning in tax year (CY) 2015.

State Tax Law 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% of the total number of Article 9-A filers, yet accounted for 96% of the tax liability. For C Corporations, the State Tax Law mandates that the tax liability be calculated by using three different bases: a business income base; a capital base rate imposed at rate of 0.125% on business and investment capital allocated to New York State; and, a fixed dollar minimum tax, which is bases on a taxpayer's receipts. Taxes are calculated on the base which yields the highest tax 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 2018-19, All Funds receipts are estimated to total $4.08 billion, an increase of 30% from SFY 2017-18. This increase mainly reflects moderate growth in corporate profits, higher audit collections, as well as $80 million from flow-through impacts of the Tax Cuts and Jobs Act.

General Fund receipts for SFY 2018-19 are estimated to total $3.2 billion, an increase of 35.7% from SFY 2017-18.

For SFY 2019-20, All Funds receipts are projected to increase to $4.4 billion which represents a 10% increase over the current year. This increase reflects continued economic growth.

For SFY 2019-20, on a General Fund basis, receipts are projected to increase to $3.6 billion, a $364 million increase compared with the current SFY. These increases reflect continued economic growth, as noted above.

Bank Tax (Article 32)

For many years, NYS Bank Tax revenues were collected under Article 32 of the State Tax Law. The tax was 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.

In the SFY 2014-15 Enacted State Budget, the State's Bank Tax (Article 32) was eliminated and merged with the State Corporation Franchise Tax (Article 9-A).

Banks conducting business in the Metropolitan Commuter Transportation District (MCTD) were also subject to a 17% surcharge on the portion of the total tax liability allocated to the MCTD. The collections from the surcharge were deposited into the Mass Transportation Operating Assistance Fund (MTOAF).

For SFY 2018-19, All Funds receipts are estimated to total $123 million, a 78.16% decrease from the prior year. General Fund receipts are estimated to amount to $102 million a decrease of $308 million. These substantial decreases reflect lower audit results and an increase in refunds.

In SFY 2019-20, All Funds receipts are projected to total $71 million and General Fund collections are projected to be $60 million. These declines reflect lower audit collection projections. It should be noted that corporate tax reform, even after the merger, will continue to impact State Bank Tax receipts as taxpayers have transitioned to the Corporation Franchise Tax. The State's Financial Plan assumes audit receipts will still be received under the Bank Tax through FY 2020 and prior year adjustments/refunds are included in the Financial Plan in the Bank Tax category through SFY 2020-21.

Corporation and Utilities Tax (Article 9)

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 State Tax Law. Historically, a majority of Article 9 revenues have been derived from public utilities as well as the transportation and telecommunications industries. However, due to numerous regulatory and statutory changes over the last eight years, the telecommunications industry has become the primary source of corporation and utilities tax revenues.

For SFY 2018-19, All Funds collections are estimated to total $700 million, a decrease of 6.4% from SFY 2017-18. General Fund receipts are estimated to total $518 million, a decrease of 9.0% from the prior SFY. Lower audit results primarily drive the decrease in projected revenue.

State All Funds receipts are projected to decrease to $714 million in SFY 2019-20, an increase of 2.0%. Next year, General Fund receipts are projected to increase 4.27% to $540 million from $518 million.

Insurance Tax (Article 33)
Article 33 of the State 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% and all other premiums received by non-life insurers are taxed at the rate of 2%. 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. 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% and applies to premiums written on risks located in New York.

All Funds Insurance Tax receipts are estimated to total $1.83 billion in SFY 2018-19, an increase of $49 million or 2.8% above SFY 2017-18 receipts. General Fund receipts for SFY 2018-19 are estimated at $1.63 billion, an increase of 1.0 % from the prior year.

All Funds collections are projected to total $2.31 billion in SFY 2019-20, an increase of 26% from SFY 2018-19 collections. General Fund receipts are forecast to increase to $2.06 billion, a 26.8% increase from the current year. The projected increase is primarily due to the conversion of a not-for-profit health insurer to a for-profit health insurer in addition to projected growth in insurance tax premiums combined with lower than expected LIGC credit claims.

Petroleum Business Tax (Article 13-a)
Petroleum Business Taxes (PBT) are levied under Article 13-A of the State 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% increase or decrease per year.

Base PBT collections are deposited into both the Mass Transportation Operating Assistance Fund and the Dedicated Transportation 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. No deposits are made into the State's General Fund.

Petroleum Business Tax All Funds receipts are estimated to total $1.143 billion in SFY 2018-19, $51 million, or 4.7%, more than SFY 2017-18. This increase is primarily due to the 5.0% increase in the PBT rate index.

All Funds receipts are projected to total $1.161 billion in SFY 2019-20, a 1.6% increase from SFY 2018-19. This increase is primarily due to the estimated 5% increase in the PBT index effective on January 1, 2019.

OTHER TAXES

Estate Tax

New York imposes a tax on the estates of deceased State residents and on the part of a nonresident estate made up of real and tangible personal property located within New York State. The New York Estate Tax is based on the estate tax provisions of the Federal Internal Revenue Code, with New York modifications. All receipts from this Tax are deposited into the State's General Fund.

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.

The SFY 2014-15 Enacted State Budget included NYS Estate Tax reform. This measure replaced the unified threshold of $1 million with an applicable credit equal to the tax on a basic threshold amount equal to $2,062,500 for those dying in SFY 2014-15; $3,125,000 in SFY 2015-16; $4,187,500 in SFY 2016-17; and, $5,250,000 from April 1 2017 to December 31, 2018. The basic threshold will equal the Federal basic threshold amount with annual indexing for those dying on or after January 1, 2019.

Estate taxes are estimated to decrease by 19.3% in SFY 2018-19 to $1.056 billion from the SFY 2017-18 level of $1.308 billion. This decrease is mainly the result of a to-date substantial decrease in the number of super-large payments (payments greater than $25 million).

Tax collections are projected to increase slightly by $18 million (1.7%) to $1.074 billion in SFY 2019-20.

Real Estate Transfer Tax (Article 31)

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% tax ("Mansion 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. No revenue from this tax is deposited into the State's General Fund.

All Funds Real Estate Transfer Tax collections for SFY 2018-19 are estimated to be $1.130 billion, which is $5 million (0.44%) over SFY 2017-18 levels. This tepid growth is due to weak estimated growth in housing starts and housing prices.

Real Estate Transfer Tax collections for SFY 2019-2020 are projected to be $1.148 billion, which represents an increase of $18 million (1.6%), reflecting continued trends discussed earlier.

Metropolitan Commuter Transportation Mobility Tax ("MTA Payroll Tax")

Established in 2009, the MTA Mobility Tax, provides additional revenue to the Metropolitan Transportation Authority for its operating expenses. Originally, the tax imposed a rate of 0.34% 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 (0.34%) 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. No receipts from this tax are deposited into the State's General Fund.

All Funds receipts for SFY 2018-19 are zero. In SFY 2018-19, Mobility Tax receipts were completely taken off – budget and are no longer to be considered State receipts. Proceeds from the tax are now deposited directly into the MTA Special Assistance Fund.

State Operating Funds/Miscellaneous Receipts – Lottery/Gaming/Education Assistance
All Funds SFY 2018-19 receipts specifically dedicated to education are estimated to be $3,525 million, an increase of $185 million, or 5.5%, from SFY 2017-18

All Funds SFY 2019-20 receipts are projected to be $3,420 million, a decrease $105 million, from SFY 2018-19.

General Fund Miscellaneous Receipts and Federal Grants
Other than the education aid noted above, the Executive projects receipts totaling $3.195 billion in SFY 2018-19 and $2.071 billion in SFY 2019-20. This decline can almost entirely be attributed to the dramatic decline in extraordinary bank settlements over the last few years. Since 2015, the State has received almost $11 billion in extraordinary settlements.

General Fund Miscellaneous Receipts are primarily comprised of license fees, motor vehicle fees, investment income, abandoned property, and extraordinary settlements.

<u>Optional Employer Compensation Expense Tax System (ECET)</u>

As part of the SFY 2018-19 Executive Budget, 30 Day Amendments contained a new proposal that served as a partial response to the enactment of the Federal Tax Cuts and Jobs Act of 2017.

A new optional payroll-based Employer Compensation Expense Tax (ECET) was enacted in 2018. proposed. The new legislation, allows employers to opt-in to a new ECET system. Employers that opt-in would be subject to a 5 percent tax on all annual payroll expenses in excess of $40,000 per employee. This tax is be phased in over three years beginning on January 1, 2019 according to the following schedule: 1.5 percent in the first year, 3 percent in the second year, and 5 percent in the third year. The progressive personal income tax (PIT) system would remain in place, and the ECET would be coupled with income tax relief for employees in the form of a corresponding tax credit on their wages.

Under this new system, employees would be expected to experience an increase in take-home pay as their federal tax liabilities decline. The impact on the State Financial Plan is expected to be revenue neutral.

To opt-in, employers would make an annual election to participate in this alternative system. In order to be effective, the election must be made by (i) unanimous consent of all owners of the employer at the time the election is made if the employer is not a corporation; (ii) if the employer is a for-profit or not-for-profit corporation, by any officer or manager of the employer who is authorized under the law of the state where the corporation is incorporated or under the employer's organizational documents to make the election and who represents to having such authorization under penalties of perjury; (iii) if the employer is a trust, by unanimous consent of all the trustees; or (iv) if the employer is a governmental entity, by the chief executive officer of such governmental entity.

The election must be made by October 1st of any calendar year and will take effect for the immediately succeeding calendar year, starting on October 1, 2018. If an election is made after October 1st of a calendar year, it will first take effect in the second succeeding calendar year. Employers who elect to participate would be obligated to pay the new ECET on employee wages in excess of $40,000. In addition, the administration will work with the legislature and stakeholders to design incentives to help offset any administrative costs of ECET implementation. The ECET proposal is designed to be revenue neutral for the State.

State Receipts for the ECET are estimated to be $200,000 in SFY 2018-19, and projected to be $2.4 million in SFY 2019-20.