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STATE OF NEW YORK
ALBANY

CHAIR
WAYS AND MEANS COMMITTEE

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February 26, 2020

Dear Colleagues:

I am pleased to provide you with the New York State Assembly Ways and Means Committee's Economic and Revenue Report for 2020. This report continues our commitment to provide clear and accurate information to the public by offering overviews of the national and state economies, as well as the state's revenue forecast for State Fiscal Years (SFY) 2019-20 and 2020-21.

The Committee staff forecasts that the state and national economies will continue to grow in 2019 and 2020, however pace of growth is expected to slow. Forecasting risks remain high, especially with respect to federal tax policy, financial market uncertainties, rising federal budget deficits, and continuing geopolitical tensions and trade conflicts.

The Committee staff projects that total All Funds receipts will reach $179.101 billion in SFY 2019-20, which represents an increase of $10.995 billion, or 6.5 percent, from SFY 2018-19. The Committee staff estimate is $848 million above the Executive's estimate for SFY 2019-20. The Committee staff projects that All Funds receipts will total $177.275 billion in SFY 2020-21, a decrease of $1.826 billion, or 1.0 percent, from SFY 2019-20. The Committee staff forecast is $903 million higher than the Executive's forecast for SFY 2020-21. These differences are largely attributable to differences in economic projections and how these translate into tax receipts.

The assessments and projections presented in this report are reviewed by an independent panel of economists. Assembly Speaker Carl Heastie and I would like to express our appreciation to the members of our Board of Economic Advisors. Their dedication and expertise continue to be an invaluable resource to refine and improve our forecasts. While the Board has served to make the work of our staff the best in the state, they are not responsible for the numbers or views expressed in this document.

I wish to acknowledge the dedicated and talented staff of the Assembly Ways and Means Committee and the many hours of work that went into producing this report. They play a vital role in our state's budget process.

As we continue our efforts toward enacting an on-time budget that is fair and equitable for all New Yorkers, I look forward to working with each of you.

Sincerely,

Helene E. Weinstein

HELENE E. WEINSTEIN

NEW YORK STATE ECONOMIC AND REVENUE REPORT

FISCAL YEARS 2019-20 AND 2020-21

February 2020

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New York State Assembly

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ECONOMIC FORECAST HIGHLIGHTS

United States

- The U.S. economy is in its twelfth year of expansion. With consumer spending supported by steadily growing employment and income, the **national economy** is forecast to grow 2.0 percent in 2020, after growing an estimated 2.3 percent in 2019 and 2.9 percent in 2018. As the expansion matures, the pace of national economic growth is expected to slow further to 1.8 percent in 2021.

- With employment and income gains remaining healthy, **personal consumption spending**, adjusted for inflation, grew an estimated 2.6 percent in 2019 after increasing 3.0 in 2018. Consumer spending growth is expected to slow to 2.3 percent in 2020 as the impact of federal tax cuts wanes and income growth slows. In 2021, personal consumption spending is projected to decelerate further to 2.0 percent, resulting from slower growth in employment and income.

- As national output growth slowed and trade policy uncertainty sapped business sentiment, growth in overall **business investment spending** cooled sharply in 2019, decelerating to an estimated 1.9 percent on a yearly average basis, following a 5.1 percent gain in 2018. Growth is forecast to slow further to 1.5 percent in 2020 before rising to 2.8 percent in 2021.

- Supported by substantial increases in defense and nondefense spending, **total government spending** increased an estimated 2.3 percent in 2019 after growing 1.7 percent in 2018. In 2020, total government spending growth is forecast to slow to 1.7 percent as the increases in spending moderate at the federal level. In 2021, government spending is forecast to grow by only 0.7 percent as spending authorizations at the federal level become more subdued and spending by state and local governments is restrained as revenue growth slows.

- As global economic growth slowed and the trade war intensified, U.S. **exports** decreased an estimated 0.1 percent in 2019, while imports grew a mere 1.0 percent. With the U.S. dollar expected to depreciate, the global economy anticipated to continue to grow, and with trade tensions deescalating with the signing of the phase-one U.S.-China trade agreement, growth in U.S. exports and imports is forecast to improve throughout the forecast period. U.S. exports are forecast to grow 2.4 percent in 2020 and another

2.8 percent in 2021. U.S. imports are forecast to grow 2.7 percent in 2020, and 3.1 percent in 2021.

- After three straight years of decline, **corporate profits** grew 3.4 percent in 2018 but growth was anemic in 2019. Corporate profits are forecast to continue to grow in the next two years, but at a slower pace, reflecting slower sales growth. Corporate profits' share of national income has been declining over the past eight years, reaching a ten-year low of 11.4 percent in the third quarter of 2019.

- Nonfarm payroll **employment** grew 1.6 percent in 2018, as economic growth continued. With the labor market operating at full employment and economic growth slowing, employment growth declined to 1.4 percent in 2019. Census-related hiring will contribute to a projected growth in employment of 1.4 percent in 2020. In 2021, employment growth will continue to decelerate.

- In a preemptive action against the slowing economy and rising uncertainties, the Federal Reserve has cut the target range for the **federal funds rate** three times since December 2018. As investors run for safer assets, the **yield on ten-year Treasury notes** has declined sharply from a cycle high of 3.15 percent. On an annual average basis, the ten-year yield decreased to 2.1 percent in 2019 from 2.9 percent in 2018. It is expected to remain low at 1.8 percent in 2020, before stabilizing at 2.0 percent in 2021.

- Recent domestic and international developments pose a diverse set of **risks** to the Committee's economic forecast, and thus, the Committee's receipts outlook. A large number of economic indicators point to signs of slowing economic growth both at home and abroad. In particular, financial market excesses and abnormalities such as inverted yield curves, rising corporate debt burdens, and unusually low risk premiums on high-yield bonds are duly noted. The coronavirus epidemic in China is threatening not only China's economic growth but also global commodity prices and the global supply chains for finished products and parts. As such, the outlook is subject to a significant downside risk.

National Forecast Comparisons

- The NYS Assembly Ways and Means Committee staff's forecast for overall national economic growth for 2020 is 2.0 percent. The staff's forecast is the same as the Division of Budget. It is 0.1 percent point above Blue Chip Consensus forecast; 0.3 percentage point above Moody's Analytics forecast; and 0.1 percentage point below IHS Markit forecast.

U.S. Real GDP Forecast Comparison				
	Actual 2018	**Estimate 2019**	**Forecast 2020**	**Forecast 2021**
Ways and Means	2.9	2.3	2.0	1.8
Division of the Budget	2.9	2.3	2.0	2.1
Blue Chip Consensus	N/A	N/A	1.9	2.0
Moody's Analytics	2.9	2.3	1.7	2.0
IHS Markit	2.9	2.3	2.1	2.0

Sources: NYS Assembly Ways and Means Committee staff; NYS Division of Budget, FY 2021 Executive Budget Financial Plan, February 2020; Blue Chip Economic Indicators, February 2020; Moody's Analytics, February 2020; IHS Markit, February 2020.

- The NYS Assembly Ways and Means Committee staff's forecast for overall national economic growth for 2021 is 1.8 percent. The staff's forecast is 0.3 percentage point lower than the Division of Budget forecast. It is 0.2 percent point below Blue Chip Consensus, Moody's Analytics, and IHS Markit forecasts.

New York State

- The New York State economy has benefitted from the continued recovery in the national economy. **Total nonfarm employment in the State** grew 1.6 percent in State Fiscal Year (SFY) 2018-19. As unemployment in the State approaches its natural rate, nonfarm employment growth is forecast to slow to 1.2 percent in SFY 2019-20 and 1.1 percent in SFY 2020-21.

- **Wage growth rates are** expected to remain below the rates seen leading up to the 2007-09 recession, partly due to the concentration of job gains in lower-paying sectors and restrained growth in variable wages. Total wages in New York State are estimated to grow 4.2 percent in SFY 2019-20 and forecast to slow to 4.1 percent in SFY 2020-21 and 3.3 percent in SFY 2021-22.

- Following big swings driven by responses to tax law changes during the past two fiscal years, variable wages are estimated to have rebounded and grown 4.0 percent in SFY 2019-20. Growth in variable wages is forecast to slow to 3.1 percent in SFY 2020-21.

- The current economic climate presents particular challenges and **risks to the New York State forecast**. Wall Street and the financial markets play a central role in the State economy. Ongoing technology changes, outsourcing as well as changes in the composition of Wall Street compensation (including bonuses) would have critical implications for the economic and fiscal health of the State.

State Forecast Comparisons

- The NYS Assembly Ways and Means Committee staff's forecast for total nonfarm payroll employment growth in SFY 2019-20 is 1.2 percent and is 0.1 percentage point higher than Division of Budget's forecast. The staff's forecast for wage growth in SFY 2019-20 is 4.2 percent and is 0.3 percentage point above the Division of Budget forecast.

New York State Economic Forecast Comparison
(Percent change from prior State Fiscal Year)

	Actual SFY 2018-19	Estimate SFY 2019-20	Forecast SFY 2020-21
Employment			
Ways and Means	1.6	1.2	1.1
Division of the Budget	1.4	1.1	1.0
Wages			
Ways and Means	4.6	4.2	4.1
Division of the Budget	3.6	3.9	4.0

Sources: NYS Assembly Ways and Means Committee staff; NYS Division of Budget, FY 2021 Executive Budget Financial Plan, February 2020.

- The NYS Assembly Ways and Means Committee staff's forecast for total nonfarm payroll employment growth for SFY 2020-21 is 1.1 percent, 0.1 percentage point higher than the forecast of the Division of Budget. The staff's forecast for wage growth in SFY 2020-21 is 4.1 percent and is 0.1 percentage point higher than the Division of Budget.

REVENUE FORECAST HIGHLIGHTS

All Funds Tax Receipts State Fiscal Year 2019-20

- **All Funds revenues** are estimated to total $179.101 billion in State Fiscal Year (SFY) 2019-20 with year-to-year growth of 6.5 percent, or an increase of $11.027 billion.

- The Assembly Ways and Means Committee staff projection of **All Funds tax revenue** for SFY 2019-20 is $83.146 billion, representing an increase of 10 percent, or $7.567 billion, from SFY 2018-19.

- The increase in tax receipts in primarily related to a $5.427 billion increase in **Personal Income Tax (PIT) collections,** which is the result of strong underlying growth and changes in the timing of estimated payments in response to the federal Tax Cuts and Jobs Act.

- The Committee staff projects an increase in **Business Tax and Sales Tax collections**, which are projected to increase by $1.209 billion and $1.1 billion respectively.

- The Committee staff's All Funds revenue estimate is $848 million above the Executive's estimates. In terms of overall state tax revenues, the largest difference is in PIT, which is estimated to be $499 million above Executive estimates.

All Funds Tax Receipts State Fiscal Year 2020-21

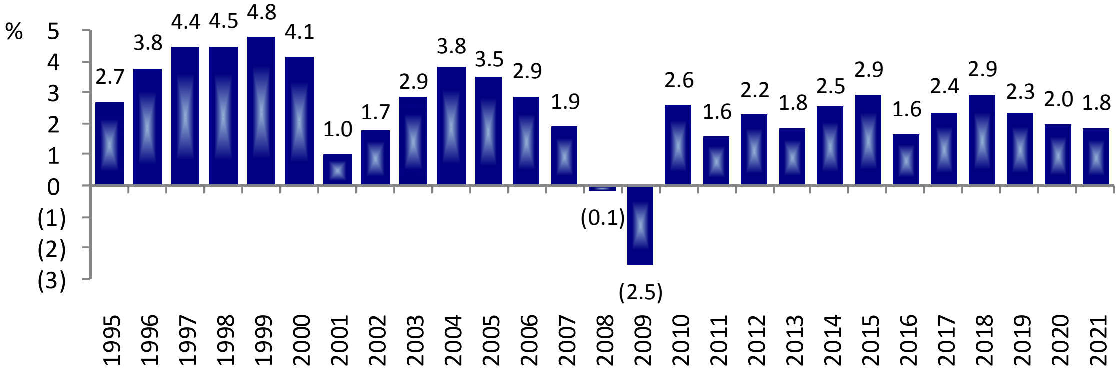
- The Committee staff expects **All Funds revenues** to decrease by 1.0 percent, for a total of $177.275 billion in SFY 2020-21, primarily related to a $4.136 billion increase in **PIT collections,** a $946 million increase in **Business Tax collections** and a $632 million increase in **User Taxes collections**; offset by a $3.572 billion reduction in **Miscellaneous Receipts** and a $3.975 billion reduction in **Federal Funds**.

- The Committee staff expects a 6.7 percent increase in **All Funds tax receipts** in SFY 2020-21, for a total of $88.75 billion.

- The Committee's All Funds revenue forecast is $903 million above the Executive's estimates, predominately related to a $642 million positive variance in personal income tax collections.

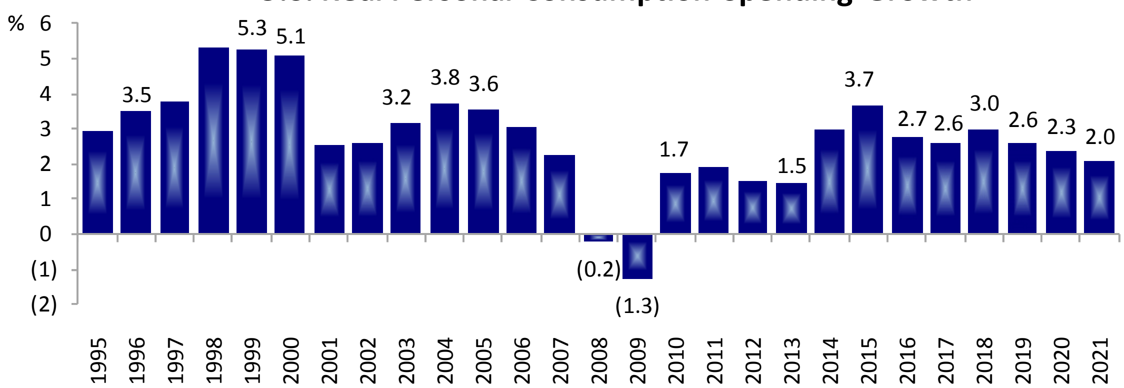
U.S. ECONOMIC FORECAST AT A GLANCE

U.S. Real GDP Growth



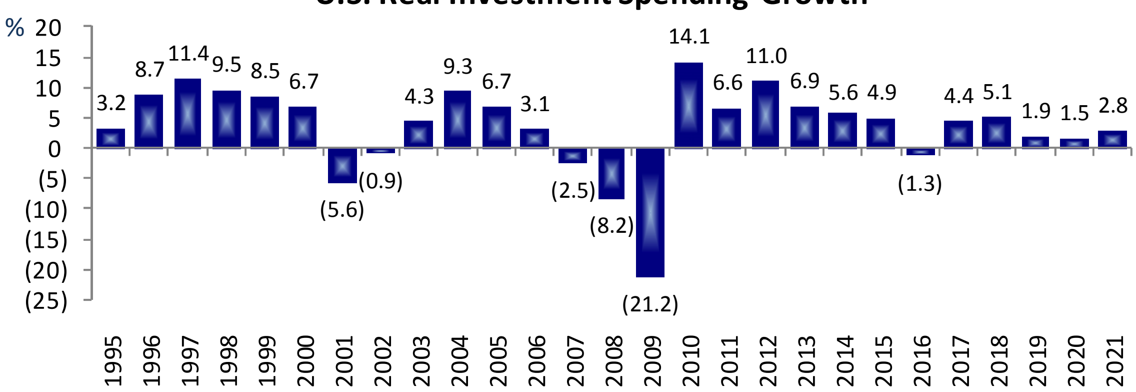
Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

U.S. Real Personal Consumption Spending Growth

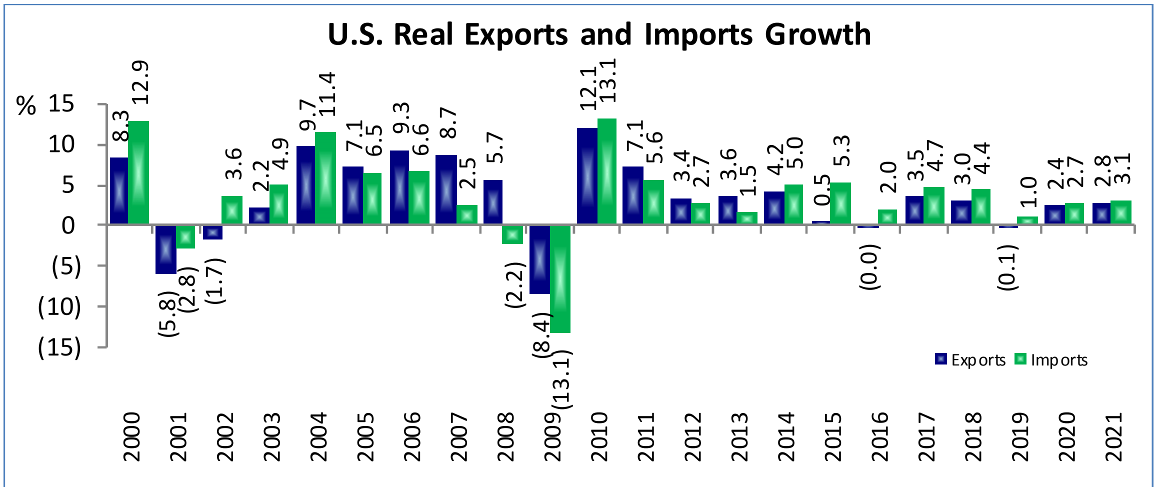


Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

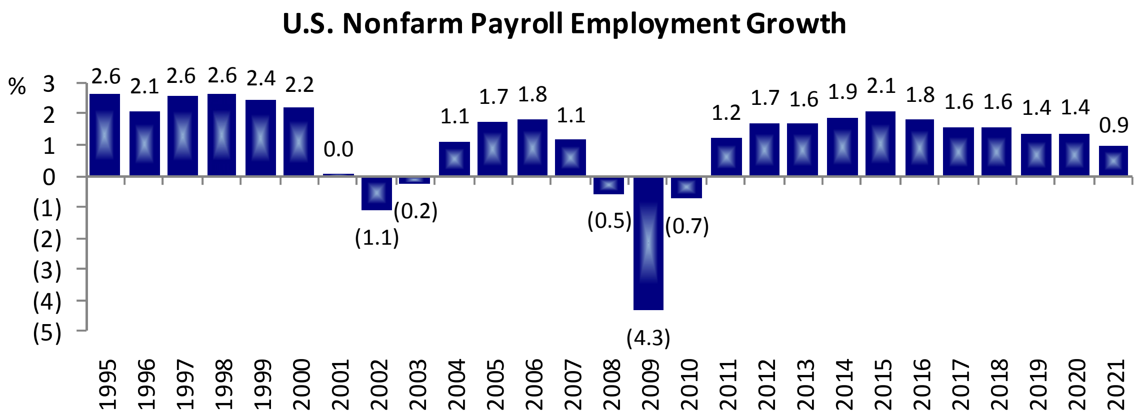
U.S. Real Investment Spending Growth



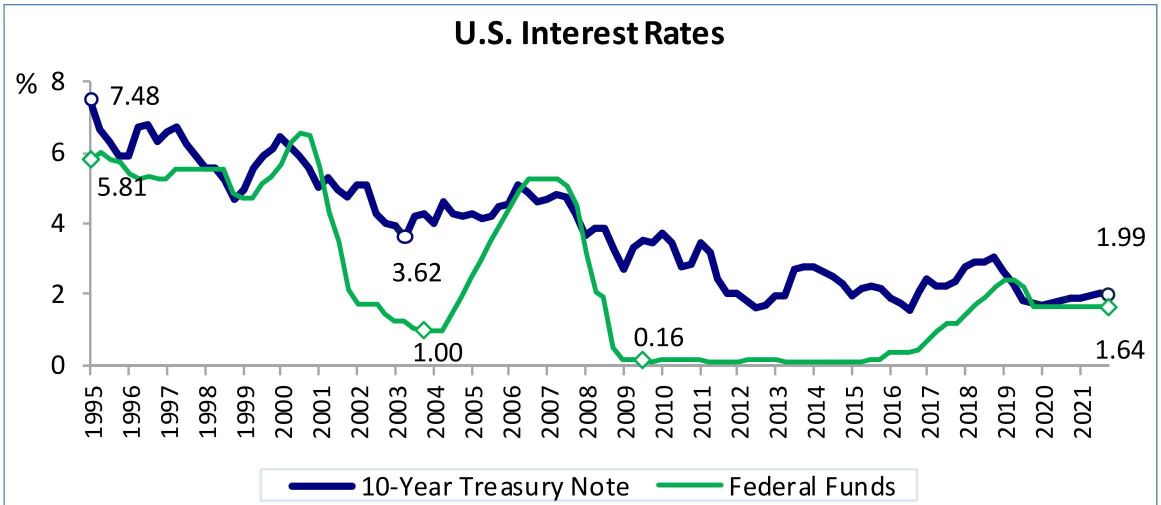
Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.



Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

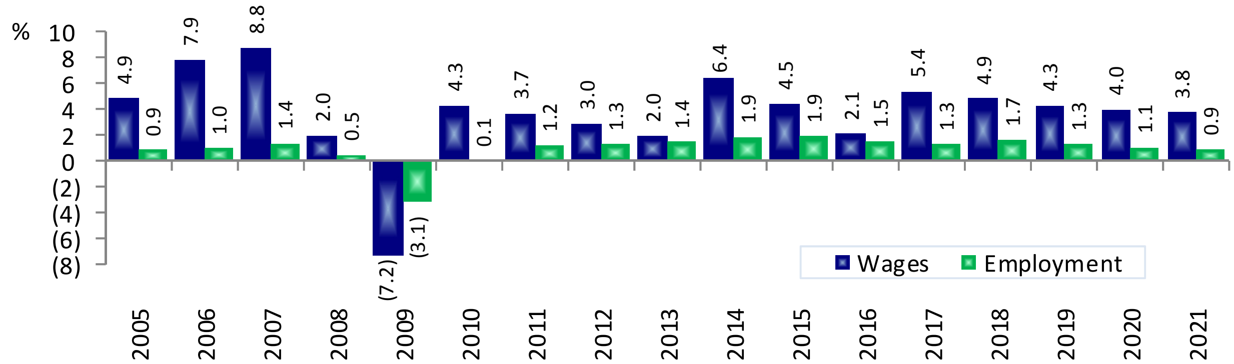


Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.



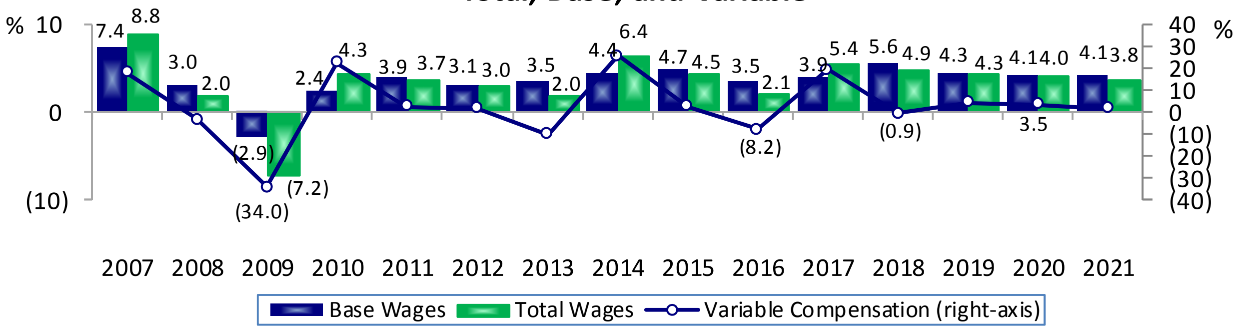
Note: Data are quarterly through 2021:Q4; the first forecast period is 2020:Q1.
Sources: Federal Reserve; NYS Assembly Ways and Means Committee staff.

N.Y.S. ECONOMIC FORECAST AT A GLANCE



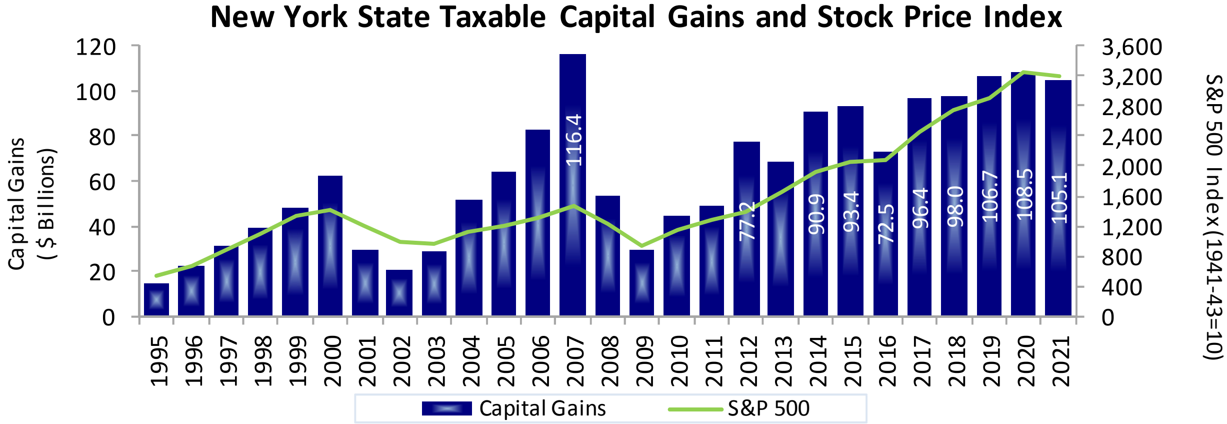
Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.

Sources: New York State Department of Labor; NYS Assembly Ways and Means Committee staff.



Note: Total wage data for 2019 are estimated; 2020 and 2021 are forecasts. Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and their levels sum to total wages.

Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.



Note: Data for 2018 are estimated; 2019, 2020, and 2021 are forecasts.

Sources: Standard & Poors; NYS Department of Taxation and Finance; NYS Assembly Ways and Means Committee staff.

REVENUE FORECAST AT A GLANCE

SFY 2019-20 All Funds Estimate Summary ($ in Millions)					
	2018-19 Actual	2019-20 Estimate	Change	Growth	Diff. Exec.
Personal Income Tax	$48,088	$53,515	$5,427	11.3%	$499
User Taxes	17,357	18,317	960	5.5%	169
Business Taxes	7,912	9,121	1,209	15.3%	135
Other Taxes	2,221	2,193	(29)	(1.3%)	(48)
Total Tax Collections	**$75,578**	**$83,146**	**$7,568**	10.0%	**$756**
All Funds Miscellaneous Receipts	27,571	26,217	(1,354)	(4.9%)	47
Gaming	3,613	3,576	(37)	(1.0%)	45
Total w/Miscellaneous Receipts & Gaming	**$106,762**	**$112,939**	**$6,177**	5.8%	**$848**
Federal Funds	61,344	66,162	4,818	7.9%	-
Total All Funds Receipts	**$168,106**	**$179,101**	**$10,995**	6.5%	**$848**
* Totals may not add up due to rounding					

SFY 2020-21 All Funds Forecast Summary ($ in Millions)					
	2019-20 Estimate	2020-21 Forecast	Change	Growth	Diff. Exec.
Personal Income Tax	$53,515	57,452	$3,937	7.4%	$642
User Taxes	18,317	18,950	632	3.5%	77
Business Taxes	9,121	10,067	946	10.4%	157
Other Taxes	2,193	2,281	89	4.0%	(58)
Total Tax Collections	**$83,146**	**$88,750**	**$5,604**	**6.7%**	**$818**
All Funds Miscellaneous Receipts	26,217	22,645	(3,572)	(13.6%)	58
Gaming	3,576	3,693	117	3.3%	27
Total w/Miscellaneous Receipts & Gaming	**$112,939**	**$115,088**	**$2,149**	**1.9%**	**$903**
Federal Funds	66,162	62,187	(3,975)	(6.0%)	-
Total All Funds Receipts	**$179,101**	**$177,275**	**($1,826)**	**(1.0%)**	**$903**
* Totals may not add up due to rounding.					

U.S. ECONOMIC FORECAST TABLE

U.S. Economic Outlook (Percent Change)	Actual 2017	Actual 2018	Estimate 2019	Forecast 2020	Forecast 2021
Real GDP	2.4	2.9	2.3	2.0	1.8
Consumption	2.6	3.0	2.6	2.3	2.0
Investment	4.4	5.1	1.9	1.5	2.8
Exports	3.5	3.0	(0.1)	2.4	2.8
Imports	4.7	4.4	1.0	2.7	3.1
Government	0.7	1.7	2.3	1.7	0.7
Federal	0.8	2.9	3.4	2.9	0.6
State and Local	0.6	1.0	1.6	1.0	0.8
Personal Income	4.7	5.6	4.5	4.2	4.2
Wages & Salaries	4.7	5.0	4.9	4.6	4.3
Corporate Profits	(0.3)	3.4	0.2	3.6	2.6
Productivity	1.3	1.3	1.7	1.2	1.3
Employment	1.6	1.6	1.4	1.4	0.9
Unemployment Rate*	4.3	3.9	3.7	3.6	3.7
CPI-Urban	2.1	2.4	1.8	2.1	2.0
S&P 500 Stock Price	17.0	12.1	6.1	11.1	(1.2)
Treasury Bill Rate (3-month)*	0.9	2.0	2.1	1.5	1.5
Treasury Note Rate (10-year)*	2.3	2.9	2.1	1.8	2.0

* Annual average rate.

Note: Personal income and corporate profits growth rates are based on nominal values.

Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; Federal Reserve; Standard & Poor's; NYS Assembly Ways and Means Committee staff.

N.Y.S. ECONOMIC FORECAST TABLES

New York State Economic Outlook (Percent Change)	Actual 2017	Actual 2018	Estimate 2019	Forecast 2020	Forecast 2021
Employment	1.3	1.7	1.3	1.1	0.9
Personal Income	7.0	4.3	3.6	3.9	3.7
Total Wages	5.4	4.9	4.3	4.0	3.8
Base Wages	3.9	5.6	4.3	4.1	4.1
Variable Compensation	19.2	(0.9)	4.3	3.5	1.4
New York Area CPI	2.0	1.9	1.7	2.1	2.0

Note: Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and sum to total wages. New York area CPI is based on the New York-Northern NJ-Long Island, NY-NJ-CT-PA CPI-U series from the U.S. Bureau of Labor Statistics.

Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

New York State Economic Outlook State Fiscal Year		Actual 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
Employment	Percent Change	1.6	1.2	1.1	0.9
	Level (Thousands)	9,438.8	9,554.0	9,655.6	9,744.3
Personal Income	Percent Change	3.7	3.8	3.9	3.5
	Level (Billions)	1,331.0	1,382.1	1,436.5	1,486.9
Total Wages	Percent Change	4.6	4.2	4.1	3.3
	Level (Billions)	694.5	723.9	753.2	778.2
Base Wages	Percent Change	5.3	4.3	4.2	3.9
	Level (Billions)	618.0	644.3	671.2	697.3
Variable Compensation	Percent Change	(1.1)	4.0	3.1	(1.4)
	Level (Billions)	76.5	79.6	82.0	80.9
New York Area CPI	Percent Change	1.9	1.8	2.0	2.0
	Index Level (1982-84=100)	274.7	279.7	285.3	291.0

Note: Employment level is in thousands; wage and personal income levels are in billions of dollars.
Sources: U.S. Bureau of Economic Analysis; NYS Department of Labor, QCEW; U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

U.S. ECONOMIC FORECAST ANALYSIS

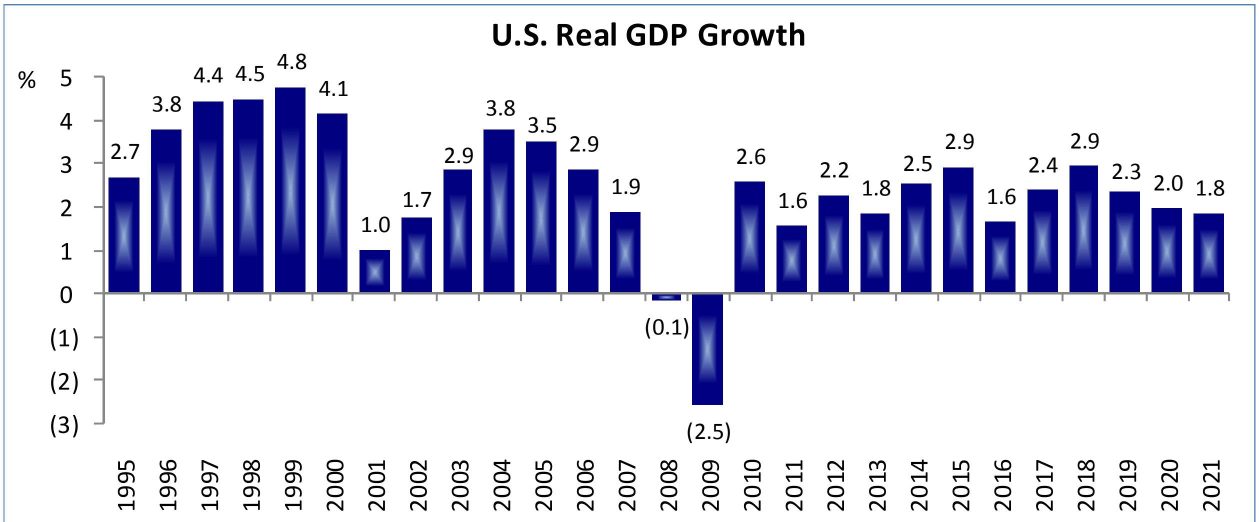
The U.S. economy is in its twelfth year of expansion, the longest since 1854. Since the end of the most recent recession in June 2009, national output, as measured by inflation-adjusted Gross Domestic Product (GDP), has been growing on average 2.3 percent per quarter on an annualized basis. In December 2019, the U.S. jobless rate was 3.5 percent, the lowest in 50 years, and U.S. payroll employment increased by more than 22 million from the end of the Great Recession, more than two and a half times the number of jobs lost during the Great Recession.

U.S. Economy in 2019

In 2019, U.S. economic growth decelerated to an estimated 2.3 percent after posting 2.9 percent growth in 2018, one of the best yearly growth rates since 2009 (see Figure 1). The slowdown in overall economic growth was broad-based. With income growth slowing and stimulus effects from the 2017 tax cuts waning, growth in consumer spending, though continuing to be robust and a main driver of overall economic growth, downshifted to an estimated 2.6 percent from the 3.0 percent growth in 2018. As trade tensions continued throughout the year, both demand for U.S. exports and imports deteriorated sharply; as a result, the U.S. trade deficit increased to an estimated $955 billion on a yearly average basis, the largest deficit ever in U.S. history.

With businesses unnerved by trade policy uncertainty and weakening profitability, business capital spending also cooled sharply in 2019. Rising debt burdens and retreating oil prices restrained the U.S. energy sector from capital spending on oil-field equipment and structures. In addition, construction activity in both the residential and nonresidential sectors contracted. Spending on residential construction continued its downward slide in 2019, after declining on a yearly average basis in 2018 for the first time in seven years. Businesses also saw sales slowing and, as a result, ended up with a large unintended inventory buildup.

In 2019, the public sector made a larger contribution to overall national economic growth than in the prior year. With the Budget Control Act of 2019 in place and debt ceilings lifted, the growth of federal government spending accelerated to an estimated 3.3 percent, the fastest rate since 2010. Improvement in state and local government finances also supported one of the fastest yearly gains in state and local government spending since 2009.



Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 1

Labor Market

With sales slowing and backlogs of orders shrinking, employers are cutting back on hiring. As the expansion matures, the trend rate of private payroll growth is moderating. In 2019, average monthly gains in civilian labor force have slowed to 120,000 from the comparable number of 214,000 in 2018. This slowing indicates that the pool of available workers is getting smaller and thus economic growth potential is getting slimmer. The average monthly number of payroll jobs created in 2019 fell to 175,000 from the comparable number of 193,000 in 2018. The employment component of the manufacturing activity index compiled by the Institute for Supply Management (ISM) has been trending down for two years, and it fell below a contraction level in August 2019 and has since remained in that position. One positive sign is the employment component of the ISM nonmanufacturing activity index, which has been rising for three months after falling to five-year lows in the first nine months of 2019.

Consumer Spending

Consumer spending still plays a major role in driving overall economic growth and its fundamentals such as growth of employment, income, and wealth remain robust. However, with the current expansion nearing its peak, growth in consumer spending also shows signs of slowdown. Gains in employment and income are still steady but slowing. The prices of consumer goods and services are rising steadily. As evidenced by the elevated levels of the personal saving rate, consumers are becoming more cautious in their spending behavior in the midst of rising risks and uncertainties. Growth in household net worth will likely soften with equity prices expected to experience more volatility in the future. Also, the stimulus effects of the tax reform of 2017 will diminish in the forecast period.

Business Investment Spending

Inflation-adjusted new orders of nondefense capital goods have been trending downward since March 2018, signaling a further weakening of business capital spending growth. Also, with trade tensions lingering, profitability shrinking, and sales growth moderating, business capital spending growth will likely remain slow in 2020 and 2021. As sales are expected to slow, businesses will adjust down their inventory buildup by scaling back factory orders and production in 2020 and 2021. In particular, Boeing's decision to suspend the production of its 737 Max in January will weigh on overall manufacturing activity and business capital spending in 2020. In addition, the positive effects on business capital spending of the tax cuts and accelerated expensing treatments permitted under the Tax Cuts and Jobs Act of 2017 will diminish in the coming months. Also, rising corporate debt burdens and the deteriorating quality of that growing debt, especially in the nonfinancial sector, will likely restrain the investment spending of financially stressed companies.

One bright note is that after about a 25 percent decline in the prior six months, global semiconductor sales appear to have bottomed out in May 2019, signaling an improvement in business spending on information-processing equipment in the near future.

Housing Market

Another bright spot is the housing market. After staying relatively weak for about a year, housing starts have been rising since July 2019, spiking in December to the highest level since the beginning of the current recovery. Home builders' sentiment has also been improving since January 2019. On the demand side, as housing has become more affordable with falling financing costs, both existing and new home sales are on an upward trend since the end of 2018 after a year-long downward slip. Housing demand will likely improve in the coming months as personal income and employment continue to increase. However, the housing market recovery will be limited as supply constraints such as the shortage of buildable lots and skilled construction workers persist. A rising student debt burden and still relatively strict loan conditions also restrain potential first-time home buyers.

Foreign Trade

With downward revisions in the economic outlook for China and other major trade partners of the U.S., world real GDP growth is projected to decelerate in the next two years. This, in combination with the elevated level of the U.S. dollar value, will weigh on global demand for U.S. goods and services in the next two years. However, as growth in U.S. imports has decelerated faster than exports, U.S. trade deficit has narrowed in five of the past six months to the lowest level since 2016.

The U.S. and China have recently signed the phase-one trade deal, whereby China will purchase more U.S. agricultural goods and the U.S. will roll back some of its tariffs on imports from China. This deal could help deescalate the U.S-China trade tensions, boosting business sentiment and activity in manufacturing and agriculture.

Fiscal Policy

With the recovery maturing and the labor market near full employment, the potential positive effects of the tax reform of 2017 on the economy have been limited. Furthermore, the tax reform is also expected to raise annual federal budget deficits to more than $1 trillion in the coming years, thus jeopardizing the federal government's ability to deal with the next crisis.[1]

With the Budget Control Act of 2019 in place, federal government spending will increase strongly in 2020. In addition, improvement in state and local government finances supports steady, though moderate, gains in state and local government spending and this trend will likely continue in 2020 and 2021. The public sector as a whole will make a strong, positive contribution to national economic growth in 2020, although growth in federal government spending is expected to slow sharply in 2021, unless further budget actions are taken.

Financial Markets

After declining 3.6 percent from December 2017 to December 2018, the S&P 500 stock price index has since gained 27.7 percent as of January 2020. Large volatility is a norm in the equity market, reflecting market concerns over signs of slowing economic growth at home and

[1] According to the Congressional Budget Office (CBO), the federal budget deficit for 2019 is estimated at $984 billion, a hefty 4.7 percent of Gross Domestic Product (GDP) and the highest since 2012. For more details, see Congressional Budget Office, *Monthly Budget Review of September 2019*, October 7, 2019, https://www.cbo.gov/publication/55699.

abroad as well as risks surrounding trade policy and geopolitical uncertainties. In the bond market, with investors scrambling for safer assets in the midst of rising risks, the yield on ten-year Treasury notes started declining in October 2018 from a cycle high of 3.15 percent on a monthly average basis. The ten-year yield averaged 1.63 percent in August 2019. This sharp decline in the long-term yield resulted in the summer months of 2019 in a phenomenon called an inverted yield curve, where the long-term yield falls below the short-term yield. Another development in September 2019 also indicated increasing stress in the financial market. As financial companies scrambled for overnight funding, rates on short-term repurchase agreements briefly spiked to nearly 10 percent in mid-September causing the New York Fed to add more than $400 billion to the financial system to relieve funding pressure in the money market. The repurchase agreement market appears to have since returned to normalcy, but the Fed's actions marked the first time since the financial crisis that it took such actions.

In a preemptive action against the slowing economy and rising uncertainties, the Federal Reserve has cut the target range for the federal funds rate three times since December 2018. Although the Federal Reserve has paused in its rate cut actions, the Federal Reserve will remain flexible with monetary policy, readying itself to adjust its stance to economic and financial conditions at home and abroad. The current forecast assumes no more rate cuts or hikes by the Federal Reserve in the forecast period.

In the corporate sector, during the current expansion U.S. businesses have been borrowing in the form of bonds and loans at bargain financing costs. The borrowed money has been used for new product launches, stock buybacks, acquisitions, and dividend payouts. As a result, the nonfinancial corporate debt of large U.S. companies has been surging in recent years, exceeding $10 trillion or 47 percent of U.S. GDP in the third quarter of 2019, the highest ratio since 1947 when collection of these data began.[2] More worth noting is the deteriorating quality of that growing debt. Nearly a third of corporate debts are in the form of leveraged loans and below-investment-grade bonds, and the list of leveraged loans that are deemed of concern by rating agencies is increasing, with 20 percent of those loans due by the end of 2020

[2] Board of Governors of the Federal Reserve System, Z.1 Financial Accounts of the United States; Federal Reserve Bank of St Louis, FRED Economic Data, series BCNSDODNS. Total nonfinancial corporate debt, including the debt of small and medium sized businesses, family businesses and nonlisted businesses, stood at $15.6 trillion or 74 percent of U.S. GDP.

and 46 percent by the end of 2021.[3] These recent developments in the corporate sector may not trigger an economic downturn by themselves; however, when it occurs, its magnitude and duration will likely be greater than is typical.

Outlook

Against this backdrop of an increasing number of weakening indicators and rising risks, the Committee staff expects U.S. economic growth to slow from 2.9 percent in 2018 to an estimated 2.3 percent in 2019, 2.0 percent in 2020, and 1.8 percent in 2021. Behind the slowdown are, in large part, slowing though robust growth in consumer spending and decelerating growth in business investment spending. Given the lack of the types of excesses seen during the months leading up to prior recessions, however, the Committee staff expects the U.S. economy to avoid a recession in the forecast period.

As the expansion matures into its twelfth year and labor market conditions are expected to tighten further, the rate of payroll job gains is forecast to remain low at 1.4 percent in 2020 and slow to 0.9 percent in 2021. Personal income growth is also expected to slow from an estimated 4.5 percent in 2019 to 4.2 percent in 2020 and 2021. After a long-awaited turnaround from the three-year slump in 2015-2017, growth in corporate profits is expected to remain positive in the next two years but the pace of growth will stay low with sales growth expected to slow.

Domestic and global uncertainties as well as low inflation expectations put downward pressure on the yield on U.S. Treasury securities. At the same time, the projected increase in federal budget deficits from the 2017 tax reform puts upward pressure on the Treasury yield. For now and in the next two years, downward pressure will likely dominate, causing the yield on ten-year Treasury notes to remain low in tandem with low short-term rates. On a yearly average basis, the ten-year yield is forecast to decrease from 2.1 percent in 2019 to 1.8 percent in 2020, before rising to 2.0 percent in 2021.

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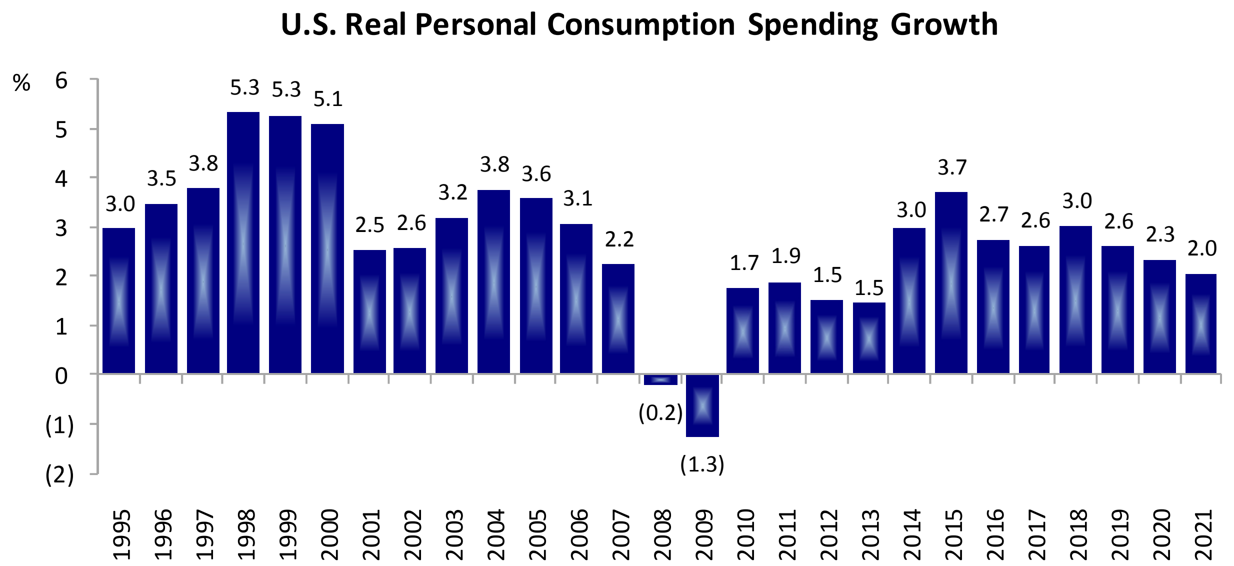
[3] Mayra Rodriguez Valladares, U.S. Corporate Debt Continues to Rise as Do Problem Leveraged Loans, https://www.forbes.com/sites/mayrarodriguezvalladares/2019/07/25/u-s-corporate-debt-continues-to-rise-as-do-problem-leveraged-loans/#6fd91ba43596, accessed January 25, 2019.

Consumer Spending



Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

Figure 2

Key Points

- **Consumer spending will continue to contribute to the ongoing economic expansion, but the growth is expected to moderate;**
- **Consumer spending is supported by strength in income and employment growth;**
- **The elevated personal savings rate indicates more cautious consumer spending behavior.**

Personal consumption spending adjusted for inflation grew an estimated 2.6 percent in 2019, below the 3.0 percent rate in 2018. Consumer spending was buttressed by steadily rising wages and salaries and a labor market with low unemployment. Real median household income was higher by 0.9 percent in 2018 than in 2017 and the poverty rate was lower by 0.5 percent, with income gains concentrated in the middle class; this trend continued into 2019.[4] Nonetheless, the slowdown in personal consumption spending growth stemmed mostly from

[4] Real median income was $63,179 in 2018. See Jessica Semega, Melissa Kollar, John Creamer, and Abinash Mohanty, *Income and Poverty in the United States: 2018*, U.S. Census Bureau, Report No. P60-266, September 10, 2019.

the waning impact of personal income tax cuts that went into effect at the beginning of 2018.[5] Also, fiscal policies related to tariffs on consumer goods led to higher prices and increased stock market volatility that weighed on consumer sentiment. The personal savings rate also remained elevated.

Over the forecast period, consumer spending growth is expected to slow further, restrained by various headwinds on fundamentals. Tariffs on consumer goods will lead to higher prices that will reduce the purchasing power of consumers. The phase-one trade agreement between the U.S. and China has reduced some uncertainty, leading to strong gains in equity prices in December 2019 and at the beginning of 2020 having a positive impact on households' net worth. However, household net worth is still expected to grow more slowly over the forecast period. Banks have tightened their already stringent credit requirements restricting certain borrowing practices observed prior to the Great Recession. Also, job gains and personal income growth are anticipated to slow and the unemployment rate expected to begin rising. Consequently, personal consumption spending is forecast to slow to 2.3 percent in 2020, and then to 2.0 percent in 2021 (see **Figure 2**).

Disposable income growth will slow

Real disposable income rose an estimated 3.0 percent in 2019, as wages steadily increased. However, some weakness has been observed in real nonfarm hourly wages since May 2019. Likewise, the average weekly hours worked in the private sector have been slowly falling since April 2019. The U.S. Bureau of Labor Statistics reported that despite real average hourly wages increasing 0.6 percent from January 2019 to January 2020, real average weekly earnings were unchanged since the average workweek declined by 0.6 percent over the same period.[6] Lower personal income tax rates have helped disposable income but that effect is fading. As a result, real disposable income is projected to slow in the forecast period.

In addition, households' saving rate averaged 8.0 percent in 2019, the highest since 2012. While a higher rate of savings provides a buffer for future consumer spending in case of an economic downturn, it curtails consumer spending in the short term.

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[5] The passage of the Tax Cuts and Jobs Act of 2017 (TCJA) lowered personal income tax rates and increased the child tax credit. See *the Tax Cuts and Job Act of 2017* (TCJA); Public Law 115-97, 115th Congress, December 22, 2017.

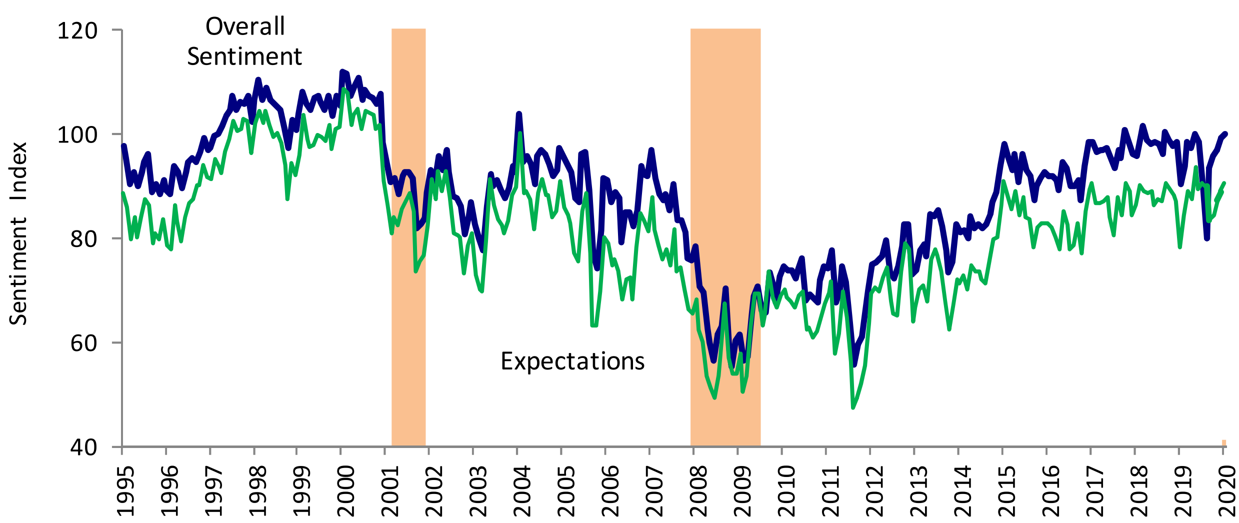
[6] U.S. Bureau of Labor Statistics, "Real Earning-January 2020," Real Earnings Summary, Economic News Release, February 13, 2020, htpp//www.bls.gov/news.release/realer.htm.

Data on new orders point to more measured gains in consumer spending

Data on new orders on consumer goods, a leading indicator of personal consumption spending, suggest measured gains in consumer spending over the forecast horizon. While retail and food services sales growth in 2019 was solid, growth slowed to 3.6 percent from 4.8 percent in 2018. This trend will likely continue into 2020 and 2021.

Elevated sentiment favors upper income households

Consumers' confidence remains elevated as they continue to focus on income and job growth. Consumers' resilience stems from record low unemployment, higher income and wealth and low inflation. References to tariffs and their impact throughout 2019 eroded confidence somewhat as consumers anticipated higher prices on goods and stock market volatility rose. However, since the phase-one trade agreement, sentiment has risen, although, most of the gains has been among upper income households (see **Figure 3**).[7]



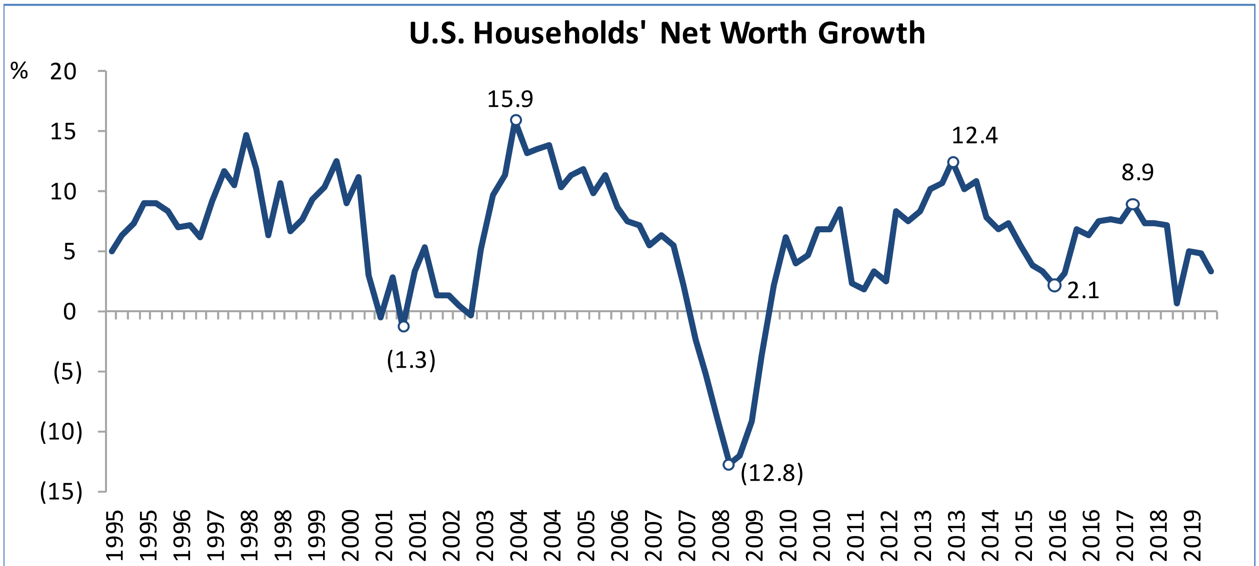
Note: Data are monthly through January 2020. Shaded areas represent recessions.
Source: Reuters/University of Michigan ICS.

Figure 3

[7] See Richard Curtin, *Surveys of Consumers: December 2019 Survey Results*, University of Michigan, December 20, 2019, http://www.sca.isr.umich.edu/.

Household wealth has been increasing but at a slower pace

Growth in household net worth has been slowing for several quarters, and this trend is expected to continue as increasing volatility in the equity market strains equity market performance. In the third quarter of 2019, household net worth was $113.8 trillion, or an increase of 3.4 percent from the same quarter in 2018. In the third quarter of 2018, household net worth grew by 7.1 percent compared to a year earlier (see **Figure 4**). The slowdown was due primarily to slower growth in financial assets, though real estate holdings have also shown some weakness. Thus, consumer spending will be restrained by slower growth in household wealth.



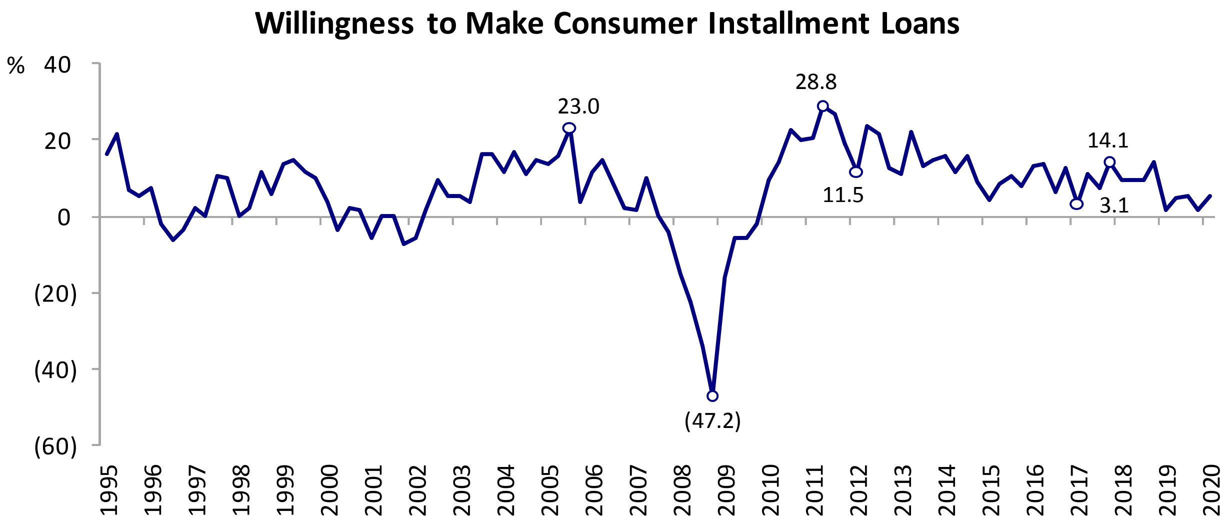
Note: Data are quarterly through 2019:Q3. Growth rates are year-over-year.
Source: Federal Reserve.

Figure 4

Banks are becoming less willing to lend

Credit requirements have been tightened from already stringent levels, suggesting that banks have been less willing to make loans to households (see **Figure 5**). Despite lower interest rates, households' demand for consumer loans remains weak as they seem more selective about the type of debt they incur.[8]

[8] See *The January 2020 Senior Loan Officer Opinion Survey on Bank Lending Practices*, Federal Reserve Board, February 3, 2020, https://www.federalreserve.gov/data/sloos/sloos-202001.htm.



Note: Data are quarterly through 2020:Q1. Bank data was taken from a survey of approximately fifty to seventy-two domestic banks and nineteen to twenty-eight U.S. branches and agencies of foreign banks. The percentage is the fraction of banks that reported increased willingness to make consumer installment loans from the previous three months.
Source: Federal Reserve.

Figure 5

Households' financial position remains healthy

Though banks appear to be tightening lending standards, consumer credit increased steadily, growing 4.7 percent in 2019, the same as in 2018. Mortgage debt outstanding rose only 3.2 percent in the third quarter of 2019 from a year earlier. Auto loans grew 3.5 percent in 2019 from a year earlier, while student loans grew 4.7 percent over the same period. The average student loan increased to $34,600 in 2019 or by 4.8 percent, from $33,000 in 2018. [9, 10] Student loans remain an obstacle to consumer spending growth as young adults delay family formation and purchases of goods and services as they try to pay down these loans.

Even with higher debt, households' financial situation seems stronger. The debt-to-income ratio has stabilized at levels well below the prerecession peak as income has increased

[9] Federal Reserve, "Consumer Credit," *Statistical Release*, February 7, 2020, https://www.federalreserve.gov/releases/g19/current/default.htm; and mortgage debt only includes one-to-four family and multifamily residences. See "Mortgage debt Outstanding," *Statistical Release*, December 12, 2019, https://www.federalreserve.gov/data/mortoutstand/current.htm.

[10] Student loans include those originated under the Federal Family Education Loan Program and the Direct Loan Program; and Perkins loans. See Federal Student Aid, An Office of the Department of Education, Federal Student Aid Portfolio Summary, National Student Loan Data System, https://studentaid.ed.gov/sa/about/data-center/student/portfolio.

at a faster pace than debt (see **Figure 6**). In fact, the debt-to-income ratio is at its lowest level since 2001. Also, the ratio of households' financial obligations to income remains at historic lows. In the third quarter of 2019, households used about fifteen percent of their disposable income to make debt payments. While delinquency rates have been ticking up in recent quarters, they remain relatively low, which suggests households are financially more secure.

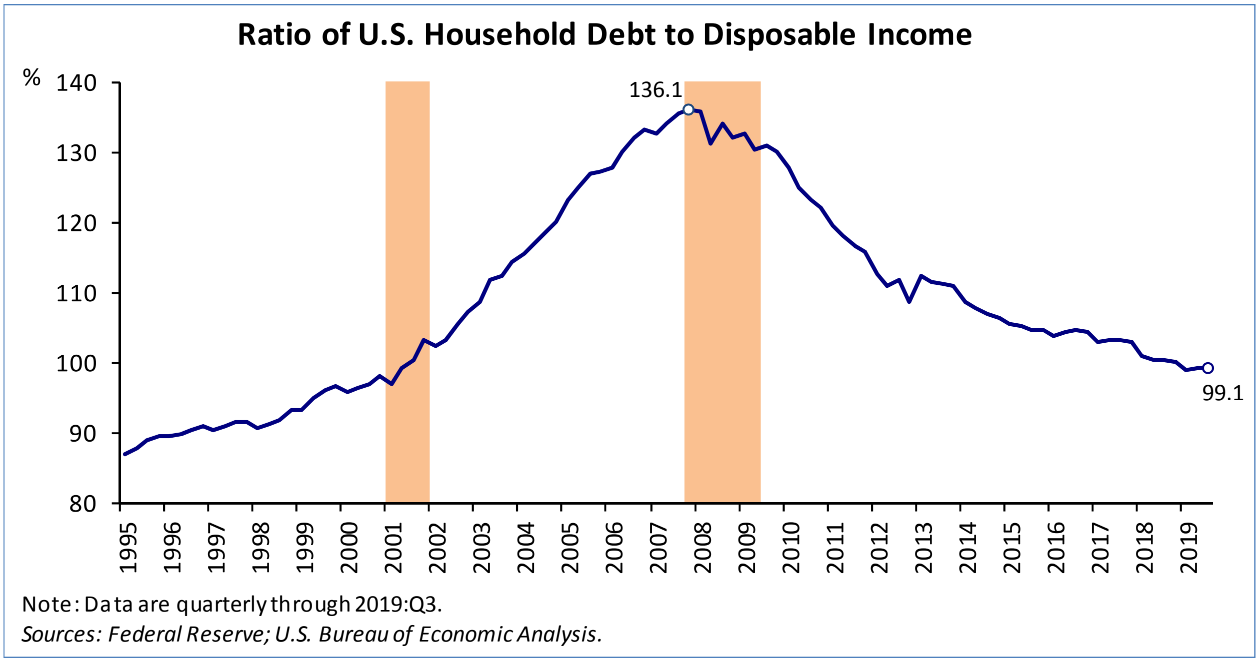
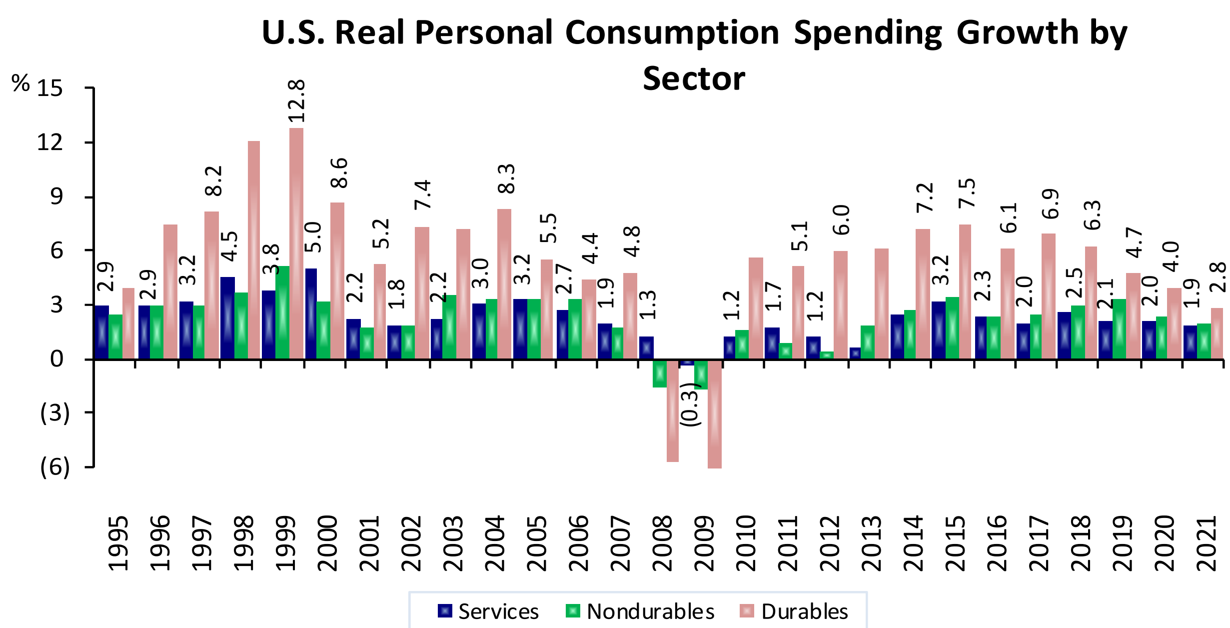


Figure 6

Overall consumer spending outlook

Spending on durable goods continues to bolster overall consumption spending, led by spending on motor vehicles and parts. In the past several years, car sales have plummeted while consumers have increased their purchase of light trucks and sports utility vehicles which on average tend to be more expensive than cars. The benefit of this change in preference has been that, even with a decline in overall unit vehicle sales, spending on motor vehicles could post positive growth in a given period. Hence, though motor unit vehicle sales fell in 2019, growth in spending on durable goods increased an estimated 4.7 percent in 2019, after posting 6.3 percent in 2018. With employment and income growth expected to slow in the forecast period, growth in spending on durable goods is forecast to moderate further to 4.0 percent in 2020 and 2.8 percent in 2021 (see **Figure 7**).



Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 7

The other two major components of personal consumption spending, services and nondurable goods, accounted for almost eighty-seven percent of total consumer spending in 2019. Growth in spending on services has been weak to modest since the Great Recession. One of the main challenges is healthcare spending, which has been negatively impacted by the provisions in the Tax Cuts and Jobs Act of 2017 (TCJA) that resulted in increased insurance premiums and a reduced number of people buying health insurance.[11] In addition, spending on other components of services, namely housing and utilities, transportation, and financial services and insurance, has been lackluster. Spending on nondurable goods has been boosted by rising wages even as the impact of tax cuts wanes. Higher income levels have fueled greater purchases of food and beverage for at-home consumption along with clothing and footwear, particularly for households that spend a larger share of income on necessities. Therefore, spending on nondurable goods grew an estimated 3.3 percent in 2019, and is projected to increase by 2.4 percent in 2020 and 2.0 percent in 2021. Spending on services is estimated to

[11] The TCJA repealed the individual mandate. Since the TCJA was funded by deficit, policymakers will have to reduce other programs overtime as asserted by another law in 2010. Social Security and unemployment benefits are exempted. See *The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010*; Public Law 111-312, 111th Congress, December 2010.

have increased 2.1 percent in 2019, and is forecast to grow 2.0 percent in 2020 and 1.9 percent in 2021.

Business Investment

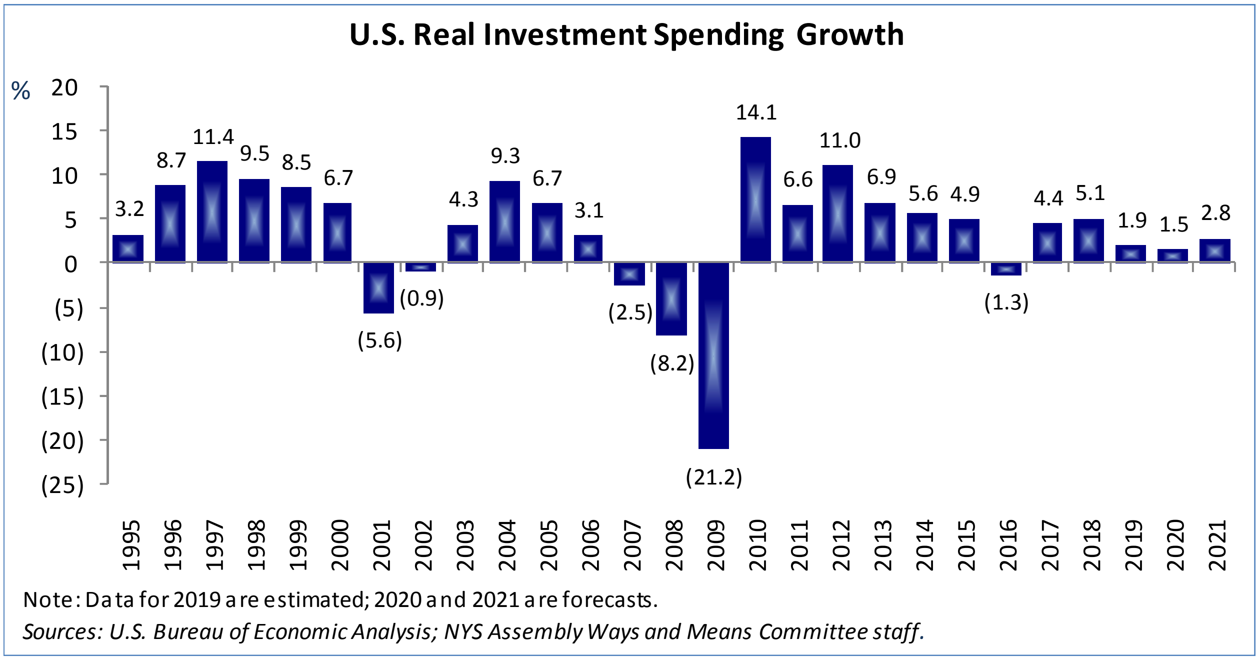


Figure 8

Key Points

- **Growth in business investment spending is expected to downshift in the forecast period as growth in corporate profits slows and many economic fundamentals continue to weaken;**
- **Spending on intellectual property products such as software and research and development is expected to remain strong over the forecast period.**

In 2018, growth in business investment spending improved to 5.1 percent, contributing to the acceleration of U.S. economic growth (see Figure 8). The improvement was helped by a long-awaited turnaround in corporate profits from the three-year slump in 2015-2017 and large corporate tax cuts from the Tax Cuts and Jobs Act (TCJA) of 2017. Buoyed by continued recovery in global oil prices, the U.S. energy sector ramped up capital spending on oil-field equipment and structures. Business spending on information-processing equipment such as computers grew at a rate close to ten percent for two years in a row.

One weak spot was spending on residential construction, which declined on a yearly average basis for the first time in seven years. Increases in interest rates and home prices and the resulting decline in housing affordability were major causes. An increasing shortage of construction workers and buildable lots also was a contributing factor.

In 2019, as growth of sales slowed and the uncertainties caused by trade frictions sapped business sentiments, overall business investment spending cooled sharply, growing a mere estimated 1.9 percent on a yearly average basis. That moderate growth marks the second slowest yearly gain since 2009. In fact, whereas business nonresidential investment spending grew on average 5.9 percent a quarter during the first six years of the current expansion, the average quarterly growth slowed to 3.1 percent during the recent five years. The stimulus effects of the 2017 Tax Cuts and Jobs Act (TCJA) on business investment spending were also less than expected, as firms used the windfall from the tax cuts to buy back stocks, make interest payments and pay down the debt accumulated during the Fed's era of quantitative easing, instead of funding more productive investment projects.[12]

The deterioration in business spending growth in 2019 was broad-based. Spending on residential as well as nonresidential structures was particularly weak, declining an estimated 1.5 percent and 4.4 percent, respectively. The year 2019 marked the first time since 2010 that residential investment spending declined for two years in a row. Business spending on equipment was also weak, increasing a mere estimated 1.5 percent, after a healthy 6.8 percent increase in 2018. As sales growth decelerated, an unintended inventory buildup also resulted. One bright spot was robust and steady growth in business expenditures on intellectual properties such as software and research and development activities.

In the near term, growth in the demand for U.S. goods and services will continue to support business investment spending. However, with profitability shrinking and the demand growth slowing at home and abroad, growth in business capital spending will likely remain slow and businesses will adjust down their inventory buildup by scaling down factory orders and production in 2020 and 2021. Boeing's recent decision to halt production of its 737 MAX will weigh on overall manufacturing production and inventory until Boeing resumes its production. Furthermore, TCJA's stimulus effects on business spending will further diminish in the coming months.

Leading indicators also suggest a weak outlook for business investment spending. Inflation-adjusted new orders of nondefense capital goods have been trending downward since

[12] See Egan, M., "Problem with rising rates: Corporate America has binged on debt," accessed October 25, 2018, https://money.cnn.com/2018/02/26/investing/corporate-debt-rising-rates/index.html.

March 2018, signaling a further weakening of growth in business capital spending. As weak global growth and trade tensions dampened activity, the ISM manufacturing activity index sank to a contraction level in the summer months of 2019 and has since remained in that position. This multi-month stretch of consecutive monthly plunges into the contraction territory marks the first time that had occurred since October 2015. In particular, the new orders component of the index, a leading indicator of private expenditures, has been trending down since December 2017 and has fallen to the lowest level since early 2009.

During the current expansion, U.S. corporations have been borrowing in the form of bonds and loans at bargain financing costs. The borrowed money has been used for new product launches, stock buybacks, acquisitions, and dividend payouts. As a result, the nonfinancial corporate debt of U.S. large companies has been surging in recent years, exceeding $10 trillion or 47 percent of U.S. GDP in the third quarter of 2019, the highest ratio since 1947 when reporting on these data began.[13] More worth noting is the deteriorating quality of that growing debt. Nearly a third of corporate debts are in the form of leveraged loans and below-investment-grade bonds, and the list of leveraged loans that are deemed of concern by rating agencies is increasing, with 20 percent of those loans due by the end of 2020 and 46 percent by the end of 2021.[14] These recent developments in the corporate sector may not trigger an economic downturn by themselves; should a downturn occur, however, its magnitude and duration will likely be greater than is typical.

One bright note is a recent upward trend in semiconductor sales. After about a 25 percent decline in the prior six months, global semiconductor sales appear to have bottomed out in May 2019, signaling an improvement in business spending on information-processing equipment in the near future.

Spending on intellectual property products such as software and research and development, which accounts for about a quarter of total business investment spending, has increased at a relatively strong pace in recent years. The strength reflects firms' efforts to stay competitive in a fast-changing global business environment. The spending increased an

[13] Board of Governors of the Federal Reserve System, Z.1 Financial Accounts of the United States; Federal Reserve Bank of St Louis, FRED Economic Data, series BCNSDODNS. Total nonfinancial corporate debt, including the debt of small and medium sized businesses, family businesses and nonlisted businesses, stood at $15.6 trillion or 74 percent of U.S. GDP.

[14] Mayra Rodriguez Valladares, U.S. Corporate Debt Continues to Rise as Do Problem Leveraged Loans, https://www.forbes.com/sites/mayrarodriguezvalladares/2019/07/25/u-s-corporate-debt-continues-to-rise-as-do-problem-leveraged-loans/#6fd91ba43596, accessed January 25, 2019.

estimated 7.7 percent in 2019, after increasing 7.4 percent in 2018 (see Figure 9). The growth is forecast to slow to 5.2 percent in 2020 and 4.7 percent in 2021.

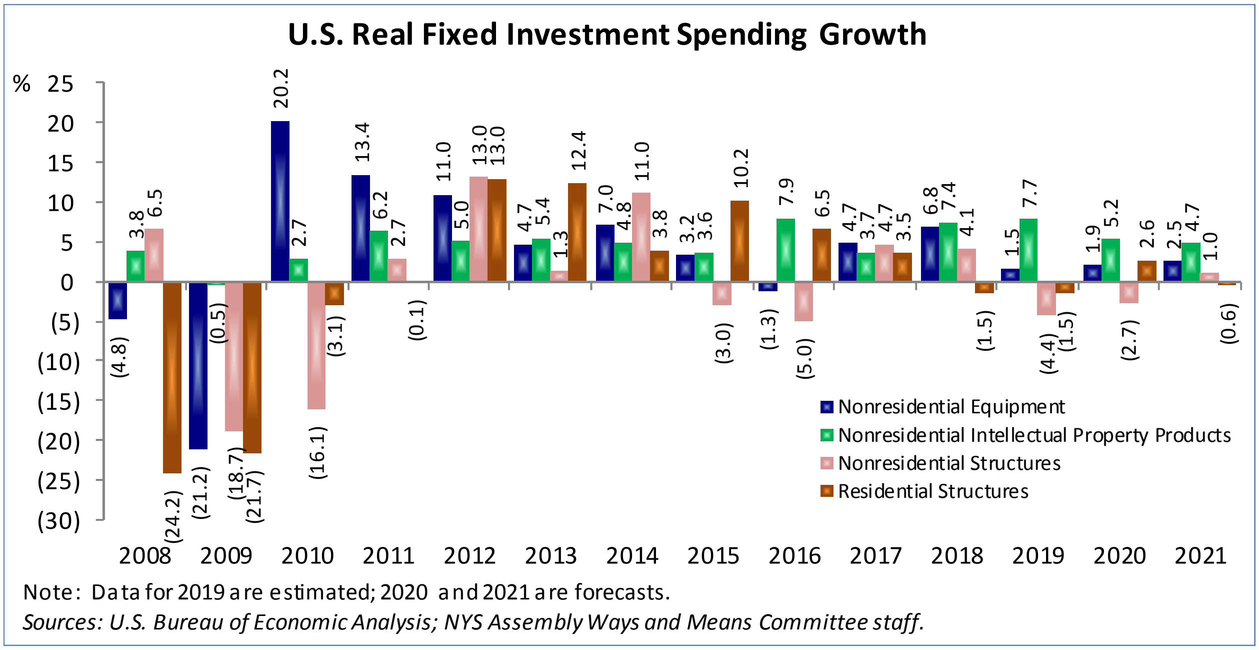


Figure 9

Another bright spot is the housing market. After staying relatively weak for about a year, starts have been rising since July 2019. Home builders' sentiment has been improving since January 2019. On the demand side, with financing costs falling after the Federal Reserve's rate cuts in 2019, both existing and new home sales are also on an upward trend since the end of 2018 after a year-long downward slide. Housing demand will likely improve in the coming months as personal income and employment continue to improve. However, the housing market recovery will be limited as supply constraints such as the shortage of buildable lots and skilled construction workers persist. A rising student debt burden and still relatively strict loan conditions also restrain potential first-time home buyers. Residential investment spending is forecast to increase 2.6 percent in 2020 after two consecutive years of yearly decline, but the decline is expected to resume in 2021.

Spending on nonresidential structures declined an estimated 4.4 percent in 2019 after posting robust increases in the prior two years. The weakness is broad-based and more pronounced in structures in the commercial, health, power, communication and manufacturing sectors. With demand for commercial properties downshifting and new development sluggish, spending on nonresidential structures will likely continue to decrease in 2020 before growth returns in 2021.

Overall, business investment spending is forecast to grow 1.5 percent in 2020, a further deceleration from an estimated 1.9 percent in 2019. This slowdown in 2020 is attributed largely to an expected sharp decline in inventory investment. With spending on inventory expected to stabilize and spending on equipment and construction to recover, growth in overall business spending will improve to 2.8 percent in 2021.

Government Spending

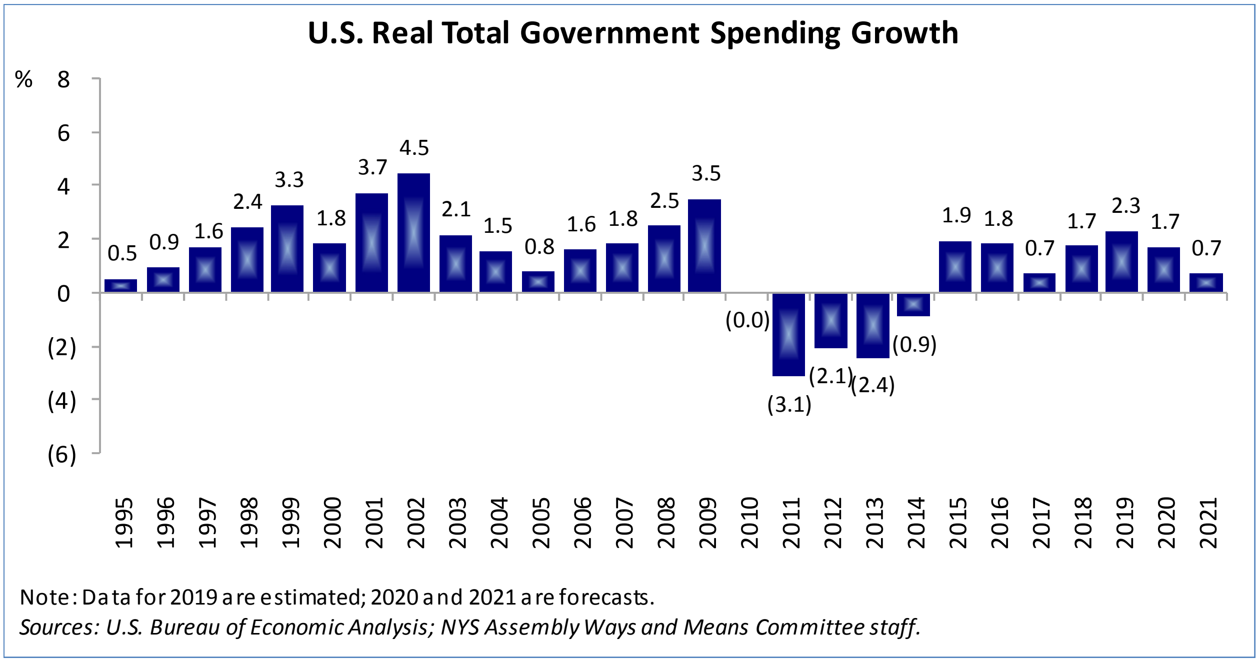


Figure 10

Key Points

- **Government spending will contribute to overall economic growth over the forecast period;**
- **Federal government spending, both defense and nondefense, is expected to accelerate as policymakers lift budget sequestration spending caps;**
- **Slower revenue streams over the forecast period will restrain state and local government spending.**

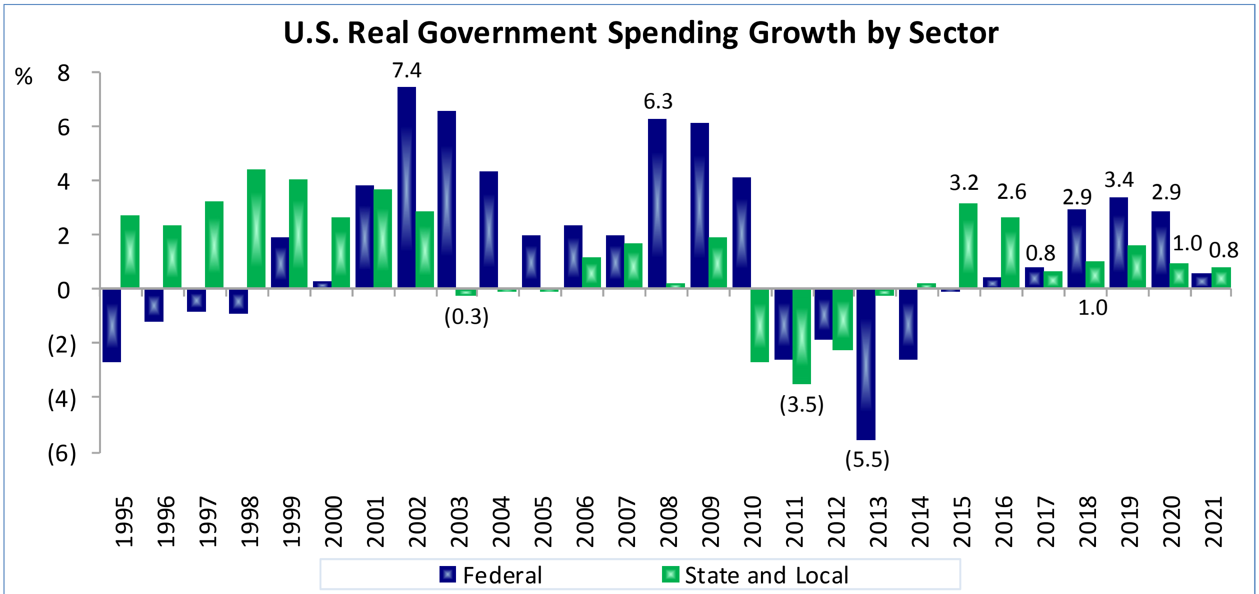
Total government spending, adjusted for inflation, grew 1.7 percent in 2018, following a 0.7 percent increase in the previous year, as federal government spending growth accelerated, and state and local government spending increased moderately. Growth in government spending accelerated to an estimated 2.3 percent in 2019, propped up by higher nondefense and defense spending. Growth is expected to slow to 1.7 percent in 2020 and 0.7 percent in 2021, due mainly to more subdued federal government spending (see **Figure 10**).

Federal Government Spending

Federal government spending increased an estimated 3.4 percent in 2019, following a 2.9 percent gain in 2018 (see **Figure 11**). The growth in federal government spending is largely related to spending authorization set forth in the Bipartisan Budget Act of 2018 (BBA-18).[15] BBA-18 authorized substantially higher spending levels for defense and nondefense spending for public infrastructure investment and federal government consumption spending in federal fiscal years 2018 and 2019. In 2019, public infrastructure spending rose dramatically in both nondefense and defense sectors. Higher compensation for military personnel and goods and services purchased by the defense sector contributed to higher federal government spending growth.

In 2020, the Budget Control Act of 2019 (BCA-19) will be the basis for growth in federal government spending. The Act authorizes modestly higher spending levels than in fiscal year 2019. Federal spending will also grow further with spending on aid for disaster relief and continued efforts to combat terrorism. Furthermore, the 2020 Census will push nondefense employment levels higher. Thus, federal government spending is projected to increase 2.9 percent in 2020. In 2021, federal government spending is forecast to grow only 0.6 percent, reflecting the winding down of the 2020 Census and the diminishing impact of elevated appropriation levels.

[15] See The Bipartisan Budget Act of 2018; Public Law 115-123, 115th Congress, February 9, 2018, and *Bipartisan Budget Act of 2018, Cost Estimate*; Congressional Budget Office, February 8, 2018, http://www.cbo.gov/publication/53556.



Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.

Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 11

The federal government has persistently amassed debt. In federal fiscal year 2019, the total national debt accumulated was close to $23 trillion. The BBA-19 guarantees that the budget gaps over the forecast period will surpass $1.0 trillion. The heightened federal government accrual of debt raises concerns about federal spending on interest payments and the impact on economic growth over time. As more federal funds are steered toward interest payments, the federal government has less flexibility to address fiscal crises.

The federal deficit in fiscal year 2019 was $984 billion or 4.7 percent of GDP, up from 3.9 percent in fiscal year 2018 (see **Figure 12**).[16] The increase in the budget gap was directly related to the BBA-18 that lowered corporate tax rates and lifted spending caps. The budget deficit is projected to be over $1.0 trillion in federal fiscal year 2020 or 4.3 percent of GDP.[17] From October 2019 through January 2020 (the first four months of the federal fiscal year 2020) the deficit was $388 billion, $78 billion more than the same period in the federal fiscal year 2019.[18]

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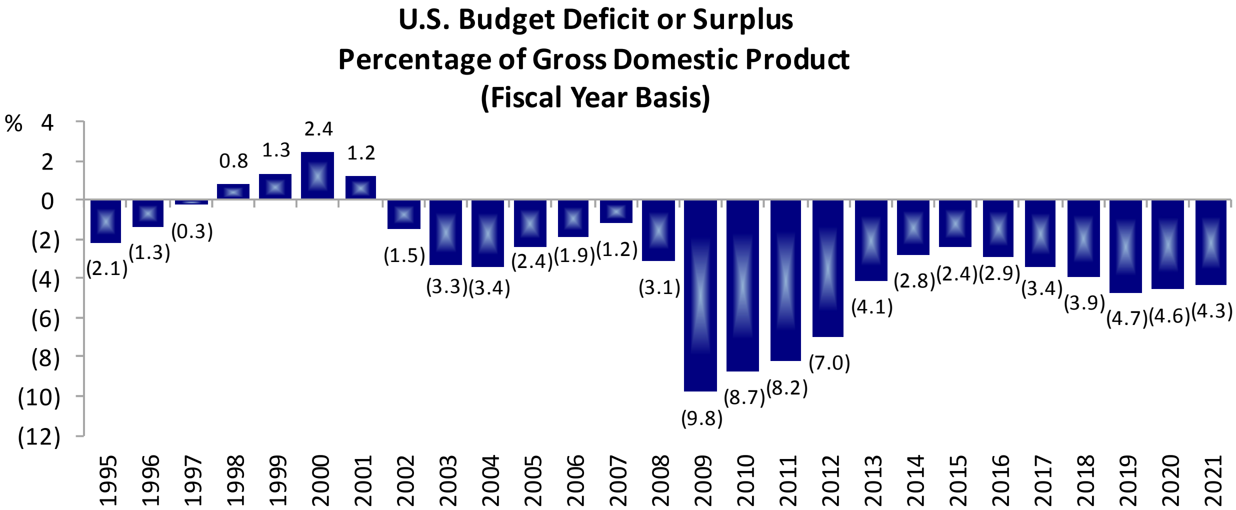
[16]See Bureau of Fiscal Services, *Final Monthly Treasury Statement Receipts and Outlays of the United States Government, For Fiscal Year 2019, Through September 30, 2019, and Other Periods*, U.S. Department of the Treasury, https://fiscal.treasury.gov/reports-statements/mts/previous.html; and Congressional Budget Office, *Monthly Budget Review of September 2019*, October 7, 2019, https://www.cbo.gov/publication/55699.

[17] Congressional Budget Office, An Update of the Budget and Economic Outlook: 2020 to 2030, January 28, 2020, https://www.cbo.gov/publication/56020.

[18] Congressional Budget Office, Monthly Budget Review, February 7, 2020, https//:www.cbo.gov/publications/56118.



Note: Data for fiscal years 2019 and 2020 are estimates. The federal fiscal year starts October 1 and ends September 30 of the next calendar year. Therefore, fiscal year 2019 is from October 1, 2018, through September 30, 2019. The Congressional Budget Office assumes current laws.

Source: Congressional Budget Office.

Figure 12

State and Local Government Spending

State and local government tax revenues increased 7.0 percent in the first nine months of 2019 from the same period in 2018.[19] Individual income tax collections, property tax revenues, general sales and gross receipts, and corporate net income tax revenues were strong over the period in 2019 compared to the same period a year earlier. In the first half of 2019, state and local government spending had been driven by public investment spending and spending on durable and nondurable goods and services. However, the pace of growth for state and local government spending slowed in the third quarter as spending on structures and equipment declined but was mitigated by strong spending on software. Hence, state and local government spending grew an estimated 1.6 percent in 2019, after increasing 1.0 percent in 2018.

Twelve years into the current economic expansion, most state budgets continue to prioritize core services such as K-12 education and health care. In 2018, states modestly increased their workforce, while employment at the local level of government rose only slightly

[19] U.S. Census Bureau, 2019 *Quarterly Summary of State and Local Government Tax Revenue Tables,* December 2019, https://www.census.gov/data/tables/2019/econ/qtax/historical.Q3.html.

faster. Pressures from mandatory spending on pensions, health care, and education will continue to push state and local government spending upwards, while crowding out other expenditures. Therefore, state and local government spending is forecast to increase by 1.0 percent in 2020 (see **Figure 11**). In 2021, with state and local governments likely to face slower revenue growth, growth in state and local government spending is projected to slow to only 0.8 percent.

Exports and Imports

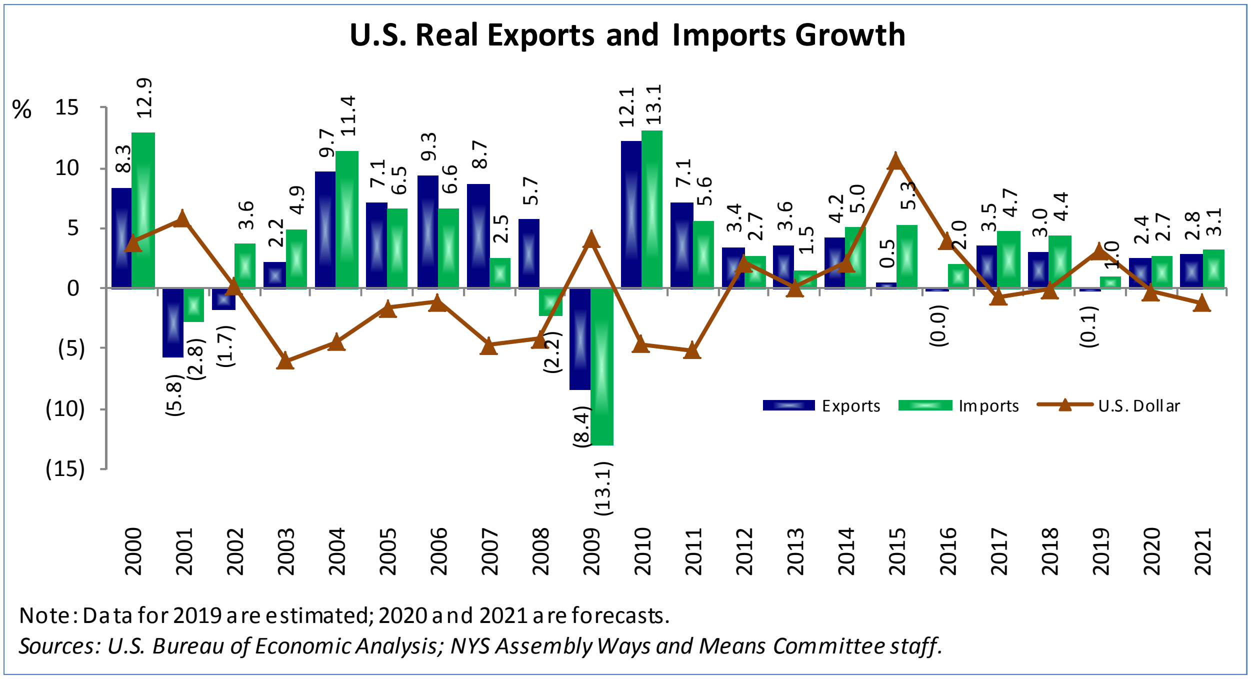


Figure 13

Key Point

- **Although the world economy and U.S. trade are expected to grow throughout the forecast period, U.S. trade deficit will continue to be a drag on national economic growth.**

Global growth and the value of the U.S. dollar are the two main factors that affect U.S. exports. As the economies of our trading partners expand, their demand for U.S. exports will increase. If the U.S. dollar gets stronger, demand for U.S. exports will fall as U.S. goods become more expensive to foreigners. In addition, strong domestic demand in the U.S., all else the same, supports continuing gains in U.S. imports.

The world economy continues to grow, but global risks have risen

After slow growth in 2016, the global economy improved in 2017 and 2018. Higher oil prices led to an improvement in the economic growth of oil exporting countries, especially

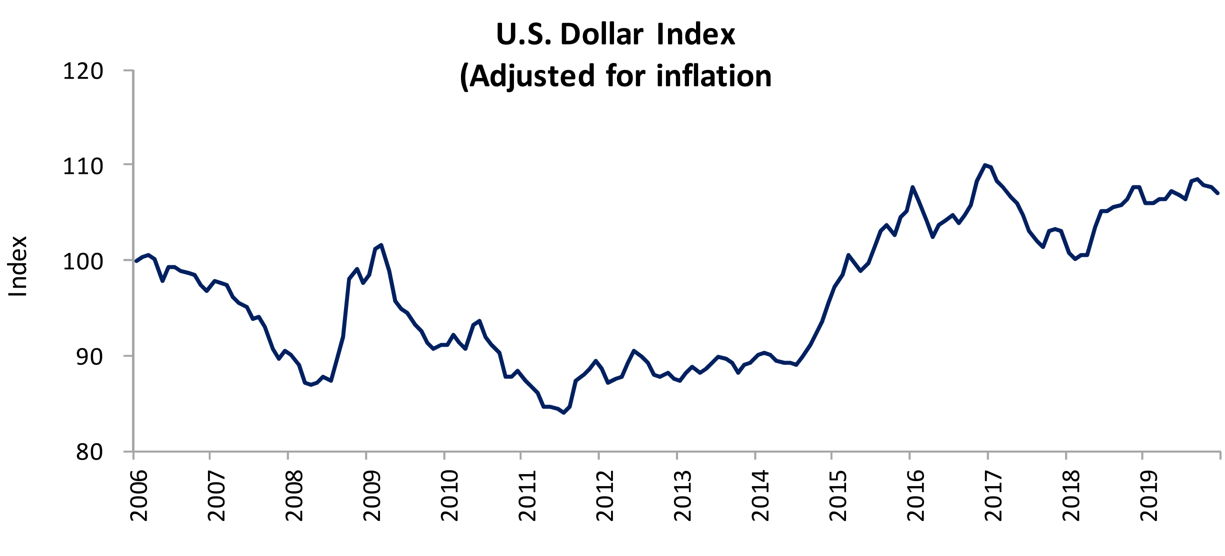
Canada, the largest U.S. trading partner. However, trade tensions put downward pressure on U.S. trade in 2019.

In addition, on January 29, the U.K. received formal approval from the European Union (EU) to leave the EU on January 31 with the transition period ending on December 31, 2020. If the U.K. fails to reach a deal with the EU by then, U.K. exports to the EU will be subject to tariffs and EU regulations. This could have significant impact on U.K. trade and its economy.

The uncertainty over Brexit has caused concern for many businesses and investors. Although the U.K. economy is not expected to enter recession, it is expected to grow slower in 2020. Many other major economies are also anticipated to grow slower in 2020 than in 2019. In addition, geopolitical uncertainties persist. As a result, the global economy is expected to grow slower than in 2019 throughout the forecast period.

U.S. dollar appreciation is hampering export growth

The U.S. dollar has been relatively strong in the past few years. In particular, the Brexit process has raised considerable uncertainty regarding its impact on the U.K. economy and the rest of the world (see **Figure 14**). The dollar has strengthened for the past few quarters and is forecast to soften for the next few quarters. The dollar gained 3.1 percent in 2019. The dollar is expected to depreciate throughout the forecast period.



Note: Data are monthly through January 2020; January 2006=100.
Source: Federal Reserve.

Figure 14

U.S. net exports will continue to be a drag on national growth

As global economic growth improved, U.S. exports grew 3.0 percent in 2018, while imports grew 4.4 percent. With global economic growth slowing and the trade wars continuing, U.S. exports decreased by an estimated 0.1 percent and imports grew a mere 1.0 percent in 2019. With the U.S. dollar expected to depreciate and the global economy expected to continue to grow, U.S. exports are forecast to grow 2.4 percent in 2020 and another 2.8 percent in 2021. Imports are forecast to grow 2.7 percent in 2020 and 3.1 percent in 2021 (see **Figure 13**). As imports growth is anticipated to continue to outpace exports growth, net exports (exports minus imports) will continue to be a drag on overall U.S. economic growth during the forecast period.

Impact of tariffs on the U.S. trade

In order to help certain domestic industries, the current administration implemented several rounds of tariffs on imports during the past two years. This policy presents one of the biggest risks to U.S. trade and its economy.

The tariffs include various types of goods from several countries (see **Table 1**). The bulk of tariffs are directed at Chinese imports. These tariffs appear to have had a negative impact on U.S. exports to China. In 2017, U.S. imported $505.2 billion worth of goods from China. In 2018, U.S. imports from China increased to $539.7 billion, an increase of 11.7 percent from 2017, while U.S. exports to China in 2018 fell by 7.4 percent. In 2019, U.S. imports from China fell 16.2 percent, while exports to China fell 11.3 percent.[20]

[20] United States Census Bureau, "U.S. Trade in Goods by Country," *"Foreign Trade"*, https://www.census.gov/foreign-trade/balance/index.html, last accessed February 14, 2020.

Table 1

List of Tariffs on U.S. Imports			
Products	**Rates (%)**	**Effective Date**	**Countries**
Steel and its derivative product	25	6/1/2018	All countries of origin except South Korea and Australia.
Aluminum and its derivative product	10	6/1/2018	All countries of origin except Argentina (agreed to quota); Australia (exempted); and South Africa (for certain products).
Chinese goods worth $250 billion	25	Various Dates	China
Chinese goods worth $120 billion	15 7.5	9/01/2019 2/14/2020	China
parts	TBD	TBD	TBD
Note: Data as of February 24, 2020.			
Sources: The Office of the United States Trade Representative, Crowell & Moring LLP			

As a response to U.S. trade policy, other countries have also announced new tariffs or their intentions to enact tariffs on various U.S. export goods (see **Table 2**).

Table 2

List of Retaliatory Tariffs on U.S. Goods			
Countries	**Rates (%)**	**Effective Date**	**Products**
Canada	10 25	7/1/2018 7/1/2018	Removed as of May 20, 2019.
European Union	10, 25 mostly 25%	6/22/2018	$3.2 billion of imports goods from U.S., including agricultural products, consumer goods, iron & products.
	10, 25, 35, 50 Mostly 25%	3/23/2021	$3.8 billion of imports goods from U.S., including agricultural products, consumer goods, iron & products.
Mexico	7-25 mostly 25% 10-15	6/25/2018 7/5/2018	Removed as of May 20, 2019.
China	25 25 10-25 5, 10 25	7/6/2018 8/23/2018 9/24/2018 9/1/2019 12/15/2019	Foods, agricultural products, motor vehicles. $16 billion in imports goods from U.S. $60 billion in imports goods from U.S. Up to $75 billion in imports goods from U.S. US-origin vehicles and parts .
India	Up to 70%	6/16/2019	28 U.S. products, $240 million worth of goods.
Japan	TBD	TBD	Up to $1.91 billion of imports from U.S.
Russia	Additional Tariffs of 25, 30, 35, or 40%	8/6/2018	Fiber optics and equipment for road construction, the oil and gas industries and metal processing and mining and other selected U.S. products.
Turkey	5-40	6/21/2018	Foods, agricultural products, petroleum products, steel products (above quota), vehicles.

Note: Data as of February 24, 2020.
Sources: Canada Department of Finance, World Trade Organization, Crowell & Moring LLP.

The exact impact of tariffs on U.S. trade and the overall economy is hard to quantify. Even products that are made domestically might be affected by these tariffs, as manufacturers could pay more for imported materials. Tariffs could also affect wages. According to the U.S. International Trade Commission, export-intensive industries pay higher wages on average than industries that are not.[21]

China announced in September 2019 that it would suspend some American soybeans, pork and other agricultural products from additional tariffs.[22] On January 15, 2020, the U.S. and

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[21] David Riker, "Export-Intensive Industries Pay More on Average: An Update," April 20, 2015, https://www.usitc.gov/publications/332/ec201504a.pdf.
[22] New York Times, "Trade Tensions Ease as China Drops Some Pork and Soybean Tariffs," September 13, 2019, https://www.nytimes.com/2019/09/13/business/china-us-soybeans-pork-tariffs.html.

China signed the phase-one trade deal.[23] Although the deal left most of the tariffs in place, it should help ease trade tension between the two countries and promote U.S. exports.

Grounding of the Boeing 737 MAX is affecting exports

Boeing is the largest U.S. manufacturing exporter. After two fatal crashes within five months, the Boeing 737 MAX was banned from flying worldwide in March 2019 and all future deliveries have been suspended. The suspended delivery has negatively impacted U.S. exports as well as business spending. Boeing expects the 737 MAX to start flying again sometime in 2020, which should help lift U.S. exports.

[23] "Economic And Trade Agreement Between The Government Of The United States Of America And The Government Of The People's Republic Of China", January 15, 2020.
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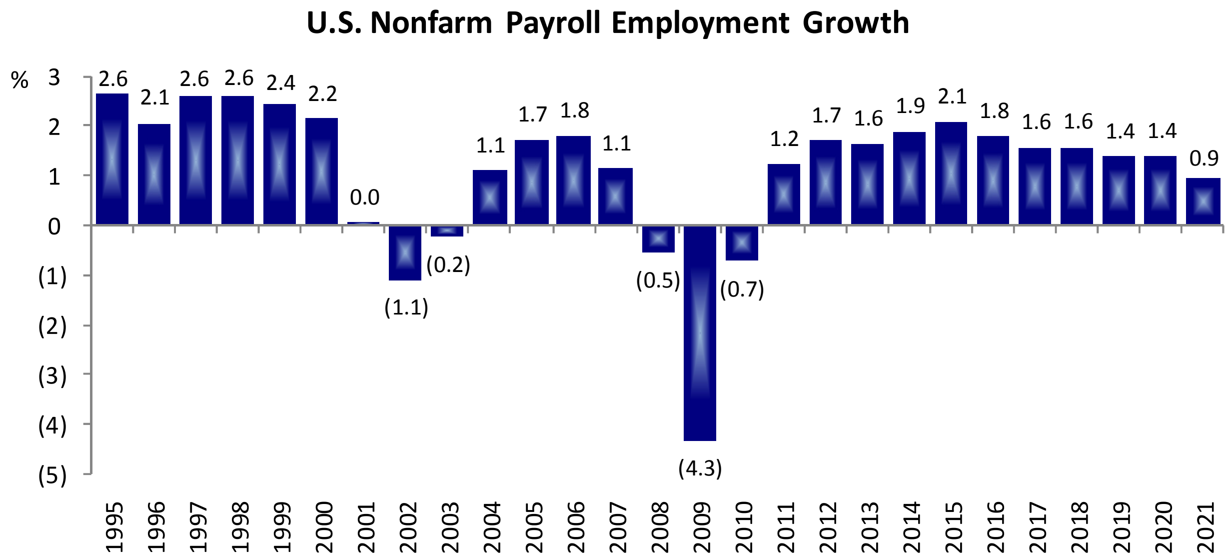
Employment



Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

Figure 15

Key Point

- **Employment growth is forecast to slow as the labor market is at full employment and the economic expansion matures.**

The labor market improved in 2018, growing 1.6 percent, with an average monthly gain of 223,000, and a corresponding unemployment rate of 3.9 percent. The average monthly job gain slowed to 175,000 in 2019. Employment grew 1.4 percent in 2019 (see **Figure 15**). The slowdown in employment gains stemmed from a deceleration in job gains in financial activities, construction, transportation and warehousing, and other service industries, as well as from a decline in employment in information and retail sales industries. Manufacturing employment also slowed and is still well below the Great Recession levels.

Labor market trends suggest that employment will continue to increase over the forecast period, though at a slower pace as the economy matures and operates at full-employment. The 2020 Census is anticipated to provide a boost to employment in the first half of 2020, with a pullback later in the year. In addition, job openings continue to trend above hires, though the gap has narrowed slightly in the past several months, suggesting that employers continue to face difficulty finding qualified applicants.

The Employment Cost Index, which measures overall compensation paid to employees by businesses, rose steadily in 2019. Rising wages, reflective of a tight labor market, have encouraged people who have been on the sideline to enter the labor force and have also encouraged higher quit rates as workers are more confident about finding jobs. With the unemployment rate below its natural rate, [24] there is less slack in the labor market. Hence, as the labor supply shrinks, employment growth is forecast to be 1.4 percent in 2020 and slow to 0.9 percent in 2021.

The very tight labor market

In 2019, the unemployment rate was 3.7 percent, below the 3.9 percent in 2018. The unemployment rate is forecast to fall further to 3.6 percent in 2020, and rise to 3.7 percent in 2021 as economic growth declines. Aside from tight labor supply, the low unemployment rate is attributed to baby-boomers aging out of the labor force. A more educated worker will less likely be unemployed than a less educated worker. Consequently, the rising educational attainment of the U.S. labor force is associated with a lower rate of unemployment. Other factors that have contributed to low unemployment include the falling labor force participation of prime-aged men, people with disability and those under age 55.[25,26]

Underemployment, referring to the workers who are marginally attached to the labor force and those working part-time for economic purposes, reached its lowest rate of 6.7 percent in December 2019, after peaking at 17.1 percent in October 2009. The employment-to-population ratio reached a post-recession high of 61.2 percent in January 2020. The labor force participation rate has been holding above 63.2 percent since August 2019 (see **Figure 16**).

[24] The Congressional Budget Office (CBO) estimates the natural rate of unemployment to be 4.7 percent from 2018 through 2020. See CBO, "An Update of the Budget and Economic Outlook: 2016 to 2026," August, 2016, https://www.cbo.gov/publication/51908.

[25] Didem Tuzemen, "Why are Prime-Age Men Vanishing from the Labor Force?" Federal Reserve Bank of Kansas City, First Quarter 2018.

[26] Fujita, Shigeru, "On the Causes of Declines in Labor Force Participation Rates, " Research Rap: Special Report, Federal Reserve Bank of Philadelphia, February 6, 2014.

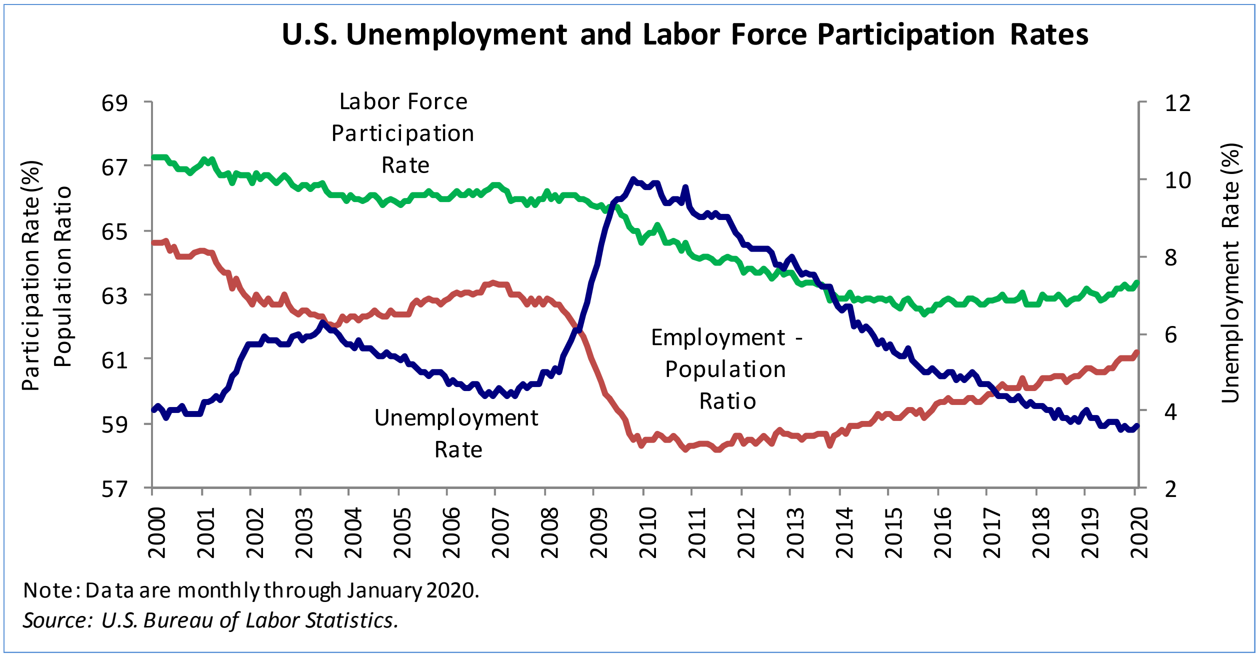


Figure 16

Sectoral allocation of jobs provides insights into future labor market

The slowdown in employment primarily reflects slower growth in the service-providing sector which accounts for more than eighty-five percent of nonfarm employment. Employment in major industries, such as professional and business services, leisure and hospitality, and education and health services, is projected to grow more slowly over the forecast period. The retail trade sector employment continues to struggle and is projected to decline over the forecast period as the industry adopts labor-saving technology and consumers move increasingly to on-line shopping. Professional services employment grew 2.8 percent in 2019 and is projected to slow to 2.4 percent in 2020 and 2.0 percent in 2021. Education and healthcare employment grew 2.3 percent in 2019, and is projected to grow another 2.3 percent in 2020 and 1.7 percent in 2021. Payroll jobs in the leisure and hospitality industry grew 1.7 percent in 2019, increasing in 2020 to 2.2 percent then to slow to 1.2 percent in 2021.

The two main industries in the goods-producing sector, construction and manufacturing, have been slow to gain jobs. While employment in the construction industry has surpassed its January 2008 pre-recession peak, employment in manufacturing remains 874,000 below its peak as of January 2020. Nonetheless, the construction industry is expected to continue to post gains over the forecast period, though at a slower rate than in 2018. However, employment in manufacturing is projected to fall in 2020 primarily as a result of the suspension in production of Boeing's 737 MAX. By 2021 employment in this industry is expected to turn positive once again.

The government sector, one of the largest service-providing sectors, has gained jobs but still remains below its prior peak. Job gains in this sector are attributed largely to state and local governments. After declining 0.2 percent in 2018, federal government employment increased 1.2 percent in 2019 (see **Table 3**). It is forecast to grow further in 2020, partly due to Census-related temporary hiring.

Table 3

U.S. Employment by Sector
(Percent Change)

	Actual 2017	Actual 2018	Estimate 2019	Forecast 2020	Forecast 2021
Total	**1.6**	**1.6**	**1.4**	**1.4**	**0.9**
Professional Services	2.0	2.5	2.8	2.4	2.0
Real Estate, Rental, & Leasing	2.4	2.9	3.0	2.3	2.0
Construction	3.5	4.6	2.8	2.3	2.2
Education and Health Care[2]	2.4	1.9	2.3	2.3	1.7
Leisure & Hospitality	2.5	1.5	1.7	2.2	1.2
Transportation & Utilities[3]	3.1	4.3	3.1	2.1	2.1
Management of Companies	2.5	2.9	2.2	1.4	1.1
Other Services[1]	1.7	1.4	0.7	1.2	1.0
Wholesale Trade	0.5	0.5	1.1	1.1	1.0
Government	0.5	0.4	0.6	1.1	0.2
Federal	0.3	(0.2)	1.2	3.7	(2.3)
State and Local	0.6	0.5	0.5	0.7	0.5
Finance & Insurance	1.8	1.2	1.4	1.0	0.8
Information	0.7	0.9	0.8	1.0	0.4
Manufacturing[4]	0.7	2.3	1.2	(0.1)	0.3
Retail Trade	0.0	(0.4)	(0.9)	(0.1)	(0.6)

[1] Including administrative, support, and waste management services.

[2] Includes only private employment. Public education and health care employment is included in the government sector.

[3] Transportation, warehousing, and utilities.

[4] Including mining and logging.

Sources: U.S. Bureau of Labor Statistics; NYS Assembly Ways and Means Committee staff.

Personal Income

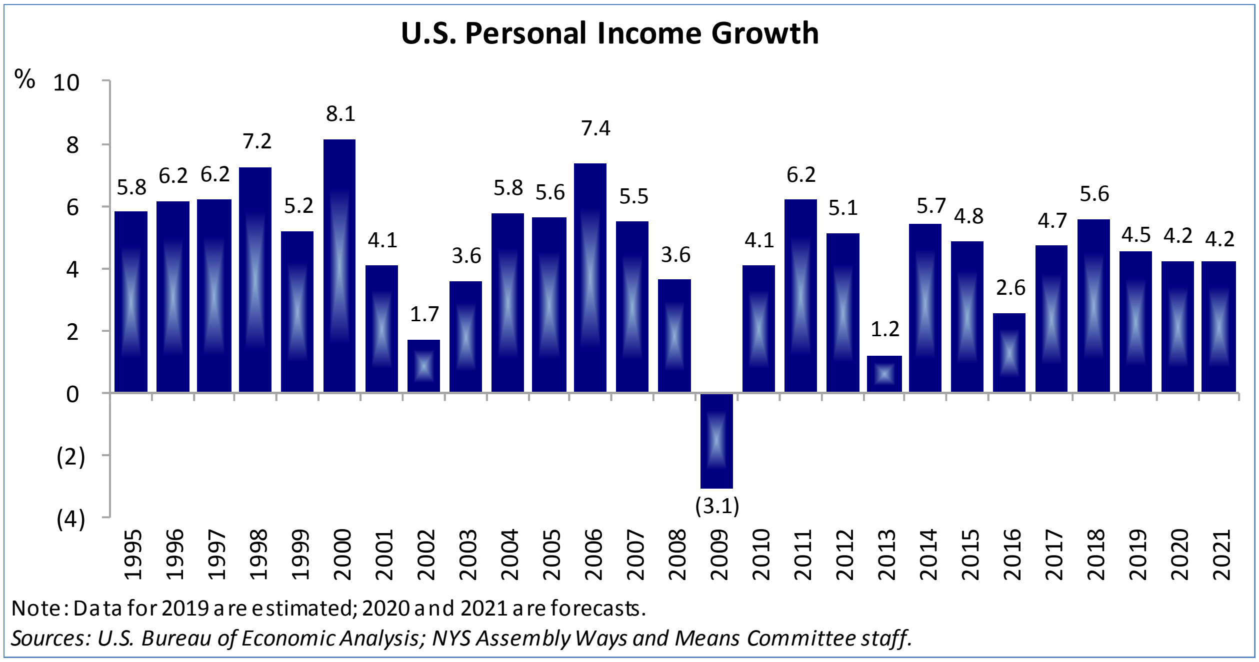


Figure 17

Key Points

- **Personal income growth is expected to slow as growth in employment and wages moderate;**
- **Growth in wages and salaries, the largest component of personal income, remains below the rates seen prior to the last recession.**

Personal income grew an estimated 4.5 percent in 2019, following a 5.6 percent increase in 2018. The deceleration in growth is attributed to a sharp slowdown in dividend and interest incomes buffered by an increase in proprietors' farm income. Proprietors' farm income rose significantly in the third quarter of 2019 as a result of subsidy payments to farmers to help alleviate the negative impact of Chinese tariffs. With the labor market operating at full-employment, wages are expected to continue increasing, though at a slower pace, during the forecast period. Hence, growth in personal income is projected to slow to 4.2 percent in 2020 and 2021 (see **Figure 17**).

Wages and salaries, the largest component of personal income, increased an estimated 4.9 percent in 2019, following growth of 5.0 percent in 2018. The upward pressure on wages was mainly due to a tight labor market as employers found it more difficult to find suitable employees from the limited pool of workers. The outlook for wages and salaries remains positive. However, as growth in employment and sales slows, and the higher-paid baby-boomer cohorts exit the labor force and are replaced by lower-paid workers, growth in wages and salaries is projected to decline to 4.6 percent in 2020. In 2021, growth in wages and salaries is forecast to slow further to 4.3 percent as the unemployment rate drifts higher.

Following growth of 4.3 percent in 2018, total personal transfer income, which includes various government social benefits, grew an estimated 6.8 percent in 2019, as transfer payments to recipients of Social Security, Medicaid, Medicare, and veterans' benefits rose. As aging baby-boomers are added to the Medicare and Social Security rolls, transfer payments will increase further. However, with fewer people signing up for health care benefits under the Affordable Care Act, Medicaid spending will likely slow. Personal transfer income is projected to increase 4.3 percent in 2020 and 4.4 percent in 2021.

Dividend income is estimated to have grown 3.6 percent in 2019, following an 8.6 percent increase in 2018, as corporate profits growth slowed. Dividend income is projected to grow by 3.3 percent in 2020 then by 2.9 percent in 2021 as corporate profit growth decelerates as a result of higher wages, rising interest rates, and slower economic growth.

In 2019, interest income rose an estimated 1.1 percent from 9.7 percent in 2018 due to falling interest rates. Interest income is forecast to increase by 1.9 percent in 2020 and 3.9 percent in 2021 with increases in budget deficits and interest rates.

Corporate Profits

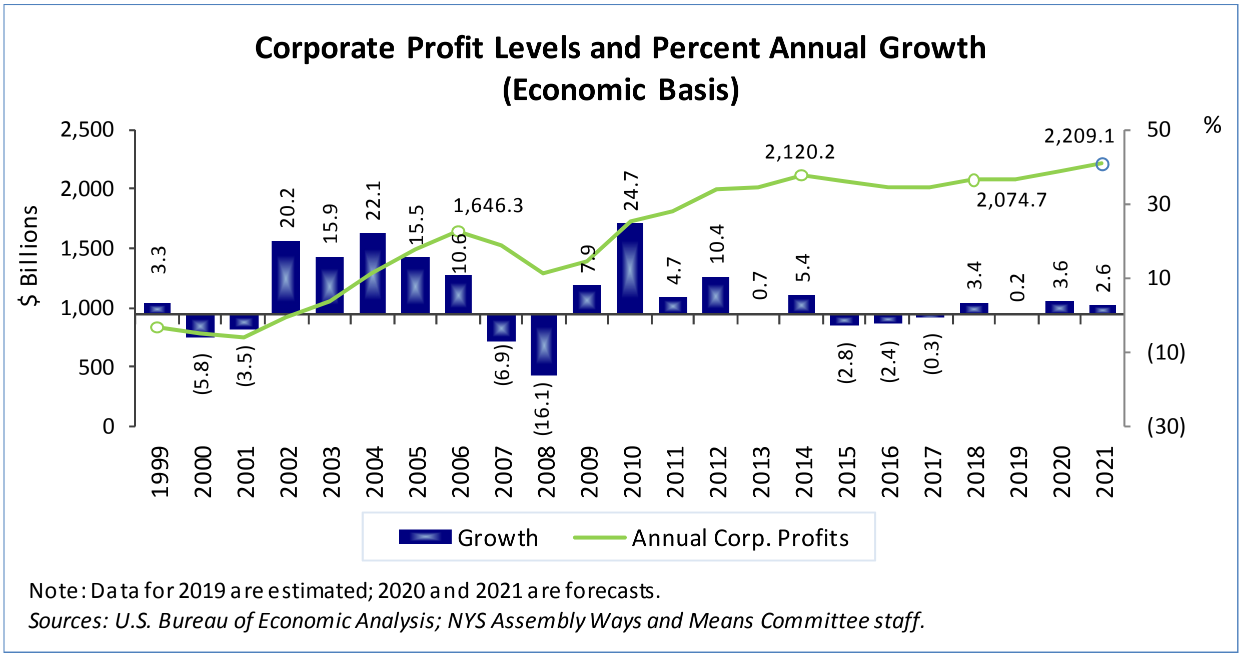


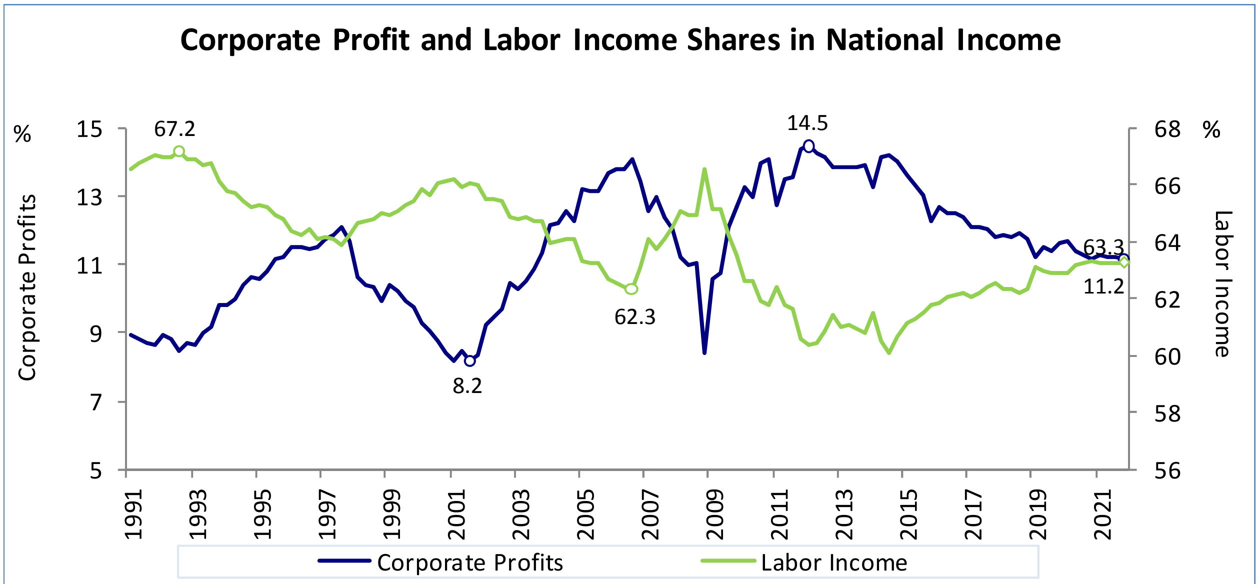
Figure 18

Key Points

- **Corporate profits grew 3.4 percent in 2018 after three straight years of decline but the growth weakened again in 2019.**
- **With sales growth expected to slow, growth in corporate profits is expected to remain low in the next two years.**
- **Corporate profits' share of national income has been declining over the last eight years, reaching a ten-year low 11.4 percent in the third quarter of 2019.**

After three straight years of decline, corporate profits grew 3.4 percent in 2018 on a yearly average basis (see **Figure 18**). Improving growth in output and sales was a major contributing factor to the turnaround from the three-year slump. Businesses also benefitted from the direct effects of the tax cut and other provisions of the Tax Cuts and Jobs Act of 2017, although their impact on corporate profit growth varied across industrial sectors. In 2019, as the pricing power and sales growth weakened, growth in corporate profits deteriorated again, increasing a mere estimated 0.2 percent. With growth in sales expected to continue to slow, profit growth is expected to remain low in the next two years.

The share of corporate profits in national income trended upward after 1990, quickly regaining ground after each recession. It peaked at 14.5 percent in the fourth quarter of 2011, the highest on record (see **Figure 19**). As steady gains in wages and salaries have pushed up the share of labor income in recent years, the profits share has since been trending down over the last eight years, reaching a ten-year low of 11.4 percent in the third quarter of 2019. It is expected to decline further in the forecast period. The labor income share, in contrast, reached a ten-year high of 62.9 percent in the third quarter of 2019, but was significantly down from the 67 percent on average reached in 1992. The labor's share is expected to increase further in the forecast period.



Note: Data are quarterly through 2021:Q4; the first forecast period is 2019:Q4.
Sources: U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 19

Along with the growth of corporate profits, and in spite of some fluctuations, the major indicators consistently point to a steady increase in output and income. Yet, the respective trends in the shares of capital and labor in the economy suggest that the conditions for a more balanced allocation of the national income are not yet present. For instance, companies have been repurchasing their own stock at an accelerated pace. Evidence indicates that while stock buy-backs immediately benefit corporate executives and insiders,[27] along with the minority of

[27] Robert J. Jackson Jr., "Stock Buybacks and Corporate Cashouts," U.S. Securities and Exchange Commission, Washington D.C., June 11, 2018. https://www.sec.gov/news/speech-jackson-061118.

shareholders who own most of the stock value,[28] they may do less for smaller stakeholders and little for the general economy.[29] Beyond the periodic impact of tax policy, the persistence of such practices in corporate governance will contribute to maintaining the current dynamics in the distribution of income.[30]

[28] The richest 10 percent of households controlled 84 percent of the total value of stocks in 2016. Edward N. Wolff, "Household Wealth Trends in the United States, 1962 to 2016: Has Middle Class Wealth Recovered?" Working Paper w24085, National Bureau of Economic Research, November 2017.

[29] Irene Tung and Katy Milani, "Curbing Stock Buybacks: A Crucial Step to Raising Workers Pay and Reducing Inequality; An Analysis of Three Industries-Restaurant, Retail, and Food Manufacturing," Roosevelt Institute, July 2018.

[30] Suresh Nallareddy, Ethan Rouen, Juan Carlos Suarez Serrato "Corporate Tax Cuts Increase Income Inequality," National Bureau of Economic Research, Working Paper 24598, May 2018.

Prices

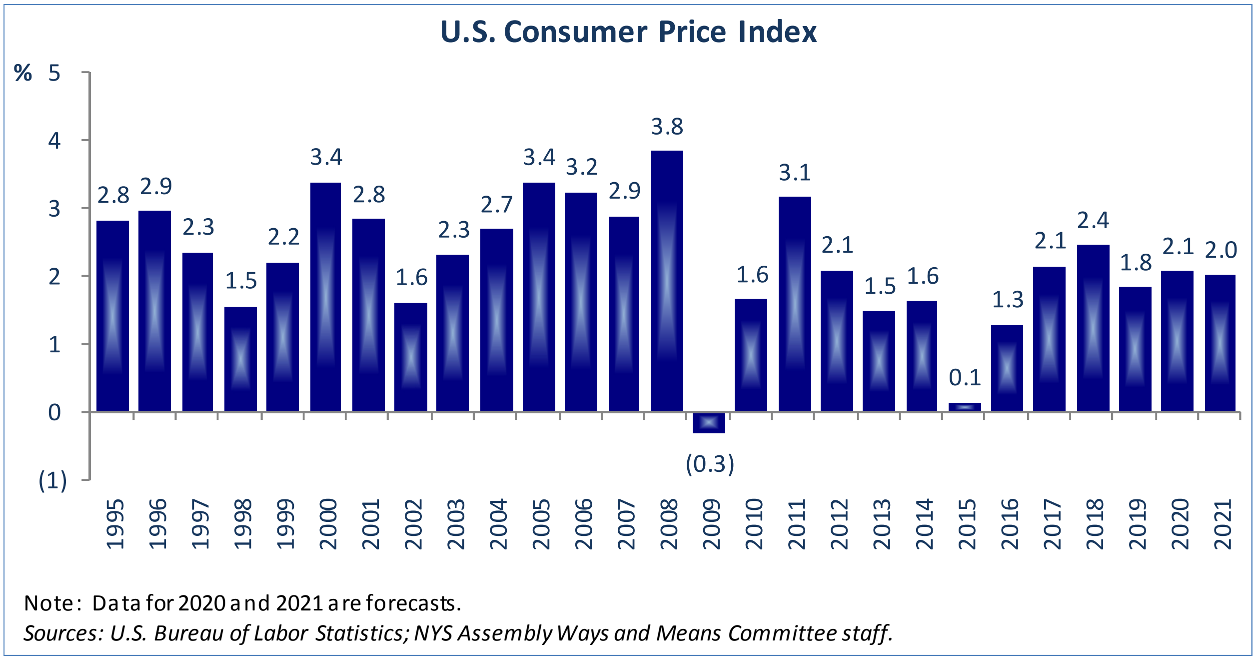


Figure 20

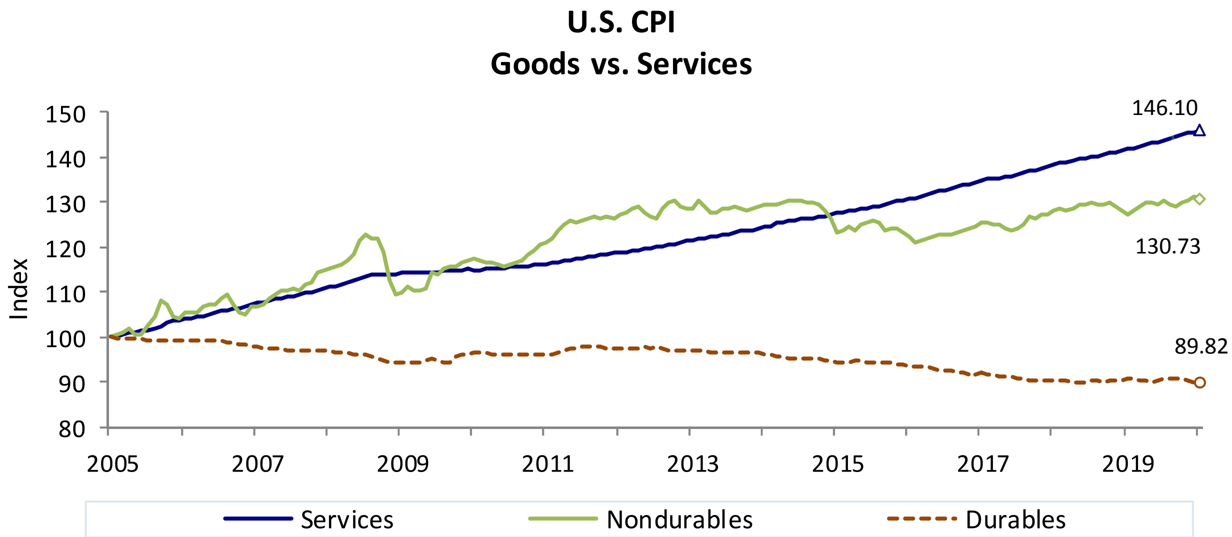
Key Points

- **Consumer prices are expected to advance moderately through 2021;**
- **After declining sharply in the fourth quarter of 2018, energy prices have risen but are still lower than they were in 2018.**

From 1991 to 2008, the Consumer Price Index (CPI) grew at an average annual rate of 2.7 percent. Following the Great Recession and until 2019, the CPI grew on average 1.8 percent per year. This downshift in overall CPI inflation is due to declines in energy prices, as well as moderating growth in personal income and the resulting slower growth in demand for consumer goods and services.

Factors such as rising rents and housing prices, a tightening labor market, and the imposition of tariffs all contributed to rising consumer prices. However, these were eclipsed by declines in energy prices for most of 2019, therefore, weighing on overall consumer prices. As a result, consumer prices moderated to 1.8 percent in 2019 from 2.4 percent in 2018 (see **Figure 20**).

The services component of the CPI, which accounts for 63.7 percent of total CPI, has been increasing at a steady pace (see **Figure 21**). The nondurable goods component, which accounts for 27 percent of total CPI, has been on an upward trend since 2016. The durable goods component has been on a long-term downward trend, but the rate of decline has slowed. With these trends likely to remain in place, consumer prices are expected to continue to increase in the next two years, but at a moderate pace. Overall CPI is forecast to grow 2.1 percent in 2020 and 2.0 percent in 2021.



Note: Data are seasonally adjusted. Data are monthly from January 2005 to January 2020. January 2005 = 100.
Source: U.S. Bureau of Labor Statistics.

Figure 21

Energy Prices

Energy prices will remain one of the most volatile risk factors. Geopolitical considerations as well as weather conditions add uncertainty to future energy prices. Sudden changes in energy prices affect households both directly, when they purchase gasoline or home heating oil, and indirectly, when producers pass higher energy costs to consumers.

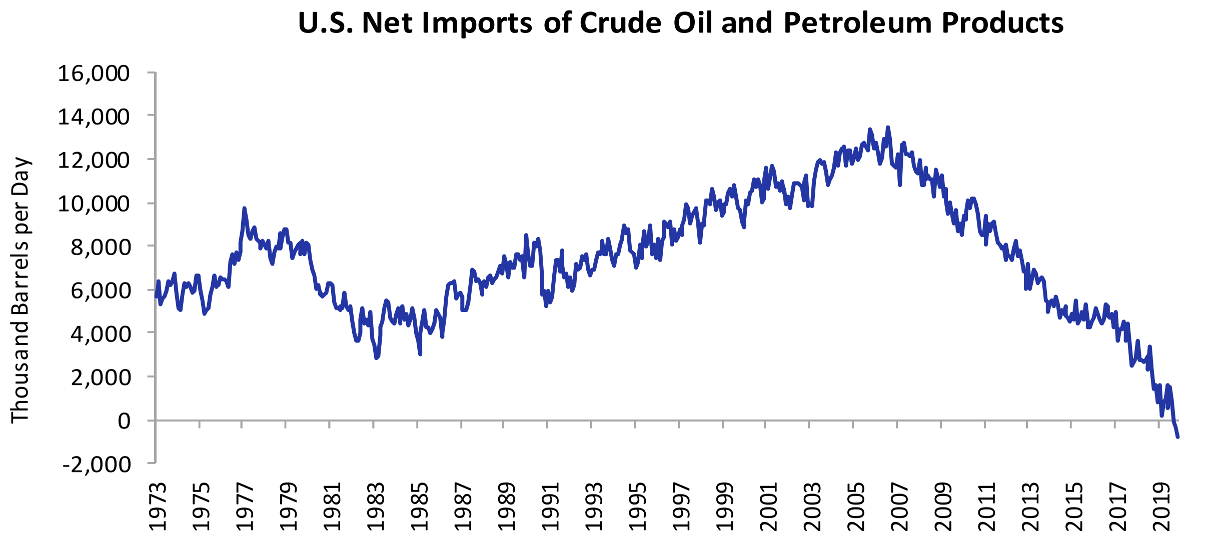
Several factors have contributed to the recent movements of oil prices. Instability in countries such as Saudi Arabia and Venezuela as well as adherence to the production cuts implemented by the Organization of Petroleum Exporting Countries (OPEC) in January of 2017 has placed upward pressure on crude oil prices as global supplies declined. Despite the ending of waivers granted to certain countries that were importing Iranian oil, the sanctions have had no net impact on the global oil market on account of Saudi Arabia's willingness to meet demand.[31] The recent instability in Iran also had no net impact on the global oil market due to the subsequent de-escalation of tensions.[32] Also, U.S. crude oil inventories have continued their upward trend and have risen significantly since the beginning of the year, approaching levels not seen since October of 2017. Lastly, oil demand has softened in response to the weakening outlook for global economic growth, and coronavirus fears. The factors that have placed downward pressure prevailed, causing oil prices to be much lower than they were in recent years.

According to the U.S. Energy Information Administration (EIA), U.S. daily crude oil production will average an estimated 13.2 million barrels in 2020 and is forecast to average 13.6 million barrels in 2021.[33] The 2020 production will be the highest in U.S. history, surpassing the previous record of 12.2 million barrels per day in 2019. Rising domestic oil production resulting from increases in drilling activity, rig efficiency, well-level productivity, and political unrest in crude oil producing countries contributes to the U.S. status as a net exporter of crude oil as of September 2019. (see **Figure 22**).

[31] Golubkova, Katya. "Saudi's Falih Will Stick to Global Oil Deal, Pact Could Be Extended: RIA." *Reuters*, Thomson Reuters, 30 Apr. 2019, https://www.reuters.com/article/us-oil-opec-saudi/saudis-falih-will-stick-to-global-oil-deal-pact-could-be-extended-ria-idUSKCN1S60FG.

[32] Anne Gearan, S. O. G. (2020, January 9). United States and Iran back away from imminent conflict as Trump says he is ready for peace 'with all who seek it'. Retrieved from https://www.washingtonpost.com/politics/united-states-and-iran-back-away-from-imminent-conflict-as-trump-says-he-is-ready-for-peace-with-all-who-seek-it/2020/01/08/20cbc0dc-323a-11ea-91fd-82d4e04a3fac_story.html.

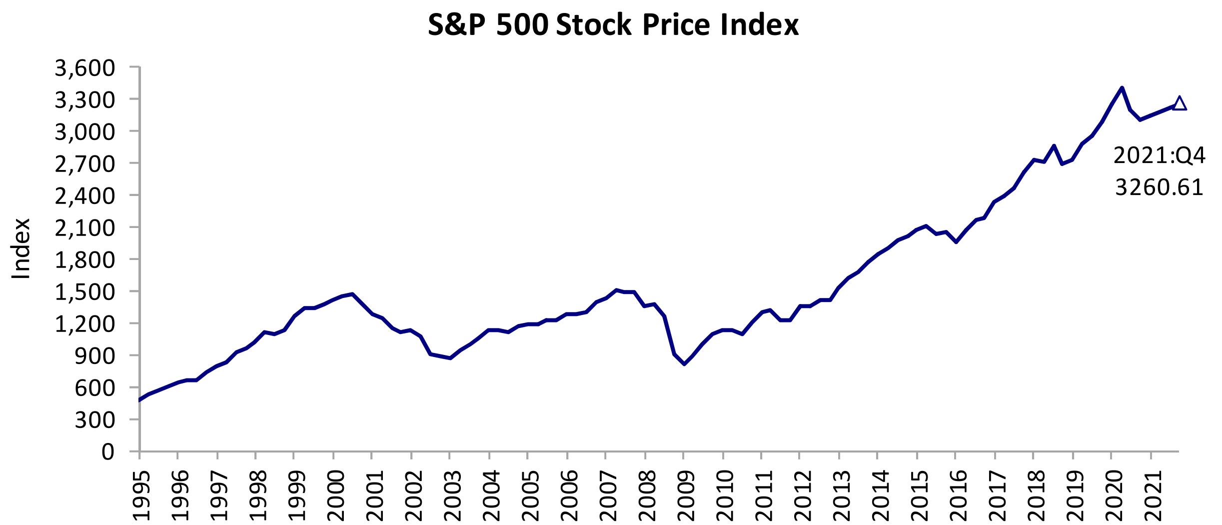
[33] "U.S. Energy Information Administration - EIA - Independent Statistics and Analysis," *Short-Term Energy Outlook - U.S. Energy Information Administration (EIA)*, 11 Feb. 2020, www.eia.gov/outlooks/steo/.



Note: Data are monthly through November 2019.
Source: U.S. Energy Information Administration.

Figure 22

Equity Markets



Note: Data are quarterly through 2021:Q4; 2020 and 2021 are forecasts. Index 1941-1943=10.
Sources: Standard & Poor's; NYS Assembly Ways and Means Committee staff.

Figure 23

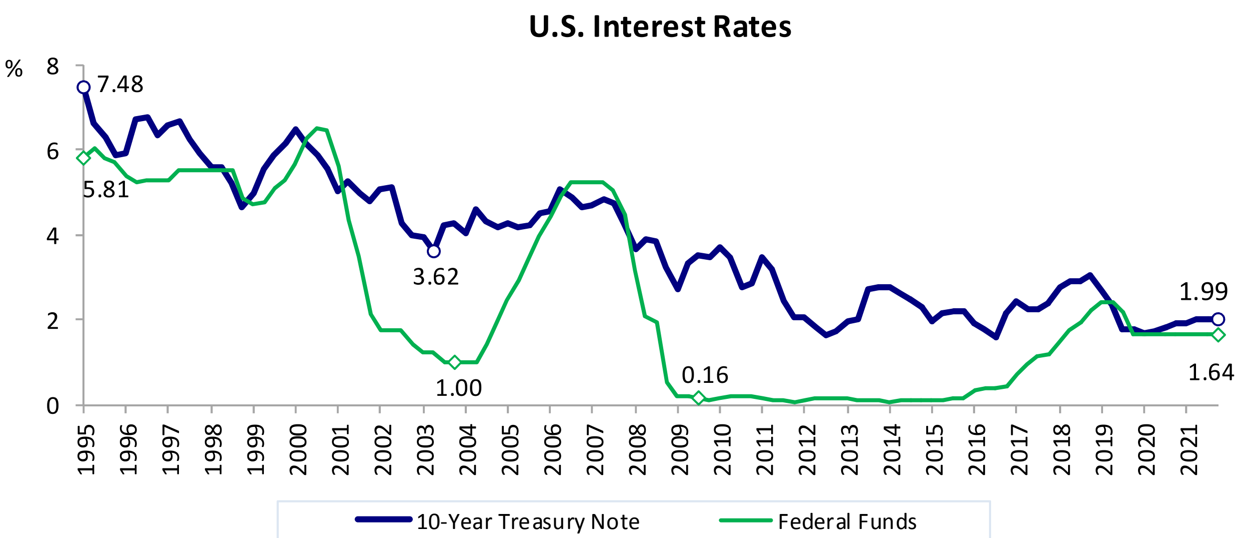
Key Point

- **Equity markets have been performing strongly but face several headwinds, including uncertainties surrounding trade policy changes, a maturing economic expansion, and slowing profits.**

During the 10-year bull market in the 1990's, the S&P 500 stock price index had risen 17.4 percent on an annualized monthly average basis prior to a 56 percent crash in 2000. The price/earnings ratio (P/E) ratio, which hovers around the high teens in normal times, reached 28 prior to the crash of 2000. The 2003-2007 bull market ended with a 51 percent crash after gaining 13.9 percent on an annualized monthly average basis (see **Figure 23)**.

As of January 2020, the S&P 500 stock price index grew 14.3 percent on an annualized monthly average basis from the Great Recession low, with the P/E ratio hovering around 21. The index has risen steadily after the large decline in the fourth quarter of 2018. However, while interest rates have declined, investors are still wary of threats of a potential recession, slowing profits, geopolitical uncertainties and mounting conflicts in international trade. As a result, gains in equity prices are expected to moderate in the forecast period, with growth in the yearly average level of the S&P 500 forecast to increase 11.1 percent in 2020, and then turn negative in 2021.

Monetary Policy



Note: Data are quarterly through 2021:Q4; the first forecast period is 2020:Q1.
Sources: Federal Reserve; NYS Assembly Ways and Means Committee staff.

Figure 24

Key Points

- **The federal funds rate is forecast to average 1.6 percent in 2020 and 2021;**
- **On an annual average basis, the 10-year Treasury yield is forecast to decrease to 1.8 percent in 2020 before stabilizing at 2.0 percent in 2021.**

From December 16, 2008 until December 16, 2015, the Federal Reserve held the federal funds target rate at the 0.0 to 0.25 percent range, the lowest level on record (see **Figure 24**). As labor market conditions improved and inflation expectations firmed, the Federal Reserve raised interest rates nine times during the three-year period of December 2015 through December 2018.

But in a preemptive action against the slowing economy and rising uncertainties, the Federal Reserve has cut the target range for the federal funds rate three times since December 2018. Premised on volatile financial markets and slowing economic growth, the Federal Reserve will remain flexible with monetary policy, readying itself to adjust its stance to economic and financial conditions at home and abroad. The current forecast assumes no more rate cuts or hikes by the Federal Reserve in the forecast period.

In the Treasury securities market, with investors scrambling for safer assets in the midst of rising risks, the yield on ten-year Treasury notes started its decline in October 2018 from a cycle high of 3.15 percent on a monthly average basis and still remains well below 2 percent. The ten-year yield averaged 1.76 percent in January 2020. This sharp decline in the long-term yield resulted in the summer months of 2019 in a phenomenon called an inverted yield curve, where the long-term yield falls below the short-term yield.

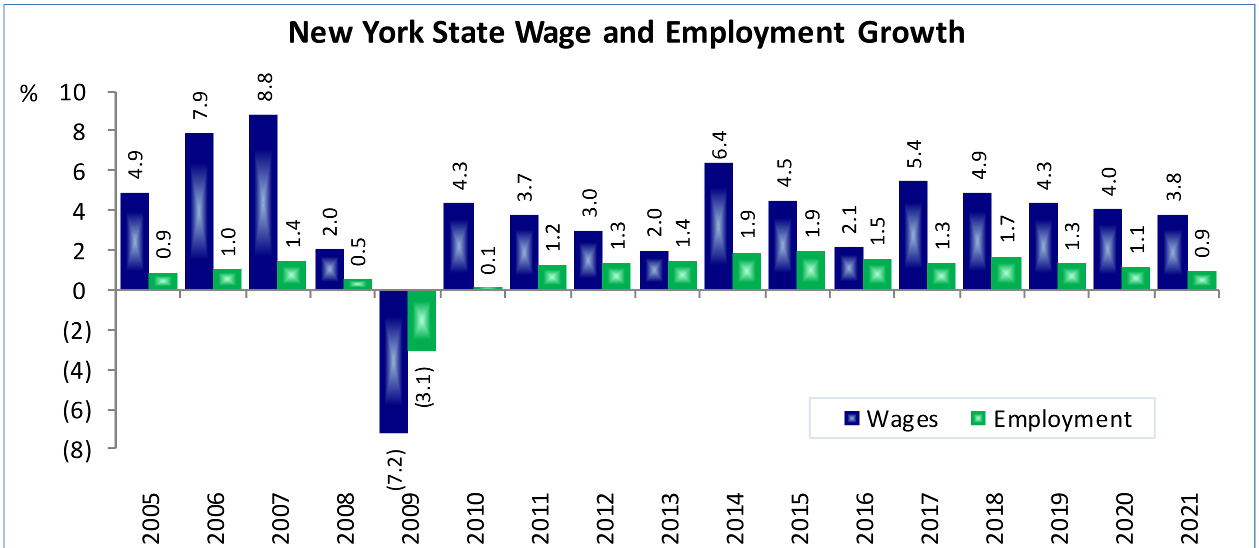
While the projected increase in federal budget deficits from the 2017 tax reform puts upward pressure on the yield on U.S. Treasury securities, domestic and global uncertainties as well as low inflation expectations put downward pressure on the Treasury yield. For the next two years, downward pressure will dominate, causing the yield on ten-year Treasury notes to remain low in tandem with low short-term rates. On an annual average basis, the ten-year yield is forecast to decrease from the annual average of 2.9 percent in 2018 and 2.1 percent in 2019 to 1.8 percent in 2020, before rising to 2.0 percent in 2021.

NEW YORK STATE ECONOMIC FORECAST ANALYSIS

New York is the third largest State economy in the United States (behind California and Texas), with a Gross Domestic Product of $1.7 trillion in 2018.[34] The State's total non-farm employment is 9.4 million, spread over all sectors, with the highest concentrations in education and health, government, and finance and insurance.

Slow but steady expansion of the State economy continues

New York State employment has been growing steadily since the end of the Great Recession, and while employment growth is slightly slower than the national trend, total employment in the State is at a record-high level. Wages have also been growing steadily. Total wages in the State are poised to grow further in the forecast period as base wages grow along with employment. Much of the wage outlook for the State remains dependent upon the performance of the financial sector, where significant risks exist. Overall wage growth has not reached the rates seen in 2006 and 2007, as bonuses on Wall Street have been significantly restrained by various reforms and regulations since the Great Recession (see **Figure 25**).



Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: New York State Department of Labor; NYS Assembly Ways and Means Committee staff.

Figure 25

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[34] U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts, http://www.bea.gov/regional/index.htm, last accessed: September 26, 2019.

Employment

The New York State economy has benefitted from the continued recovery in the national economy. Total nonfarm employment in the State increased an estimated 1.3 percent in 2019 after growing 1.7 percent in 2018. The improvement in employment growth in 2018 is somewhat artificial as it is attributable largely to a change in the way data on the State's local government sector employment is compiled and reported. With the national and State economic expansion maturing and the labor market continuing to tighten, employment in the State is expected to grow slower during the forecast period. Employment growth is forecast to slow to 1.1 percent in 2020 and 0.9 percent in 2021.

Employment growth is expected to continue in all sectors, except manufacturing, management of companies, wholesale trade, and retail trade, throughout the forecast period. Employment in the retail trade sector has fallen for four consecutive years from 2016 to 2019. This is due in part to the increase in online sales in the past several years. Online sales accounted for less than five percent of total retail sales in the third quarter of 2011, but increased to 11.2 percent in the third quarter of 2019.[35] E-commerce is less labor intensive than physical store retailing, and rising online sales have a net negative effect on retail trade employment. In addition, many retailers have filed bankruptcy or closed stores recently to stay competitive, while other retail chains remain saddled with debt. This trend is expected to continue; as a result, employment in this sector is expected to decline throughout the forecast period.

Employment in the construction sector has continued to grow solidly as an estimated 140 million gross square feet of floor space were built in New York City in 2018 and 2019, the largest amount since at least 1995. An additional 59.8 million gross square feet of floor space will be constructed in 2020.[36] Also, several infrastructure projects are either underway or planned for the next several years. As a result, after growing 3.1 percent in 2018, employment in the construction sector is estimated to have grown further by 2.9 percent in 2019, and is forecast to increase by 2.4 percent in 2020 and 1.8 percent in 2021 (see **Table 4**).

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[35] U.S. Census Bureau, "Quarterly E-Commerce Report," Third Quarter 2019, https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf, last accessed: January 21, 2020.
[36] New York Building Congress, "2018-2020 *New York City Construction Outlook,"* https://www.buildingcongress.com/outlook/, last accessed September 20, 2019.

Table 4

New York State Nonfarm Employment by Sector (Percent Change)	Recession 2009	Actual 2018	Estimated 2019	Forecast 2020	Forecast 2021
Total	**(3.1)**	**1.7**	**1.3**	**1.1**	**0.9**
Education & Health Care[1]	1.7	3.5	3.3	2.9	2.7
Construction	(10.0)	3.1	2.7	2.4	1.8
Transportation & Utilities[3]	(4.2)	2.0	2.6	1.5	1.2
Other Services[2]	(5.0)	2.3	2.3	1.8	1.3
Professional Services	(4.3)	0.3	1.3	1.1	0.9
Finance & Insurance	(7.2)	0.7	0.9	0.5	0.4
Information	(4.0)	2.2	0.9	0.6	0.5
Leisure & Hospitality	(0.9)	1.2	0.6	1.0	0.9
Real Estate, Rental, & Leasing	(3.8)	0.8	0.6	0.7	0.5
Government	(0.2)	2.7	0.6	0.5	0.3
Management of Companies	(0.7)	0.9	0.1	0.3	(0.2)
Manufacturing[4]	(10.9)	(0.6)	(0.4)	(0.7)	(0.8)
Wholesale Trade	(6.3)	(2.6)	(0.9)	0.4	(0.4)
Retail Trade	(3.8)	(0.9)	(1.3)	(0.9)	(0.7)

Note: Industries are ranked by 2019 employment growth; rankings are based on two decimal places.

[1] Includes only private employment. Public education and health care employment is included in the government sector.

[2] Including administrative, support, and waste management services.

[3] Transportation, warehousing, and utilities.

[4] Including mining.

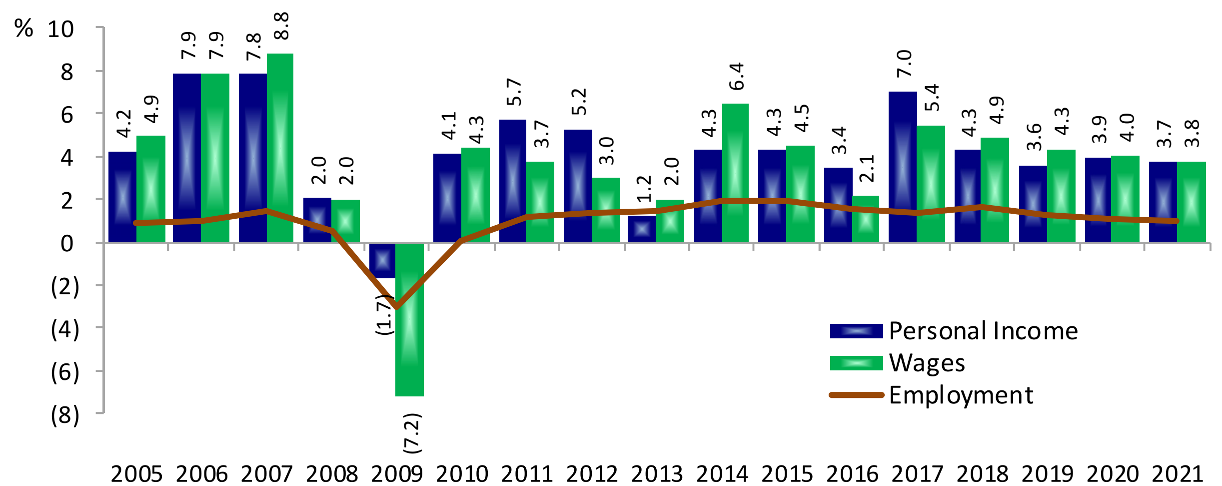
Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

The education and health care sector, the largest in the State, is the only sector that gained employment during the last recession. In particular, employment in health has continued to grow as aging baby boomers create more demand for health care services. Growth in that sector is expected to persist, albeit at a slower rate. Employment in the education and health care sector is estimated to have grown 3.3 percent in 2019, and is forecast to grow by 2.9 percent in 2020 and 2.7 percent in 2021.

Despite the heavy losses sustained during the Great Recession, recovery in the finance and insurance sector has been slow as technology, stricter regulations, and high operating costs have led firms to hire fewer employees. Employment in this sector is expected to continue to grow slowly throughout the forecast period.

Personal Income and Wages

Personal income in New York State grew 4.3 percent in 2018, and is estimated to have grown 3.6 percent in 2019 driven mainly by wage growth. Personal income is forecast to grow by another 3.9 percent in 2020 and 3.7 percent in 2021 (see **Figure 26**).



Note: Data for 2019 are estimated; 2020 and 2021 are forecasts.
Sources: NYS Department of Labor; U.S. Bureau of Economic Analysis; NYS Assembly Ways and Means Committee staff.

Figure 26

Wages account for about 52 percent of New York State's personal income and wage growth remains key to the State's fiscal outlook. The State has typically benefitted from strong growth in variable wages (or bonuses) in the financial sector, as their increases help drive total wage growth. Recently, steady employment growth has also contributed to steady growth in base wages.

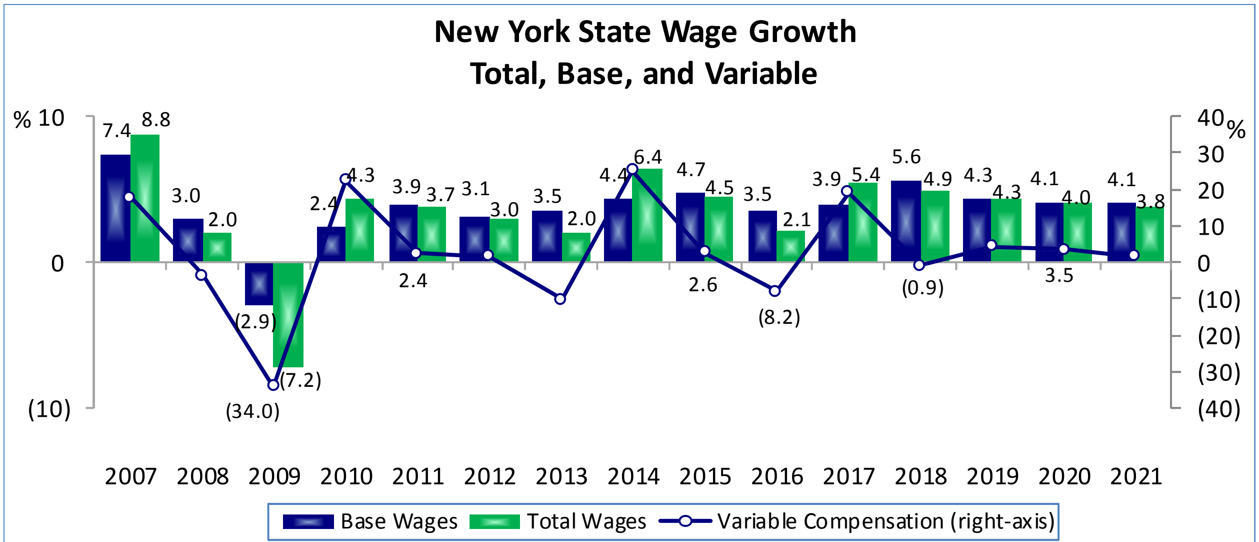
Much of New York State's variable compensation is concentrated in the financial sector, particularly the securities industry which accounted for 38.4 percent of the total variable wages paid in the State in 2018. In 2007, before the Great Recession, the percentage of the State's total variable compensation paid in the securities industry was over 50 percent.

The other components of personal income are also growing. Dividend, interest and rental income, the second largest component of personal income at about 20 percent, grew by 9.7 percent in 2018. With interest rates and corporate profits growth expected to remain low, the dividend, interest and rental income is forecast to grow at a slower pace during the forecast period.

Transfer income, which is the sum of government social benefits and net current transfer receipts from businesses, grew 9.6 percent in 2017, as governmental medical benefits' rose significantly. Although the cost-of-living adjustment for Social Security benefits increased by two percent in 2018, transfer income in the State fell 1.2 percent due to an unusually high level in 2017. Transfer income in the State is estimated to have rebounded with a growth of 2.5 percent in 2019, and forecast to grow further by 4.0 percent in 2020 and 3.9 percent in 2021.

Wage growth continue to be below the rates achieved leading up to the Great Recession, partly due to job gains being concentrated in lower-paying sectors and variable wages growth being restrained. However, tightening labor markets have put upward pressure on wages. As a result, wages in New York State are expected to continue to grow but the pace will moderate throughout the forecast period. After growing 4.9 percent in 2018, total wages are estimated to have grown 4.3 percent in 2019. Wage growth is forecast to slow to 4.0 percent in 2020 and to 3.8 percent in 2021, commensurate with the projected slowing of overall economic growth.

As employment grows steadily, base wages will continue to rise, even in those industries with relatively low average wages (see **Figure 27**). Base wages are estimated to have grown 4.3 percent in 2019, and then the growth is forecast to weaken to 4.1 percent in 2020 and 2021, as employment growth is expected to slow. In the financial sector, variable wages fell in 2018 as firms shifted bonus payments from 2018 into 2017. As a result, variable wages in New York fell 0.9 percent in 2018 from the unusually high level in 2017. As financial sector revenues are expected to continue to grow steadily, variable wages are estimated to have grown 4.3 percent in 2019. Growth in variable wages is forecast to slow to 3.5 percent in 2020 and 1.4 percent in 2021.



Note: Total wage data for 2019 are estimated; 2020 and 2021 are forecasts. Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and their levels sum to total wages.
Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

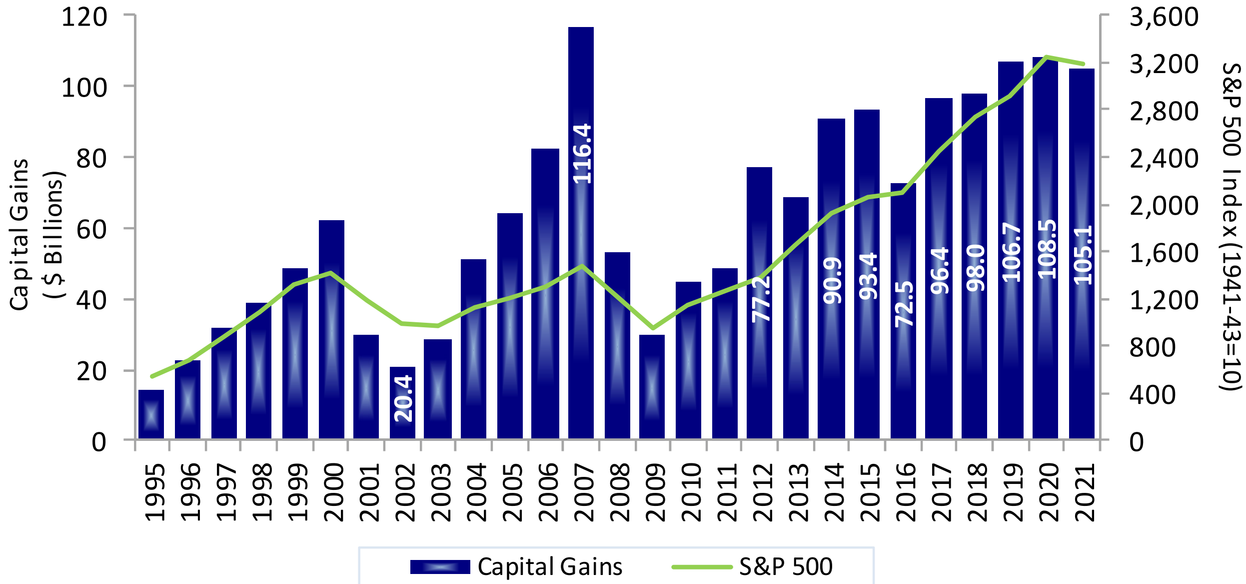
Figure 27

Capital Gains

Capital gains are contingent upon the performance of the financial and housing markets and the overall economy generally. Gains are only realized when an asset is sold for more than its acquisition cost. Households' assets may include their homes, other real estate, stocks, government and corporate bonds, mutual funds, and privately owned businesses. Upon selling an asset, households may be liable to pay taxes on realized gains or, conversely, they may be entitled to a tax deduction in case of a capital loss. Consequently, they may choose to advance or delay the disposition of an asset depending on the economic outlook or announced change in the tax environment. For example, if households anticipate higher future tax rates on capital gains realizations, they have an incentive to exercise the option of taking gains in the year before the higher tax rates become effective. Conversely, if households expect lower rates in the future, they have an incentive to delay realizing capital gains until after the rates are implemented.

Increased equity market volatility will likely restrain gains in the forecast period. Realized capital gains are projected to grow 8.9 percent in 2019 or to $106.7 billion, following an estimated increase of 1.6 percent in 2018 (see **Figure 28**). Increased volatility in the fourth quarter of 2018 led to a 13.5 percent drop off in equity prices compared to the end of the third quarter. While equity prices have since rebounded, volatility in the stock market continued into 2019, as investors reacted to trade policy changes and varying economic indicators. Capital gains are projected to increase 1.6 percent in 2020 and then decline 3.1 percent in 2021 as economic growth and equity prices fall.

New York State Taxable Capital Gains and Stock Price Index



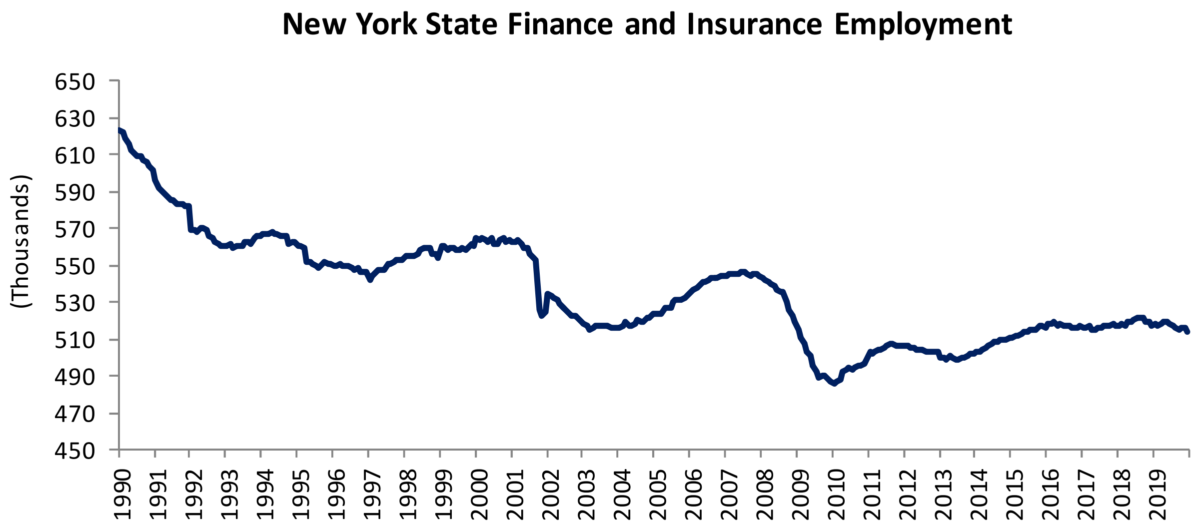
Note: Data for 2018 are estimated; 2019, 2020 and 2021 are forecasts.

Sources: Standard & Poors; NYS Department of Taxation and Finance; NYS Assembly Ways and Means

Figure 28

Finance and Insurance Sector

Although employment in the finance and insurance sector has declined in the past decades, it remains a significant sector in the New York State economy. While representing only 5.5 percent of State employment, the sector accounted for over 17 percent of wages and more than half of variable wages in 2018. Employment in this sector fell sharply during the Great Recession, and remains well below its previous peak (see **Figure 29**). This is due largely to structural changes such as automation in the industry and the migration of many activities to other states.



Note: Data are monthly from January 1990 to December 2019.
Source: U.S. Bureau of Labor Statistics.

Figure 29

After two consecutive years of weak performance, financial activities rebounded strongly in 2018. Global initial public offerings (IPO) increased 11 percent in 2018 to a total of \$200.2 billion, the highest since 2014.[37] Worldwide, announced mergers and acquisitions (M&A) totaled \$4.0 trillion, an increase of 19.2 percent from 2017.[38] The outlook for the finance industry has weakened somewhat in recent months. With global uncertainties rising, financial activities have started to wane. As a result, M&A activity fell in 2019.

[37] Thomson Reuters Deals Intelligence, Global Equity Capital Markets Review, Full Year 2018.

[38] Thomson Reuters Deals Intelligence, Mergers and Acquisition Review, Full Year 2018.

Worldwide M&A activity totaled $3.9 trillion in 2019, a decline of 3.0 percent compared to 2018.[39] Similarly, worldwide IPO activity fell sharply to $171.3 billion in 2019, a decline of 15 percent compared to last year. This is the slowest annual period for global IPOs since 2016.[40]

Stagnation of employment does not necessarily mean a decrease in compensation for the finance and insurance industry. However, many changes have occurred as a result of the Great Recession, including changing compensation practices from base salary to long-term incentives such as bonus and stock option. These changes have impacted the relationship between firms' profits and wage payouts, making it more difficult to accurately predict wages in that industry.

[39] Thomson Reuters Deals Intelligence, Mergers and Acquisition Review, Full Year, 2019.
[40] Thomson Reuters Deals Intelligence, Global Equity Capital Markets Review, Full Year, 2019.

Real Estate Market

In the housing market, New York State outperformed the nation during both the housing boom and correction but has lagged the nation in recent years. During the housing boom, which lasted from 2001 to 2007, overall home prices in the State rose 64.5 percent from the first quarter of 2001 to the first quarter of 2007, compared to 53.0 percent for the nation (see **Table 5**). Home prices in the State fell at a much slower rate than in the nation during the housing correction. From the first quarter of 2007 to the second quarter of 2011, home prices fell 21.1 percent nationally, while home prices in the State declined 8.1 percent. The two metropolitan areas that had the largest home price change during the housing boom/bust cycle were New York-Jersey City-White Plains and Nassau-Suffolk.

Table 5

Home Price Change by New York State Metropolitan Area (Percent Change)

	Housing Boom 2001:Q1-2007:Q1	Housing Correction 2007:Q1-2011:Q2	Current Recovery 2011:Q2-2019:Q3
Buffalo-Cheektowaga-Niagara Falls	31.5	4.3	44.3
New York-Jersey City-White Plains	85.2	(16.1)	29.8
Nassau-Suffolk	84.3	(14.9)	29.7
Rochester	22.0	(0.3)	27.8
Syracuse	38.5	0.0	24.3
Albany-Schenectady-Troy	81.7	(5.7)	15.6
New York State	**64.5**	**(8.1)**	**28.2**
U.S.	**53.0**	**(21.1)**	**55.1**

Note: Data are seasonally adjusted. The FHFA Index presented herein may show different price changes from the S&P/Case-Shiller Index. This is because the two indices use different data. The FHFA Index is based on homes with conforming loans, which have a limit of $484,350 for single-family homes in the U.S. except in not in Alaska, Hawaii, Guam & U.S. Virgin Islands, where the limit is $726,525. Therefore, the FHFA index does not reflect price changes for more expensive homes.

Source: Federal Housing Finance Agency (FHFA).

However, home prices in New York State have grown much slower than the national average in recent years. From the second quarter of 2011 to the third quarter of 2019, home prices grew 55.1 percent nationally, while home prices in New York State grew only by 28.2 percent.

Although housing affordability in downstate areas has been improving slightly in the past few years, housing has long been more affordable upstate than downstate.[41] While most upstate metropolitan regions have consistently ranked among the top fifty in affordability among regions nationwide, New York-Jersey City-White Plains has ranked among the least affordable metro areas. In the fourth quarter of 2019, only 36.4 percent of homes sold in this area were affordable to families earning the area's median income, compared to over 85 percent in Binghamton, Elmira, Syracuse, Utica-Rome, and Albany-Schenectady-Troy. Although home prices in Buffalo-Cheektowaga-Niagara Falls have appreciated the fastest in recent years, housing remains very affordable. In the fourth quarter of 2019, 84.9 percent of homes sold in Buffalo-Cheektowaga-Niagara Falls were affordable to families earning the area's median income.[42]

Slow home price growth has reduced the housing cost burden for homeowners in New York State. In 2012, 33.2 percent of homeowners across the State paid more than 30 percent of their income on housing. This share fell to 28.8 percent in 2018. However, a large disparity still exists across New York State. Between 2014 and 2018, downstate residents faced a much higher housing cost burden than those in upstate. The housing cost burden was highest in New York-Newark-Jersey City, where 34.8 percent of homeowners and 50.5 percent of renters paid more than 30 percent of their income on housing. The lowest burden for homeowners was in Elmira, where only 17.2 percent of homeowners paid more than 30 percent of their income on housing. In the State as a whole, 28.8 percent of all New York homeowners paid more than 30 percent of their income on housing between 2014 and 2018, while about half of all renters did, compared to 23.1 percent and 46.5 percent for the nation, respectively (see **Table 6**).[43]

[41] A home is considered affordable if it accounts for 28 percent or less of a household's income. Housing expenses include principal, interest, estimated property taxes, and property insurance.

[42] National Association of Home Builders, NAHB/Wells Fargo Housing Opportunity Index (HOI), http://www.nahb.org/en/research/housing-economics/housing-indexes/housing-opportunity-index.aspx last accessed: February 14, 2020.

[43] From 2011 to 2018 the housing cost burden for renters with low income increased significantly in most metros in the U.S. Bloomberg "The U.S. Housing Crisis is Making its Way to the Heartland." January 31, 2020. https://www.bloomberg.com/news/articles/2020-01-31/the-u-s-housing-crisis-is-making-its-way-to-the-heartland.

Table 6

Housing Cost Burden by New York State Metropolitan Area					
	Owner 2014-2018		Renter 2014-2018		
	Owner-Occupied Housing Units Total	Percent with Housing Costs Over 30% of Household Income	Renter-Occupied Housing Units Total	Percent with Housing Costs Over 30% of Household Income	Housing Opportunity Index 2019:Q4
Metropolitan Statistical Area					
New York-Newark-Jersey City	3,728,539	34.8	3,467,844	50.5	36.4
Kingston	47,815	30.0	21,724	55.1	72.6
Glens Falls	37,054	23.1	14,508	48.0	80.2
Rochester	289,522	20.5	141,809	50.7	84.0
Albany-Schenectady-Troy	224,214	20.1	126,087	44.3	85.5
Ithaca	21,749	19.9	17,577	54.9	77.6
Watertown-Fort Drum	24,108	19.4	19,159	41.9	80.1
Utica-Rome	78,117	19.2	36,480	43.8	88.3
Binghamton	66,754	19.1	31,885	48.4	90.0
Buffalo-Cheektowaga-Niagara Falls	314,110	18.7	161,948	46.3	84.9
Syracuse	173,817	18.5	83,865	44.8	89.2
Elmira	23,349	17.2	11,024	49.1	93.1
New York State	**3,943,356**	**28.8**	**3,373,181**	**50.0**	**N/A**
United States	**76,444,810**	**23.1**	**43,285,318**	**46.5**	**63.2**

Note: The Housing Opportunity Index for New York-Newark-Jersey City was the Index for New York-Jersey City-White Plains, NY-NJ.
Housing costs for homeowners include mortgage payment, real estate taxes, fire hazard and flood insurance, utilities, and fuels. The housing cost for renters is gross rent.
The Housing Opportunity Index is defined as the share of homes sold in the area that would have been affordable to a family earning the median income (i.e., the total monthly payment is less than 28 percent of the monthly median household income).
Sources: U.S. Census Bureau, 2014-2018 American Community Survey 5-Year Estimates; National Association of Home Builders.

Activities in the office market in New York City have been strong for the past few years. Leasing activities were solid in 2018, with new leasing reaching a historic high of 35.9 million square feet, an increase of 17.7 percent from 2017.[44] Leasing activities continued to be strong in 2019. Leasing activities totaled 34.7 million square feet, a slight decline from 2018.

Despite the robust level of activity, the overall vacancy rate in Manhattan increased in the fourth quarter of 2019 to 11.1 percent, as more new space entered the market. Overall

[44] Cushman & Wakefield, “MARKETBEAT Office Snapshot: Manhattan NY,” Q4 2018.

asking rents rose from $72.28 per square foot in the fourth quarter of 2018 to $73.61 per square foot in the fourth quarter of 2019.[45] Although more new spaces are scheduled to enter the market in 2020, the outlook for the office market in New York City remains robust as office-using employment are expected to continue to grow.

[45] Cushman & Wakefield, "MARKETBEAT Office Snapshot: Manhattan NY," Q4 2019.

RISKS TO THE FORECAST

Recent domestic and international developments pose a diverse set of risks to the staff's economic forecast, and thus, receipts outlook. A large number of economic indicators point to signs of slowing economic growth both at home and abroad. In particular, financial market excesses and abnormalities such as inverted yield curves, rising corporate debt burdens, and unusually low risk premiums on high-yield bonds should be duly noted. As such, the outlook is subject to a significant downside risk.

Global economic growth has somewhat improved of late, but there are signs that it still remains weak. Also, although the overall debt-to-income ratio in the Eurozone has receded modestly from its peak in early 2015, public sector debt is elevated and significant amounts of it are held by banking systems, making the banking sector vulnerable to future shocks.

Geopolitical tensions in the Middle East pose a particular threat to the global supply chain of crude oil. As witnessed in recent years, the unpredictable, extreme weather patterns caused by climate change can result in major losses to crops, infrastructure and other economic activities.

Lately, the coronavirus epidemic in China is threatening not only China's economic growth but also the global supply chains for finished products and parts. In the short term, the inventory built up during the trade war in 2019 should help, but should the epidemic turn into a pandemic the U.S. economy as well as the global economy might suffer a more serious contraction.

With the recent signing of the phase-one trade deal, trade tensions between the U.S. and China have eased somewhat, but much of the uncertainty surrounding trade policy remains, especially with respect to negotiations on intellectual property rights and cybersecurity. Also, trade conflicts may expand to other countries including EU.

The Federal Reserve has taken a pause in its rate cut actions. But the Federal Reserve will remain flexible with monetary policy, readying itself to adjust its stance to economic and financial conditions at home and abroad. Such monetary policy uncertainty and market reactions to it are posing a major risk to the outlook. Should market volatility continue it could lead to a loss of consumer and business confidence, negatively impacting consumer spending and business decisions on capital spending and hiring.

With Wall Street and the financial markets playing a central role in the State's economy, any adverse shocks to the U.S. economy as well as any further continuation of market volatility will be felt across the State of New York.

NEW YORK STATE INDUSTRIAL AND REGIONAL ANALYSIS

Employment by Industry

New York State has seen the industrial composition of its employment deeply transformed in the past several decades. In particular, sectors such as health and education have exploded, while manufacturing has receded. The leisure and hospitality sector has experienced the fastest growth in employment following the Great Recession. These changes continue today, with variations across the State.

Education and health care employment has been steadily increasing even during recessionary periods. As a result, the sector's share in New York State total nonfarm payroll employment has jumped up. From 1980 to 2008, the share of education and health care employment grew from less than 10 percent to 17.8 percent, becoming the largest sector in the State. Both upstate and downstate shared equally in this gain.[46] This sector's share further increased to 20.7 percent and ranked first in 2018. In contrast, the manufacturing sector has been losing jobs for decades, due to a structural shift in the economy and other economic factors. In 1980, the manufacturing sector accounted for 17.1 percent of total New York State employment, the second largest share behind the government sector. By 2008, this sector had dropped to seventh in rank and accounted for only 6.3 percent of the State's employment. By 2018, the share dropped to 4.8 percent and ranked eighth (see **Figure 30**).[47] As a result, the education and health care industry has contributed the most to New York State employment growth for the past few decades while manufacturing has been the biggest drag.

Leisure and hospitality employment has grown more rapidly following the Great Recession than any other sector and has become one of the main drivers of New York State's employment growth in recent years. From 2009 to 2018, employment in this sector grew the

[46] Downstate, the employment share of education and health care grew from 9.6 percent in 1980 to 18.4 percent in 2008. Its rank also rose from fourth to first. Similarly, this sector's upstate employment share grew from 9.7 percent in 1980 (ranked fourth) to 17.9 percent in 2008 (ranked second behind the government sector).

[47] The manufacturing sector has become less vital to the downstate economy compared to upstate, in terms of both the number of jobs and share of total employment. In 1980, manufacturing was the second largest sector in downstate, accounting for 13.9 percent of downstate total employment. In 2008, the sector ranked tenth, accounting for 4.0 percent of the downstate total employment. Likewise, manufacturing was the largest sector upstate in 1980, accounting for 24.5 percent of upstate total employment; this share dropped to 11.4 percent in 2008 and ranked fourth.

fastest, 34.9 percent, and contributed nearly one-quarter of New York State's employment growth. As a result, the share of leisure and hospitality employment increased from 8.3 percent in 2008 to 10.3 percent in 2018, with the sector's rank moving up from sixth to third.

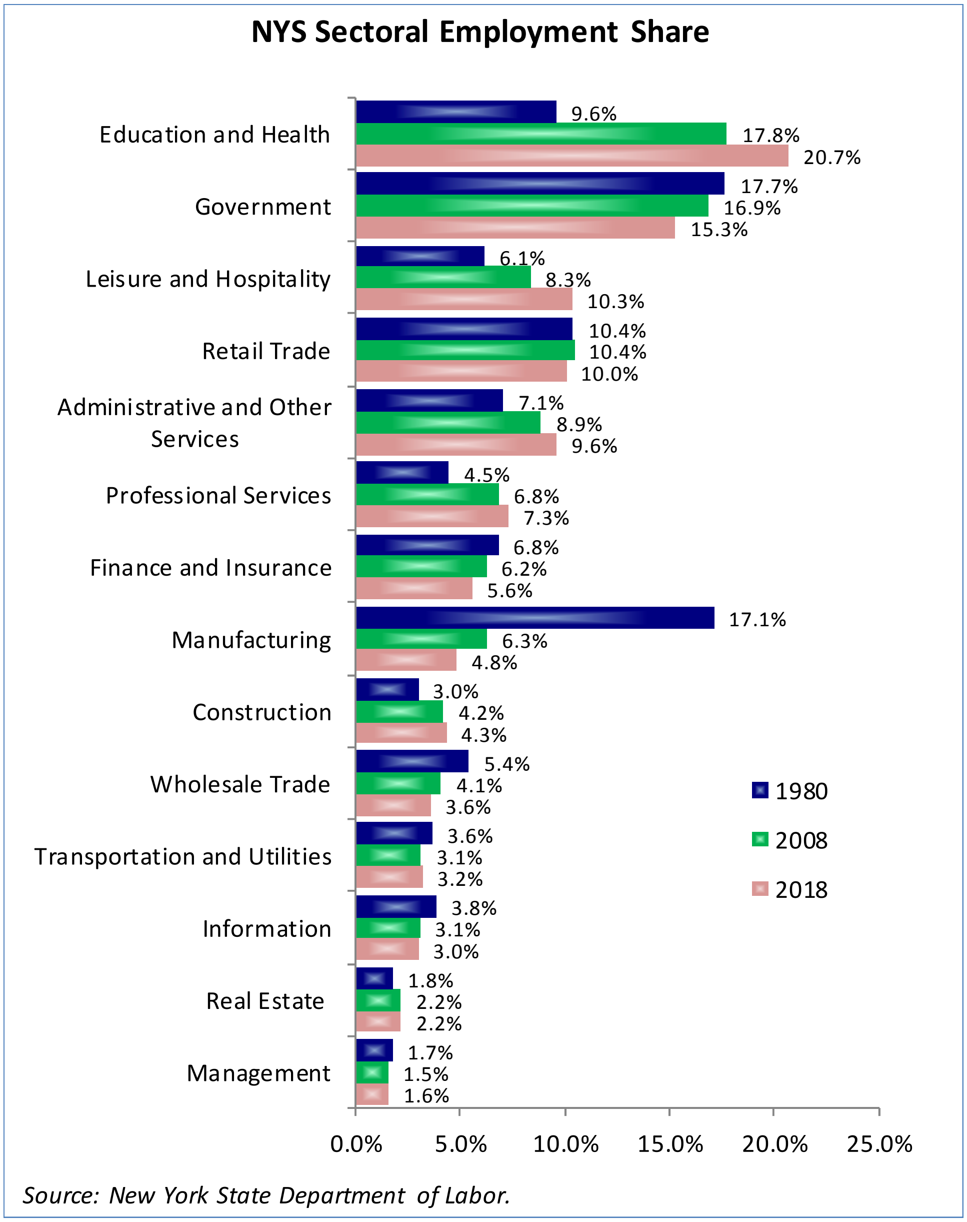


Figure 30

The gains in New York State employment during the current expansion have been mainly in lower paying sectors. From 2009 to 2018, four of the six sectors that contributed the most to the State's employment growth had the lowest average wages (see **Table 7**). Over seventy percent of all the jobs created in New York State between 2009 and 2018 were in education and health, leisure and hospitality, and administration and other services sectors.

Table 7

New York State Contribution to Employment Growth by Sector

	1980-2000		2003-2008		2009-2018		Average Wage
	Level (Jobs)	Share (%)	Level (Jobs)	Share (%)	Level (Jobs)	Share (%)	2018 ($)
Total Employment Change	**1,351,944**	**100.0**	**370,540**	**100.0**	**1,091,926**	**100.0**	**73,017**
Education and Health[1]	622,628	**46.1**	132,339	**35.7**	364,620	**33.4**	53,462
Leisure and Hospitality	197,689	14.6	72,882	19.7	247,228	22.6	33,783
Administrative and Other Services[2]	257,328	19.0	39,464	10.7	165,315	15.1	48,751
Professional Services	231,993	17.2	79,606	21.5	115,021	10.5	114,807
Construction	115,092	8.5	42,498	11.5	75,780	6.9	73,328
Retail Trade	137,534	10.2	42,279	11.4	67,864	6.2	36,519
Transportation and Utilities[3]	17,616	1.3	13,772	3.7	35,040	3.2	61,562
Information	51,682	3.8	(13,227)	(3.6)	23,749	2.2	129,898
Real Estate, Rental, & Leasing	56,951	4.2	7,116	1.9	22,360	2.0	74,338
Finance & Insurance	77,859	5.8	20,814	5.6	17,304	1.6	230,906
Management	(8,024)	(0.6)	11,239	3.0	14,206	1.3	151,446
Securities Industry	113,845	8.4	31,766	8.6	12,585	1.2	382,627
Wholesale Trade	(3,528)	(0.3)	606	0.2	390	0.0	86,417
Government	143,224	10.6	23,598	6.4	(27,867)	(2.6)	69,655
Manufacturing[4]	(465,049)	(34.4)	(77,104)	(20.8)	(33,217)	(3.0)	67,652

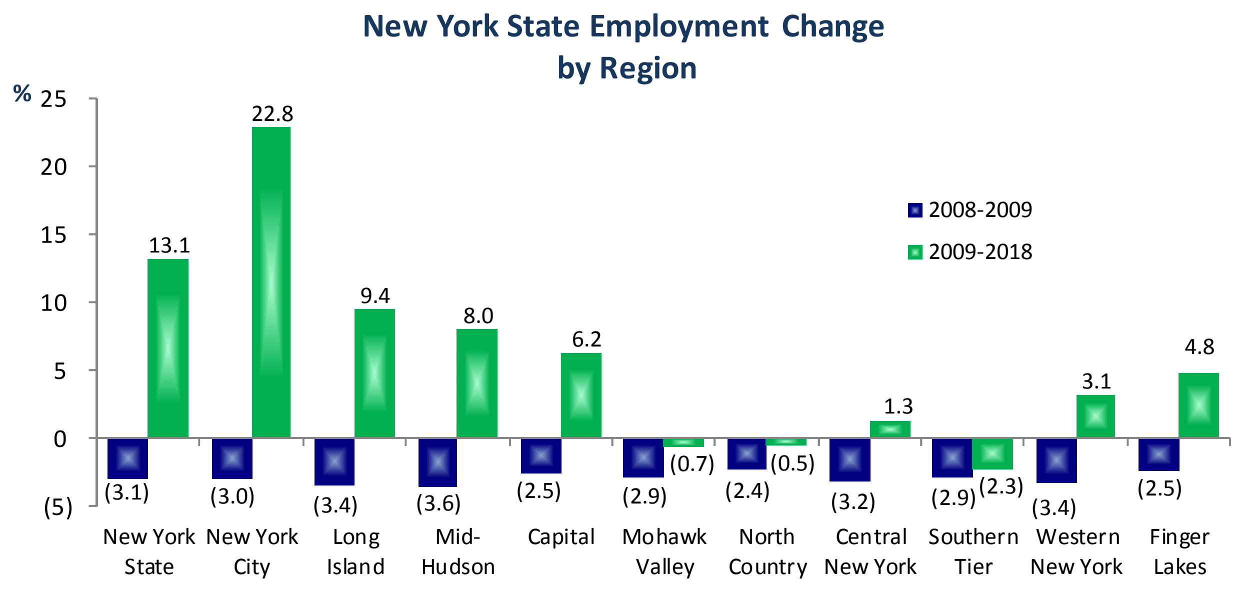
Note: Industries are ranked by 2009-2018 share; rankings are based on two decimal places.
[1] Includes only private employment. Public education and health care employment is included in the government sector.
[2] Including administrative, support, and waste management services.
[3] Transportation, warehousing, and utilities.
[4] Including mining.
Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

Employment by Region

In 2018, the largest region by employment in the State was New York City. With over four million jobs, New York City accounted for over 45 percent of the State's total nonfarm employment. The smallest employment region was the North Country, with 147,500 nonfarm jobs. Across regions, most jobs are concentrated in education, health, and government, while the smallest numbers are found in management of companies, real estate, rental, and leasing industries.

Downstate regions were hit harder during the recession but recovered quicker

Downstate regions were hit harder than upstate regions during the last recession. However, downstate has recovered faster than upstate. From 2009 to 2018, downstate gained 17.7 percent in nonfarm jobs with all regions therein gaining jobs. In contrast, upstate employment gained only 2.7 percent during this period, with three of the seven regions experiencing job losses. The Southern Tier region lost the highest percentage of jobs, 2.3 percent, from 2009 to 2018 (see **Figure 31**).



Source: New York State Department of Labor.

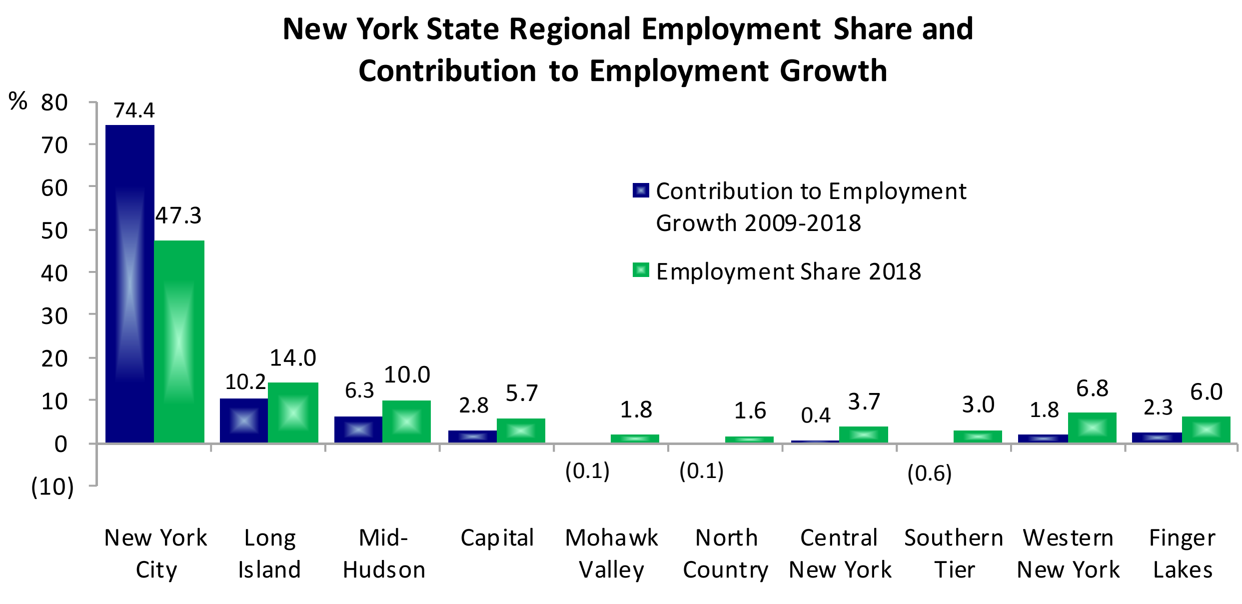
Figure 31

Seven regions (New York City, Long Island, Mid-Hudson, Capital, Central New York, Western New York, and Finger Lakes regions) regained the nonfarm private jobs lost during the Great Recession and have surpassed pre-recession levels. In 2018, nonfarm employment in New York City was 19.1 percent above its pre-recession peak. In contrast, employment in the Southern Tier, Mohawk Valley, North County and Central New York regions remained below its previous peak.

New York City continues to contribute the most to the State's employment growth

New York City has long been the main contributor to the State's employment growth. While accounting for less than half of the State's employment in 2018, New York City contributed almost three quarters of the State's employment gains between 2009 and 2018.

During this period, downstate accounted for more than 90 percent of State's employment growth, while three upstate regions (Mohawk Valley, North Country, Southern Tier) continued to lose jobs (see **Figure 32**).



Source: New York State Department of Labor.

Figure 32

Regional Unemployment and Labor Force

Historically, the rate of unemployment in New York City has consistently been higher than in the rest of the State. During the Great Recession, the unemployment rate in New York City reached 10.2 percent in October and November 2009, compared to 8.9 percent for the State as a whole and 8.0 percent for the rest of the State. As New York City gained jobs at a much faster rate than the rest of the State in recent years, its unemployment rate has fallen rapidly. In December 2019, the unemployment rate in New York City was 3.9 percent, compared to 4.0 percent for the rest of the State (see **Figure 33**).

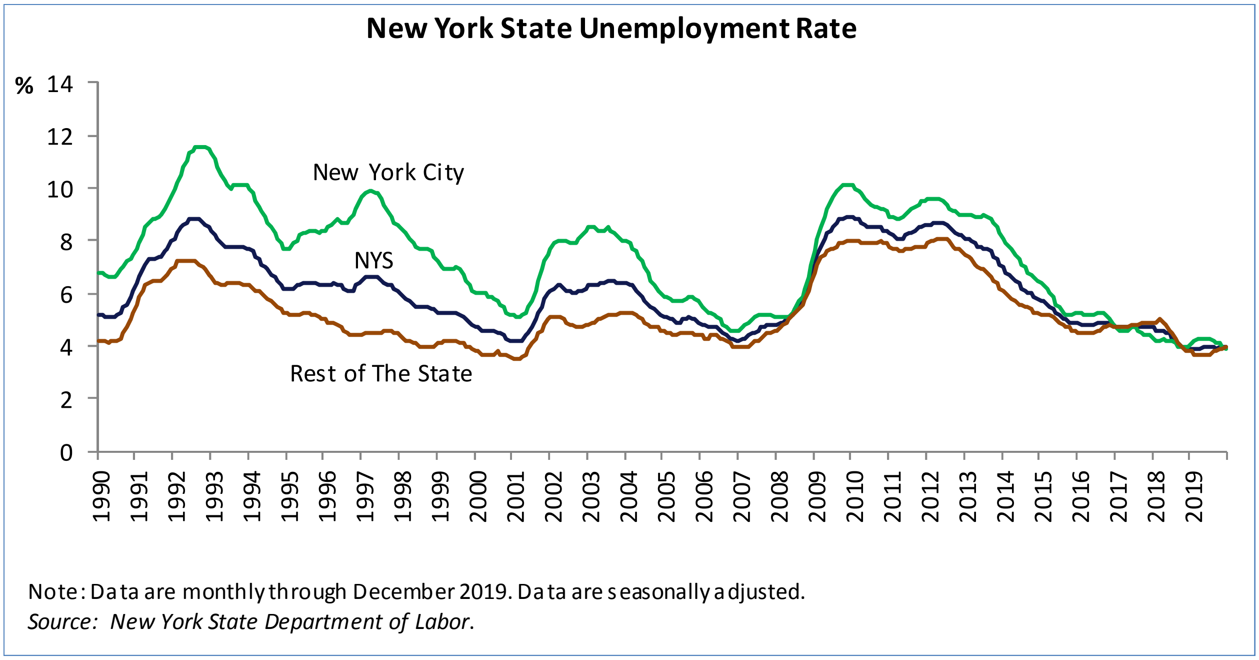


Figure 33

The fact that New York City's unemployment remains higher than the rest of the State is due in part to an expanding labor force in the area.[48] From 2009 to 2019, New York City's labor force increased 3.4 percent. In contrast, the labor force declined in all upstate regions during this period. The Southern Tier region lost the most at 12.1 percent from 2009 to the first eleven months of 2019, followed by the North Country region at 10.7 percent (see **Figure 34**).

[48] Labor force is number of the civilian population (not members of the Armed Services) ages 16 and older and are not in institutions such as prisons, mental hospitals, or nursing homes who are working or actively seeking work.

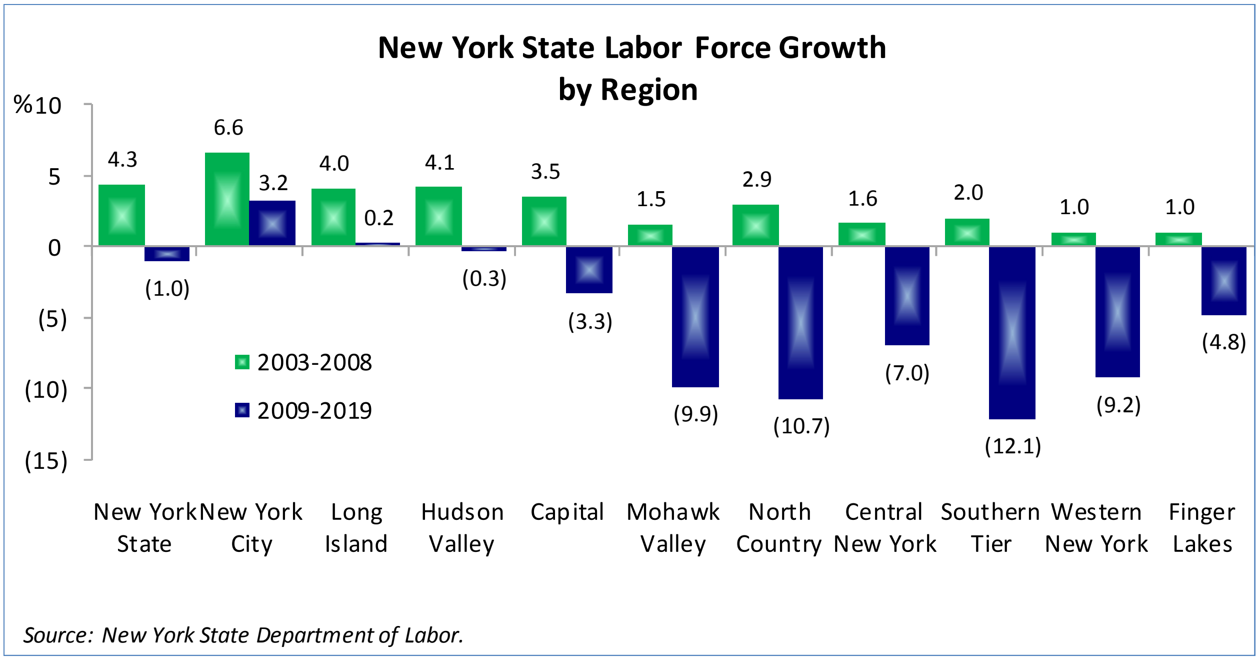
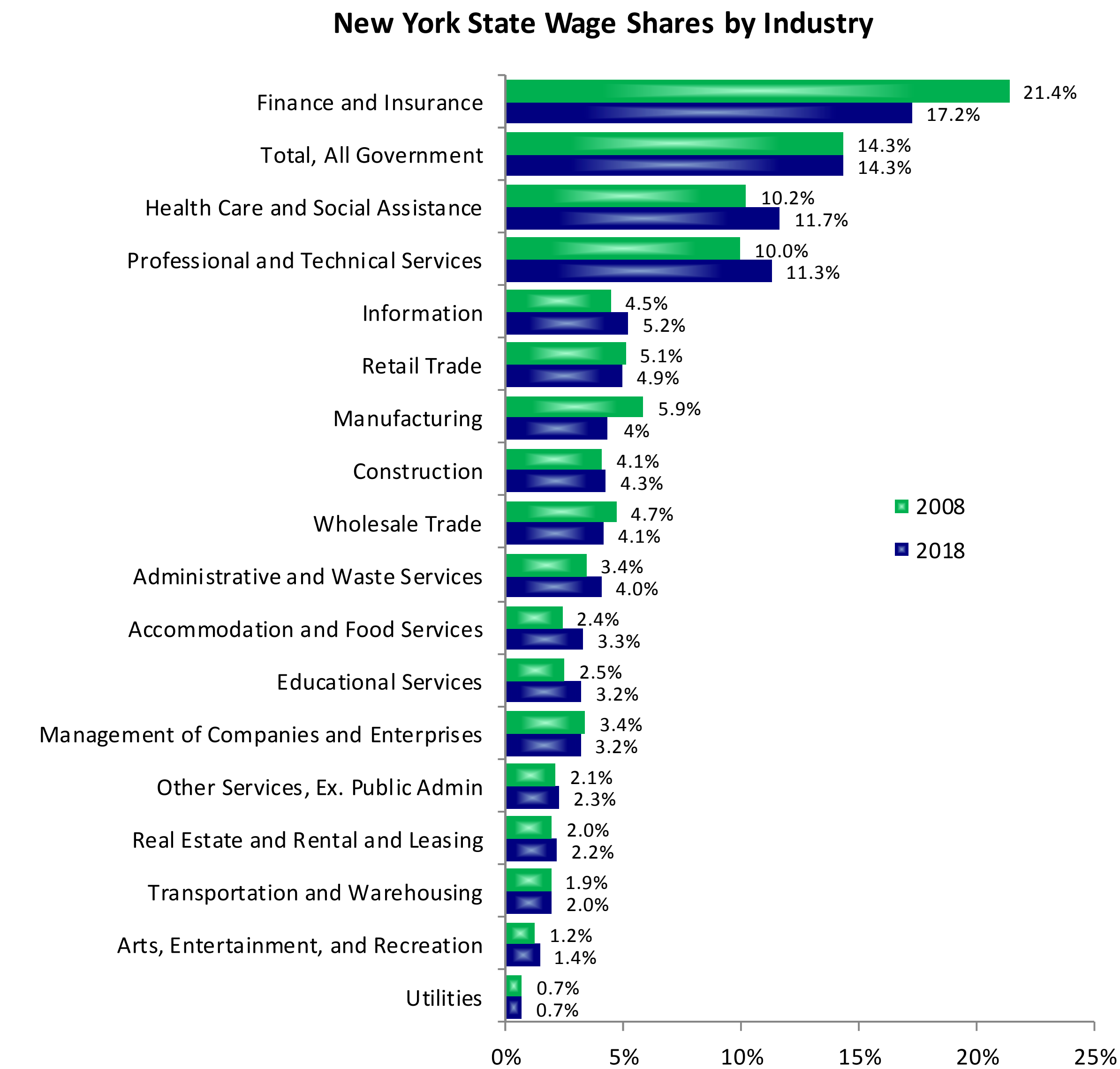


Figure 34

This decline in the labor force is due to several factors, including the aging of the population. As people get older, they are less likely to participate in the workforce. In many regions, significant shares of the working population have retired with not enough new workers to replace them. Out-migration has also contributed to the shrinking of the labor force, especially in upstate regions.

Wages by Industry

Contributions to the total amount of wages paid in New York State vary greatly across industries. In 2018, the finance and insurance sector accounted for 17.2 percent of total wages in the State. Government was second, with 14.3 percent, then health care and social assistance, 11.7 percent, and professional and technical services, 11.3 percent. The remaining industries distributed 45.5 percent of the total wages paid in the State. The finance and insurance sector saw its share shrink between 2008 and 2018, so did the retail trade, manufacturing, wholesale trade, and management of companies and enterprises sectors (see **Figure 35**).



Note: Labels for bars represent industries' shares of New York State total wages.
Source: New York State Department of Labor.

Figure 35

The average wage for nonfarm workers in New York State was $73,017 in 2018, an increase of 20.7 percent from $60,471 in 2008. At the same time, the average wage for the private sector in New York State rose 18.1 percent from $62,305 to $73,612. Average wages vary widely among sectors. In 2018, the five highest paying sectors in New York State were finance and insurance, management of companies, information, professional services, and wholesale trade. The lowest paying sectors were mostly in the services industry. The finance and insurance sector had the highest average wage of $230,906 in 2018, while the leisure and hospitality sector had the lowest average pay of only $33,783 (see **Table 8**).

Table 8

New York State Average Wage by Sector

	Average Wage		Growth
	2008 ($)	2018 ($)	(%)
Nonfarm	**60,471**	**73,017**	**20.7**
Private	**62,305**	**73,612**	**18.1**
Finance & Insurance	207,410	230,906	11.3
Management of Companies	133,192	151,446	13.7
Information	88,260	129,898	47.2
Professional Services	88,234	114,807	30.1
Wholesale Trade	69,450	86,417	24.4
Real Estate, Rental, & Leasing	55,100	74,338	34.9
Construction	59,119	73,328	24.0
Government	51,421	69,655	35.5
Manufacturing[1]	57,259	67,652	18.2
Transportation & Utilities[2]	50,222	61,562	22.6
Education & Health Care[3]	43,407	53,462	23.2
Other Services[4]	37,712	48,751	29.3
Retail Trade	29,516	36,519	23.7
Leisure & Hospitality	26,385	33,783	28.0

Note: Industries are ranked by 2018 average wage.

[1] Including mining.

[2] Transportation, warehousing, and utilities.

[3] Includes only private employment. Public education and health care employment is included in the government sector.

[4] Including administrative, support, and waste management services.

Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

Uneven industry distribution of wages across the State

The finance and insurance sector is particularly important downstate, accounting for 20.3 percent of downstate total wages in 2018, followed by the education and health sector at 14.3 percent. In upstate, the government sector is the largest wage-paying sector, accounting for 21.6 percent of upstate total nonfarm wages in 2018. The education and health sector had the second highest share of upstate wages at 18.8 percent (see **Table 9**).

Table 9

New York State Share of Nonfarm Wages by Sector

	NYS			Downstate			Upstate		
	1980	2008	2018	1980	2008	2018	1980	2008	2018
Total Nonfarm Wage (Billion $)	**111.4**	**518.5**	**621.2**	**78.8**	**403.1**	**484.8**	**30.7**	**104.7**	**121.9**
Finance & Insurance	8.6	**21.4**	**17.3**	10.9	**25.8**	**20.3**	3.0	6.2	5.4
Education and Health[1]	7.9	12.8	14.9	8.2	12.1	14.3	7.7	16.3	18.8
Government	17.5	14.3	14.3	**16.7**	12.6	13.0	19.5	**22.3**	**21.6**
Professional Services	5.9	10.0	11.3	7.0	10.8	12.1	2.8	6.5	7.0
Administrative and Other Services[2]	4.7	5.5	6.3	5.4	5.4	6.3	3.0	5.3	5.3
Information	5.0	4.5	5.2	6.0	4.9	5.9	2.6	2.2	1.8
Retail Trade	6.6	5.1	4.9	6.4	4.6	4.6	7.1	7.1	6.6
Leisure and Hospitality	3.1	3.6	4.7	3.2	3.7	4.8	2.7	3.4	4.4
Manufacturing[3]	**19.2**	5.9	4.4	13.8	3.5	2.4	**33.4**	15.8	13.1
Construction	3.5	4.1	4.3	3.3	3.9	4.1	3.8	4.4	4.6
Wholesale Trade	7.1	4.7	4.1	7.8	4.3	3.7	4.4	4.4	4.1
Management	3.1	3.4	3.2	3.2	3.6	3.2	2.8	2.7	2.9
Transportation and Utilities[4]	4.9	2.6	2.6	5.5	2.5	2.5	3.6	3.3	3.2
Real Estate, Rental, & Leasing	1.5	2.0	2.2	1.9	2.3	2.5	0.5	0.9	1.1

Note: Industries are ranked by NYS 2018 wage share.

[1] Includes only private employment. Public education and health care employment is included in the government sector.

[2] Including administrative, support, and waste management services.

[3] Including mining.

[4] Transportation, warehousing, and utilities.

Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

The financial industry's compensation practices have undergone significant changes since the Great Recession, in particular, shifting from cash bonus and salary to long-term incentives, such as stock options. As a result, the average wage in this sector has grown much slowly after 2008. From 2008 to 2018, the finance and insurance sector average wage grew 11.3 percent, compared with a 51.5 percent gain from 2001 to 2008. Therefore, its contribution to State's wage growth has lessened significantly.

The finance and insurance sector has long been the main driver of wage growth in New York State. However, the education and health and professional services sectors have emerged as major drivers of wage growth since the Great Recession. From 2009 to 2018, education and health led wage growth, accounting for 16.2 percent of total nonfarm wage gains. It was followed by the finance and insurance sector, which accounted for 15.7 percent of total wage gains (see **Table 10**).

Table 10

New York State Contribution to Wage Growth by Sector

	1980-2000		2001-2008		2009-2018	
	Level (Billion $)	Share (%)	Level (Billion $)	Share (%)	Level (Billion $)	Share (%)
Total	**272.7**	**100.0**	**125.0**	**100.0**	**205.6**	**100.0**
Education and Health[1]	33.3	12.2	21.3	17.1	33.2	**16.2**
Finance & Insurance	64.2	**23.5**	35.0	**28.0**	32.3	15.7
Professional Services	30.2	11.1	14.8	11.8	28.7	14.0
Government	37.8	13.9	15.3	12.2	22.7	11.0
Securities Industry	45.8	16.8	27.3	21.9	20.4	9.9
Administrative and Other Services[2]	15.3	5.6	7.6	6.1	16.2	7.9
Leisure and Hospitality	9.7	3.5	5.6	4.5	14.0	6.8
Information	15.6	5.7	1.3	1.0	13.6	6.6
Construction	10.5	3.8	5.9	4.7	9.9	4.8
Retail Trade	13.1	4.8	5.4	4.3	8.8	4.3
Management	9.1	3.3	5.2	4.1	6.3	3.1
Wholesale Trade	12.7	4.7	3.7	3.0	5.7	2.8
Real Estate, Rental, & Leasing	5.6	2.0	2.7	2.2	5.6	2.7
Transportation and Utilities[3]	5.5	2.0	2.3	1.8	5.1	2.5
Manufacturing[4]	10.8	3.9	(0.6)	(0.4)	2.8	1.4

Note: Industries are ranked by 2009-2018 share; rankings are based on two decimal places.
[1] Includes only private employment. Public education and health care employment is included in the government sector.
[2] Including administrative, support, and waste management services.
[3] Transportation, warehousing, and utilities.
[4] Including mining.
Sources: NYS Department of Labor; NYS Assembly Ways and Means Committee staff.

Wages by Region

Annual average wages in New York City have always been the highest in the State due to the concentration of high-paying jobs in the finance and insurance and professional services sectors. Prior to the Great Recession, the average wage in New York City was over $80,000, more than double the average wage in most upstate regions (with the exception of the Capital and Finger Lakes regions). In 2018, the average wage was highest in New York City at $92,657. The region with the lowest average wage in 2018 was the Mohawk Valley at $42,360 (see **Figure 36**).

Wages in the finance and insurance sector, which account for the largest share of New York City wages, have been growing slowly since the previous peak. As a result, wage growth in New York City has been slower than in other regions between 2008 and 2018. During this period, the average wage in New York City grew 15.2 percent, compared with 20.7 percent statewide.

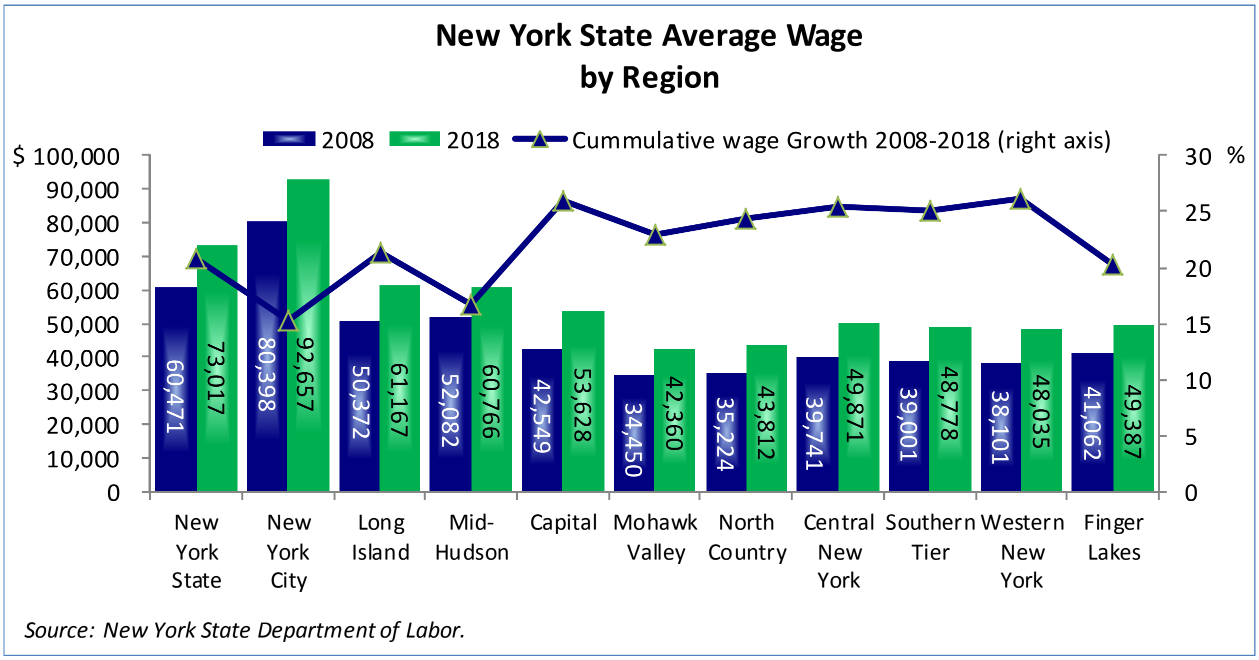
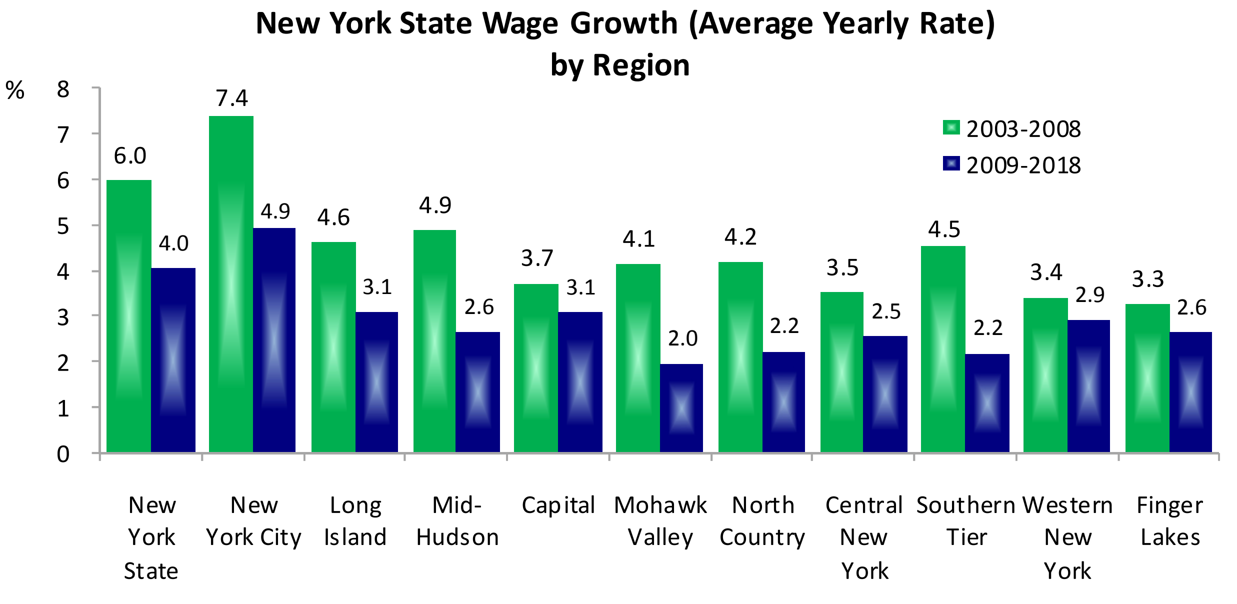


Figure 36

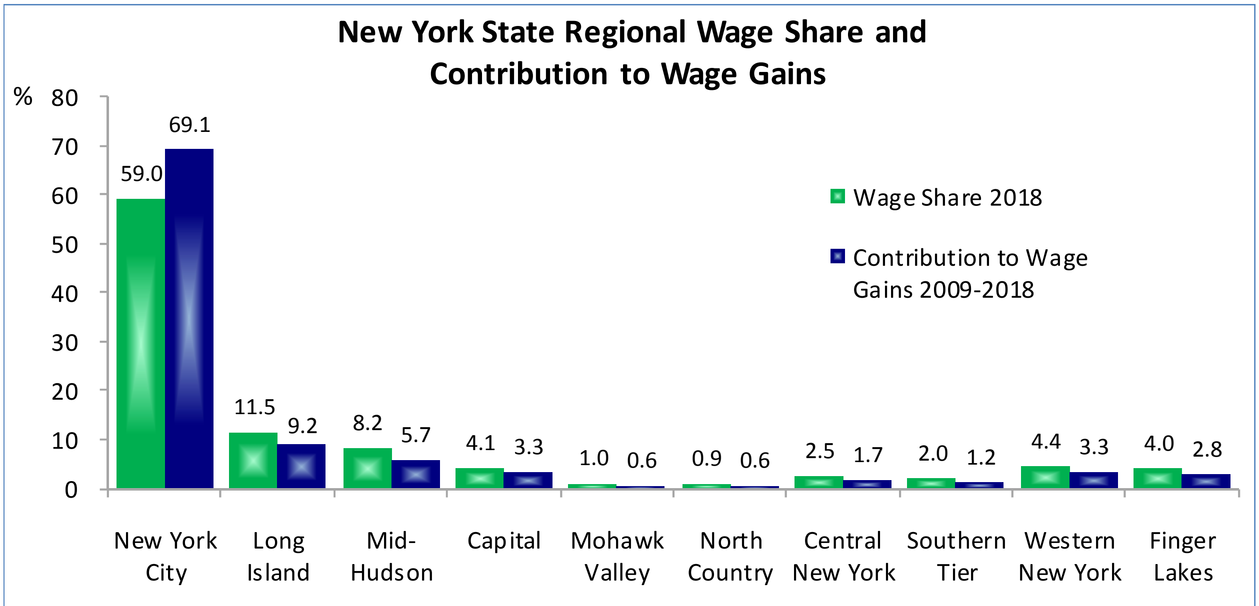
Wage growth in the current recovery has been slower than in the previous recovery in all regions (see **Figure 37**). This is due to the decline in employment in upstate regions and slow wage growth in the finance and insurance sector, one of the key industries in downstate regions. From 2009 to 2018, wages in the State grew on average at a rate of 4.0 percent per year, compared to 6.0 percent per year during the previous recovery.



Source: New York State Department of Labor.

Figure 37

While accounting for 59.0 percent of the State's wages in 2018, New York City has contributed almost 70 percent of the State's wage gains between 2009 and 2018. Downstate regions accounted for 84.0 percent of the State's total wage gains during this period (see **Figure 38**).



Source: New York State Department of Labor.

Figure 38

NEW YORK STATE AND THE AGING ECONOMY

Increasing life expectancy and the continued decline in fertility rates has resulted in aging populations around the world.[49] According to the United Nations, by 2050 one in six people worldwide will be over age 65, up from one in eleven in 2019. This issue is more pronounced in Europe and North America, as it is estimated that one in four persons living in Europe and North America could be aged 65 or older by 2050.[50]

Aging populations can present challenges to economic growth. It is suggested that aging population will lead to a decrease in labor productivity and slower growth in the labor force. It is estimated that a 10 percent increase in the portion of the population over age 60 will lead to a decrease in the growth rate of GDP per capita by 5.5 percent. About one third of the decrease is due to slower growth in the labor force, while the other two thirds arise from the decline in labor productivity.[51] In addition, as people get older, they are more likely to require more and higher-cost health services. Thus, an aging economy poses a challenge to governments and the fiscal sustainability, as it will likely reduce tax revenue while increasing expenditures.

This section takes a closer look at the aging population in New York State and the likely impact on the State economy and resources. In 2018, the New York State population that was 65 or older was 16.4 percent of total population, compared to 12.9 percent in 2000. This has resulted in the working age population becoming more financially burdened in supporting the aging population.

[49] In this report, "aging population" or "elderly" or "senior" is referring to those who are 65 years old or older.
[50] United Nations, "World Population Prospects 2019", https://population.un.org/wpp/Graphs/Probabilistic/PopPerc/65plus/900, last accessed October 4, 2019.
[51] National Bureau of Economic Research, "The Effect of Population Aging on Economic Growth, the Labor Force and Productivity," July 2016, https://www.nber.org/papers/w22452.pdf.

Population

The proportion of aging population in New York State has consistently been higher than in the nation as a whole. In 2018, about 15.7 percent of the U.S. population was 65 years old or older, compared to 16.4 percent in New York State. As a result, the median age of population in New York State is also consistently higher than that in the nation (see **Figure 39**).

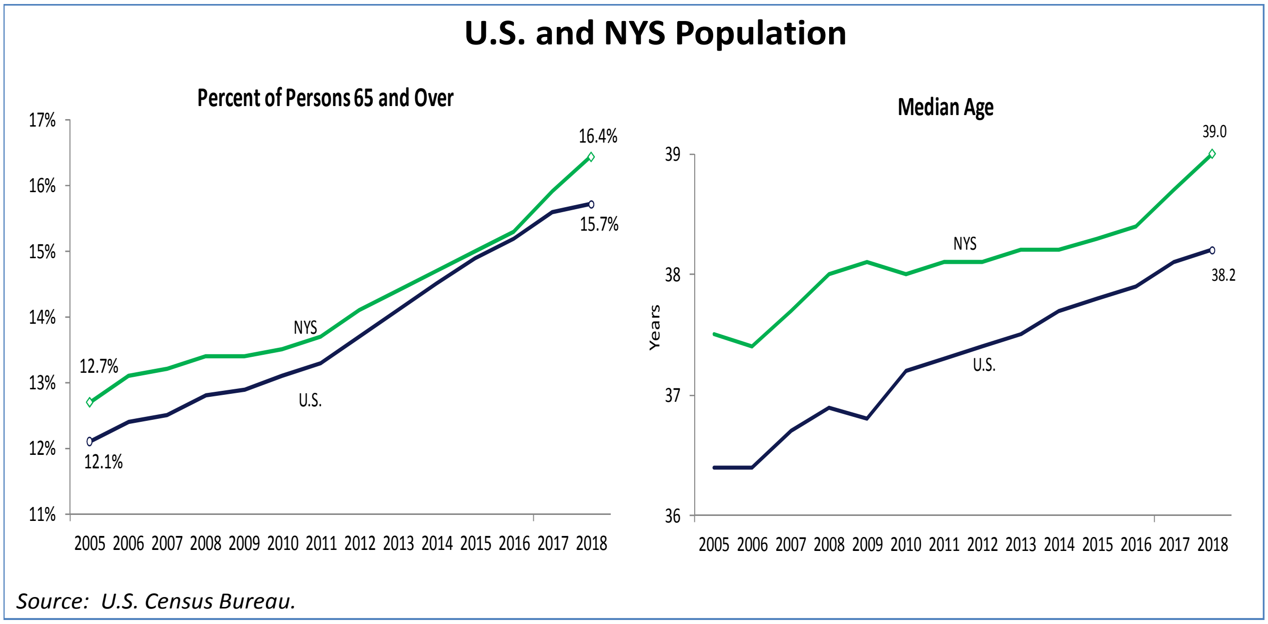
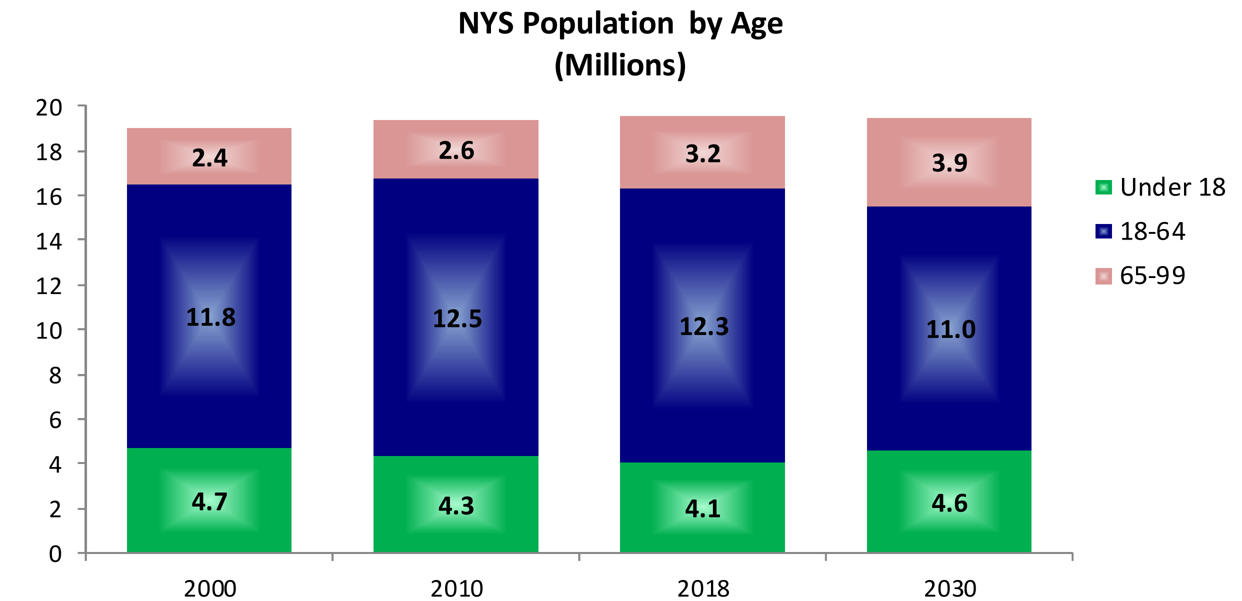


Figure 39

The aging population in the State has been increasing over the past decades. In 2000, there were 2.4 million people over the age of 65 in New York State, 12.9 percent of the total population. In 2018, it increased to 3.2 million or 16.4 percent of the total population. The Center for Disease Control predicted that by 2030, the population over 65 years of age in New York State will grow to 3.9 million, or about 20.1 percent of State's population. Population age 18 to 64 is forecast to fall from 11.8 million to 11 million in 2030 (see **Figure 40**).[52]

[52]Center for Disease Control, "CDC Wonder, State Population Projections 2004-2030," https://wonder.cdc.gov/population-projections.html, last accessed October 8, 2019.

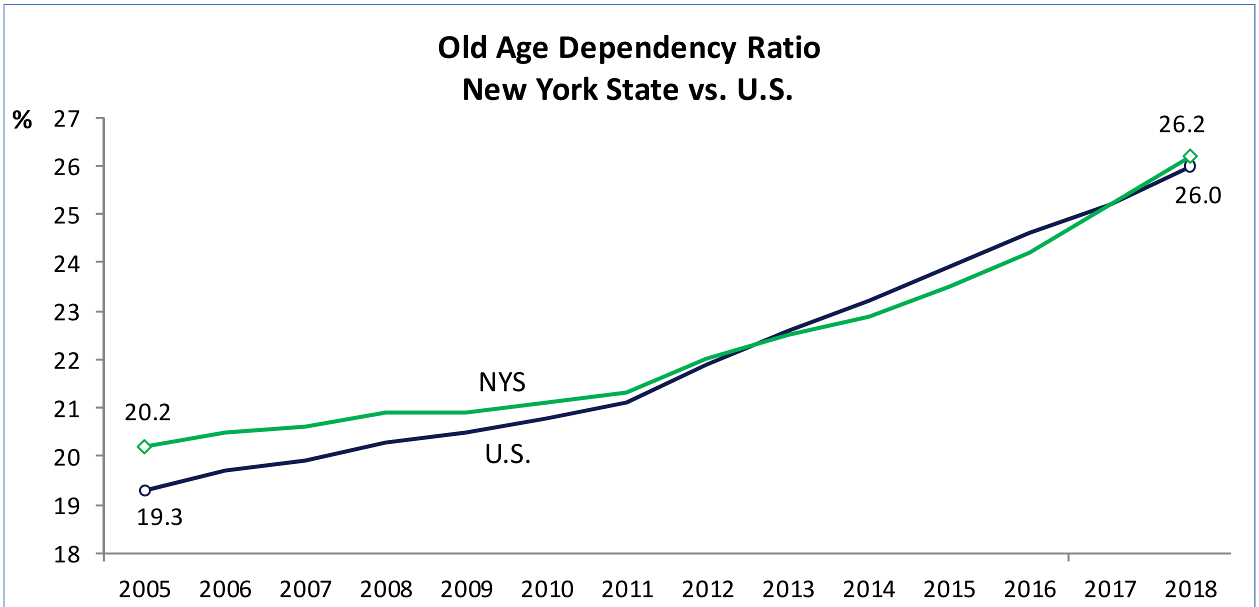


Source: U.S.Census Bureau, U.S. Department of Health & Human Services.

Figure 40

As the proportion of aging population increases, the old age dependency ratio, which measures the number of people aged 65 and over as a ratio to those of working age, has also increased.[53] In New York State, the ratio increased from 20.2 in 2005 to 26.2 in 2018 (see **Figure 41**). This implies that the financial stress on the working age population has increased as they face a greater burden in supporting the growing aging population.

[53] The old age dependency ratio is defined as the ratio of population 65 years and over to population 18 to 64 years and multiplying by 100.



Source: U.S. Census Bureau.

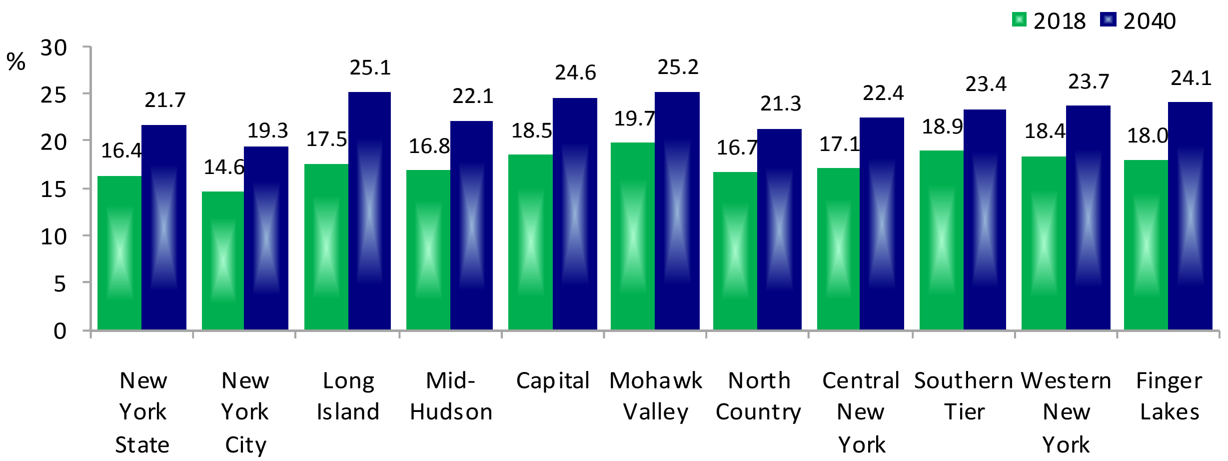
Figure 41

Regional Population

According to a prediction by Cornell University, the proportion of aging population is expected to increase in all regions.[54] In 2018, the aging population accounted for 16.4 percent of total population in New York State. The New York City had the lowest proportion of aging population at 14.6 percent, and was the only region that the share of aging population was lower than the State's average. The Mohawk Valley region had the highest proportion of aging population in the State at 19.7 percent in 2018. By 2040, the share of aging population in the State is expected to increase to 21.7 percent. The Mohawk Valley region is expected to have the highest share of aging population at 25.2 percent, followed by the Long Island region at 25.1 percent. The New York City region is predicted to have the lowest proportion of aging population in 2040 at 19.3 percent (see **Figure 42**).

[54] Cornell University, "County Projections Explorer," https://pad.human.cornell.edu/counties/projections.cfm, last accessed October 8, 2019.

New York State Aging Population by Region



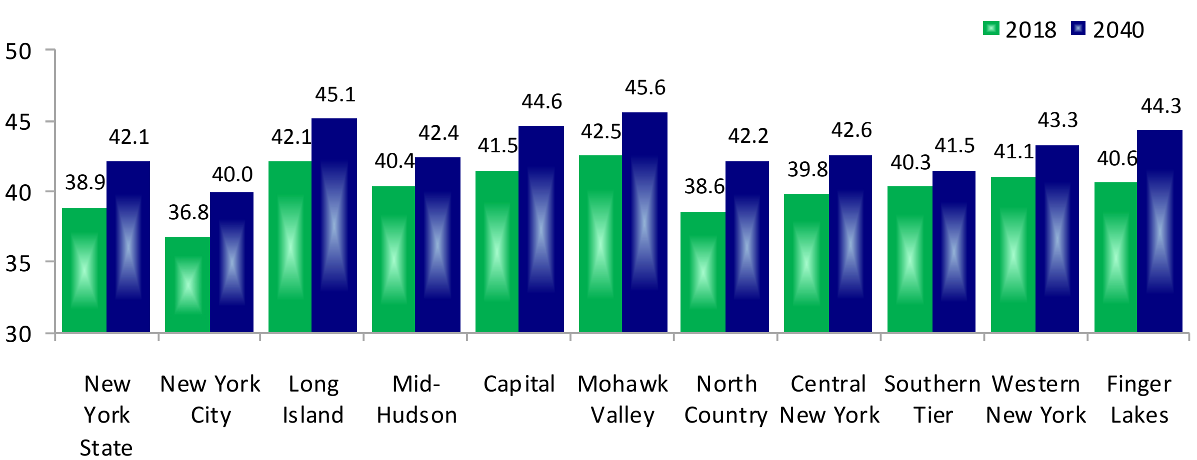
Source: Cornell University.

Note: The aging population refers to 65 and over.

Figure 42

As it had the highest share of aging population, the Mohawk Valley region also had the highest median age in the State in 2018 at 42.5 years, compared to 38.9 years for the State overall. Only three of the ten New York State regions had median age lower than 40 years in 2018. By 2040, all regions are projected to have a median age above 40, led by the Mohawk Valley region at 45.6 years. The New York City region remains the youngest region with a predicted median age of 40 years (see **Figure 43**).

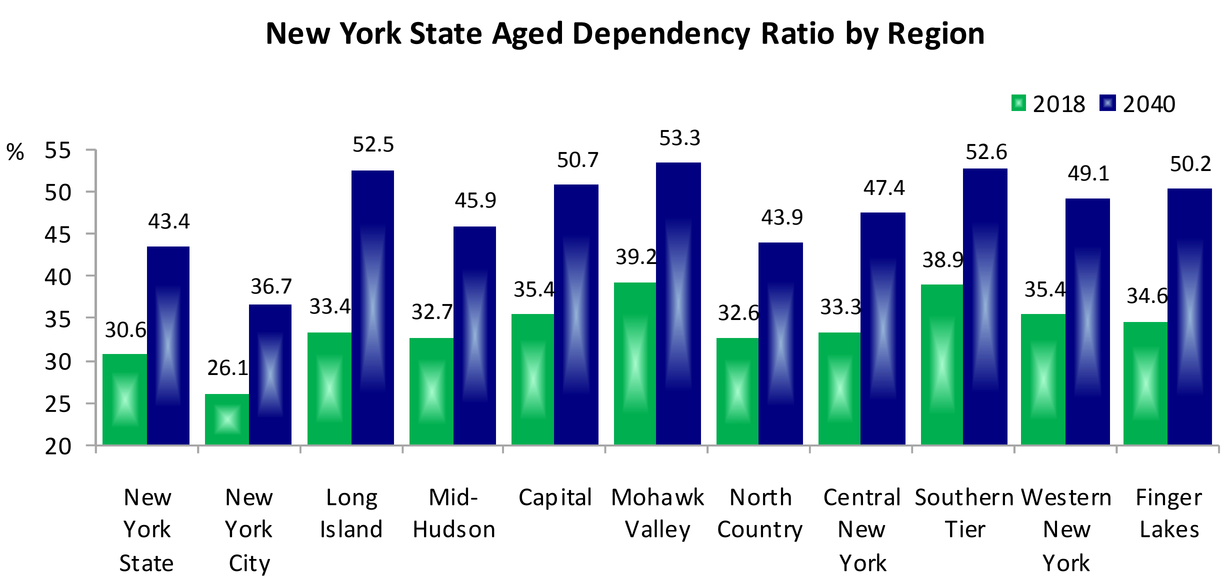
New York State Median Age by Region



Source: Cornell University.

Figure 43

Not surprisingly, in 2018 the Mohawk Valley region also had the highest aged dependency ratio in the State at 39.2, compared to 26.1 in New York City and 30.6 in the State as a whole.[55] As the proportion of aging population increases, the aged dependency ratio will also increase. It is estimated that by 2040, the aged dependency ratio in New York State will increase from 30.6 to 43.4. The regions that are estimated to have the highest burden on the working age population are the Mohawk Valley region with an aged dependency ratio of 53.3, followed by the Southern Tier region at 52.6 and the Long Island region at 52.5. New York City is expected to have the lowest burden with the aged dependency ratio of 36.7 (see **Figure 44**).



Source: : Cornell University.

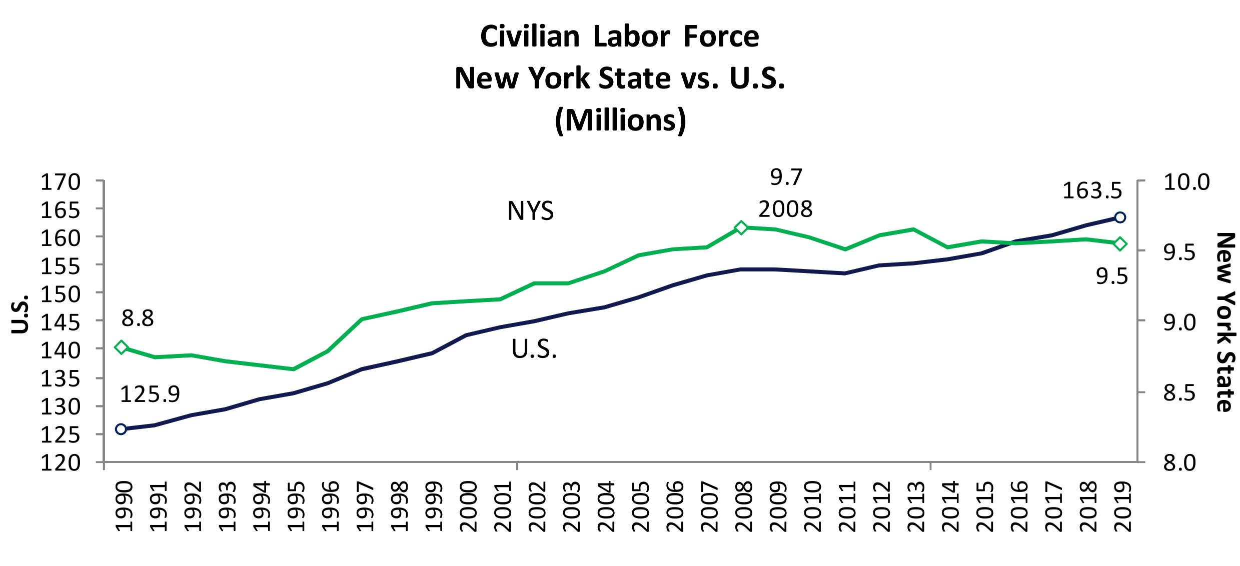
Figure 44

Labor Force and Employment

Slow population growth, net out-migration, and an aging population have led to slow growth in the labor force, as more workers retire and leave the labor force without enough younger workers to replace them. In New York, the labor force was on an upward trend from 1995 to 2008. The labor force in the State has increased from 8.7 million to 9.7 million during

[55] Cornell University, "County Projections Explorer," https://pad.human.cornell.edu/counties/projections.cfm, last accessed October 8, 2019. In this section, the aged dependency ratio is defined as the ratio of population 65 years and over to population 25 to 64 years and multiplying by 100. Thus, the aged dependency ratio is higher than the old age dependency ratio in the previous section.

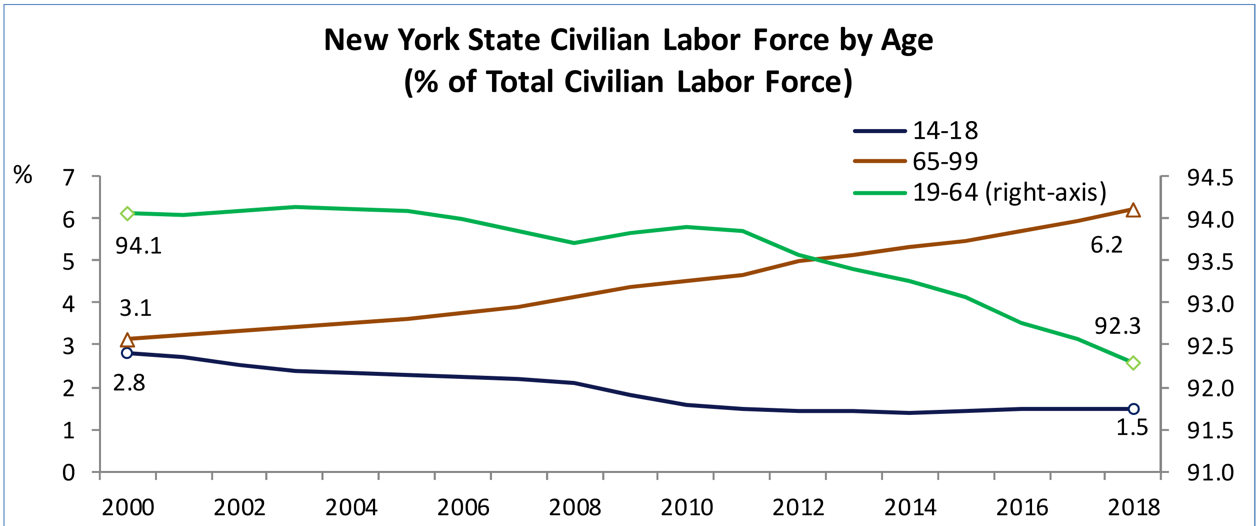
this period. Since 2008, however, the State's labor force has flattened. The State's labor force fell to 9.5 million in 2019. Labor force growth is also slowing at the national level, but not to the extent as in the State (see **Figure 45**).



Note: Data are seasonally adjusted.
Source: U.S. Bureau of Labor Statistics.

Figure 45

As the population gets older, so does the labor force. The share of younger workers, age 14 to 64, in the State has been declining over the past decades, while aging workers have been steadily increasing. In 2000, workers aged 19 to 64 accounted for 94.1 percent of total State's labor force. This share fell to 92.3 percent in 2018. Similarly, the share of workers aged 14 to 18 fell from 2.8 percent in 2000 to 1.5 percent in 2018. In contrast, the share of aging workers, those who are 65 years or over, has increased from 3.1 percent to 6.2 percent during the same period (see **Figure 46**).



Note: Data are annual average from 2000 to 2018. Data for 2000 are for the last three quaters. Data are not seasonally adjusted.
Source: U.S.Census Bureau.

Figure 46

The proportions and pattern of aging workers by industry in New York State have largely been unchanged over the years. Aging workers have been more concentrated in service industries such as retail estate, rental and leasing, arts, entertainment and recreation, and other services. However, these industries tend to pay lower wages compared to industries that require more skills like construction, finance and insurance, or information. As of the fourth quarter of 2018, there were nine industries that employed a higher proportion of aging workers relative to the State average. Out of these nine industries, only one industry, wholesale trade, had an average monthly pay above the State average (see **Table 11**).

Table 11

New York State Aging Workers by Industry	Share of workers 65 years or over 2001Q4	Share of workers 65 years or over 2018Q4	Average Monthly Pay ($) 2018
Utilities	0.8%	3.5%	10,560
Finance and Insurance	2.4%	4.0%	18,584
Accommodation and Food Services	2.7%	4.7%	2,448
Management of Companies and Enterprises	2.2%	4.7%	10,673
Construction	2.5%	5.1%	5,931
Professional, Scientific, and Technical Services	2.5%	5.2%	9,315
Information	2.9%	5.5%	9,553
Administrative and Support and Waste Management and Remediation Services	3.6%	6.0%	4,611
Retail Trade	3.5%	6.2%	3,256
New York State	***3.3%***	***6.4%***	***6,088***
Manufacturing[1]	2.9%	6.4%	5,639
Health Care and Social Assistance	3.3%	6.7%	4,518
Wholesale Trade	3.6%	6.9%	6,990
Arts, Entertainment, and Recreation	5.0%	7.0%	4,316
Transportation and Warehousing	3.4%	7.1%	4,948
Educational Services	3.5%	7.7%	5,361
Public Administration	4.1%	8.1%	6,020
Real Estate and Rental and Leasing	5.4%	8.9%	5,906
Other Services (except Public Administration)	5.9%	9.1%	3,593

Note: Industries are ranked by 2018Q4 share of aging workers; ranking are based on two decimal places. Average monthly pay is for the first three quarters.
[1]Including mining.
Source: U.S.Census Bureau.

Health and Health Care

Almost every senior has access to health insurance through the Medicare Program. Many seniors are living in poverty, which makes them qualified for both Medicare and Medicaid. In 2018, approximately 370,000 seniors in New York State, about 11.8 percent of the population, were living in poverty. This is significantly higher than the national rate of 9.4 percent.[56] Some also have access to veteran benefits that include healthcare and/or private insurance. In 2018, over 99 percent of persons age 65 and over in New York State had health insurance. Ninety-five percent had insurance coverage through the Medicare, about the same rate as the national average. New York State, however, had a much higher proportion of elderly in the Medicaid program at 19.6 percent, compared to 13.9 percent nationwide (see **Figure 47**).

[56] U.S. Census Bureau, 2018 American Community Survey 1-Year Estimates.

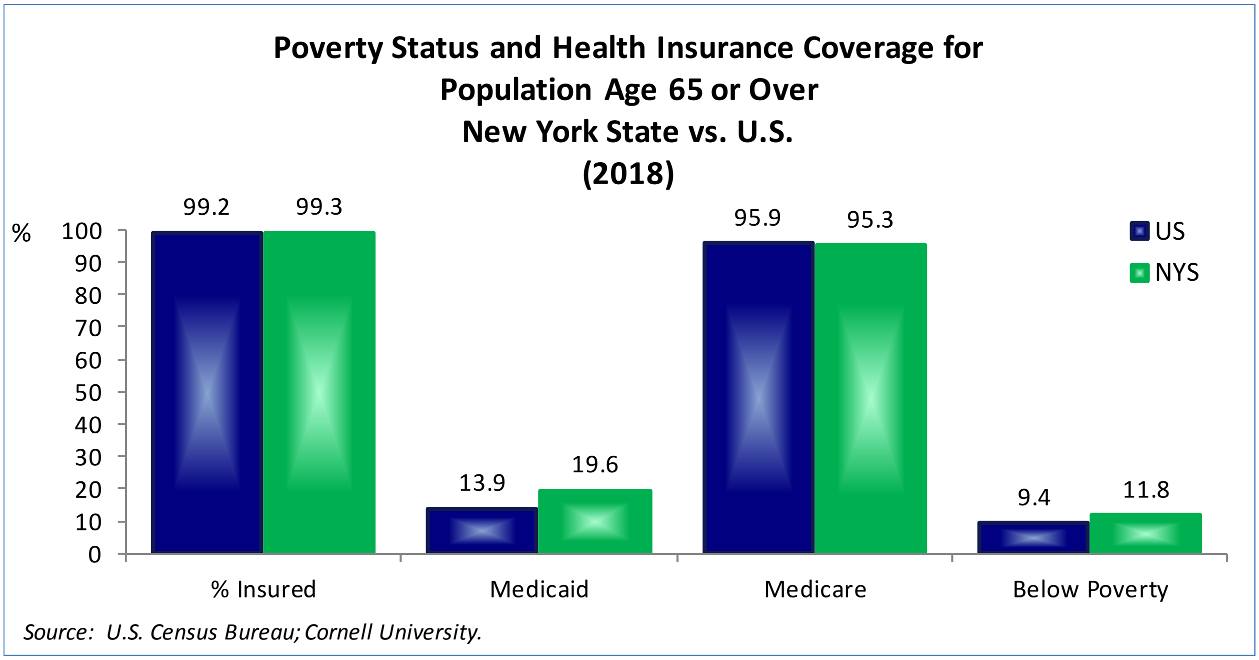
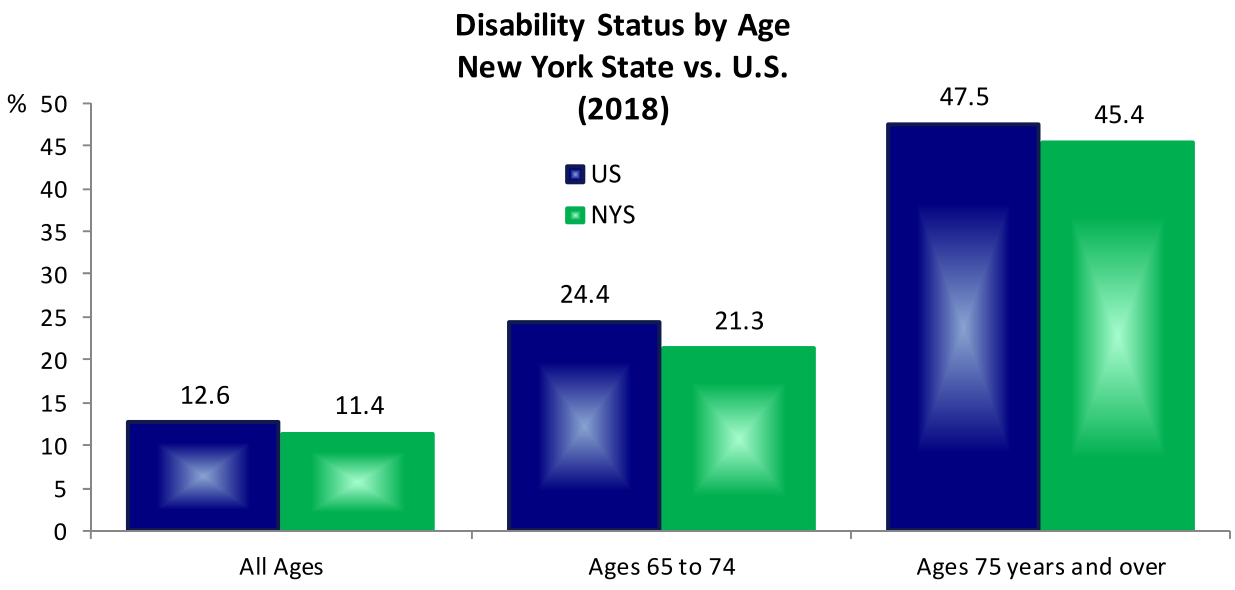


Figure 47

As people get older, they tend to be sicker and more frail, and many of them are disabled. In 2018, 21.3 percent of people age 65 to 74 in New York State were disabled,[57] while 45.4 percent of people age 75 years and over were disabled. These are much lower than the national average of 24.4 percent and 47.5 percent, respectively (see **Figure 48**).

[57] Questions used to identify persons with disabilities included: hearing disability, visual disability, cognitive disability, ambulatory disability, self-care disability, and independent living Disability. For more detail see "2017 Disability Status Report, New York," http://www.disabilitystatistics.org/StatusReports/2017-PDF/2017-StatusReport_NY.pdf?CFID=20625191&CFTOKEN=214c8c65d1e715fa-850DC2AF-DB99-E884-C8958322CC541B57.



Source: Cornell University.

Figure 48

The average spending per Medicaid enrollee was higher for individuals aged 65 or over and for persons with disabilities, due to the higher use of complex acute services and long-term care. In federal fiscal year 2014, the average spending per senior enrollee in New York State was $20,888 for enrollees with full or partial benefit and $28,277 for enrollees with full benefit, while the average spending per disabled enrollees was $28,385 for individuals with full benefit.[58] The average spending per Medicaid enrollee was much less for adults and children at $4,709 and $2,653 for full benefit, respectively (see **Figure 49**). As Medicaid costs are shared by the State and the federal government, an aging population may increase State Medicaid spending.

[58] Kaiser Family Foundation, "Medicaid Spending per Enrollee (full or partial benefit), Federal Fiscal Year 2014." Enrollees were identified as having full benefits if for each month they were enrolled in Medicaid they also received full benefits or received Medicaid benefits through an alternative package of benchmark equivalent coverage. Enrollees with partial benefits are those eligible for certain services only.

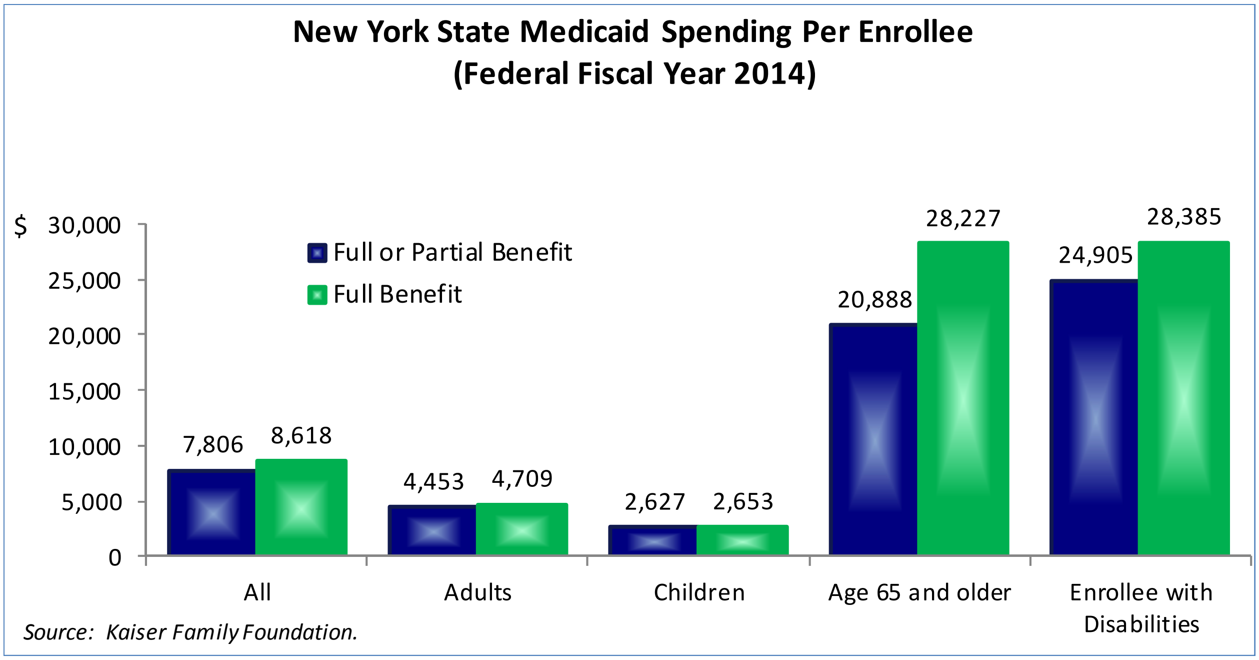

New York State Medicaid Spending Per Enrollee
(Federal Fiscal Year 2014)
$ 30,000
25,000
20,000
15,000
10,000
5,000
0
Full or Partial Benefit
Full Benefit
7,806
8,618
4,453
4,709
2,627
2,653
20,888
28,227
24,905
28,385
All
Adults
Children
Age 65 and older
Enrollee with Disabilities
Source: Kaiser Family Foundation.

Figure 49

NEW YORK STATE REGIONAL SNAPSHOTS

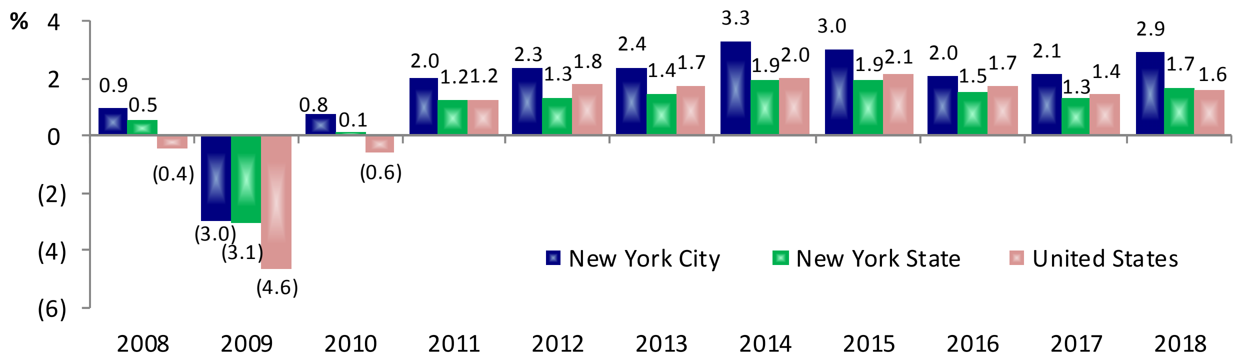
New York City

Key Economic Indicators 2018			
Employment (million)	4.376	Share of State Personal Income (%)	48.0
Share of State Employment (%)	46.5	Per Capita Personal Income	$76,757
Unemployment Rate (9/2019) (%)	3.8	Population (million)	8.40
Total Wages (billion)	$405.4	Share of State Population (%)	43.0
Share of State Wages (%)	59.0	Population Growth (%)	(0.5)
Average Wage	$92,657	Persons in Poverty	1,426,485
Personal Income (billion)	$644.7	Poverty Rate (%)	17.0

Largest Employers (August 2016): *American Airlines; Columbia University; JP Morgan Chase Bank; Memorial Sloan Kettering Cancer Center; Morgan Stanley Children's Hospital; Mount Sinai Hospital; New York-Presbyterian University Hospital; Nielsen Company; Northwell Health, Inc.; Verizon*

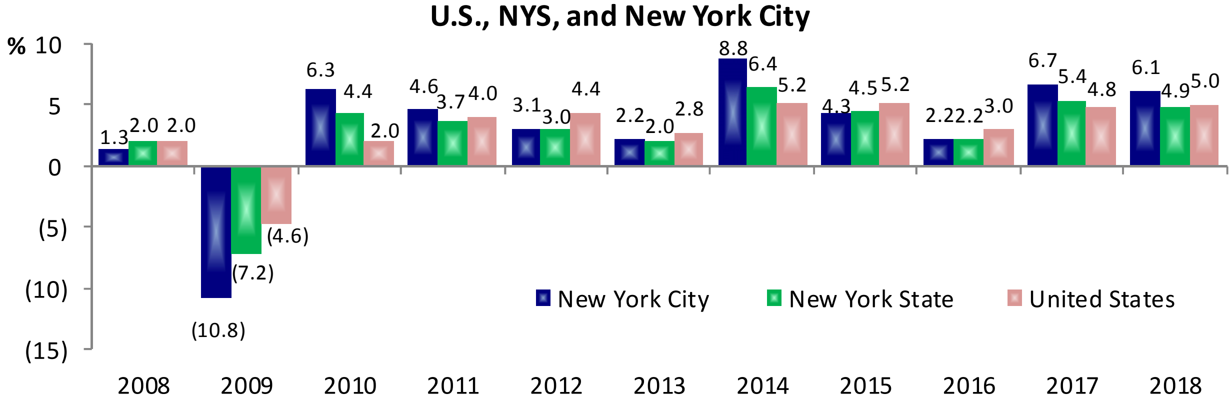
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and New York City



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and New York City



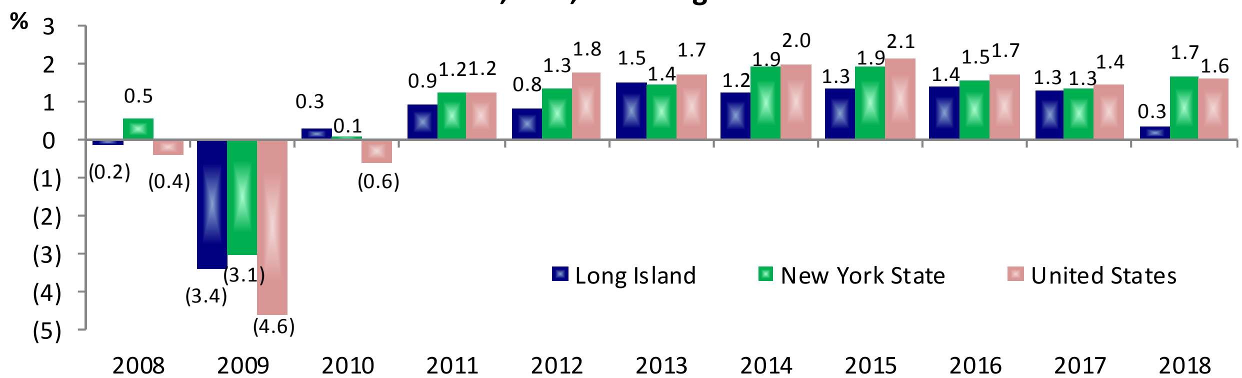
Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Long Island

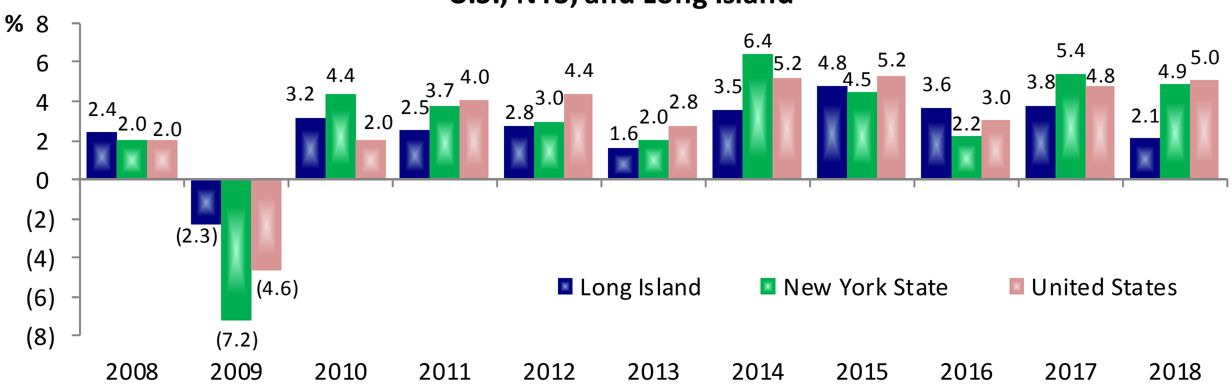
Key Economic Indicators 2018			
Employment (million)	1.290	Share of State Personal Income (%)	16.7
Share of State Employment (%)	13.7	Per Capita Personal Income	$78,769
Unemployment Rate (9/2019) (%)	3.4	Population (million)	2.84
Total Wages (billion)	$78.9	Share of State Population (%)	14.5
Share of State Wages (%)	11.5	Population Growth (%)	(0.5)
Average Wage	$61,167	Persons in Poverty	183,461
Personal Income (billion)	$223.7	Poverty Rate (%)	6.5

Largest Employers (August 2016): *Broadridge Financial Solutions, Inc.; Good Samaritan Hospital Medical Center; Hofstra University; Home Depot; King Kullen; Northwell Health, Inc.; Prestige Employee Administrators; ProHEALTH Care, Inc.; Stop & Shop Supermarkets; Winthrop-University Hospital*

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

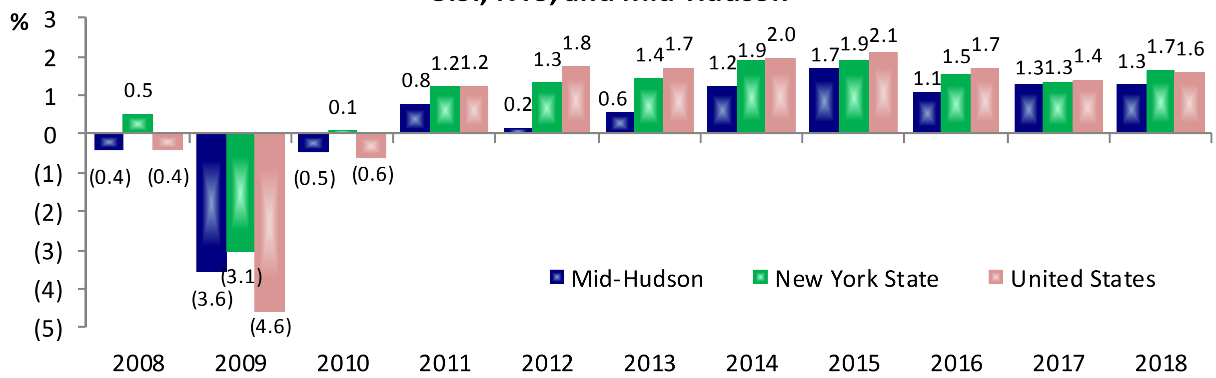
Mid-Hudson

Key Economic Indicators 2018			
Employment (million)	0.926	Share of State Personal Income (%)	13.5
Share of State Employment (%)	9.9	Per Capita Personal Income	$77,743
Unemployment Rate (9/2019) (%)	3.6	Population (million)	2.32
Total Wages (billion)	$56.3	Share of State Population (%)	11.9
Share of State Wages (%)	8.2	Population Growth (%)	0.1
Average Wage	$60,766	Persons in Poverty	233,437
Personal Income (billion)	$180.5	Poverty Rate (%)	10.1

Largest Employers (August 2016): *Crystal Run Healthcare; Home Depot; IBM Corp.; Nyack Hospital; Orange Regional Medical Center; Regeneron Pharmaceuticals, Inc; ShopRite Supermarkets; Stop & Shop Supermarkets; Wal-Mart Stores, Inc.; Westchester Medical Center*

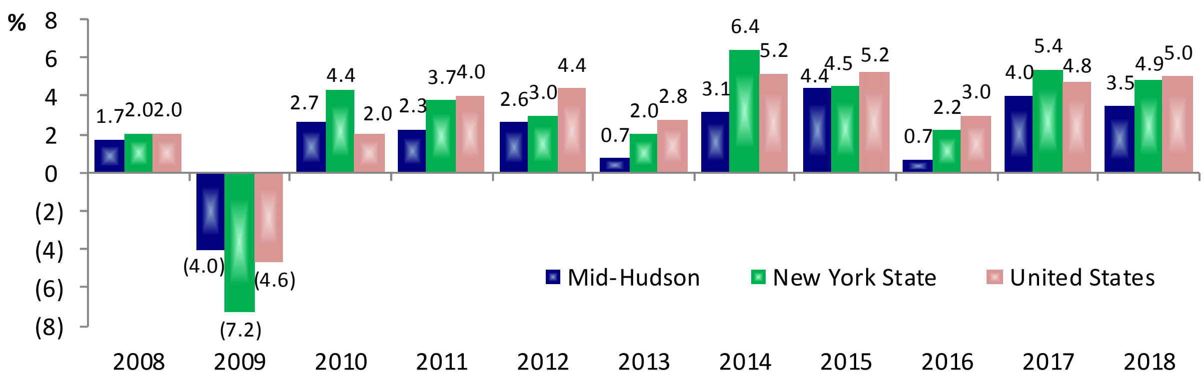
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Mid-Hudson



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Mid-Hudson



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

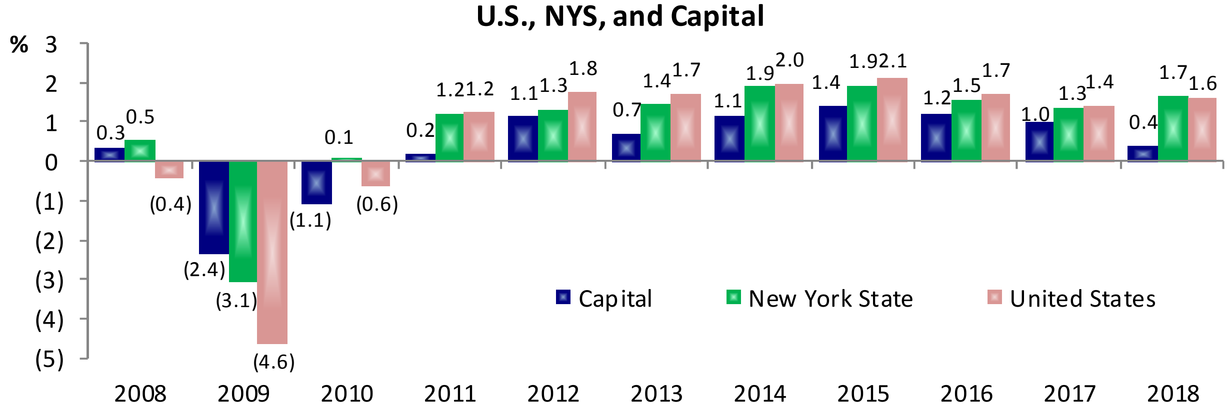
Capital District

Key Economic Indicators 2018			
Employment (million)	0.526	Share of State Personal Income (%)	4.6
Share of State Employment (%)	5.6	Per Capita Personal Income	$56,635
Unemployment Rate (9/2019) (%)	3.4	Population (million)	1.08
Total Wages (billion)	$28.2	Share of State Population (%)	5.6
Share of State Wages (%)	4.1	Population Growth (%)	0.0
Average Wage	$53,628	Persons in Poverty	107,441
Personal Income (billion)	$61.4	Poverty Rate (%)	9.9

Largest Employers (August 2016): *Albany Medical Center Hospital; Bechtel Marine Propulsion Corp.; Ellis Hospital; General Electric Co.; Glens Falls Hospital; Hannaford Supermarkets; Price Chopper; Rensselaer Polytechnic Institute; St. Peter's Hospital; Walmart*

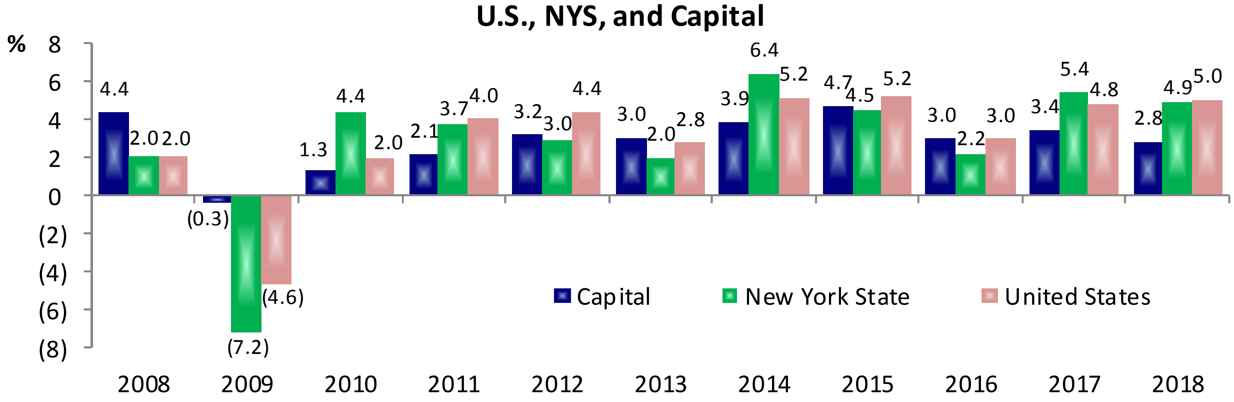
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Capital



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Capital



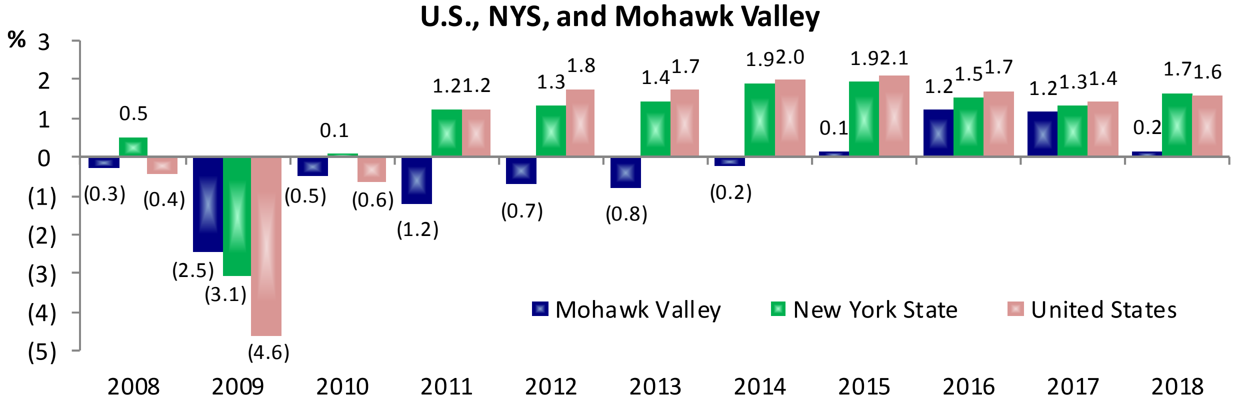
Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Mohawk Valley

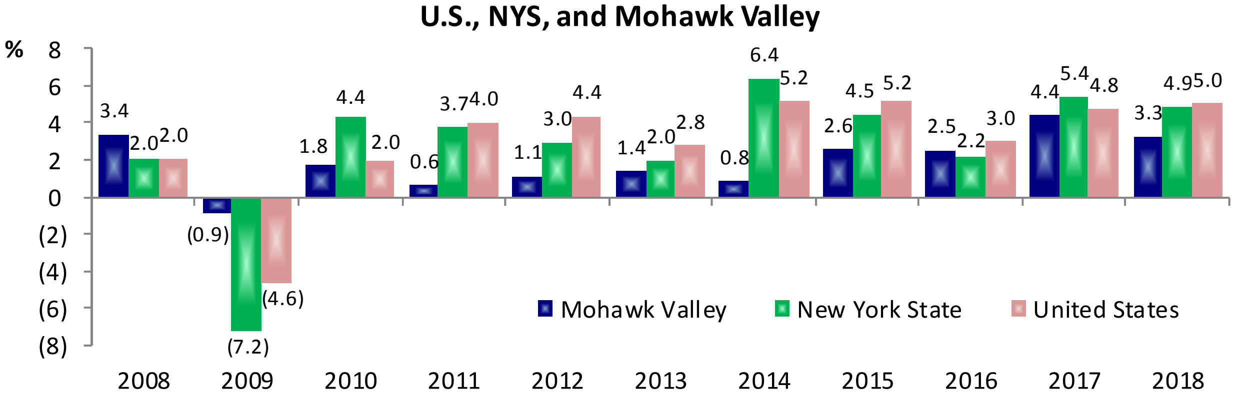
Key Economic Indicators 2018			
Employment (million)	0.169	Share of State Personal Income (%)	1.4
Share of State Employment (%)	1.8	Per Capita Personal Income	$43,513
Unemployment Rate (9/2019) (%)	4.0	Population (million)	0.43
Total Wages (billion)	$7.1	Share of State Population (%)	2.2
Share of State Wages (%)	1.0	Population Growth (%)	(0.2)
Average Wage	$42,360	Persons in Poverty	58,786
Personal Income (billion)	$18.7	Poverty Rate (%)	13.7

Largest Employers (August 2016): A. O. Fox Hospital; Bassett Healthcare Network; Faxton-St Luke's Healthcare; Hannaford supermarket; Metropolitan Life Insurance Co.; Price Chopper; St. Elizabeth Medical Center ; St. Mary's Hospital; Utica National Insurance Group; Wal-Mart Stores, Inc.

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



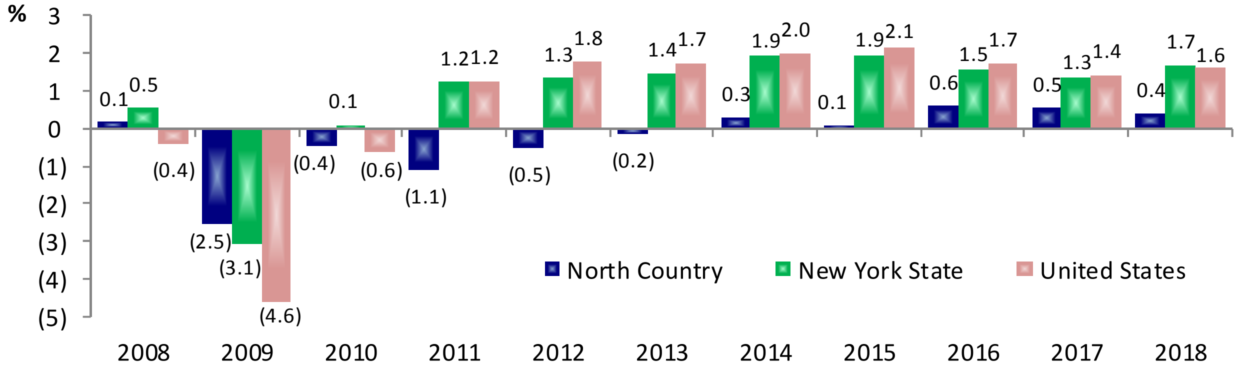
Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

North Country

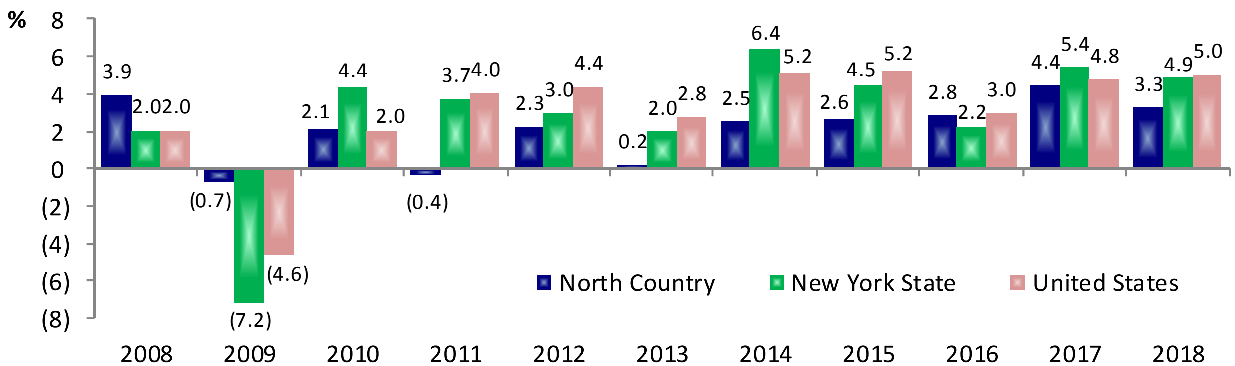
Key Economic Indicators 2018			
Employment (million)	0.148	Share of State Personal Income (%)	1.3
Share of State Employment (%)	1.6	Per Capita Personal Income	$42,631
Unemployment Rate (9/2019) (%)	4.3	Population (million)	0.41
Total Wages (billion)	$6.5	Share of State Population (%)	2.1
Share of State Wages (%)	0.9	Population Growth (%)	(0.5)
Average Wage	$43,812	Persons in Poverty	52,183
Personal Income (billion)	$17.7	Poverty Rate (%)	12.6

Largest Employers (August 2016): *Canton-Potsdam Hospital; Champlain Valley Physicians Hospital Medical Center; Clarkson University; Claxton-Hepburn Medical Center; Kinney Drugs; Price Chopper; St. Lawrence University; Samaritan Medical Center; Walmart*

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



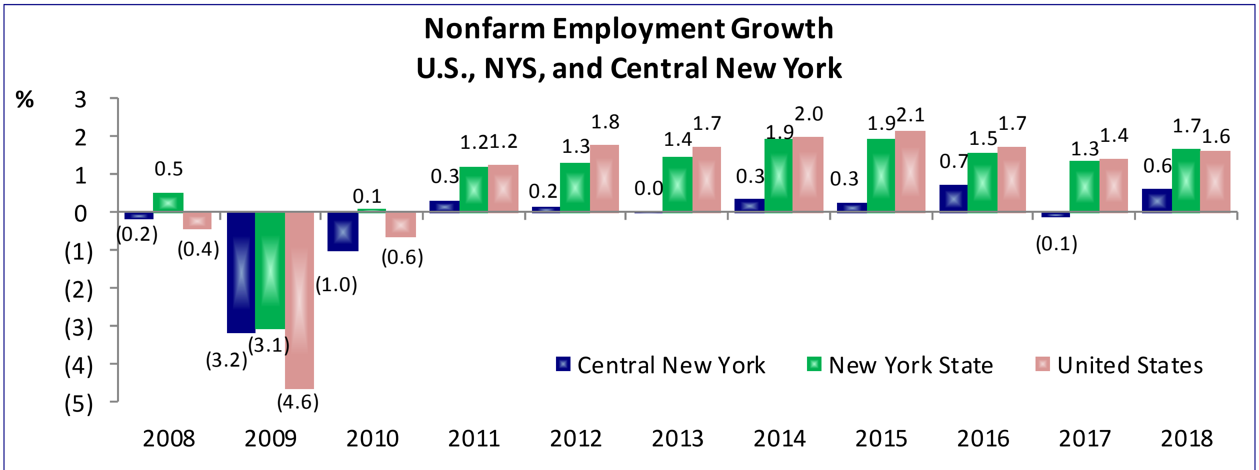
Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Central New York

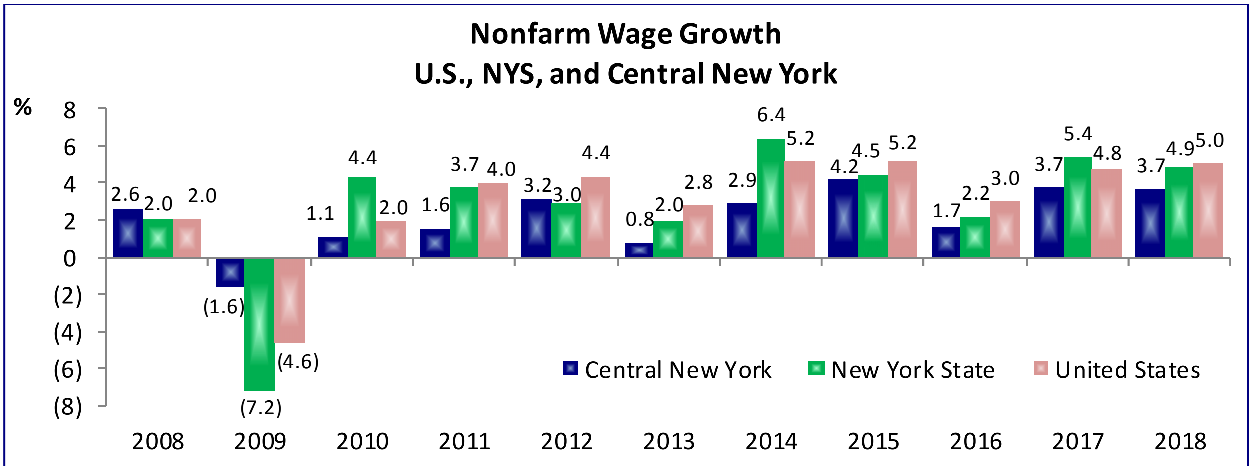
Key Economic Indicators 2018			
Employment (million)	0.342	Share of State Personal Income (%)	2.8
Share of State Employment (%)	3.6	Per Capita Personal Income	$48,431
Unemployment Rate (9/2019) (%)	3.8	Population (million)	0.78
Total Wages (billion)	$17.1	Share of State Population (%)	4.0
Share of State Wages (%)	2.5	Population Growth (%)	(0.1)
Average Wage	$49,871	Persons in Poverty	103,408
Personal Income (billion)	$37.6	Poverty Rate (%)	13.3

Largest Employers (August 2016): *Crouse Hospital; Lockheed Martin Corp.; Loretto Health and Rehabilitation Center; National Grid; Price Chopper; Syracuse University; Tops Friendly Markets; Wal-Mart Stores, Inc.; Wegmans Food Markets*

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

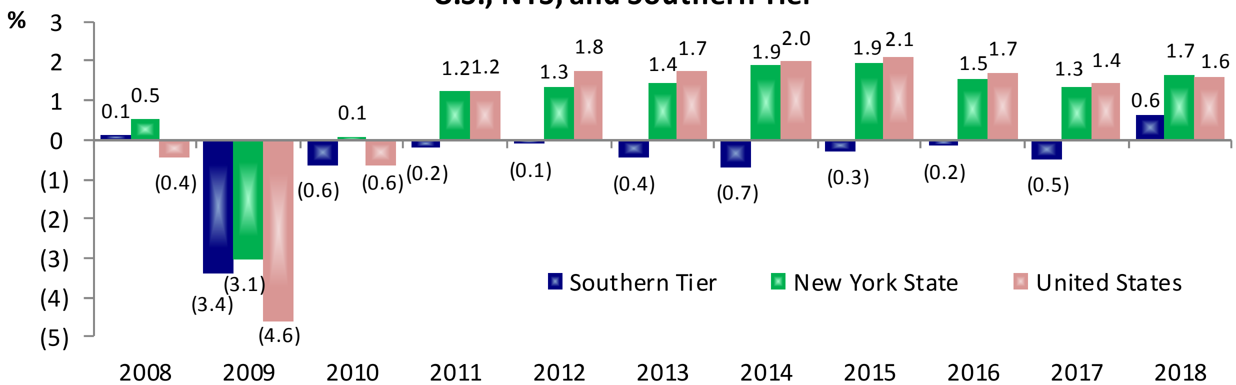
Southern Tier

Key Economic Indicators 2018			
Employment (million)	0.281	Share of State Personal Income (%)	2.3
Share of State Employment (%)	3.0	Per Capita Personal Income	$44,164
Unemployment Rate (9/2019) (%)	3.9	Population (million)	0.69
Total Wages (billion)	$13.7	Share of State Population (%)	3.5
Share of State Wages (%)	2.0	Population Growth (%)	(0.5)
Average Wage	$48,778	Persons in Poverty	97,431
Personal Income (billion)	$30.6	Poverty Rate (%)	14.1

Largest Employers (August 2016): *Amphenol Aerospace; Arnot Ogden Medical Center; BAE Systems Inc.; Cornell University; Ithaca College; Lockheed Martin Corp.; Lourdes Hospital; United Health Services; Wal-Mart Stores, Inc.; Wegmans Food Markets*

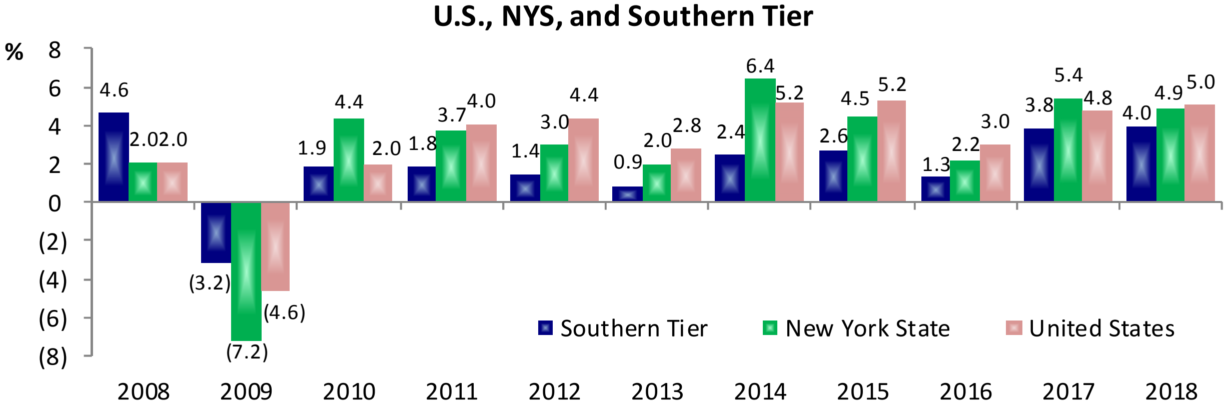
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Southern Tier



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Southern Tier



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

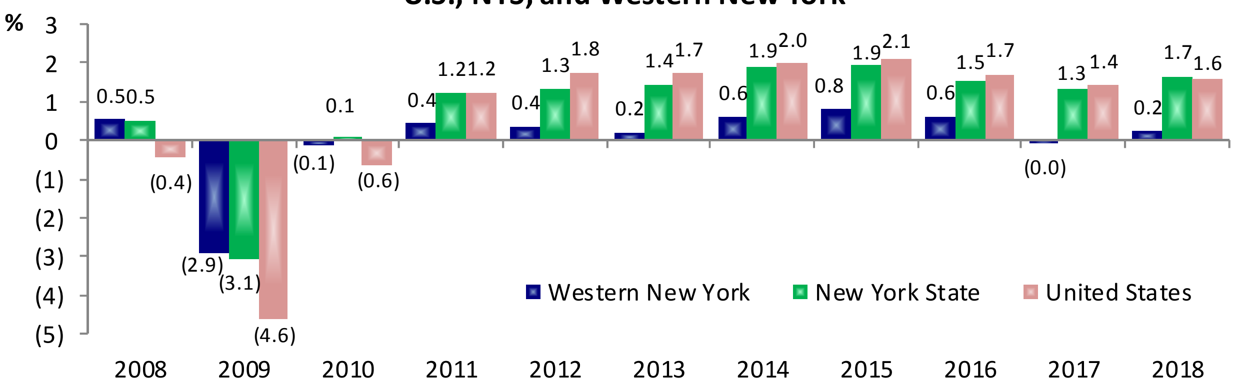
Western New York

Key Economic Indicators 2018			
Employment (million)	0.630	Share of State Personal Income (%)	5.0
Share of State Employment (%)	6.7	Per Capita Personal Income	$48,418
Unemployment Rate (9/2019) (%)	4.0	Population (million)	1.38
Total Wages (billion)	$30.3	Share of State Population (%)	7.1
Share of State Wages (%)	4.4	Population Growth (%)	(0.1)
Average Wage	$48,035	Persons in Poverty	191,335
Personal Income (billion)	$66.9	Poverty Rate (%)	13.9

Largest Employers (August 2016): *BlueCross BlueShield of Western New York; Computer Task Group, Inc.; General Motors; Kaleida Health; M&T Bank Corp.; Mercy Hospital of Buffalo; People Inc.; Tops Friendly Markets; Wal-Mart Stores, Inc.; Wegmans Food Markets*

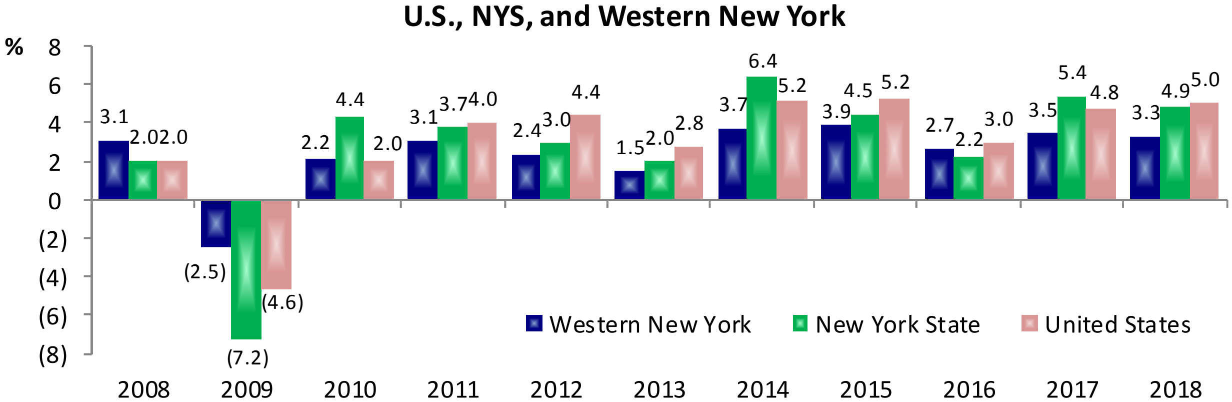
Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.

Nonfarm Employment Growth
U.S., NYS, and Western New York



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Nonfarm Wage Growth
U.S., NYS, and Western New York



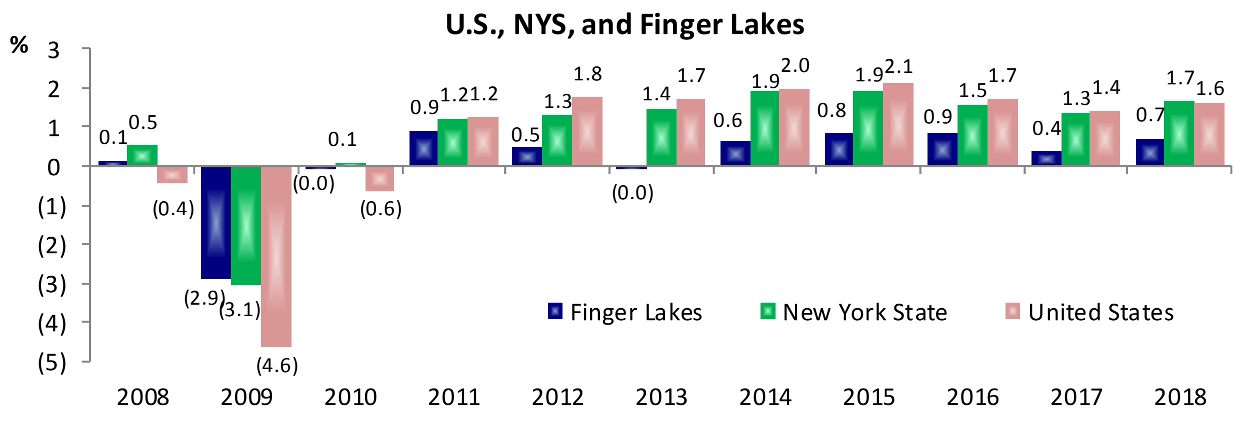
Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

Finger Lakes

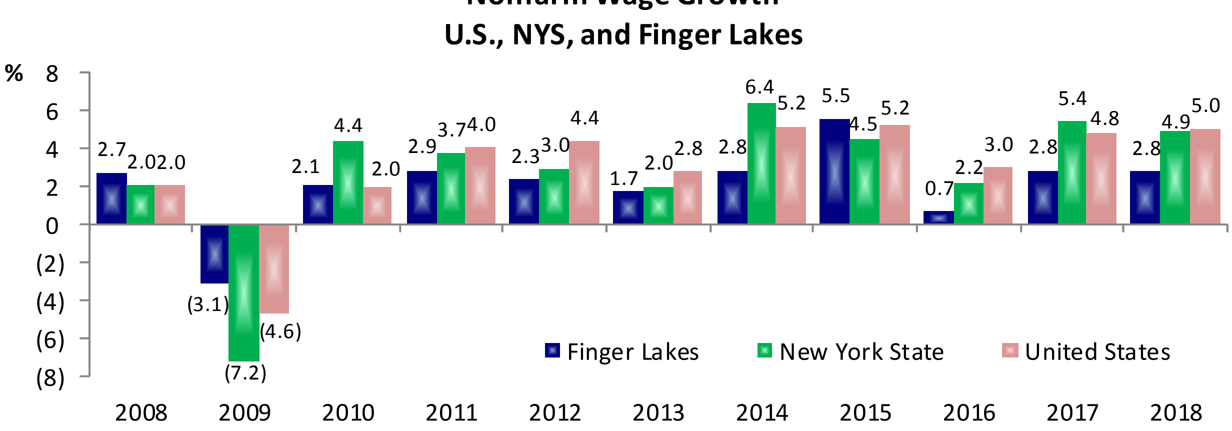
Key Economic Indicators 2018			
Employment (million)	0.552	Share of State Personal Income (%)	4.5
Share of State Employment (%)	5.9	Per Capita Personal Income	$50,067
Unemployment Rate (9/2019) (%)	3.8	Population (million)	1.20
Total Wages (billion)	$27.3	Share of State Population (%)	6.2
Share of State Wages (%)	4.0	Population Growth (%)	(0.1)
Average Wage	$49,387	Persons in Poverty	149,335
Personal Income (billion)	$60.2	Poverty Rate (%)	12.4

Largest Employers (August 2016): *Carestream Health, Inc.; Rochester General Hospital; Rochester Institute of Technology; Sutherland Global Services; Tops Friendly Markets; Unity Hospital of Rochester; University of Rochester/Medical Center; Wal-Mart Stores, Inc.; Wegmans Food Markets; Xerox*

Sources: U.S. Census Bureau; New York State Department of Labor; U.S. Bureau of Economic Analysis.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.



Sources: New York State Department of Labor, U.S. Bureau of Labor Statistics.

REVENUE FORECAST

Overview – Revenue Summary

State Fiscal Year 2019-20

All Funds Revenues

All Funds revenues are estimated to total $179.101 billion in State Fiscal Year (SFY) 2019-20, an increase of 6.5 percent, or $10.995 billion, largely attributable to an increase in personal income tax (PIT), sales tax, business tax, and federal funds receipts over the previous fiscal year.

All Funds Tax Receipts

The NYS Assembly Ways and Means Committee staff's All Funds tax revenue estimate for SFY 2019-20 is $83.146 billion, representing an increase of 10.0 percent or $7.568 billion from the prior year (see Table 12).

The Committee staff's All Funds tax revenue estimate is $756 million above the Executive's estimate. This variance is related to higher revenue estimates in personal income tax, sales tax, and business taxes, partially offset by lower collections in other taxes.

Table 12

SFY 2019-20 All Funds Estimate Summary
($ in Millions)

	2018-19 Actual	2019-20 Estimate	Change	Growth	Diff. Exec.
Personal Income Tax	$48,088	$53,515	$5,427	11.3%	$499
User Taxes	17,357	18,317	960	5.5%	169
Business Taxes	7,912	9,121	1,209	15.3%	135
Other Taxes	2,221	2,193	(29)	(1.3%)	(48)
Total Tax Collections	**$75,578**	**$83,146**	**$7,568**	10.0%	**$756**
All Funds Miscellaneous Receipts	27,571	26,217	(1,354)	(4.9%)	47
Gaming	3,613	3,576	(37)	(1.0%)	45
Total w/Miscellaneous Receipts & Gaming	**$106,762**	**$112,939**	**$6,177**	5.8%	**$848**
Federal Funds	61,344	66,162	4,818	7.9%	-
Total All Funds Receipts	**$168,106**	**$179,101**	**$10,995**	6.5%	**$848**

* Totals may not add up due to rounding

Personal Income Taxes

The NYS Assembly Ways and Means Committee staff estimates that PIT receipts will total $53.515 billion in SFY 2019-20, representing an increase of 11.3 percent or $5.427 billion, above last year. Gross receipts are expected to increase by 9.7 percent or $5.716 billion from SFY 2018-19, including a 71.2 percent, or $2.514 billion, increase in prior year estimated payments. Total refunds are anticipated to increase by 2.6 percent, or $290 million, primarily related to a $415 million increase in advanced credit payments.

In addition to underlying revenue growth related to continued wage and employment gains, the annual increase in PIT receipts can be attributed to changes in taxpayer behavior related to the enactment of the Federal Tax Cuts and Jobs Act of 2017, which limited the federal deductibility of state and local taxes (SALT). Some taxpayers shifted income and tax payments to 2017 from 2018 to take advantage of the federal deductibility of state income taxes in tax year 2017. The limitation on SALT deductions has also decreased the incentive to pay traditionally larger, estimated payments at the close of the calendar year, which has resulted in these payments being collected in the next fiscal year. It is currently unclear how these, or other behavioral changes, will impact future collections.

User Taxes

User taxes are estimated to total $18.317 billion in SFY 2019-20, an increase of 5.5 percent, or $960 million. Sales tax revenue is estimated to increase by $1.1 billion, or 7.3 percent, which is the result of continued consumer spending growth as well as the expansion of the sales tax base to include most internet marketplace sales.

Business Taxes

Overall, business taxes are estimated to increase by 15.3 percent, or $1.209 billion, over SFY 2018-19 levels. Corporate franchise taxes are estimated to increase by $585 million, or 13.6 percent, and insurance taxes are projected to increase by $529 million, or 28.8 percent. The Committee staff accepts the Executive’s assumptions with regard to audit collections as well as the impact of recent tax law changes.

Other Taxes

Other taxes are estimated to total $2.193 billion, a decrease of $29 million, or 1.3 percent from SFY 2018-19 levels. This decrease reflects a $20 million, or 1.9 percent reduction in estate and gift tax collections and a $10 million, or 0.9 percent, a decrease in real estate transfer tax receipts.

Gaming

The Committee staff anticipates an overall fiscal year decrease in gaming receipts of $37 million, or 1.0 percent, for a total of $3.576 billion, predominantly related to a 3.1 percent decrease in lottery receipts, partially offset by a 17.1 percent increase in casino receipts.

Revenue Table, Current Fiscal Year 2019-20

Table 13

All Funds Collections SFY 2019-20 ($ in Millions)	2018-19 Actual	2019-20 Estimate	Change	Growth	Diff. Exec.
Personal Income Tax	**48,088**	**53,515**	**5,427**	**11.3%**	**$499**
Gross Receipts	**59,175**	**64,891**	**5,716**	**9.7%**	**414**
Withholding	41,084	42,954	1,870	4.6%	380
Estimated Payments	14,010	17,013	3,003	21.4%	31
Vouchers	10,481	10,970	489	4.7%	14
IT 370s	3,529	6,043	2,514	71.2%	17
Final Payments	2,685	3,460	775	28.9%	47
Delinquencies	1,396	1,464	68	4.9%	(44)
Total Refunds	**11,087**	**11,377**	**290**	**2.6%**	**(84)**
Net Collections	**48,088**	**53,515**	**5,427**	**11.3%**	**499**
User Taxes and Fees	**17,357**	**18,317**	**960**	**5.5%**	**169**
Sales and Use Tax	15,128	16,228	1,100	7.3%	196
Motor Fuel Tax	528	517	(11)	(2.0%)	(6)
Cigarette & Tobacco Tax	1,108	1,030	(79)	(7.1%)	17
Vapor Tax	0	10	10	100.0%	-
Highway Use Tax	145	141	(4)	(3.0%)	(0)
Alcoholic Beverage Tax	262	265	3	1.3%	0
Opioid Tax	0	17	17	100.0%	(33)
Medical Cannabis Excise Tax	4	6	2	50.0%	-
Auto Rental Tax**	130	103	(27)	(20.7%)	(5)
Taxi Surcharge**	52	0	(52)	(100.0%)	-
Business Taxes	**7,913**	**9,121**	**$1,209**	**15.3%**	**135**
Corporate Franchise Tax	4,297	4,882	585	13.6%	5
Utility Tax	673	697	25	3.6%	11
Insurance Tax	1,837	2,366	529	28.8%	122
Bank Tax	(60)	1	61	(101.7%)	0
Petroleum Business Tax	1,166	1,175	9	0.8%	(3)
Other Taxes	**2,221**	**2,193**	**($29)**	**(1.3%)**	**(48)**
Estate and Gift Tax	1,068	1,048	(20)	(1.9%)	(46)
Real Estate Transfer Tax	1,135	1,126	(10)	(0.9%)	(2)
Employer Compensation Expense Program	0	1	1	100.0%	-
Pari Mutuel Tax	15	15	0	0.0%	-
Other Taxes	3	3	0	0.0%	-
Total All Funds Taxes	**$75,579**	**$83,146**	**$7,567**	**10.0%**	**$756**
All Funds Miscellaneous Receipts**	27,571	26,217	(1,354)	(4.9%)	47
Gaming	3,613	3,576	(37)	(1.0%)	45
Total Taxes & Gaming & Miscellaneous Receipts	**$106,763**	**$112,939**	**$6,176**	**5.8%**	**$848**
Federal Funds	61,344	66,162	$4,818	7.9%	0
Total All Funds Receipts	**$168,107**	**$179,101**	**$10,994**	**6.5%**	**$848**

* Totals may not add up due to rounding

**The SFY 2019-20 budget provided a portion of these revenues directly to the MTA.

State Fiscal Year 2020-21

Key economic indicators point to an ongoing but slow expansion. The Committee staff is estimating a GDP growth of 2.0 percent in 2020, followed by a growth of 1.8 percent in 2021. (See the Economy section of report for more details.)

All Funds Revenues

The Committee staff expects a 1.0 percent decrease in All Funds revenues for SFY 2020-21, reflecting a $3.937 billion increase in PIT collections, a $632 million increase in user tax collections, and a $946 million increase in business tax collections, offset by a $3.572 billion reduction in miscellaneous receipts and a $3.975 decrease in federal funds.

Including estimates for miscellaneous receipts and federal grants, the total receipts for SFY 2020-21 are forecast at $177.797 billion. The Committee staff forecast is $903 million above the Executive's forecast.

All Funds Tax Receipts

The Committee staff expects a 6.7 percent increase in All Funds tax receipts in SFY 2020-21, for a total of $88.750 billion. The Committee staff tax receipts forecast is $818 million above the Executive's forecast. The Committee's net personal income tax (PIT) forecast is $642 million above the Executive's PIT forecast.

Table 14

SFY 2020-21 All Funds Forecast Summary
($ in Millions)

	2019-20 Estimate	2020-21 Forecast	Change	Growth	Diff. Exec.
Personal Income Tax	$53,515	57,452	$3,937	7.4%	$642
User Taxes	18,317	18,950	632	3.5%	77
Business Taxes	9,121	10,067	946	10.4%	157
Other Taxes	2,193	2,281	89	4.0%	(58)
Total Tax Collections	**$83,146**	**$88,750**	**$5,604**	**6.7%**	**$818**
All Funds Miscellaneous Receipts	26,217	22,645	(3,572)	(13.6%)	58
Gaming	3,576	3,693	117	3.3%	27
Total w/Miscellaneous Receipts & Gaming	**$112,939**	**$115,088**	**$2,149**	**1.9%**	**$903**
Federal Funds	66,162	62,187	(3,975)	(6.0%)	-
Total All Funds Receipts	**$179,101**	**$177,275**	**($1,826)**	**(1.0%)**	**$903**

* Totals may not add up due to rounding.

Personal Income Taxes

Overall, personal income taxes, the largest component of all tax collections, are forecast to total $57.452 billion, which is $3.937 billion, or 7.4 percent, above the SFY 2019-20 estimates. Total New York State wage is forecast to grow at 4.1 percent in SFY 2020-21, and variable wages (bonuses) are expected to register growth of 3.1 percent.

User Taxes

All Funds user taxes are forecast to total $18.950 billion, 3.5 percent above current year estimates. This forecast reflects the staff projections that healthy consumer spending growth will continue to contribute to the ongoing economic recovery.

Business Taxes

Business taxes are forecast to total $10.067 billion in SFY 2020-21, an increase of $946 million percent from the current year closeout on an All Funds basis. This increase is primarily related to an $814 million, or 16.7 percent, increase in corporate franchise tax receipts.

Other Taxes

Other taxes, which consist primarily of the estate tax and real estate transfer taxes, are forecast to increase by 4.0 percent in SFY 2020-21, to a level of $2.281 billion, primarily related to an increase in estate tax collections.

Gaming

Gaming receipts are forecast to increase by 3.3 percent, or $117 million, in SFY 2020-21 for a total of $3.693 billion. Lottery receipts are expected to increase by 2.8 percent and casino revenues are projected to increase by 9.8 percent, to $174 million.

Revenue Table, Upcoming Fiscal Year 2020-21

Table 15

All Funds Collections SFY 2020-21 ($ in Millions)	2019-20 Estimate	2020-21 Forecast	Change	Growth	Diff. Exec.
Personal Income Tax	**$53,515**	**$57,452**	**$3,937**	**7.4%**	**$642**
Gross Receipts	**64,891**	**68,166**	**3,275**	**5.0%**	**614**
Withholding	42,954	45,059	2,105	4.9%	630
Estimated Payments	17,013	17,912	900	5.3%	43
Vouchers	10,970	11,672	702	6.4%	(7)
IT 370s	6,043	6,240	197	3.3%	50
Final Payments	3,460	3,566	105	3.0%	(42)
Delinquencies	1,464	1,630	165	11.3%	(16)
Total Refunds	**11,377**	**10,715**	**(662)**	**(5.8%)**	**(27)**
Net Collections	**53,515**	**57,452**	**3,937**	**7.4%**	**642**
User Taxes and Fees	**18,317**	**18,950**	**632**	**3.5%**	**77**
Sales and Use Tax	16,228	16,805	577	3.6%	86
Motor Fuel Tax	517	527	9	1.8%	3
Cigarette & Tobacco Tax	1,030	970	(59)	(5.7%)	7
Vapor Tax	10	14	4	40.0%	-
Highway Use Tax	141	145	4	2.8%	2
Alcoholic Beverage Tax	265	270	5	1.7%	1
Opioid Tax	17	75	58	341.2%	(25)
Medical Cannabis Excise Tax	6	8	2.0	33.3%	2
Adult Use Cannabis	0	20	20.0	100.0%	0
Auto Rental Tax	103	116	13	12.5%	1
Business Taxes	**9,121**	**10,067**	**946**	**10.4%**	**157**
Corporate Franchise Tax	4,882	5,696	814	16.7%	56
Utility Tax	697	685	(12)	**(1.7%)**	28
Insurance Tax	2,366	2,427	61	2.6%	63
Bank Tax	1	90	89	8900.0%	0
Petroleum Business Tax	1,175	1,170	(6)	(0.5%)	11
Other Taxes	**2,193**	**2,281**	**89**	**4.0%**	**(58)**
Estate and Gift Tax	1,048	1,125	77	7.3%	(49)
Real Estate Transfer Tax	1,126	1,135	10	0.9%	(9)
Employer Compensation Expense Program	1	3	2	200.0%	-
Pari Mutuel Tax	15	15	0	0.0%	-
Other Taxes	3	3	0	0.0%	-
Total All Funds Taxes	**$83,146**	**$88,750**	**$5,604**	**6.7%**	**$818**
All Funds Miscellaneous Receipts	26,217	22,645	(3,572)	(13.6%)	58
Gaming	3,576	3,693	117	3.3%	27
Total Taxes & Gaming & Miscellaneous Receipts	**$112,939**	**$115,088**	**$2,149**	**1.9%**	**$903**
Federal Funds	66,162	62,187	(3,975)	(6.0%)	0
Total All Funds Receipts	**$179,101**	**$177,275**	**($1,826)**	**(1.0%)**	**$903**

* Totals may not add up due to rounding

Risks to the Revenue Forecast

The current forecast for the economy and, therefore, revenues, is predicated on certain key assumptions related to fiscal and monetary policy, as well as global economic and geopolitical fundamentals as enunciated in the Economy section of this report.

The federal tax reform of December 2017 implements a fundamental transformation of corporate taxation in the U.S. as well as of personal income taxes, and thus presents numerous challenges to the states related to conformity with key provisions. The State has also experienced some changes in taxpayer behavior as a result of the federal tax reform, especially those related to the limitation on SALT deductions. The Committee's forecast assumes that the recent changes in the timing of collections will stabilize. However, it is currently unclear how these, or other, behavioral changes will impact future collections.

EXECUTIVE REVENUE ACTIONS

Personal Income Tax Proposals

- The Executive proposes to expand the Empire State Child Tax Credit, to include children under the age of four, residing in families with adjusted gross incomes of up to $50,000 per year. The existing credit is limited to children ages four to sixteen, and is equal to the larger of 33 percent of the pre-2018 federal child tax credit, or $100 per qualifying child.

- The Executive proposes to authorize the Department of Taxation and Finance (T&F) to calculate and issue the Earned Income Tax Credit to eligible taxpayers who failed to claim the New York State or New York City credit on their tax returns. In addition, T&F would be authorized to recalculate a taxpayer's personal income tax return using the standard deduction, when the standard deduction would be larger than the itemized deduction.

- The Executive proposes to limit the current long-term care insurance credit to taxpayers with New York adjusted gross income below $250,000 and to cap the allowable total credit amount to $1,500 per taxpayer. Current law provides a 20 percent credit with no maximum credit amount and no income limitations.

- The Executive proposes to make permanent the current provisions authorizing T&F to use the financial institution data match system for State collection of past-due fixed and final tax debts; and allow T&F to serve warrantless income executions on individual tax debtors and if necessary, on the employers of such debtors. These present law provisions are otherwise scheduled to expire on April 1, 2020.

- The Executive proposes to make various changes to the State's tax fraud statutes, including changes that would clarify the applicability of existing fraud provisions; authorize the aggregation of certain tax fraud counts; and establish new criminal tax fraud statutes related to tax return preparers that attempt to file ten or more fraudulent tax returns in a given year.

School Tax Relief (STAR) Proposals

- The Executive proposes to lower the income eligibility limit for the Basic STAR Exemption Program from the current $250,000 level to $200,000, beginning with the 2020-21 school year. Taxpayers in this income range would be shifted into the STAR Credit Program, and the income eligibility limit for the STAR Credit Program would remain unchanged at $500,000.

- The Executive proposes to allow retroactive enrollment in the Enhanced STAR Program for certain recipients who were disqualified from the program by failing to enroll in the Income Verification Program (IVP), for the 2019-20 school year.

- The Executive proposes to eliminate STAR benefits for homeowners that are delinquent on their property tax payments. Local assessing jurisdictions would report the delinquent homeowners to T&F, who would then, upon prior notice to the homeowner, disallow STAR Exemption or Credit Program payments until the taxes are paid.

- The Executive proposes to remove statutory and appropriation references to the STAR Offset Program, which is no longer active.

Property Tax Proposals

- The Executive proposes to extend the existing oil and gas fee, which supports the cost of setting unit of production values for the gas and oil industry, from March 31, 2021 to March 31, 2024.

- The Executive proposes to clarify the railroad ceiling valuation date to ensure that T&F and localities are using a consistent date, and to clarify the equalization rates to be used in the Telecommunications Ceiling Program.

- The Executive proposes to eliminate the State Board of Real Property Tax Services and to transfer its powers and duties to the Commissioner of Taxation and Finance.

- The Executive proposal would allow counties to appoint an Acting County Director of Real Property Tax Services until a new permanent director is hired.

- The Executive proposes to authorize municipalities that have separate tax rates for homestead and non-homestead properties the option to place converted condos assessed at full value using the sales-based method into the homestead class, which would align taxation of these units with other residential properties.

- The Executive proposes to combine the property transfer form and the real estate transfer tax form into a consolidated real property transfer form and to create an online system for e-filing and paying the associated taxes and fees.

Business Tax Proposals

- The Executive proposes a variety of changes related to the taxation of small businesses, including proposals to:

    - reduce the Corporate Franchise Tax Rate, from 6.5 percent to 4 percent, for businesses with 100 or fewer employees with a net income of $390,000 or less;

    - increase the existing sole proprietor and farm business income deduction, from the current 5 percent to 15 percent, for small businesses that are paying taxes through the personal income tax and that have less than $250,000 of small business income;

    - modify the existing Investment Tax Credit to make it refundable for taxpayers whose primary source of income is from farming operations; and

    - eliminate the estimated tax underpayment penalty for New York S corporations.

- The Executive proposes to extend the Excelsior Jobs Program to add statutory authorizations for new allocation of $200 million per year for the years 2025 through 2039. The proposal would also extend the program through 2049, to allow the last ten years to be supported by credits that have been carried forward.

- The Executive proposes to establish enhanced green economy tax credits within the Excelsior Jobs Program, including proposals to:

    - increase the Refundable Jobs Credit from an amount up to 6.85 percent of wages for every new job created up to 7.5 percent of such wages for net new jobs in a qualifying green project;

- increase the refundable Investment Tax Credit from 2 percent of investment to 5 percent for new capital investment in a qualifying green project; and

- increase the Research and Development Tax Credit from up to 6 percent of research expenditures to up to 8 percent of research expenses in a qualifying green project.

- The Executive proposes a variety of changes to the Empire State Film Production Credit and Empire State Film Post Production Credit, including proposals to:

  - reduce the amount of the Empire State Film Production Credit from 30 percent to 25 percent;

  - reduce the Empire State Post Production Credit from 30 percent to 25 percent for qualified films produced at qualified facilities located within the Metropolitan Commuter Transportation District and from 35 percent to 30 percent for qualified films produced at qualified facilities located elsewhere in the State;

  - exclude single episodes of a television series and require that a qualified film, other than a television pilot, must have a minimum budget of $1 million if the project is located in the counties of Westchester, Rockland, Nassau, or Suffolk or New York City, and have a minimum budget of $250,000 if the project is located in the other counties of the State;

  - exclude new variety entertainment, variety sketch, and variety talk programs, other than relocated television productions from the credits;

  - clarify the time period for claiming certain tax credits; and

  - extend the film credit programs for one year from 2024 to 2025.

- The Executive proposal would extend the Hire-a-Vet Credit for an additional two years, to taxable years beginning before January 1, 2023, for employment commenced before January 1, 2022.

Tobacco Proposals

- The Executive proposes to close a loophole in the current Tax Law that occurs when tobacco products do not pass directly from the manufacturer to the distributor, allowing tobacco distributors to establish a lower "wholesale price". The Executive proposes to modify the definition of "wholesale price" of tobacco products to clarify that it is the price for which the tobacco products are sold to a distributor. In addition, the proposal would penalize businesses that fail to maintain records required for cigarette and tobacco products taxes, including invoices, or to make those records available for inspection.

- The Executive proposes to enhance cigarette tax enforcement and licensing penalties against retail dealers who sell unstamped or unlawfully stamped cigarettes and against persons affiliated with those retail dealers. The proposal would also authorize T&F to suspend or revoke a retail dealer's sales tax certificate of authority when its registration to sell cigarettes has been suspended or revoked.

- The Executive proposes to:

    - prohibit the sale or distribution of e-cigarettes or vapor products that have a characterizing flavor;

    - prohibit the sale of tobacco products, including e-cigarettes, in all pharmacies;

    - expand the definition of "place of employment" to define indoor space and limit second hand smoke exposure;

    - restrict the delivery of e-liquid products only to New York State licensed retailers;

    - restrict the advertising of vapor products in periodicals targeting youth, limit production of audio and video advertising, and restrict claims of safety and efficacy for vaping as a smoking cessation device without Food and Drug Administration approval;

    - require manufacturers of vapor products to disclose to the Department of Health and the public information regarding the ingredients, by-products, or contaminants in vapor products, whether intentional or unintentionally added;

- ban certain carrier oils, if they are determined to be harmful;
- ban coupons and manufacturer discounts and displays in shops; and
- increase penalties for illegally selling tobacco products to minors.

Gaming Proposals

- The Executive proposal would end the restriction requiring sports wagering to be operated exclusively in a casino's designated sports wagering lounge, allowing for sports wagering to occur in approved areas outside the lounge, but still within the casino.

- The Executive proposal would eliminate the current 2,500 square feet size restriction imposed on locations offering Quick Draw.

- The Executive would authorize the New York Racing Association (NYRA) to fund the construction and furnishing of an equine drug testing and research lab for use by the Gaming Commission.

- The Executive would authorize the creation of a multi-state compact for the creation of a uniform set of rules and regulations of permitted and prohibited use of drugs in racehorses.

- The Executive proposal would extend the current pari-mutuel tax rate structure and other racing-related provisions for one year.

- The Executive proposal would eliminate video lottery terminal aid (VLT) for the 15 municipalities outside the City of Yonkers that currently receive a combined $9.3 million in VLT distributions.

Other Tax Proposals

- The Executive proposes a variety of technical changes to the State's alcoholic beverage taxes, including proposals to:

- update and conform annual reporting requirement thresholds for small alcohol producers in the Tax Law to the State Liquor Authority's (SLA) annual production caps for farm producer licenses;

- standardize the tax exemption on inter-distributor sales by extending the exemption to every registered distributor; and

- repeal the one cent per liter tax levied on liquor containing less than two percent of alcohol by volume.

➢ The Executive proposal includes language to clarify the process by which AIM-related sales tax payments are made within Nassau and Erie Counties, to direct the local control boards to remit necessary funds back to the State in order to allow AIM-related payments to be made to affected towns and villages.

➢ The Executive proposes to require any statewide elected official, member of the legislature, appointed state commissioner, or elected local official in New York State who receives annual compensation beyond $100,000 to file an annual copy of their tax return with the Joint Commission on Public Ethics (JCOPE).

Cannabis Proposals

➢ The Executive proposes to establish a regulated adult-use cannabis program and create a new Office of Cannabis Management (OCM) within the Division of Alcohol Beverage Control, governed by a five-member Cannabis Control Board overseeing the adult-use, medical and cannabinoid hemp industries. The powers of this new office include but are not limited to: the establishment of cultivation and processing standards; the licensure of all business entities in the production and distribution chain; the inspection and enforcement of program standards and the development and issuance of program regulations.

➢ The Executive proposal would establish a social and economic equity program to actively encourage members of communities who have been disproportionally impacted by the policies of cannabis prohibition to participate in the new industry through the implementation of a social and economic equity plan – providing technical assistance, training, loans, and mentoring to qualified social and economic equity applicants.

- The Executive would modify, and in some cases reduce, existing penalties related to cannabis under the Penal Law, amend the Vehicle and Traffic Law to increase penalties for driving under the influence of drugs and other substances, as well as make conforming changes to the Public Health Law.

- The Executive proposal would transfer administration of the existing medical marihuana program from the Department of Health to the Office of Cannabis Management.

- The Executive proposes to establish a regulatory framework to regulate the licensing, cultivation, processing, extracting and distribution of cannabinoid hemp (CBD).

- The Executive proposal would provide all counties and cities with a population of 100,000 or more the opportunity to opt-out of certain provisions of the law upon the passage of a local law, ordinance or resolution by a majority vote of their governing body. Counties, cities, towns, and villages would be able to dictate the hours of operation and location of licensed adult-use cannabis retail dispensaries within their jurisdiction through local zoning powers.

- The Executive proposal establishes a three tier tax structure, including:

    - tax on the cultivation of cannabis at the rate of $1 per dry weight gram of cannabis flower, $0.25 per dry weight gram of non-flower cannabis, and $0.14per gram of wet cannabis;

    - tax on the sale by any person to a retail dispensary at the rate of 20 percent of the price, which would be deposited in the New York State Cannabis Revenue Fund; and

    - tax on the same sale by any person to a retail dispensary at the rate of 2 percent of the price, which would be remitted to the county in which the retail dispensary is located.

- The Executive proposal would deposit revenues from State cannabis taxes in the New York State Cannabis Revenue Fund which would be expended for the following purposes: administration of the regulated cannabis program, data gathering, monitoring and reporting, the governor's traffic safety committee, initiatives and programs of the social and economic equity plan of the OCM, substance abuse, harm reduction and mental health treatment and prevention, public health education and intervention, research on cannabis uses and applications, program evaluation and improvements, and any other identified purpose recommended by the director of the OCM and approved by the Division of Budget.

Table 16

TAX AND OTHER REVENUE ACTIONS ($ in Millions)				
	General Fund		All Funds	
Proposals	SFY 2020-21	SFY 2021-22	SFY 2020-21	SFY 2021-22
Tax Cuts and Credits		**(33)**	**-**	**(39)**
Modify Small Businesses Taxation	-	(33)	-	(39)
Enhance Empire State Child Credit	-	-	-	-
Extend Excelsior Tax Credit Program and Enhance Tax Credits for Green Projects	-	-	-	-
Extend Hire-A-Vet Credit for Two Years	-	-	-	-
Reform and Simplification Actions	**8**	**49**	**8**	**49**
Modify the Tobacco Products Tax	10	23	10	23
Authorize Tax Dept. to Provide Unclaimed Tax Benefits	(2)	(2)	(2)	(2)
Cap the Maximum Amount and Income for the Long-Term Care Insurance Credit	-	28	-	28
Extend and modify the Film Production Tax Credit	-	-	-	-
Make Technical Amendments Related to Alcoholic Beverage Taxes	-	-	-	-
Make Technical Amendments to Telecommunications and Railroad Ceiling Programs	-	-	-	-
Abolish the State Board of Real Property Tax Services	-	-	-	-
Allow for the Appointment of Acting County Directors of Real Property Tax Services	-	-	-	-
Provide Local Options for Placing Converted Condos into the Homestead Class	-	-	-	-
Enforcement Initiatives	**40**	**40**	**40**	**40**
Enhance Cigarette Tax Enforcement and Penalties	-	-	-	-
Update Criminal Tax Fraud Statutes	-	-	-	-
Make Warrantless State Tax Debt Collection Methods Permanent	40	40	40	40
Other Actions	**-**	**-**	**(5)**	**30**
Enact a Comprehensive Tobacco Control Policy	-	-	(25)	(33)
Enact the Cannabis Regulation and Taxation Act	-	-	20	63
School Tax Relief (STAR) Program Actions	**(4)**	**-**	**(78)**	**(68)**
Shift Basic STAR Exemptions to the Credit Program - Credit Portion	(74)	(68)	(74)	(68)
Shift Basic STAR Exemptions to the Credit Program - STAR Savings	74	68	-	-
Make Exceptions for Late Enhanced STAR Filers	(4)	-	(4)	-
Deny STAR Benefits to Delinquent Property Owners	-	-	-	-
Remove References to the STAR Offset Program	-	-	-	-
Gaming Initiatives	**-**	**-**	**15**	**30**
Amend Sports Wagering Lounge Restrictions	-	-	-	-
Eliminate QuickDraw Minimum Size Restriction	-	-	15	30
Extend Pari-Mutuel Tax Rates and Simulcast Provisions for One Year	-	-	-	-
Build a New Equine Drug Testing Lab	-	-	-	-
Authorize Entry Into the Mid-Atlantic Drug Compact	-	-	-	-
Fee Actions	**-**	**-**	**70**	**70**
Extend Oil and Gas Fee for Three Years	-	-	-	-
Establish a Motion Picture Theater Alcohol Permit	-	-	-	-
Impose Certificate of Need Fee	-	-	70	70
TOTAL REVENUE ACTIONS	**44**	**56**	**51**	**112**

TAX ANALYSIS

Personal Income Tax

Table 17

Personal Income Tax Collections Forecasts by State Fiscal Year ($ in Millions)						
	2019-20			2020-21		
	WAM Estimate	Percent Growth	Diff. Exec	WAM Forecast	Percent Growth	Diff. Exec.
Personal Income Tax	**$53,515**	11.3%	**$499**	**$57,452**	**7.4%**	**$642**
Gross Receipts	**64,891**	9.7%	**414**	**68,166**	**5.0%**	**614**
Withholding	42,954	4.6%	380	45,059	4.9%	630
Estimated Payments	17,013	21.4%	31	17,912	5.3%	43
Vouchers	10,970	4.7%	14	11,672	6.4%	(7)
IT 370s	6,043	71.2%	17	6,240	3.3%	50
Final Payments	3,460	28.9%	47	3,566	3.0%	(42)
Delinquencies	1,464	4.9%	(44)	1,630	11.3%	(16)
Total Refunds	**11,377**	**2.6%**	**(84)**	**10,715**	(5.8%)	**(27)**
Prior Year Refunds	5,935	(1.6%)	(24)	6,335	6.7%	(7)
Current Refunds	2,250	0.0%	-	1,750	(22.2%)	-
Advance Credit Payments	1,495	38.4%	-	738	(50.6%)	-
Previous Refunds	548	(7.0%)	(61)	618	12.9%	(20)
State/City Offsets	1,149	1.2%	-	1,274	10.9%	-
Collections	**53,515**	11.3%	**499**	**57,452**	7.4%	**642**
Transfers to STAR	(2,176)	(10.2%)	**-**	(2,186)	0.5%	-
Transfers to DRRF/RBTF	(26,757)	11.3%	(250)	(28,726)	7.4%	(321)
General Fund PIT Collections	**$24,581**	13.7%	**$248**	**$26,540**	**8.0%**	**$135**

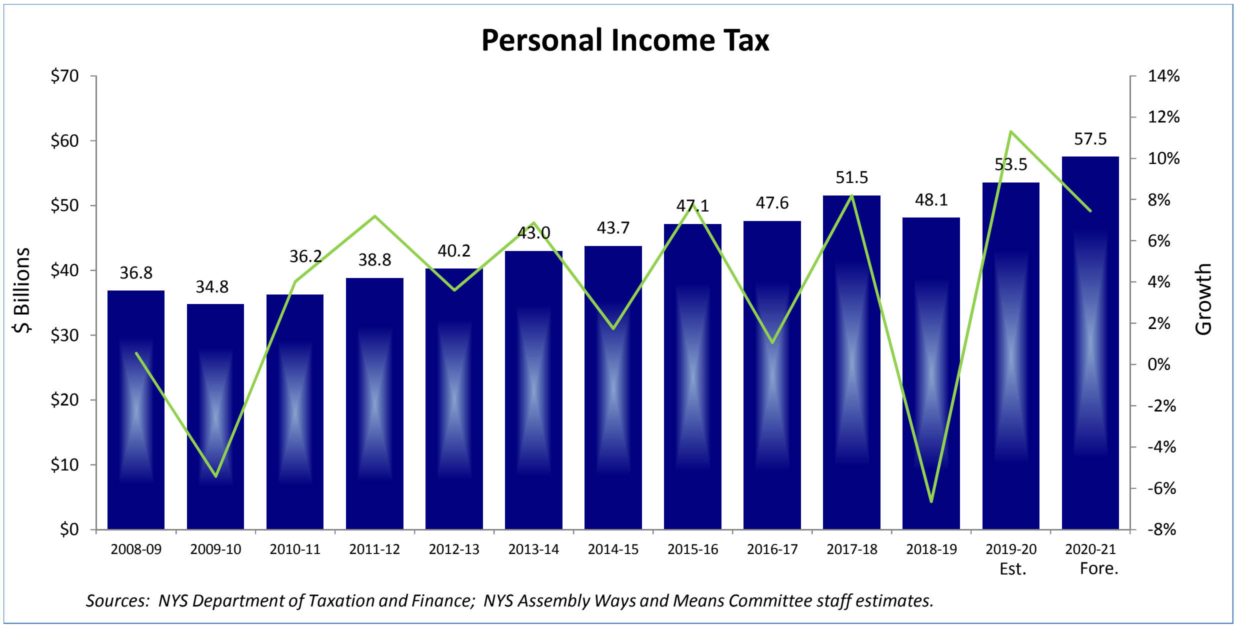


Figure 50

Article 22 of the Tax Law imposes a tax on the income of individuals, estates and trusts residing or located in New York State. Personal Income Tax (PIT) receipts contribute approximately 70 percent of all tax collections deposited into the General Fund. PIT receipts are received through employee withholdings, estimated tax payments, payments accompanying annual tax returns, late payments, and through audits and assessments. Withholding is the single largest component, comprising approximately 65 percent of gross PIT receipts.

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

Taxpayers may itemize their deductions on their New York State returns if the aggregate of such deductions, minus state and local income taxes and certain other modifications, exceed the New York standard deduction. However, the availability of itemized deductions is limited for certain high income taxpayers. The high income deduction limitation begins at different levels depending upon ones' taxable income. A 25 percent reduction begins to phase in after $100,000 of AGI for single filers, above $200,000 for married filers, and for incomes exceeding $250,000 for head of household filers. A 50 percent limitation on itemized deductions begins to phase in for all filers at $475,000.

For New York taxpayers whose AGI exceeds $1 million, itemized deductions are fully excluded, and only 50 percent of charitable contributions may be deducted for the purposes of calculating tax liability. For taxpayers with AGI over $10 million, the charitable contributions deduction is limited to 25 percent.

Either the State standard deduction or itemized deductions, in addition to exemptions claimed on New York taxes, are subtracted from NYAGI to arrive at New York taxable income. Taxable income is then multiplied by the appropriate tax rate. A taxpayer's tax rate is partially determined by their filing status. The tax rate is then determined by the level of income.

Net Collections

Year-to-Date (YTD) Through January 2020

Through January 2020, net personal income tax collections have increased by 12.7 percent, or $5.238 billion, with gross collections increasing by 10.7 percent or $5.317 billion year-to-date.

Table 18

Net Collections ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$46,381	12.7%	$53,515	11.3%	$53,016	$499
2020-21			$57,452	7.4%	$56,810	$642

State Fiscal Year 2019-20

Net personal income tax collections are estimated to total $53.515 billion, which represents an increase of $5.427 billion, or 11.3 percent, from the prior fiscal year. Gross collections are expected to increase by 9.7 percent and the Committee staff anticipates a 2.6 percent increase in refunds.

The Committee staff's net PIT collections estimate is $499 million above the Executive Budget estimate.

State Fiscal Year 2020-21

Net personal income tax collections are forecast to total $57.451 billion, an increase of $3.937 billion, or 7.4 percent, over SFY 2019-20 estimates. Gross collections are forecast to increase by $3.275 billion, an increase of 5.0 percent, with a decrease in total refunds of $662 million, or 5.8 percent. The Committee's net collection forecast is $642 million above the Executive Budget's forecast.

Withholding

Employers are required to withhold an amount from employees' paychecks, which is used at the end of the year to help settle taxpayer 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, but is closely correlated to wage and salaries received during any given quarter.

YTD through January

Through January, withholding collections are up $1.475 billion, or 4.6 percent, compared to the prior year.

Table 19

Withholding ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$33,882	4.6%	$42,954	4.6%	$42,574	$380
2020-21			$45,059	4.9%	$44,429	$630

State Fiscal Year 2019-20

The Committee staff estimates $42.954 billion in withholding collections, a growth of $1.870 billion, or 4.6 percent, above the prior fiscal year. The Committee estimate is $380 million above the Executive's estimate.

State Fiscal Year 2020-21

Withholding collections are projected to increase by 4.9 percent, or $2.105 billion, in SFY 2020-21, for a total of $45.059 billion. This forecast is $630 million above the Executive's forecast, and is premised on continued wage growth.

Total wage growth is projected at 4.1 percent. Base wages are forecast to increase by 4.2 percent with variable wages projected to increase by 3.1 percent.

Quarterly Estimated Payments

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

YTD through January

Through January, estimated payments, excluding extensions, have increase by 4.0 percent, or $415 million compared to the prior fiscal year. Through the same period, prior-year estimated payments have increased by 71.6 percent compared to SFY 2018-19.

Table 20

Quarterly Estimated Payments ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$10,799	4.0%	$10,970	4.7%	$10,956	$14
2020-21			$11,672	6.4%	$11,679	($7)

Table 21

Prior Year Estimated Payments ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$5,986	71.6%	6,043	71.2%	$6,026	$17
2020-21			$6,240	3.3%	$6,190	$50

State Fiscal Year 2019-20

The Committee staff's estimated payment total is $17.012 billion, an increase of 21.4 percent, or $3.003 billion, from SFY 2018-19. The Committee staff estimate is $31 million above the Executive's estimate.

There have been some changes in taxpayer behavior related to the recently enacted Federal Tax Cuts and Jobs Act of 2017, which implemented a $10,000 annual limit on the federal deductibility of state and local taxes. This change has led many taxpayers to shift capital gains realization and other income payments out of SFY 2018-19 and into both SFY 2017-18 and

SFY 2019-20. In April 2019, prior year estimated payments increased by $2.482 billion, or 71.9 percent over April 2018. This dramatic increase is related to the shifting of certain estimated payments which were expected in December 2018 and January 2019, from SFY 2018-19 into SFY 2019-20.

State Fiscal Year 2020-21

Estimated payment collections are projected to increase 5.3 percent, or $900 million, in SFY 2020-21, for a total of $17.912 billion. This estimate is $43 million above the Executive's forecast.

Realized capital gains are expected to increase 1.6 percent in tax year 2020, followed by a projected decrease of 3.1 percent in tax year 2021 (see **Table 25**).

Refunds

YTD through January

Prior year refunds are refunds issued by the State between April 1st and January 31st. These refunds are associated with the most recently completed calendar year liability. Previous year refunds are refunds issued for liability years prior to the year most recently completed. This component, like delinquencies, cannot be specifically connected to a particular liability year.

Year-to-date, prior year refunds have decreased by 1.6 percent, while previous year refunds have increased by 10.8 percent. Total refunds, including State/City offsets, have increased 0.9 percent year-to-date, relative to the same period of last fiscal year.

Table 22

Prior Year Refunds - 2019 Tax Year ($ in Millions)

	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$5,860	(1.6%)	$5,935	(1.6%)	$5,959	($24)
2020-21			$6,335	6.7%	$6,342	($7)

Table 23

Previous Year Refunds - Before the 2019 Tax Year ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$433	-10.8%	$548	(7.0%)	$608	($61)
2020-21			$618	12.9%	$638	($20)

State Fiscal Year 2019-20

Committee staff anticipates that SFY 2019-20 will conclude with $5.935 billion in prior year refunds and $548 million in previous refund distributions. The Committee's estimate for prior year refunds is $24 million below the Executive's estimate, and reflects a 1.6 percent decrease from SFY 2018-19.

The closeout for previous year refunds represents a 7 percent reduction relative to the last fiscal year. The Executive's estimate is $61 million above the Committee's estimate.

Total refunds are projected at $11.377 billion, an increase of 2.6 percent, or $290 million, over SFY 2018-19.

State Fiscal Year 2020-21

The Committee staff projects a prior year refund total of $6.335 billion, an increase of 6.7 percent, or $399 million, over the SFY 2019-20 estimates.

Previous refunds are forecast to total $618 million, representing an increase of 12.9 percent, or $71 million, over SFY 2019-20.

Advanced credit payments are expected to total $738 million, a reduction of $757 million, or 50.6 percent, from SFY 2019-20. This reduction is primarily related to the expiration of the $1.324 billion property tax relief credit program.

Total refunds are projected at $10.715 billion, a decrease of 5.8 percent, or $662 million, from SFY 2019-20.

Fund Distribution

Table 24

Personal Income Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	$24,581	$2,176	$26,757	-	$53,515
2020-21	$26,540	$2,186	$28,726	-	$57,452

The Committee staff estimates General Fund personal income tax receipts of $24.581 billion in SFY 2019-20. In SFY 2020-21, General Fund collections are forecast to total $26.639 billion.

A statutory amount of 50 percent of net personal income tax collections is allocated to the Revenue Bond Tax Fund (RBTF). The estimated contribution to this fund in SFY 2019-20 is $26.757 billion, and $28.825 billion in SFY 2020-21. The SFY 2018-19 budget increased this amount from 25 percent to 50 percent.

The STAR fund consists of revenue that is used to reimburse school districts for STAR school property exemptions, as well as New York City for their STAR personal income tax rate reduction. The Executive estimates that the STAR program will cost $2.176 billion in SFY 2019-20 and $2.186 billion in SFY 2020-21 adjusted gross income (AGI).

Robust growth in realized capital gains along with moderate growth in wages, interest and dividend income, and business and partnership income, provided AGI growth of 10.1 percent in tax year 2017. AGI is projected to grow by 4.5 percent in 2018, 5 percent in 2019, 4.3 percent in 2020, and 3.7 percent in 2021.

Table 25

Components of Personal Income Tax AGI ($ in Millions)						
	Actual		Estimate		Forecast	
	2016	2017	2018	2019	2020	2021
NYSAGI						
Amount	$794,105	$874,568	$913,507	$959,509	$1,000,454	$1,037,432
Percent Change		10.1%	4.5%	5.0%	4.3%	3.7%
Wages						
Amount	$610,239	$634,086	$664,039	$694,503	$723,871	$753,219
Percent Change		3.9%	4.7%	4.6%	4.2%	4.1%
Net Capital Gains						
Amount	$72,465	$96,426	$97,963	$106,726	$108,457	$105,115
Percent Change		33.1%	1.6%	8.9%	1.6%	(3.1%)
Interest, Dividends and Pensions						
Amount	$79,830	$85,924	$90,602	$93,037	$96,234	$99,539
Percent Change		7.6%	5.4%	2.7%	3.4%	3.4%
Business and Partnership Income						
Amount	$94,548	$111,115	$115,142	$120,513	$126,577	$132,788
Percent Change		17.5%	3.6%	4.7%	5.0%	4.9%
Other Income						
Amount	($44,873)	($45,273)	($46,982)	($48,773)	($50,973)	($53,229)
Percent Change		0.9%	3.8%	3.8%	4.5%	4.4%

User Taxes and Fees

Table 26

User Tax Collections Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2019-20	**Growth**	**Diff. Exec.**	**SFY 2020-21**	**Growth**	**Diff. Exec.**
User Taxes and Fees	**$18,317**	**5.5%**	**$169**	**$18,950**	**3.5%**	**$77**
Sales and Use Tax	16,228	7.3%	196	16,805	3.6%	86
Motor Fuel Tax	517	(2.0%)	(6)	527	1.8%	3
Cigarette Tax	1,030	(7.1%)	17	970	(5.7%)	7
Vapor Tax	10	100.0%	0	14	40.0%	0
Highway Use Tax	141	(3.0%)	(0)	145	2.8%	2
Alcoholic Beverage Tax	265	1.3%	0	270	1.7%	1
Opioid Tax	17	100.0%	(33)	75	341.2%	(25)
Medical Marihuana Excise Tax	6	50.0%	0	8	33.3%	2
Auto Rental Tax*	103	(20.7%)	(5)	116	12.5%	1

*MCTD supplemental surcharge revenues are excluded, as these are now directly provided to the MTA.

Sales Tax

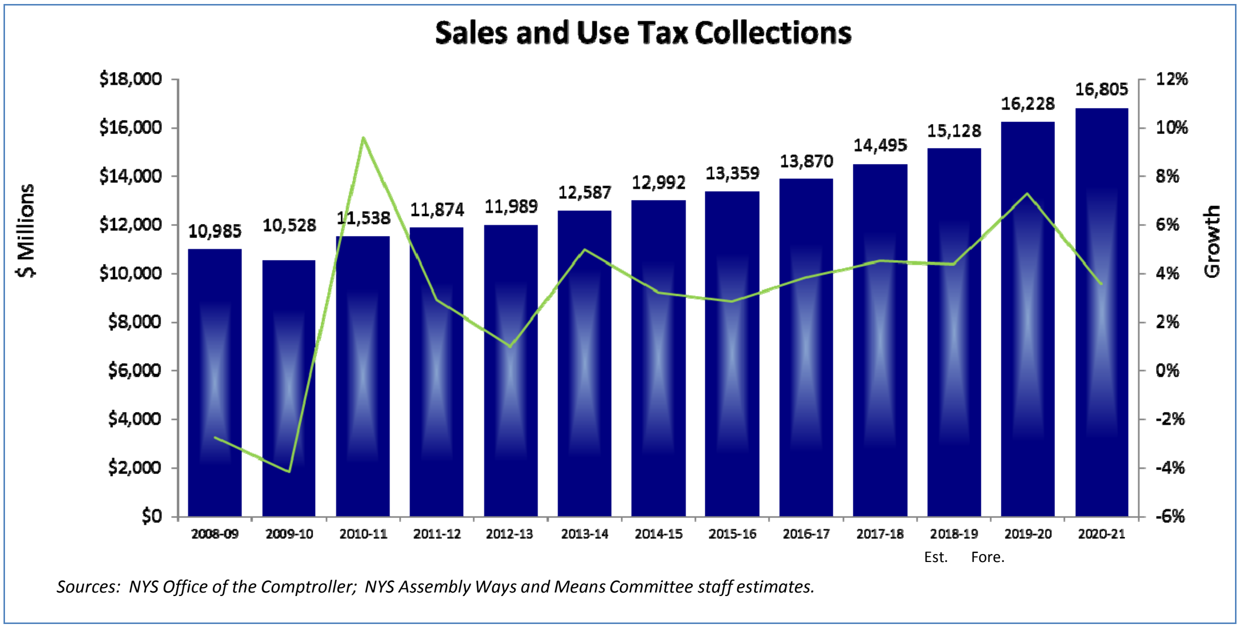


Figure 51

The sales and compensating use tax, imposed by Article 28 of the Tax Law, is a four percent broad-based consumption tax levied on the sale of tangible personal property, excluding items such as food, medicine, products used in manufacturing, and items purchased for resale. A limited number of services such as cleaning, parking, and interior design are also subject to this tax. Non-profit and charitable organizations are exempt from paying sales tax on purchases. Sales taxes are generally paid to, and collected by, the vendor at the time of purchase. Vendors remit sales tax collections annually, quarterly or monthly depending upon their level of taxable sales. Vendors are required to remit their sales tax liability electronically to the State if they are able.

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

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

Table 27

Sales Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$13,680	7.3%	$16,228	7.3%	$16,032	$196
2020-21			$16,805	3.6%	$16,719	$86

The Sales Tax Revenue Bond Fund (STBF) became effective April 1, 2013. One-quarter of the State's sales tax collections are directed to this fund. Once LGAC bonds are deceased or retired, collections from two percent of the State's four percent sales tax rate will be dedicated to the STBF. As with the LGAC, all receipts in excess of the STBF debt service requirements will be transferred to the General Fund.

Table 28

Quarterly Sales Tax Growth								
	2018 Q1	**2018 Q2**	**2018 Q3**	**2018 Q4**	**2019 Q1**	**2019 Q2**	**2019 Q3**	**2019 Q4**
Western NY	1.9%	7.0%	5.6%	4.4%	1.4%	2.5%	6.2%	5.3%
Finger Lakes	1.9%	4.2%	4.9%	3.7%	1.6%	4.3%	4.2%	6.0%
Southern Tier	2.7%	8.9%	10.3%	5.5%	1.5%	5.9%	1.4%	4.3%
Central NY	1.9%	7.5%	9.0%	1.6%	2.8%	(1.6%)	3.7%	4.5%
Mohawk Valley	3.6%	6.9%	6.6%	5.2%	(1.2%)	3.4%	5.7%	5.6%
North Country	1.7%	8.8%	8.3%	4.7%	0.8%	(0.6%)	5.4%	7.3%
Capital Region	3.0%	8.0%	5.2%	3.8%	1.0%	4.5%	7.1%	4.4%
Mid-Hudson	4.1%	7.5%	5.3%	3.7%	3.1%	2.5%	10.0%	13.4%
NYC	6.0%	7.9%	6.4%	2.7%	5.0%	3.6%	6.3%	5.0%
Long Island	5.3%	5.6%	4.4%	2.9%	2.0%	2.7%	6.1%	3.3%

Note: Growth rates shown represent the growth of the quarter over the same quarter in the previous year.
Sources: NYS Department of Taxation and Finance; NYS Assembly Ways and Means Committee staff.

Regional sales tax collections for the first quarter of 2018 through the fourth quarter of 2019 are shown above. New York City accounts for the largest portion of collections each quarter, with approximately half of total collections coming from the city due to its large population and popularity as a tourism destination. Growth in the city was positive and remained strong through all of 2018 and 2019.

Quarters three and four of calendar year 2019 showed strong growth statewide which is partially the result of language included in the SFY 2019-20 budget to tax additional internet sales.

YTD through January

Statewide collections through January have increased by 7.3 percent over SFY 2019-20, for a year-to-date total of $13.680 billion.

State Fiscal Year 2019-20

The Committee staff estimates sales tax receipts will total $16.228 billion in SFY 2019-20, an increase of 7.3 percent, or $1.1 billion, over SFY 2018-19. Growth of 7.3 percent is expected in the remaining two months of the fiscal year. The growth in revenue is driven by continued consumer spending growth as well as the expansion of the sales tax base to include most internet marketplace sales.

The Committee staff's estimate is $196 million above the Executive's estimate.

State Fiscal Year 2020-21

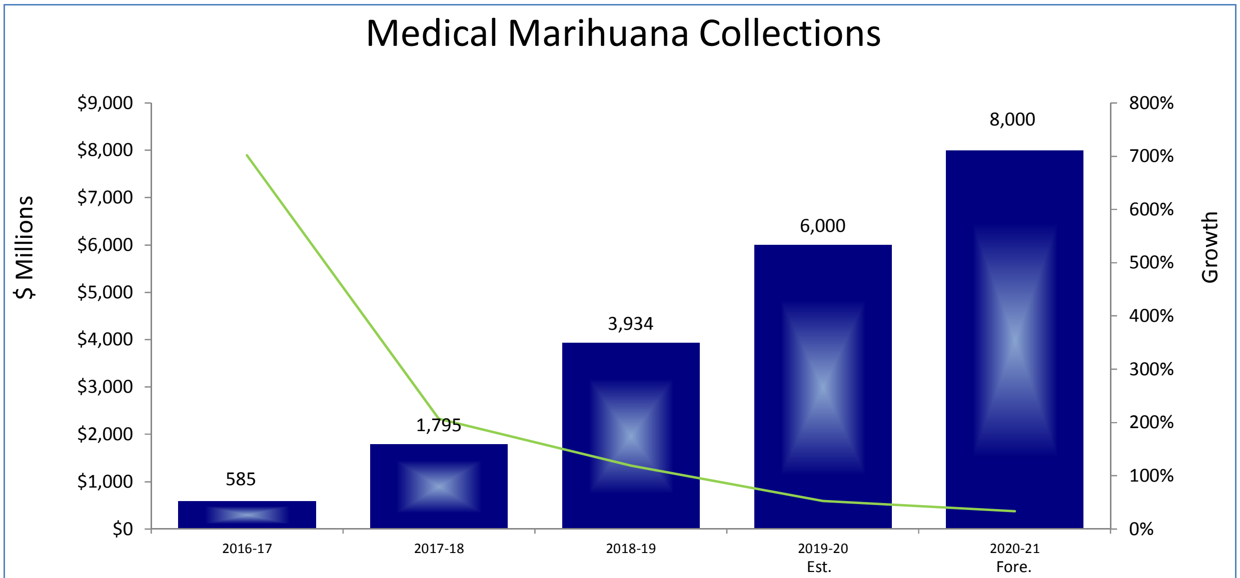
The Committee staff forecasts that sales tax receipts will total $16.805 billion, an increase of 3.4 percent, over SFY 2019-20 estimates. This growth is driven by continuing growth of 2.2 percent in total consumption in 2020. The Committee's forecast is $86 million above the Executive's forecast.

Fund Distribution

Table 29

Sales Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	$7,597	$1,035	$7,597	-	$16,228
2020-21	$7,868	$1,068	$7,868	-	$16,805

Medical Marihuana Excise Tax



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.

Figure 52

Pursuant to Article 20-B of the Tax Law, the State imposes an excise tax on medical marihuana which is prescribed for the treatment of a variety of conditions. Patients were first able to purchase medical marihuana in the State in January of 2016. In mid-June of 2018, the Department of Health expanded the Medical Marihuana program to include opioid use as a qualifying condition. Upon the sale of the product from a New York State licensed dispensary to a patient or designated caregiver, a seven percent excise tax is levied and remitted by the dispensary. There are currently ten registered organizations authorized to manufacture and dispense medical marihuana. As of February 11, 2020, there are 2,679 registered practitioners and 113,755 certified patients in the New York State Medical Marihuana Program.

Of the revenues received from the State medical marihuana excise tax, 45 percent is dedicated to the Medical Marihuana Trust Fund and the remaining 55 percent is allocated in the following manner:

- 22.5 percent is remitted to the counties in which a medical marihuana manufacturer is based, in proportion to the gross sales in each county;

- 22.5 percent is remitted to the counties in which the medical marihuana was dispensed, in proportion to the gross sales in each county;

- Five percent is remitted to the Office of Alcoholism and Substance Abuse Services for the purposes of drug abuse prevention, counseling, and treatment services; and

- Five percent is remitted to the Division of Criminal Justice Services to provide discretionary grants to State and local law enforcement agencies.

YTD through January

Through January, Medical Marihuana Excise Tax collections have totaled $4.76 million, an 11.8 percent increase from the same period of SFY 2018-19. This increase is largely due to the recent expansion of the medical conditions that are eligible for Medical Marihuana prescriptions, including, post-traumatic stress disorder (PTSD), substance use disorder, and as an alternative to opioid treatment.

State Fiscal Year 2019-20

The Committee staff estimates that revenues from the Medical Marihuana Excise Tax will total $6 million in SFY 2019-20, a 50 percent increase from SFY 2018-19. The Committee staff's estimate is equivalent to the Executive's forecast.

State Fiscal Year 2020-21

For SFY 2020-21, the Committee's staff forecasts collections of $8 million, a 33.3 percent increase from SFY 2019-20 estimates. The Committee staff's forecast is $2 million higher than the Executive's forecast.

Opioid Excise Tax

The SFY 2019-20 budget enacted an Opioid Excise Tax that would be imposed on the first sale of an opioid unit by a registrant. A first sale is any transfer of title to an opioid unit for consideration where actual or constructive possession of such opioid unit is transferred by a registrant holding title to such opioid unit to a purchaser or its designee in New York State, for the first time. A qualifying sale does not include the dispensing of an opioid unit pursuant to a prescription to an ultimate consumer, or the transfer of title to an opioid unit from a manufacturer in the State to a purchaser outside of the State when such opioid unit will be used or consumed outside New York. It is presumed that every sale by a registrant in this state is the first sale unless it is established otherwise, and the burden of proving that a sale does not qualify as a first sale is on the registrant.

The Tax Law establishes two tax rates:

- A $.0025 on each morphine milligram equivalent with a wholesale acquisition cost of less than $0.50 per unit;

- A $.015 on each morphine milligram equivalent with a wholesale acquisition cost of $0.50 or more per unit.

State Fiscal Year 2019-20

The Committee staff estimates that statewide collections through SFY 2019-20 will total to $17 million, which is $33 million less than the Executive projections.

State Fiscal Year 2020-21

The Committee staff forecasts that statewide collections for SFY 2020-21 will total $75 million, a 341.2 percent increase from SFY 2019-20. This estimate is $25 million less than the Executive's forecast, and reflects the full annualization of the opioid excise tax.

Auto Rental Tax

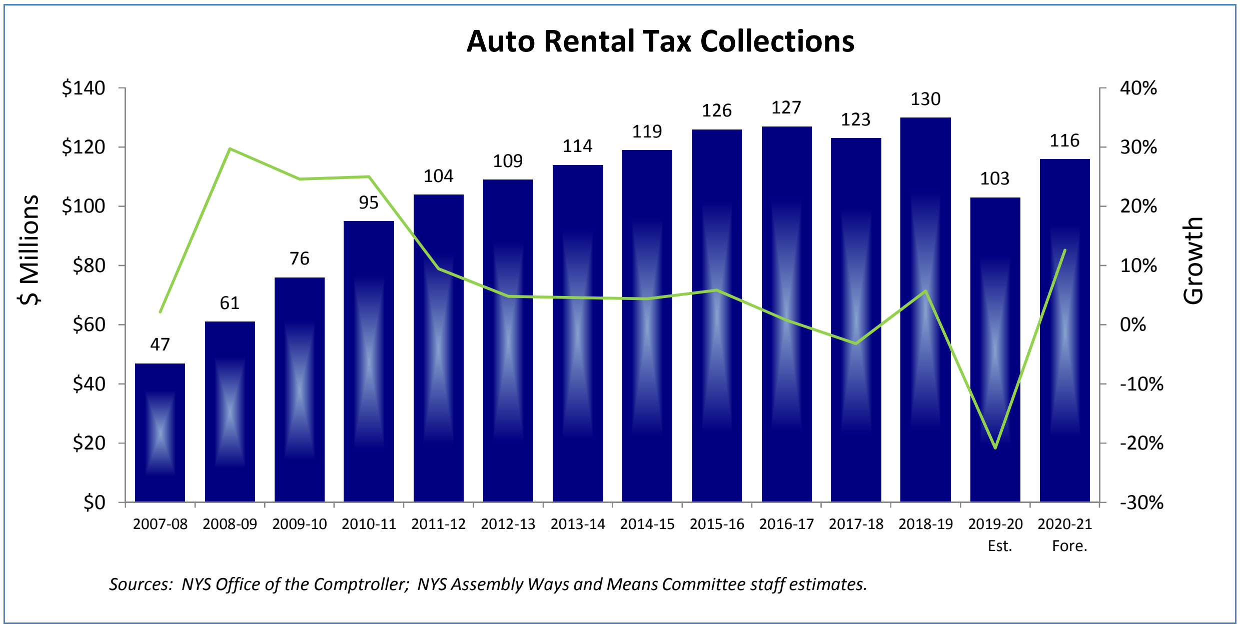


Figure 53

The auto rental tax, imposed by Article 28-A of the Tax Law, applies to the rental of any passenger car with a gross vehicle weight of 9,000 pounds or less that can seat a maximum of nine passengers. The statewide auto rental tax is imposed at a rate of six percent.

On June 1st, 2019, the supplemental surcharge tax of five percent imposed on auto rental sales made within the metropolitan commuter transportation district (MCTD) was increased to six percent and expanded to apply to auto rentals made in the rest of the State. Increasing and expanding the supplemental surcharge is expected to raise State revenue by $27 million in FY 2019-20, and $36 million in the out-years. However, revenue gained from the MCTD supplemental surcharge will now be remitted directly to the Metropolitan Transportation Authority (MTA). Revenue from the new Upstate supplemental surcharge will be used to fund Upstate transportation systems. The taxes do not apply to leases of one year or more.

Table 30

Auto Rental Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$84	(23.3%)	$103	(20.7%)	$108	($5)
2020-21			$116	12.5%	$115	$1

YTD through January

Year-to-date, auto rental tax collections are $84 million, representing a decrease of 23.3 percent compared to the same period in SFY 2018-19. The decrease reflects $46 million in revenue from the MCTD supplemental surcharge which is no longer collected by the State and is now remitted directly to the MTA. This year to date change also reflects $13 million in new State revenue from the upstate supplemental surcharge.

State Fiscal Year 2019-20

The Committee staff estimates auto rental tax collections will total $103 million in SFY 2019-20, representing a decrease of 20.7 percent over SFY 2018-19. The Committee's estimate reflects an annual increase of $19.5 million related to the new upstate supplemental surcharge, offset by a decrease of approximately $50 million related to the MCTD revenue now being remitted directly to the MTA. The Committee's estimate is $5.0 million below the Executive's estimate.

State Fiscal Year 2020-21

The Committee staff forecasts auto rental tax collections will total $116.0 million in SFY 2020-21. This is an increase of 12.5 percent, or $13 million, over SFY 2019-20 estimates. The Committee's forecast is $1.0 million above the Executive's forecast.

Fund Distribution

Table 31

Auto Rental Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	-	$19.5	-	$83.6	$103
2020-21	-	$26.0	-	$90.0	$116

Motor Fuel Tax

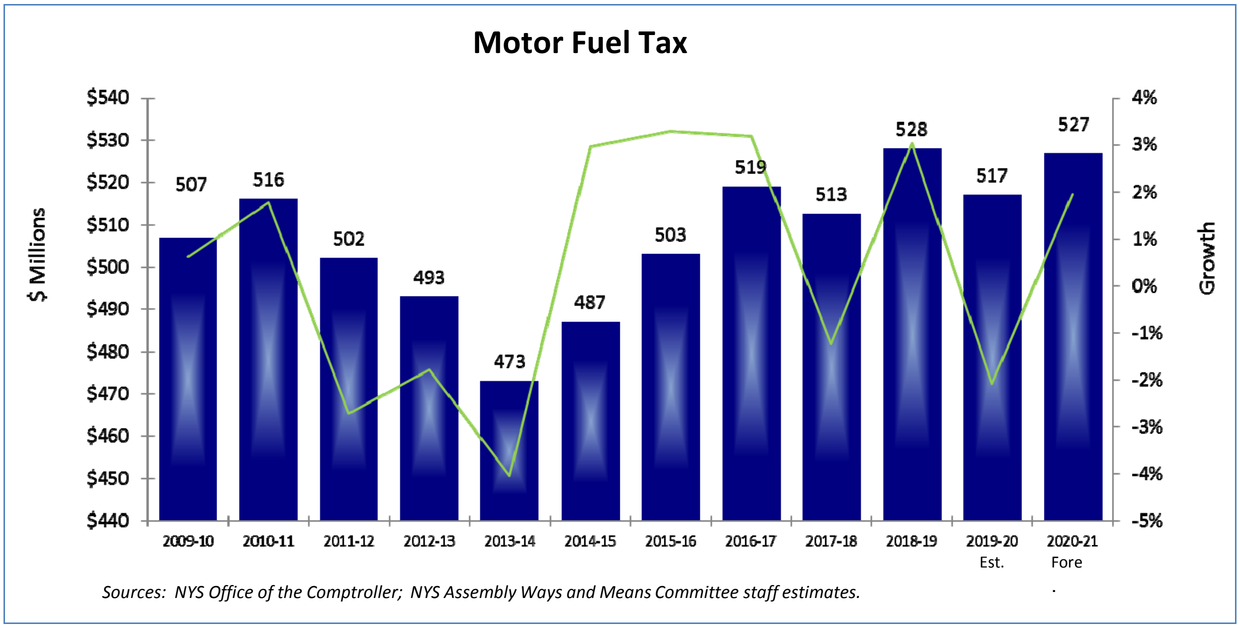


Figure 54

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

Table 32

Motor Fuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$438	(1.8%)	$517	(2.0%)	$523	($6)
2020-21			$527	1.8%	$524	$3

YTD through January

Through January, motor fuel tax collections have decreased by 1.8 percent compared to last year, totaling $438 million.

State Fiscal Year 2019-20

The Committee staff estimates that motor fuel tax collections will total $517 million in SFY 2019-20, or a decrease of 2 percent, from SFY 2018-19. Gasoline collections are expected to decrease by 3.1 percent in SFY 2019-20, while diesel collections are expected to increase 4.6 percent. The Executive estimates $523 million in collections, and the Committee's estimates are $6 million below the Executive's estimate.

State Fiscal Year 2020-21

Gasoline consumption is forecast to increase by 1.2 percent in SFY 2020-21 and diesel consumption is forecast to increase 5.1 percent. These forecasts are the basis for the Committee's revenue forecast of $527 million in motor fuel tax receipts in SFY 2020-21, which is an increase of 1.8 percent from the previous year. The Committee staff forecast is $3 million above the Executive forecast of $524 million.

Fund Distribution

Table 33

Motor Fuel Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	-	$108	-	$410	$517
2020-21	-	$111	-	$416	$527

Highway Use Tax

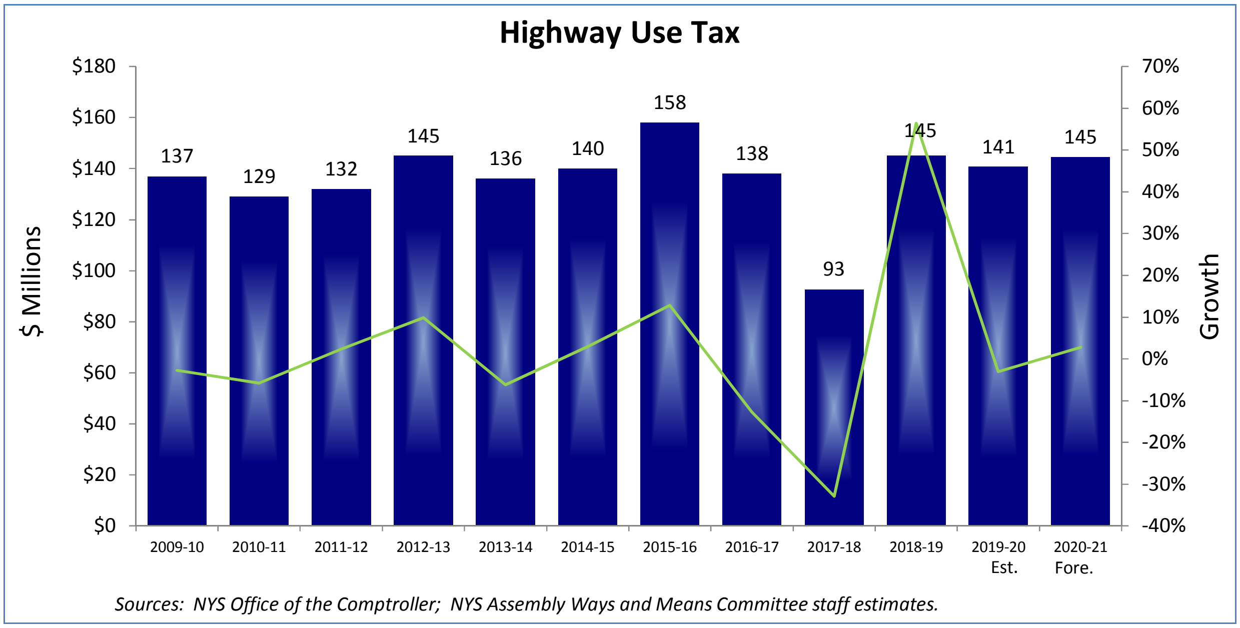


Figure 55

Articles 21 and 21-A of the Tax Law impose a Highway Use Tax (HUT) on truck mileage and fuel use, respectively, for the privilege of operating a commercial vehicle on public highways. Additionally, there is a permit fee collected from taxpayers required to pay the tax.

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

Highway use permits are mandatory for owners of vehicles subject to the HUT. Beginning December 1, 2013, vehicles subject to the HUT are required to display a decal indicating ownership of a highway use permit. The fee, due every three years, for the registration and decal combined is $1.50. This change was made after a 2015 New York Supreme Court case ruled the previous $19 combined fee unconstitutional.

The fuel use tax applies to commercial vehicles that purchase fuel outside New York State, but consume the fuel while traveling on New York highways. The International Fuel Tax

Agreement (IFTA) is used to simplify fuel use reporting for motor carriers. A carrier will report and pay in its home jurisdiction all fuel taxes owed to IFTA members; IFTA then distributes the payments to its members' jurisdictions. The aggregate fuel use tax rate is the sum of the motor fuel tax rate and the sales tax rate. The sales tax rate has two components: the state sales tax rate, four percent, and the lowest county sales tax rate at the time, currently three percent. The sales tax rates are applied to the capped price of $2 per gallon. All HUT receipts are dedicated to the Dedicated Highway and Bridge Trust Fund.

Table 34

Highway Use Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$123	(4.1%)	$141	(3.0%)	$141	($0)
2020-21			$145	2.8%	$143	$2

YTD through January

Through January, collections have totaled $123 million, a decrease of 4.1 percent from the last fiscal year.

State Fiscal Year 2019-20

Collections are estimated to total $141 million, a decrease of 3.0 percent compared to the previous fiscal year. The collections this year reflect growth in truck mileage tax collections and in IFTA collections. The Committee's estimates equal the Executive's estimate.

State Fiscal Year 2020-21

Highway use tax collections are expected to increase by 2.8 percent, to $145 million, in SFY 2020-21, an increase of $4 million. This is $2 million higher than the Executive's forecast of $143 million.

Fund Distribution

Table 35

Highway Use Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	-	$0	-	$141	$141
2020-21	-	$0	-	$145	$145

Cigarette and Tobacco Taxes

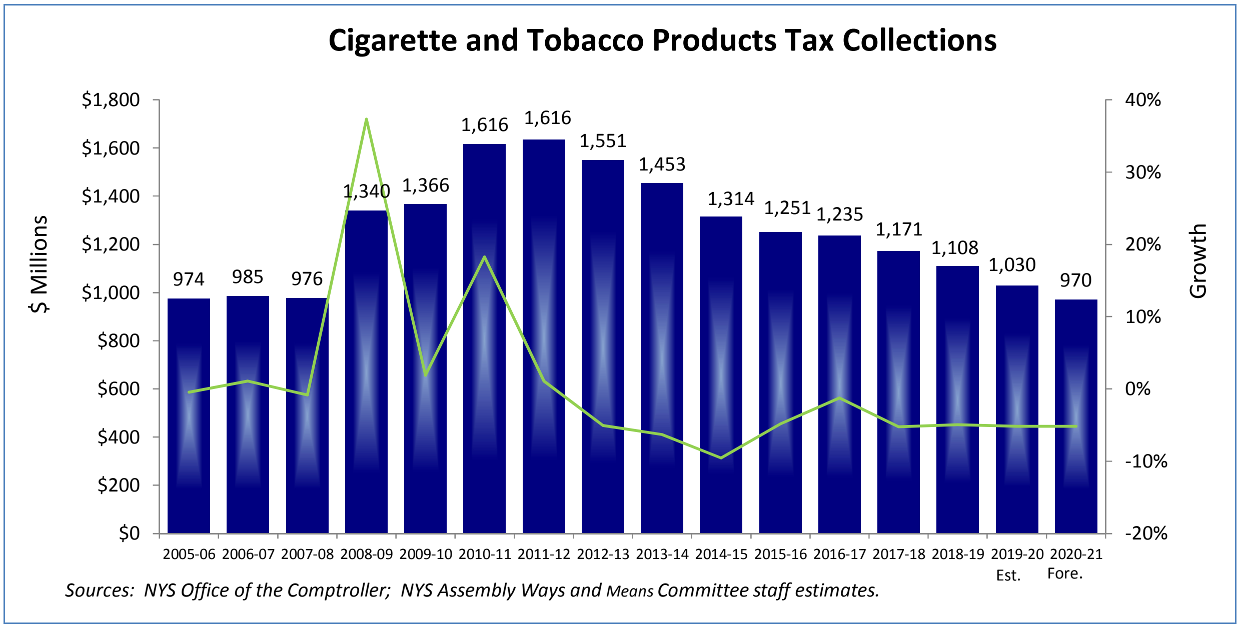


Figure 56

The State cigarette excise tax has been imposed by Article 20 of the Tax Law since 1939. This rate is currently $4.35 for a package of 20 cigarettes. The Commissioner of Taxation and Finance is authorized to make provisions for the sale of tax stamps and currently licenses agents to sell stamps for the payment of tax on cigarettes. The agent retains some of the revenues from the sale as commission according to guidelines established by the Tax Commissioner. The Commissioner is also authorized to prescribe a schedule of commissions, not exceeding five percent, to agents for buying and affixing stamps. The schedule shall be uniform with respect to the different types of stamps used, and may be on a graduated scale with respect to the number of stamps purchased. The city of New York applies an additional excise tax of $1.50 per package of 20 cigarettes.

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

Table 36

Cigarette and Tobacco Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$898	(7.1%)	$1,030	(7.1%)	$1,013	$17
2020-21			$970	(5.7%)	$963	$7

YTD through January

Through January, cigarette and tobacco products tax collections totaled $898 million, or a decline of 7.1 percent from the same period in SFY 2018-19.

State Fiscal Year 2019-20

The Committee staff estimates SFY 2019-20 collections for cigarette and tobacco taxes will total $1.03 billion, a decline of 7.1 percent. This estimate is based on year-to-date collections and historical collection patterns. The Committee's estimate is $17 million above the Executive's SFY 2019-20 projections.

State Fiscal Year 2020-21

The Committee's cigarette and tobacco forecast for SFY 2020-21 is $970 million, a decline of 5.7 percent from SFY 2019-20. The Committee's forecast is $7 million above the Executive's estimates of $963 million.

Fund Distribution

Approximately 70 percent of cigarette and tobacco taxes are distributed to the Health Care Reform Act (HCRA) revenue pool which offsets State Medicaid spending.

Table 37

Cigarette and Tobacco Taxes Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	$308	$722	-	-	$1,030
2020-21	$301	$669	-	-	$970

Vapor Excise Tax

Pursuant to Article 28-C, effective December 1, 2019, a twenty percent excise tax will apply to retail sales of vapor products in New York. Vapor product means noncombustible liquids and gels (with or without nicotine) that are manufactured into a finished product for use in an electronic cigarette, cigar, cigarillo, or pipe, vaping or hookah pen, or similar device. Vapor products do not include any product approved by the United States Food and Drug Administration as a drug or medical device or manufactured and dispensed as medical marijuana.[59] The tax is imposed on the purchaser and collected by the vapor products dealer. Vapor products dealer means a person issued a Certificate of Registration by the Commissioner of Taxation and Finance.

State Fiscal Year 2019-20

The Committee staff estimates that collections through SFY 2019-20 will total $10 million, equivalent to the Executive's projections.

State Fiscal Year 2020-21

The Committee staff forecasts that collections for SFY 2020-21 will total $14 million, a 40 percent increase from SFY 2019-20. This estimate is equivalent to the Executive's forecast and reflects the full annualization of the vapor excise tax.

[59] Public Health Law, Article 33, Title 5-A

Alcoholic Beverage Control License Fees

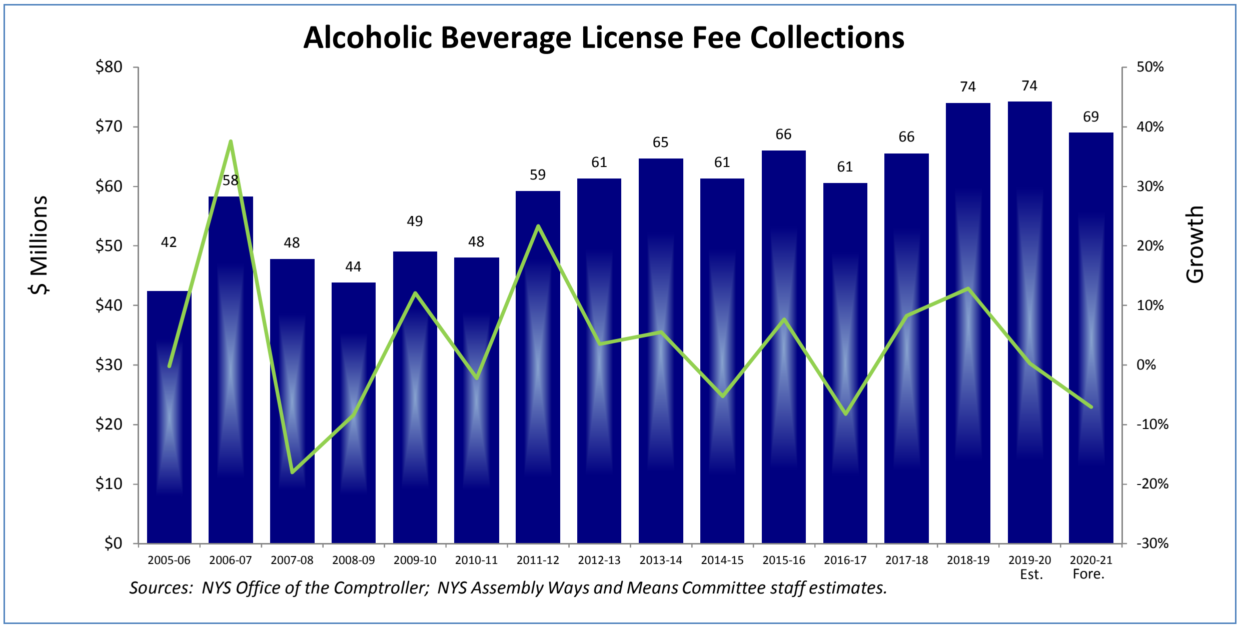


Figure 57

The New York State Alcoholic Beverage Control Law imposes permit fees on licenses for alcohol manufactures like distillers, brewers, wineries, as well as wholesalers and retailers. License fees vary according to three major factors: (1) the type of license which is issued; (2) the population of the locality where the establishment is located (for retail licenses only); and (3) the class of beverage for which the license is issued, namely liquor, beer, and wine. The State Liquor Authority oversees nearly 70,000 licenses and permits Statewide each year. The most expensive licenses are for distillers.

On September 7, 2016 a new law took effect allowing holders of on premise consumption licenses to serve alcoholic beverages starting at 10 a.m. on Sundays. Prior to the law, alcoholic beverages could not be served for on-premises consumption until noon on Sundays.

Table 38

Alcoholic Beverage Control License Fees ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$63	0.3%	$74	0.1%	$73	$1
2020-21			$69	(7.0%)	$67	$2

YTD through January

Year-to-date, Alcoholic Beverage Control License Fees collections are $63 million, a 0.3 percent increase over the same period in SFY 2018-19.

State Fiscal Year 2019-20

The Committee staff estimates revenues from Alcoholic Beverage Control License Fees will total $74 million in SFY 2019-20, a 0.1 percent increase from the previous year. The Committee staff's estimate is $1.0 million above the Executive's projections.

State Fiscal Year 2020-21

The Committee staff forecasts collections of $68.9 million, a decrease of 7.0 percent from SFY 2019-20 collections, as less licenses are up for renewal. The Committee's staff forecast is 2.0 million above the Executive's forecast.

Alcoholic Beverage Tax

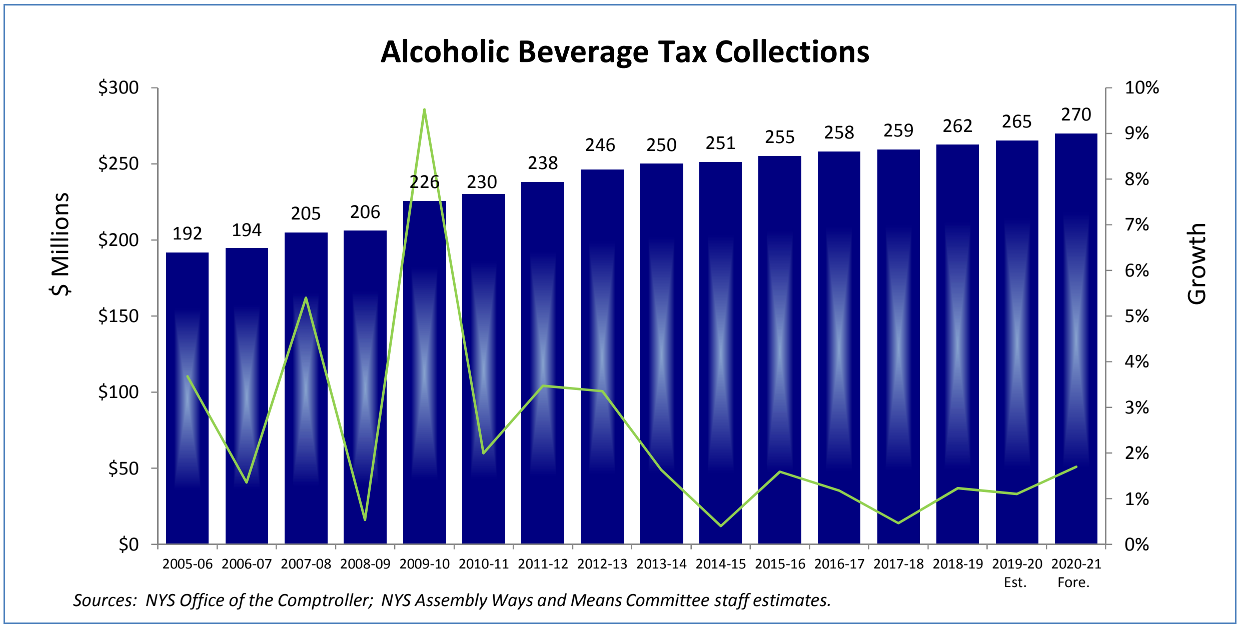


Figure 58

Article 18 of the New York State Tax Law levies a tax on alcoholic beverages at different rates based on the content of alcohol by volume and the type of beverage. The tax is imposed on the distributor or non-commercial importer of alcoholic beverages (see **Table 39**) below illustrates the current State rates, as well as the alcoholic beverage taxes imposed by New York City.

Table 39

New York State and New York City Alcoholic Beverage Tax Rates (dollars per unit of measure)		
	New York State	New York City
Beer and other similar fermented malt beverages	$0.14 per gallon	$0.12 per gallon
Cider	0.0379 per gallon	None
Natural and artificially carbonated sparkling wine	0.30 per gallon	None
Still wine, including wine coolers	0.30 per gallon	None
Liquor containing more than 24 percent alcohol by volume	1.70 per liter	0.264 per liter
Liquor containing more than 2 percent but not more than 24 percent alcohol by volume	0.67 per liter	None
Liquor containing 2 percent or less alcohol by volume	0.01 per liter	None

Table 40

Alcoholic Beverage Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$234	1.7%	$265	1.3%	$265	$0
2020-21			$270	1.7%	$269	$1

YTD through January

Year-to-date, Alcoholic Beverage Tax receipts are currently $234.1 million, a 1.7 percent increase over the same period in SFY 2018-19.

State Fiscal Year 2019-20

The Committee staff estimates Alcoholic Beverage Tax receipts will total $265 million in SFY 2019-20 for growth of 1.3 percent. The Committee staff's estimate is equal to the Executive's projection.

State Fiscal Year 2020-21

The Committee staff forecasts Alcoholic Beverage tax collections in SFY 2020-21 of $270 million, or 1.7 percent over SFY 2019-20 collections. The Committee's staff forecast is $1.0 million above the Executive's forecast.

Business Taxes

Table 41

Business Taxes Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2019-20	Growth	Diff. Exec.	SFY 2020-21	Growth	Diff. Exec.
Business Taxes	**$9,121**	**15.3%**	**$135**	**$10,067**	10.4%	**$157**
Corporate Franchise	4,882	13.6%	5	5,696	16.7%	56
Utility Tax	697	3.6%	11	685	(1.7%)	28
Insurance Tax	2,366	28.8%	122	2,427	2.6%	63
Bank Tax	1	(101.7%)	-	90	8900.0%	-
Petroleum Business Tax	1,175	0.8%	(3)	1,170	(0.5%)	11

Corporate Franchise Tax

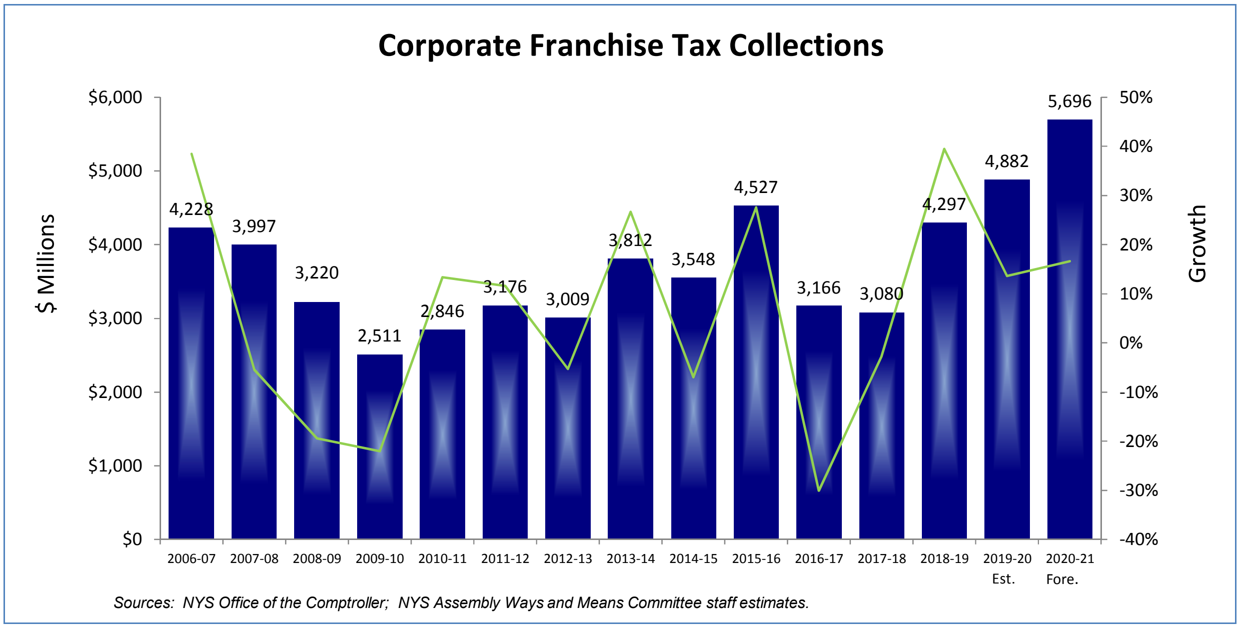


Figure 59

Taxes are imposed on every domestic or foreign corporation, under Article 9-A of the Tax Law, "for the privilege of exercising its corporate franchise, or of doing business, or of employing capital, or of owning or leasing property ... in a corporate or organized capacity, or of maintaining an office in this State".

Table 42

Corporate Franchise Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$3,689	13.6%	$4,882	13.6%	$4,877	$5
2020-21			$5,696	16.7%	$5,640	$56

YTD through January

All Funds cumulative collections through January were $3.689 billion, an increase of 13.6 percent, or $443 million, from prior year collections.

Audit collections through January totaled $334 million, a decrease of $72 million or 18 percent compared to the previous fiscal year. Growth without audits is 18 percent above that of the prior fiscal year. Sharp increases in collections for the months of June, September, and December contribute to the strength of current collections.

State Fiscal Year 2019-20

Committee staff expects SFY 2019-20 corporate franchise tax collections to reach $4.882 billion, an increase of 13.6 percent, or $585 million, above the previous fiscal year. To reach this level, remaining collections are expected to increase by 13.6 percent above collections received over the same period in SFY 2018-19. The Committee estimate is $5 million above the Executive projection.

State Fiscal Year 2020-21

The Committee staff forecasts corporate tax receipts to increase by 16.7 percent or $814 million for a total of $5.696 billion in SFY 2020-21. This estimate is $56 million above the Executive's forecast of $5.64 billion, reflecting projected growth in corporate profits and higher audits.

Fund Distribution

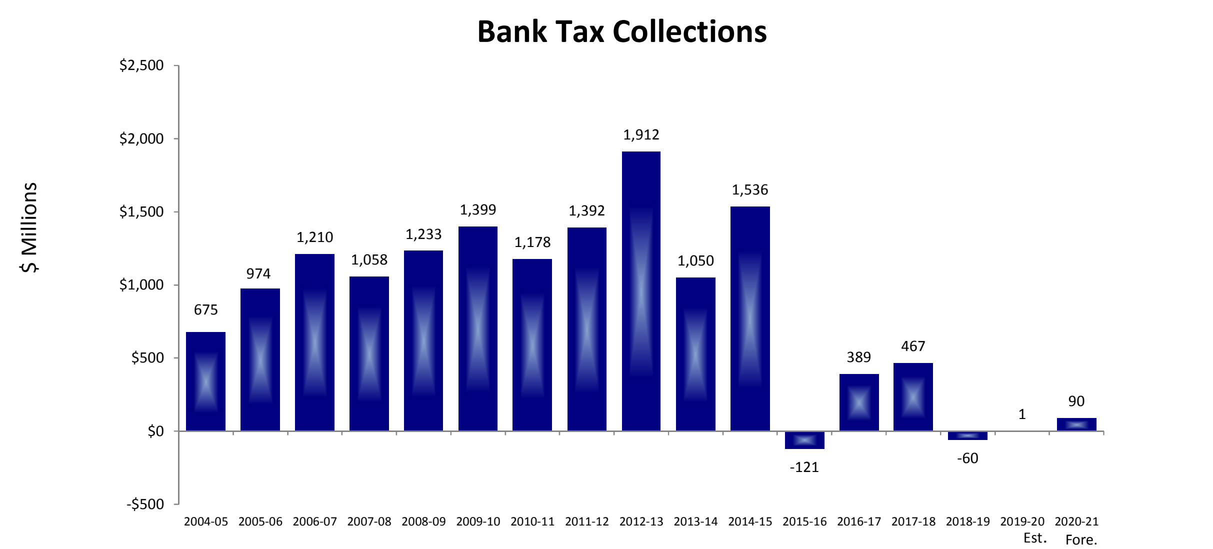
All corporate franchise tax receipts are deposited into the General Fund except for the Metropolitan Commuter Transportation District (MCTD) surcharge, which is deposited into the Mass Transportation Operating Assistance Fund (MTOAF) Special Revenue Fund. In SFY 2019-20, the Committee expects General Fund receipts to total $3.910 billion.

In SFY 2020-21, the Committee staff forecasts an increase of 18.2 percent in the General Fund with collections of $4.623 billion.

Table 43

Corporate Franchise Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	$3,910	$972	-	-	$4,882
2020-21	$4,623	$1,073	-	-	$5,696

Bank Tax



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.

Figure 60

As of January 1, 2015 the Bank Tax has been merged with the Corporate Tax pursuant to the 2014 corporate tax reform. Current collections from this tax arise from audits and other related activity tax years prior to corporate tax reform.

Table 44

Bank Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	($30)	(138.2%)	$1	(101.7%)	$1	$0
2020-21			$90	8900.0%	$90	$0

YTD through January

Through January, bank tax collections totaled negative $30 million, a decrease of $110 million over the prior fiscal year. A decline in audits through January of $39 million from the prior fiscal year contributes to this decline.

State Fiscal Year 2019-20

Committee staff expects bank tax collections to total $1 million this fiscal year, an increase of $61 million from the prior year. This estimate is the same as the Executive estimate.

State Fiscal Year 2020-21

Committee staff expects bank collections in SFY 2020-21 to total $90 million. This is the same as the Executive's forecast.

Fund Distribution

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

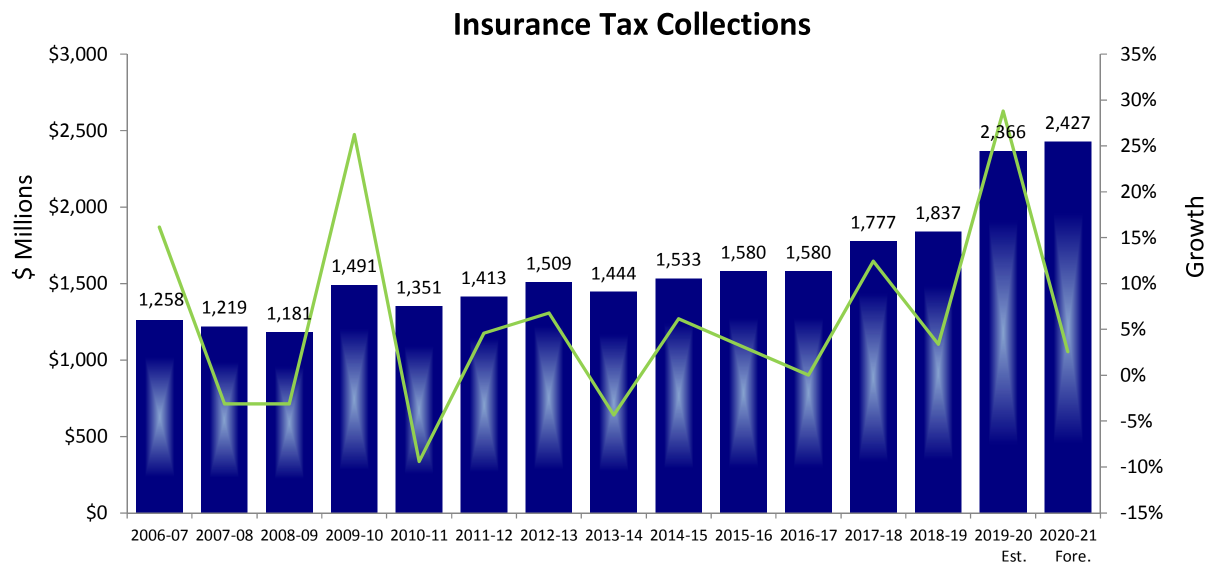
In SFY 2019-20, the Committee staff expect General Fund receipts of negative $3 million. In SFY 2020-21 the Committee expects General Fund receipts of $75 million.

Table 45

Bank Tax Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	($3)	$4	-	-	$1
2020-21	$75	$15	-	-	$90

Insurance Tax



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.

Figure 61

Taxes on insurance companies in New York State are administered by two separate agencies, the Tax Department and the Department of Financial Services. Pursuant to Article 33 of the Tax Law, the Tax Department administers income and or premiums taxes on insurance companies. The Department of Financial Services administers taxes on insurance companies' premiums pursuant to Articles 11 and 21 of the Insurance Law.

Table 46

Insurance Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$1,528	35.4%	$2,366	28.8%	$2,244	$122
2020-21			$2,427	2.6%	$2,364	$63

YTD through January

Year-to-date insurance tax collections are $1.528 billion, an increase of $399 million, or 35.4 percent, over the prior fiscal year.

State Fiscal Year 2019-20

Committee staff expects collections to total $2.366 billion in SFY 2019-20, an increase of $529 million, or 29 percent, over the prior fiscal year. Collections are expected to increase by 18 percent over the remainder of the fiscal year. The Committee expects that projected growth in insurance tax premiums combined with approximately $352 million in expected payments due to a non-profit insurance company becoming for-profit will contribute to growth above collections received in SFY 2018-19. The Committee staff estimate is $122 million above the Executive's estimate of $2.244 billion.

State Fiscal Year 2020-21

Committee staff forecasts insurance collections to total $2.427 billion in SFY 2020-21, an increase of $61 million, or 2.6 percent, above the current fiscal year. The Executive is forecasting collections to be $2.364 billion in SFY 2020-21, an increase of 5.3 percent, or $120 million. This estimate is $63 million below the Committee staff's forecast.

Fund Distribution

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

In SFY 2019-20, the Committee projects General Fund receipts to reach $2.103 billion. In SFY 2020-21 the Committee staff projects the General Fund to increase $44 million to $2.147 billion.

Table 47

Insurance Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	$2,103	$263	-	-	$2,366
2020-21	$2,147	$279	-	-	$2,427

Corporate Utility Tax

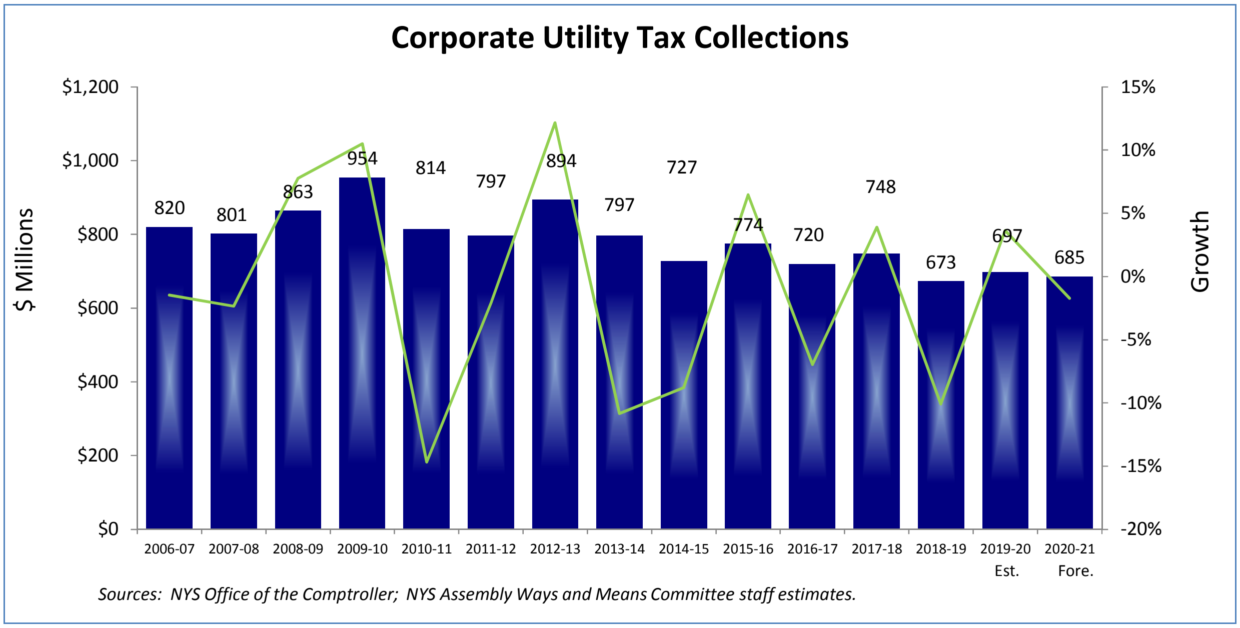


Figure 62

All transportation and transmission companies exercising their corporate franchise, doing business, employing capital, owning or leasing property in the State in a corporate or organized capacity, or maintaining an office in New York are subject to a franchise tax under Article 9 of the Tax Law.

Transportation and transmission companies pay a tax of the greater of:

1. $75;
2. 1.5 mills per dollar of net value of issued capital stock; or,
3. if dividends are paid on the par value of any stock during any calendar year amount to six percent or more, 0.375 mills per dollar for each 1 percent of dividends paid, computed at par value of the stock.

The excise tax on the sale of telecommunication services is imposed at the rate of 2.5 percent of gross receipts from:

1. intrastate telecommunication services;
2. interstate and international telecommunication services (other than interstate and international private telecommunication services) that originate or terminate in New York State and that are charged to a service address in New York State; and,
3. interstate and international private telecommunication services.

Table 48

Corporate Utility Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$414	(1.1%)	$697	3.6%	$686	$11
2020-21			$685	(1.7%)	$657	$28

YTD through January

Through January, cumulative utility tax collections are $414 million, a decline of $5 million, or 1.1 percent, from the prior fiscal year.

State Fiscal Year 2019-20

Committee staff expects collections for SFY 2019-20 to be $697 million, an increase of 3.6 percent or $25 million from the previous fiscal year. To reach this estimate, collections over the remainder of the year will need to grow 11.6 percent. Adjusted to exclude audit payments, law changes and late prepayments, collections are expected to increase by 11.6 percent over the remainder of the year. The Committee's estimate is $11 million above the Executive's estimate of $686 million.

State Fiscal Year 2020-21

Committee staff expects utility tax collections to decrease by $12 million or 1.7 percent to a level of $685 million in SFY 2020-21. The Executive is expecting a decline of 4.2 percent to $657 million in collections next fiscal year. The Committee estimate is $28 million higher than the Executive's forecast.

Fund Distribution

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

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

For SFY 2019-20, the Committee staff expect General Funds to total $510 million and Special Revenue Funds to be $171 million. Capital Projects Funds are estimated to total $16 million.

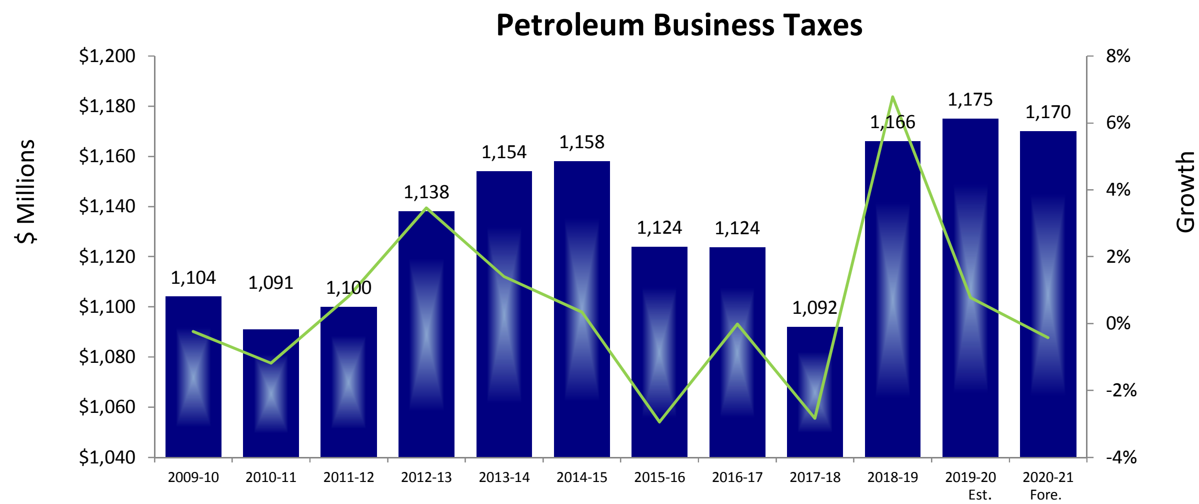
For SFY 2020-21, the Committee staff expect General Funds to increase to $504 million and Special Revenue Funds to increase to $166 million. Capital Projects Funds are forecast to be $16 million.

Table 49

Corporate Utililty Tax Fund Distribution
($ in Millions)

	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	$510	$171	-	$16	$697
2020-21	$504	$166	-	$16	$685

Petroleum Business Tax



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.

Figure 63

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

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

The Petroleum Business Tax consists of a base tax, a supplemental tax, and a tax on carriers. All revenues from the base tax are dedicated as follows: 19.7 percent to the Mass Transportation Operating Assistance Fund; and 80.3 percent to a dedicated funds pool. The supplemental tax and the tax on carriers are deposited entirely into that dedicated funds pool. The dedicated funds pool is split between the Dedicated Mass Transportation Trust Fund, (37 percent), and the Dedicated Highway and Bridge Trust Fund, (63 percent).

Table 50

Petroleum Business Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$988	1.7%	$1,175	0.8%	$1,178	($3)
2020-21			$1,170	(0.5%)	$1,159	$11

YTD through January

Through January, petroleum business tax (PBT) collections have increased by 1.7 percent over last fiscal year, for a total of $988 million year-to-date.

State Fiscal Year 2019-20

The Committee staff expects collections for SFY 2019-20 to total $1.175 billion, an increase of 0.8 percent, or $9 million, from the previous fiscal year. The Committee staff expects collections for the remainder of the year to decrease by 3.2 percent compared to SFY 2018-19. The increase is attributed to a rate increase of five percent that took effect in January 2019 and a computed rate change decrease of two percent to take effect in January 2020. The Committee's estimate is $3 million below the Executive's estimate of $1.178 billion.

State Fiscal Year 2020-21

The Committee staff forecasts PBT collections to decrease by 0.5 percent, to a level of $1.17 billion in SFY 2020-21. The Executive is expecting $1.159 billion in collections for the next fiscal year.

The Committee staff's estimate is $11 million above the Executive's projections.

Fund Distribution

Table 51

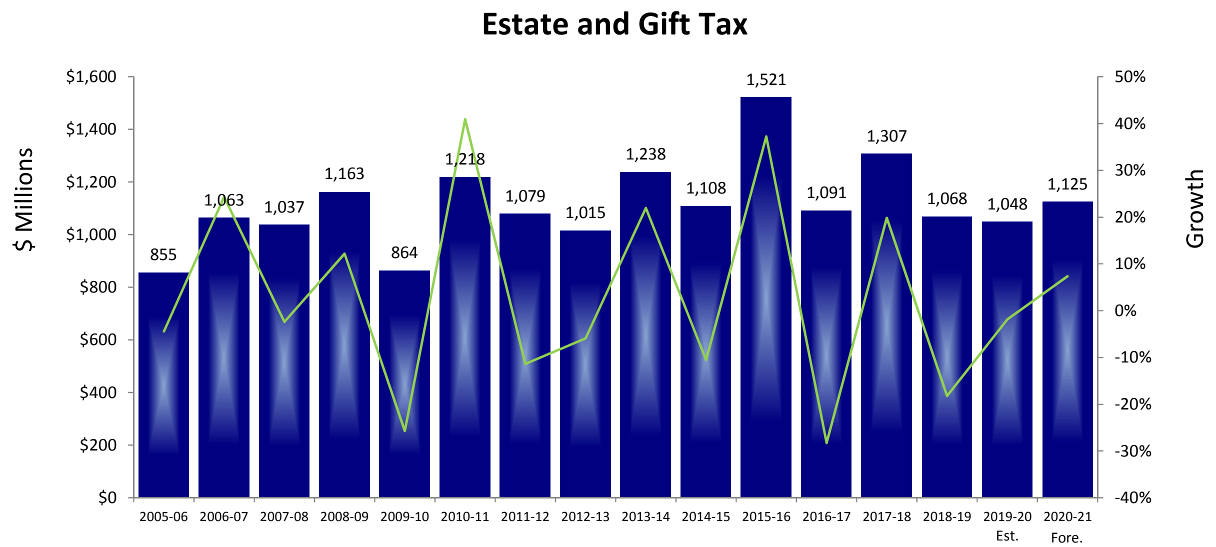
Petroleum Business Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	-	$515	-	$661	$1,175
2020-21	-	$513	-	$657	$1,170

Other Taxes

Table 52

Other Taxes Forecasts by State Fiscal Year ($ in Millions)						
	SFY 2019-20	**Growth**	**Diff. Exec.**	**SFY 2020-21**	**Growth**	**Diff. Exec.**
Other	**$2,193**	(1.3%)	**($48)**	**$2,281**	**4.0%**	**($58)**
Estate and Gift Tax	1,048	(1.9%)	(46)	1,125	7.3%	(49)
Real Estate Transfer Tax	1,126	(0.9%)	(2)	1,135	0.9%	(9)
Pari Mutuel	15	0.0%	0	15	0.0%	0
Other	3	0.0%	0	3	0.0%	0

Estate Tax



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.

Figure 64

Article 26 of the Tax Law imposes a tax on the transfer of deceased individual's property known as the estate tax for residents of the State. The estate tax is applied to an estate whose value exceeds an exemption level of $5.85 million for single filers and $11.7 million for couples. The tax applies to non-charitable transfers made by people who own real estate or tangible personal property located in New York, as well as intangible property upon death. Nonresidents are subject to the tax if the transfer real estate or tangible personal property is located within the State. Estate taxes must be filed within nine months of the decedent's death.

Table 53

Estate and Gift Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$907	(5.4%)	$1,048	(1.9%)	$1,094	($46)
2020-21			$1,125	7.3%	$1,174	($49)

YTD through January

Year-to-date, Estate and Gift tax collections are $907 million, a 5.4 percent decrease from the same period in SFY 2018-19.

State Fiscal Year 2019-20

The Committee staff estimates Estate and Gift tax collections will total $1.048 billion in SFY 2019-20. This reflects a 1.9 percent decrease from SFY 2018-19. The Committee staff's estimate is $46.0 million below the Executive's SFY 2019-20 projections.

State Fiscal Year 2020-21

For SFY 2020-21, the Committee staff forecasts Estate and Gift tax collections of $1.125 billion, or 7.3 percent, more than SFY 2019-20 collections. The Committee's staff forecast is $49.0 million less than the Executive's forecast.

Fund Distribution

Table 54

Estate and Gift Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	1,048	-	-	-	1,048
2020-21	1,125	-	-	-	1,125

Real Estate Transfer Tax (RETT)

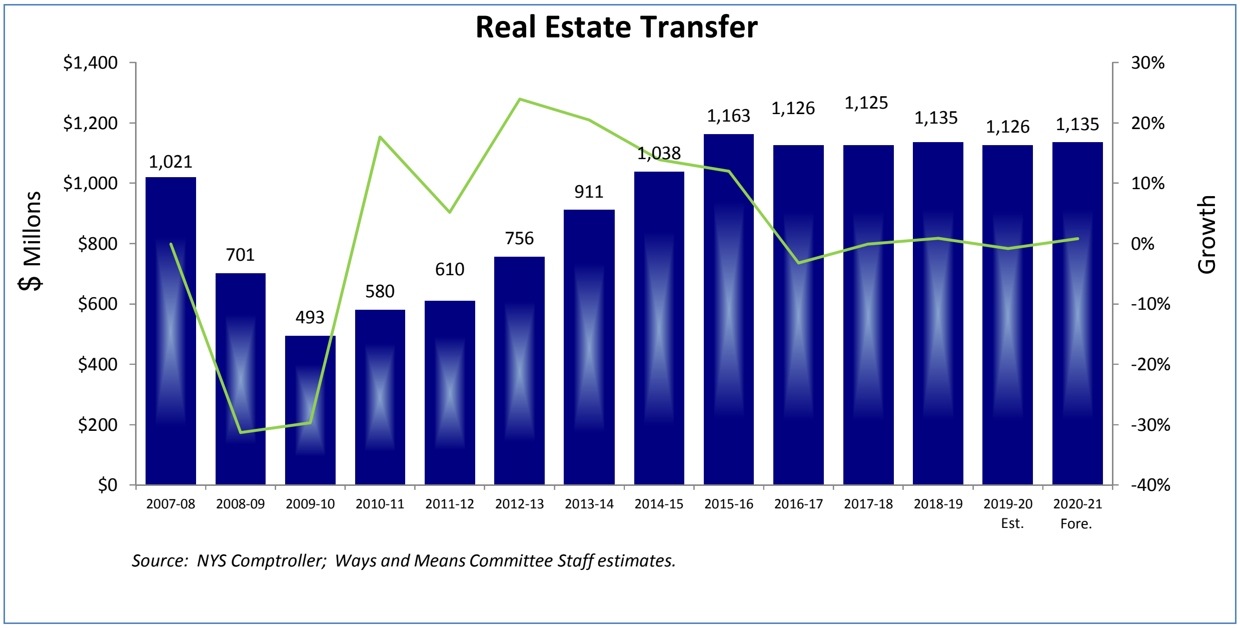


Figure 65

The real property transfer tax is administered pursuant to Article 31 of the New York State Tax Law, and it is levied on real property transfers where the value of the interest conveyed exceeds $500. The tax is paid by the grantor, the party selling the property, and is imposed on the conveyance of real property either by deed, or economic interest, at a rate of $2 for each $500 of sales price. An additional tax of one percent is applied to residential transfers when the value of the property is over $1 million; this additional tax is commonly called the mansion tax. This additional tax is paid by the grantee, the party purchasing the property.

Real estate transfer tax (RETT) receipts rely on the climate of the housing market in New York State, and especially in New York City. Historically, New York City accounts for over 50 percent of total receipts, while Long Island accounts for around 15 percent of overall RETT tax receipts.

The SFY 2019-20 budget established two additional RETT provisions on transfers occurring in New York City, which will support the MTA, including an expansion of the existing transfer tax, to implement a progressive rate structure which ranges from 1.25 percent on transfers valued at $2 million to 3.9 percent on sales valued over $25 million; and an additional 0.25 percent RETT on residential transaction valued over $3 million and commercial transactions valued over $2 million. Since these taxes are remitted to the Central Business District Tolling Capital Lockbox, they are not reflected in the Committee's projections of State receipts.

Table 55

Real Estate Transfer Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$951	(2.7%)	$1,126	(0.9%)	$1,127	($2)
2020-21			$1,135	0.9%	$1,144	($9)

YTD through January

Through January, RETT collections are $951 million, which is 26 million, or 2.7 percent below the same period in SFY 2018-19.

State Fiscal Year 2019-20

The Committee staff estimates that RETT receipts will total $1.126 billion in SFY 2019-20, for a decline of 0.9 percent from SFY 2018-19. The Committee staff expects collections to grow by 10.4 percent in the remainder of the fiscal year.

The Executive estimates a total of $1.127 billion in collections, which is $2 million above the Committee's estimates.

State Fiscal Year 2020-21

The Committee staff anticipates RETT receipts will total $1.135 billion in SFY 2020-21 for year-over-year increase of 0.9 percent, or $10 million. The Committee forecast is $9 million below the Executive's revenue forecast.

Fund Distribution

Table 56

Real Estate Transfer Tax Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	-	-	$1,007	$119	$1,126
2020-21	-	-	$1,016	$119	$1,135

A statutory amount of $119 million is deposited into the Environmental Protection Fund from RETT collections, and the remaining is deposited into the Clean Water/Clean Air Fund (CW/CA) for Debt Service. When the CW/CA obligation is paid, the excess revenue is transferred to the General Fund.

Pari-Mutuel

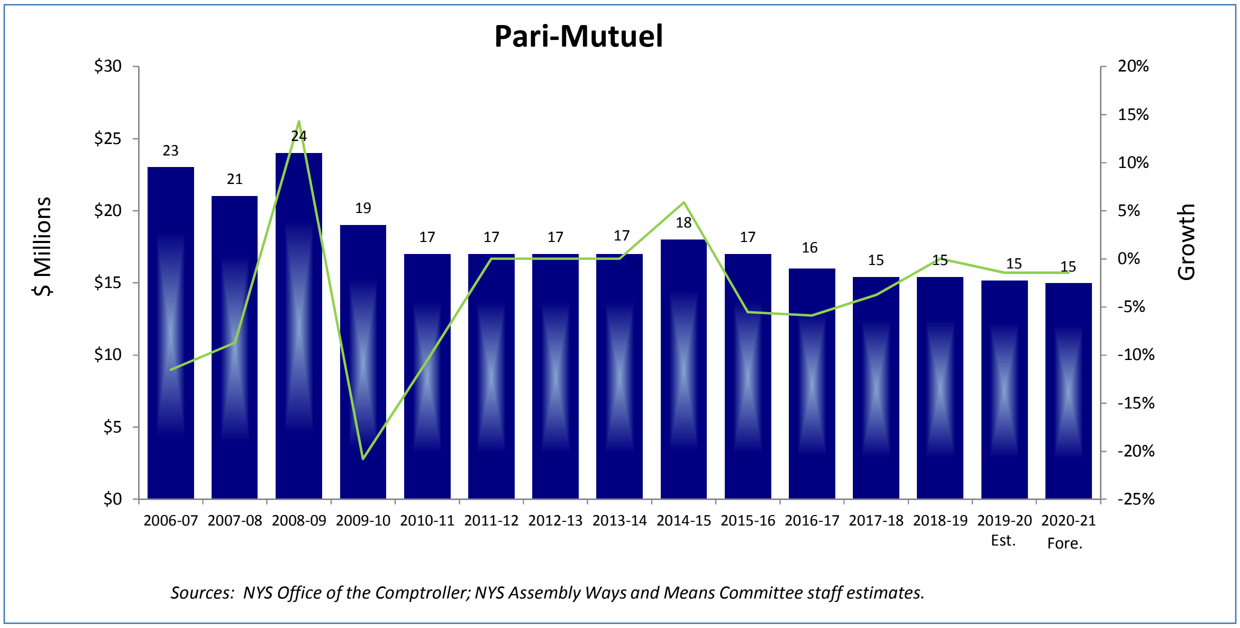


Figure 66

Under the Racing, Pari-Mutuel Wagering and Breeding Law, a tax is imposed on horseracing pari-mutuel bets placed at racetracks, simulcast theaters and Off-Track Betting (OTB) facilities. Pari-mutuel betting, also known as pool betting, is a unique form of betting. Instead of placing wagers against a bookmaker, you place wagers against other bettors who have placed wagers on the same event.

Horse racing businesses that are authorized to conduct pari-mutuel betting must deposit net betting revenue into a pari-mutuel pool. These pools are taxed at rates between 14 and 20 percent for regular on-track bets, 16 percent and 22 percent for multiple on-track bets, 20 percent and 30 percent for exotic on-track bets, 20 percent and 36 percent for super exotic on-track bets, while the breaks are taxed at 55 percent. The breaks are the odd cents or dollars in a payoff, over a scaled rounded value. For example, for a payoff of $1.67, the break would be two cents, but for a payoff of $270 the break would be $20.

In addition to the pool taxes, businesses must pay a tax on the amount that is retained by the business. These rates vary based on the type of bet the revenue originated from. The rates are as follows: 1 percent for revenue from regular bets, 1.5 percent for multiple bets, 6.75 percent for exotic bets, and 7.75 percent for super exotic bets. The above rates will be increased by 0.25 percent on all on-track bets for racing corporations that did not expend at least 0.5 percent of its on-track bets during the following calendar year for enhancements, repairs, structures and equipment used in its operations.

These businesses will receive a credit against the tax imposed in an amount equal to 0.4 percent of total daily pools resulting from the simulcasting of events assuming that 60 percent of the credit be used for increasing purses for overnight races conducted by such organizations.

The horse racing business must also pay the Gaming Commission a regulatory fee of 0.6 percent of the total daily on-track pari-mutuel pools.

Table 57

Pari-Mutuel Tax ($ in Millions)						
	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$13	(5.1%)	$15	0.0%	$15	$0
2020-21			$15	0.0%	$15	$0

YTD through January

Year-to-date, pari-mutuel tax receipts are currently $13 million, a 5.1 percent decrease over the same period in SFY 2018-19.

State Fiscal Year 2019-20

The Committee staff estimates pari-mutuel receipts will total $15 million in SFY 2019-20. This is the same as the previous year. The Committee staff's estimate is the same as the Executive's projections.

State Fiscal Year 2020-21

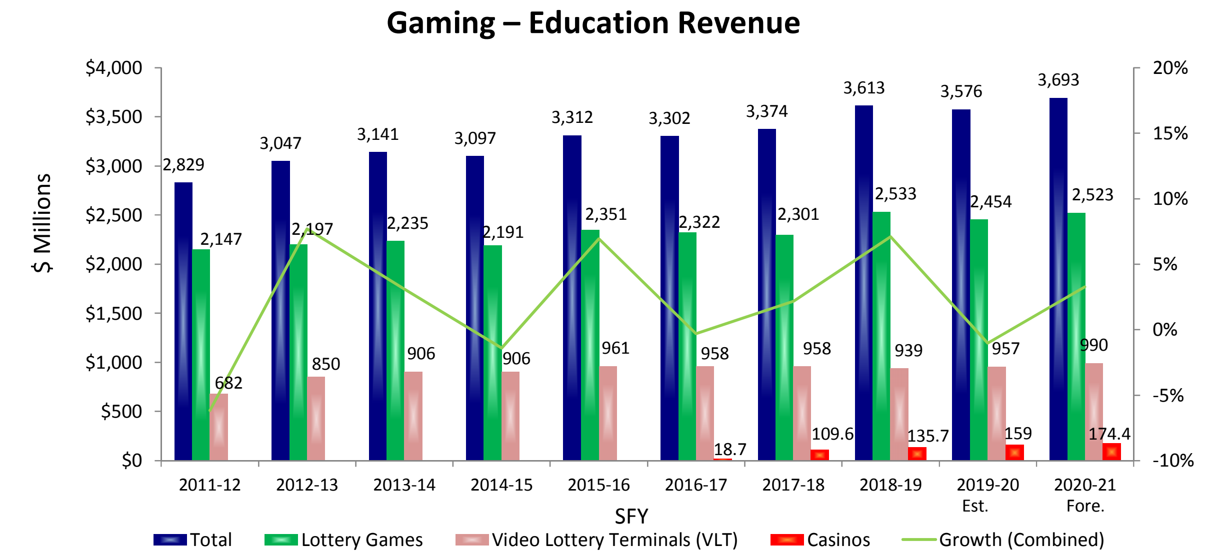
The Committee staff forecast for SFY 2020-21 is $15 million, the same as SFY 2019-20 collections. The Committee's forecast is the same as the Executive's forecast.

Fund Distribution

Table 58

Pari-Mutuel Fund Distribution ($ in Millions)					
	General Fund	Special Revenue	Debt Service	Capital Projects	All Funds
2019-20	$15	-	-	-	$15
2020-21	$15	-	-	-	$15

Gaming



Sources: NYS Office of the Comptroller; NYS Assembly Ways and Means Committee staff estimates.
Note: Interactive fantasy sports tax collections are included in the total.

Figure 67

The New York State Lottery was established by a Constitutional Amendment in 1966 for the express purpose of raising revenues for education. The New York State Gaming Commission currently operates a number of lottery games like jackpot games, and instant scratch-off games. A predetermined percentage of sales from each game are dedicated to fund education. Depending on the type of the lottery game, between 10 to 45 percent of sales are dedicated to education funding. Daily games contribute an average of 33 percent, jackpot games contribute an average of 35 percent, and instant scratch-off games contribute an average of 15 percent.

Video lottery terminal (VLT) facilities began operating in New York State in 2004, and ten video lottery terminals (VLTs) facilities exist today. These facilities contributed $958 million in revenue to education last fiscal year. On average, VLTs contributed 45.62 percent of their Net Machine Income to education in SFY 2018-19.[60]

The law permitting the licensing, regulation and taxation of non-tribal casinos was enacted in 2013. There are currently four commercial gaming facilities in operation: Tioga Downs, del Lago Resort, Rivers Casino and Resort, and Resorts World.

[60] https://www.gaming.ny.gov/pdf/finance/web%20site%20report%20-%20Statewide%20Totals.pdf

All commercial casinos must pay a tax of ten percent on the gross table game revenue, but the tax rate varies for revenue from electronic table games (ETGs) and slot machines based on the region in which the casino is located. The tax rates on these receipts are as follows: 39 percent at Resorts World; 45 percent at Rivers; and 37 percent on Del Lago and Tioga. This tax is distributed in the following manner: 80 percent to education and property tax relief, ten percent split equally between the host municipality and the host county, and ten percent split among non-host counties within the region on a per capita basis. Facilities must also pay an annual license fee of $500 for each slot machine and table game that the Gaming Commission approves for use at the facility.

Legislation to permit, regulate and tax interactive fantasy sports was enacted in 2016. The tax is a 15 percent rate on gross revenue, as well as an additional 0.5 percent tax that is not to exceed $50,000 dollars annually.

Table 59

Gaming
($ in Millions)

	Year To Date	YTD Growth	Closeout/ Forecast	Growth	Executive	Difference
2019-20	$2,729	5.7%	$3,576	(1.0%)	$3,530	$45
2020-21			$3,693	3.3%	$3,666	$27

YTD through January

Year-to-date, gaming revenue totaled $2.729 billion, a 5.7 percent increase over the same period in SFY 2018-19.

State Fiscal Year 2019-20

The Committee staff estimates total gaming receipts of $3.576 billion, a decrease of 1.0 percent or $39 million over SFY 2018-19. The staff's estimate is $45 million higher than the Executive's estimate. This decrease can be attributed to lack of jackpot growth for Mega Millions and Powerball.

The Committee staff estimates lottery games receipts will total $2.454 billion for a decline of 3.1 percent over SFY 2018-2019.

The Committee estimates that VLT receipts will total $957 million, an increase of 1.9 percent over SFY 2018-19.

The Committee estimates that casino receipts will total $159 million, an increase of 17.1 percent over SFY 2018-19. This increase is due to general strength in casino revenues as well as the inclusion of sports wagering at each facility except Del Lago Resort and Casino.

The Committee estimates that interactive fantasy sports tax receipts will total $6.0 million, an increase of 9.1 percent over SFY 2018-19.

State Fiscal Year 2020-21

The Committee staff projects that combined gaming revenue will total $3.693 billion in SFY 2020-21. This represents an increase of 3.3 percent, or $117 million, from in SFY 2019-20. This estimate is $27 million above the Executive's forecast.

The Committee staff forecasts that lottery game revenue receipts will total $2.523 billion, an increase of 2.8 percent over SFY 2019-20.

VLT receipts are expected to total $990 million, an increase of 3.5 percent from the prior year.

Casino receipts are forecast to total $174 million, an increase of 9.8 percent over SFY 2019-20.

Fantasy sports betting receipts are forecast to total $6 million, the same as the previous fiscal year.

Miscellaneous Receipts

Miscellaneous Receipts – All Funds

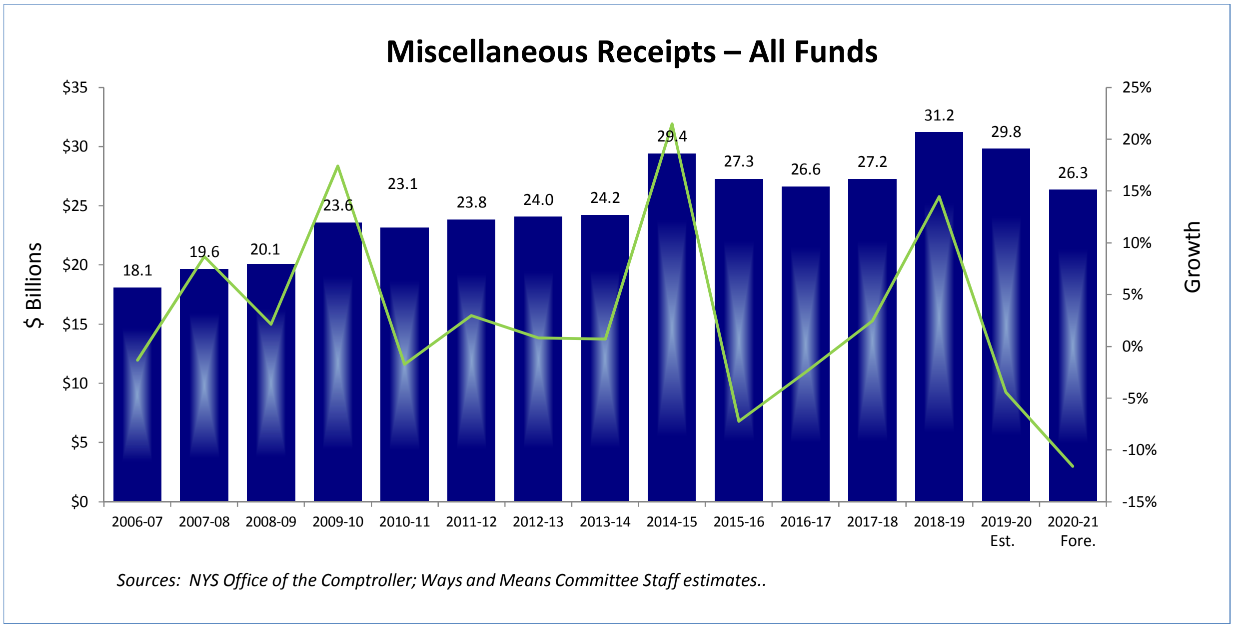


Figure 68

All Funds Miscellaneous Receipts consist of funds received from Health Care Reform Act (HCRA) financing sources, State University of New York (SUNY) tuition and patient income, lottery receipts for education, assessments on regulated industries, motor vehicles fees and a variety of fees and licenses.

On an All Funds basis Miscellaneous Receipts are estimated to total $29.793 billion in SFY 2019-20 and $26.338 billion in SFY 2020-21.

Miscellaneous Receipts – General Fund

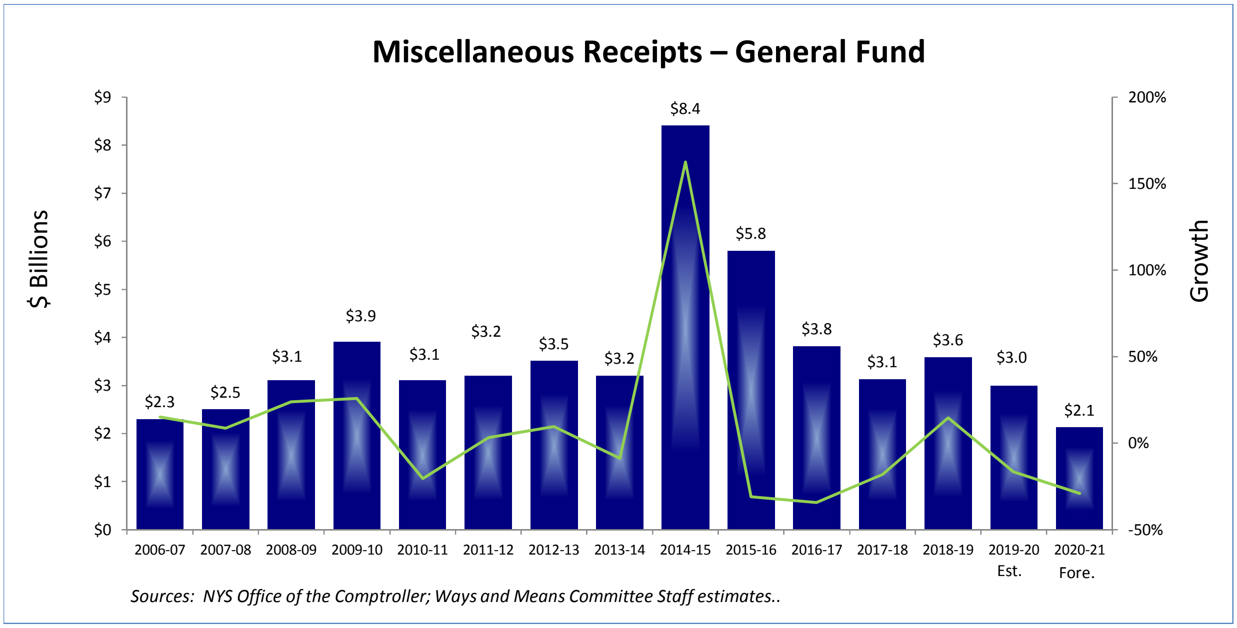


Figure 69

General Fund collections are more volatile as a result of one-time deposits and settlements, which peaked in SFY 2014-15 and have trended lower thereafter.

SFYs 2019-20 & 2020-21

General Fund Miscellaneous Receipts are estimated to total $2.993 billion in SFY 2019-20 and $2.122 billion in SFY 2020-21.

Key Components

General Fund Miscellaneous Receipts contains revenues from a multitude of sources. They include:

- licenses and fees;
- abandoned property;
- reimbursements;
- investment income;
- Alcoholic Beverage Control (ABC) License Fees; and
- Motor Vehicle Fees.

Other transactions include but are not limited to the: temporary utility assessment, settlements, the medical provider assessment, settlement proceeds from state regulatory agencies and District Attorney's offices, Bottle Bill proceeds, bond issuance charges, the State of New York Mortgage Authority supplemental wireless surcharge, New York Power Authority, civil recoveries, short term interest on bank accounts, Housing Finance Agency receipts, and released State Insurance Fund Reserves.

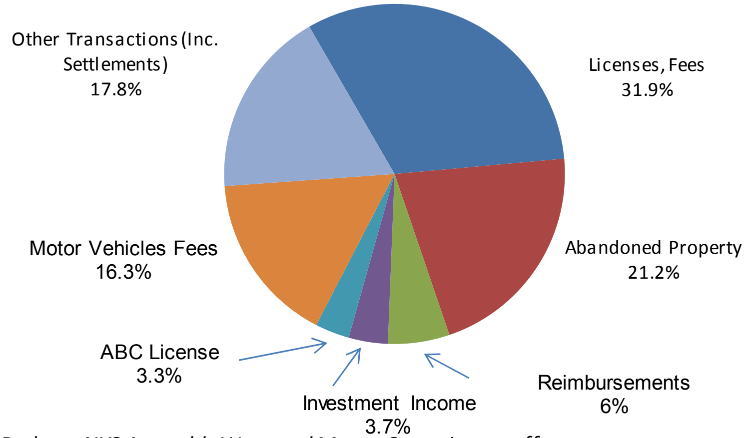
Table 60

Miscellaneous Receipts - General Fund ($ in Millions)

	2018-19 Actual	2019-20 Estimated	2020-21 Projected	Change	Percent Change
Licenses, Fees	744	695	677	(18)	(2.6%)
Abandoned Property	494	450	450	0	-
Reimbursements	161	112	124	12	10.7%
Investment Income	134	152	79	(73)	(48.0%)
ABC License	74	74	69	(5)	(6.9%)
Motor Vehicles Fees	317	334	345	11	3.3%
Other Transactions (Inc. Settlements)	1,662	1,176	378	(798)	(67.9%)
Total	**$3,586**	**$2,993**	**$2,122**	**($871)**	**(29.1%)**

Sources: Executive Budget; NYS Assembly Ways and Means Committee staff.

General Fund Miscellaneous Receipts SFY 2020-21



Sources: Executive Budget; NYS Assembly Ways and Means Committee staff.

Figure 70

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

Miscellaneous Receipts – Special Revenue Funds

SFY 2019-20

The Committee staff estimates Special Revenue funds to total $18.656 billion in SFY 2019-20, whereas Capital Projects are expected to total $7.749 billion and Debt Service is anticipated to receive $404 million in receipts.

SFY 2020-21

The Committee staff estimates Special Revenue funds to total $16.451 billion in SFY 2020-21, with Capital Projects expected to total $7.384 billion and Debt Service is anticipated to receive $381 million in receipts.

Key Components

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

Health Care Reform Act (HCRA)

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

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

Medicaid

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

State University Income

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

Lottery

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

Motor Vehicle Fees

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

Capital Projects

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

Debt Service

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

Industry Assessments and All Other

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