

Economic and Revenue Forecast



New York State Assembly

February 2010

Economic Forecast

United States

Current State of the Economy

- The worst decline since the Great Depression in overall economic activity is over; however, our forecast calls for a jobless recovery
- Employment losses are slowing, unemployment remains high
- Housing market is beginning to stabilize
- Consumer spending is still slow
- Credit conditions have eased somewhat
- Financial market performance has been improving

U.S. Economic Outlook (Percent Change)

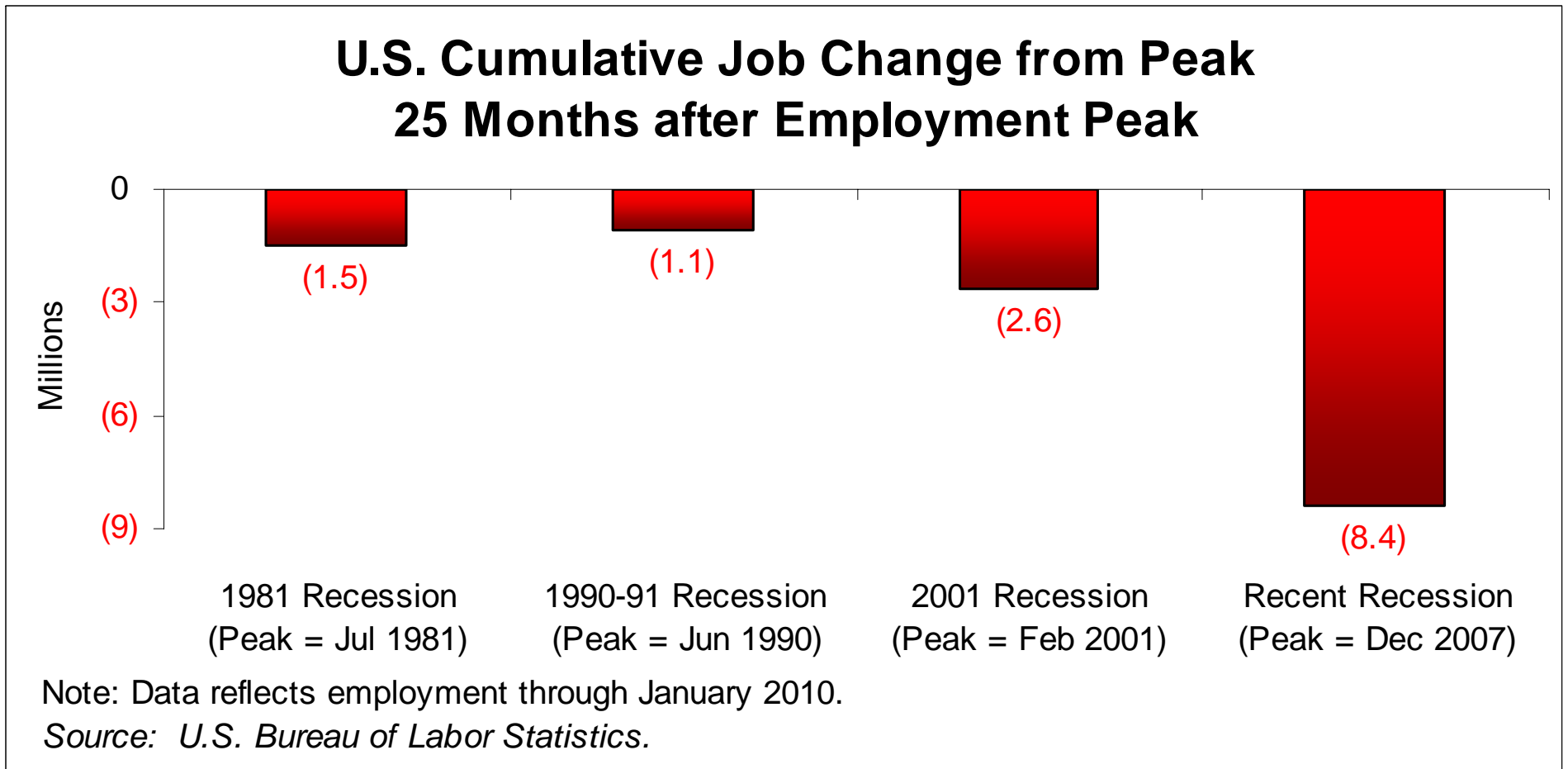
	Estimate 2009	Forecast 2010	Average for Recession Years (1969-2001)	Average for First Recovery Year (1971-2002)
Real GDP	(2.4)	2.9	(0.3)	3.7
Consumption	(0.6)	2.0	0.9	4.2
Investment	(23.3)	11.2	(10.7)	9.5
Government	1.9	1.7	0.3	1.4
Personal Income	(1.4)	3.7	6.3	6.6
Employment	(4.3)	(0.6)	(0.7)	0.7
S&P 500 Stock Price	(22.5)	21.1	(11.4)	12.9

Note: Personal income and corporate profits are nominal.

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.

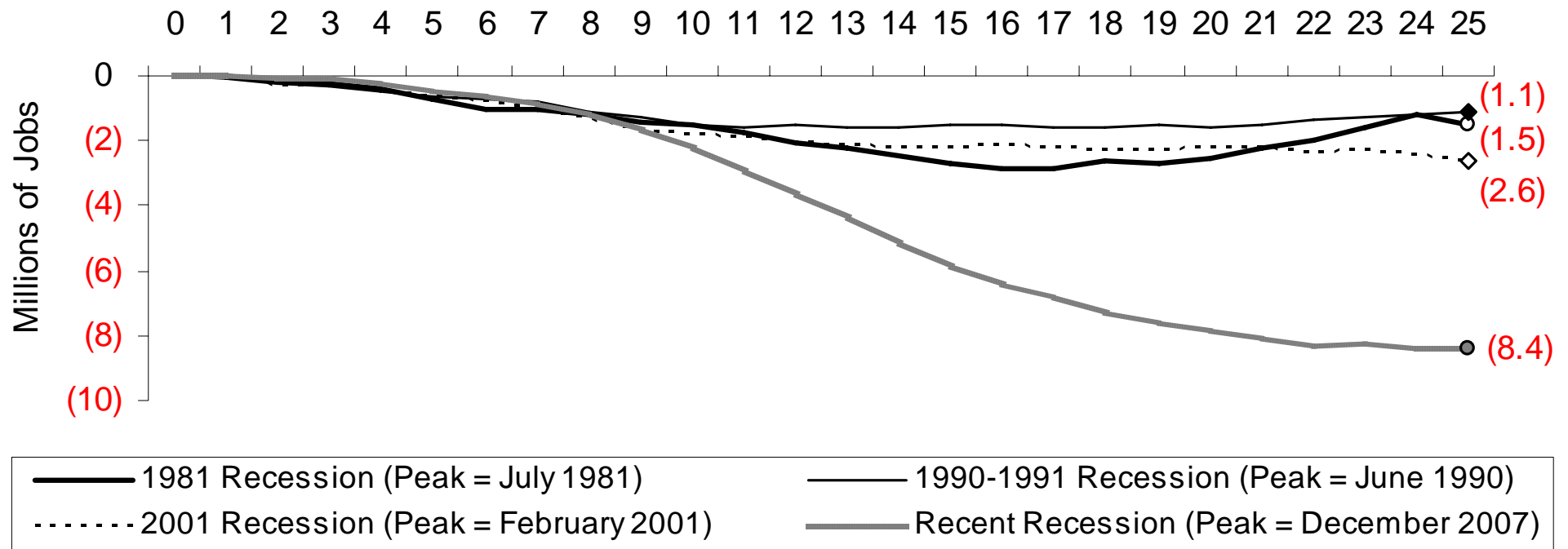
Labor Market

The nation lost 8.4 million jobs between December 2007 and January 2010, and losses continue.



U.S. Cumulative Employment Change Compared to Employment Peak

Months After Employment Peak

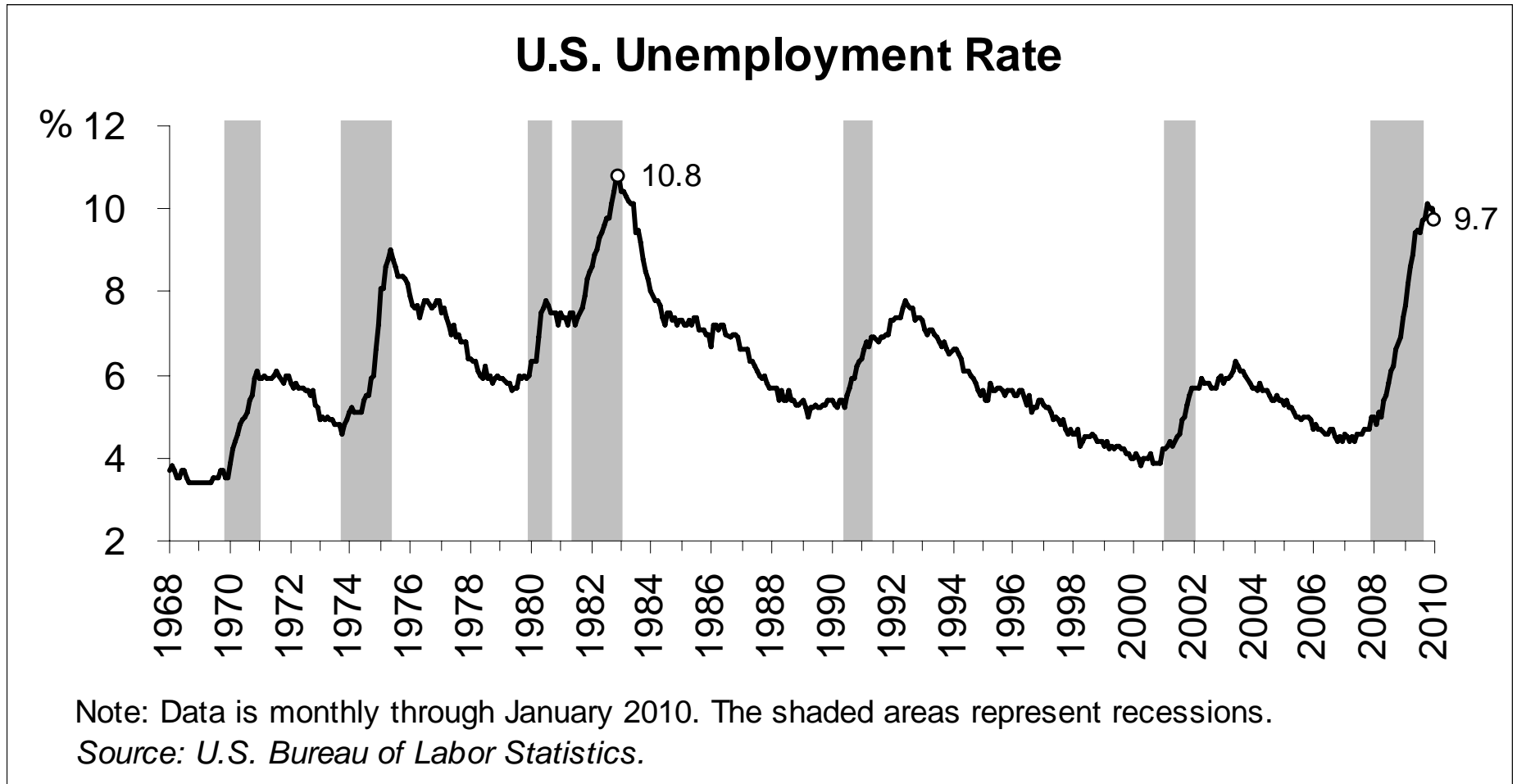


Note: Data is through January 2010.

Source: U.S. Bureau of Labor Statistics.

- Jobs are not yet gaining on a monthly basis
- Forecast indicates employment will remain below the 2007 peak beyond 2012

Unemployment



- The rate at which unemployment benefits are exhausted is at an all time high
- In January 2010, the exhaustion rate for regular federal benefits was 54.0 percent

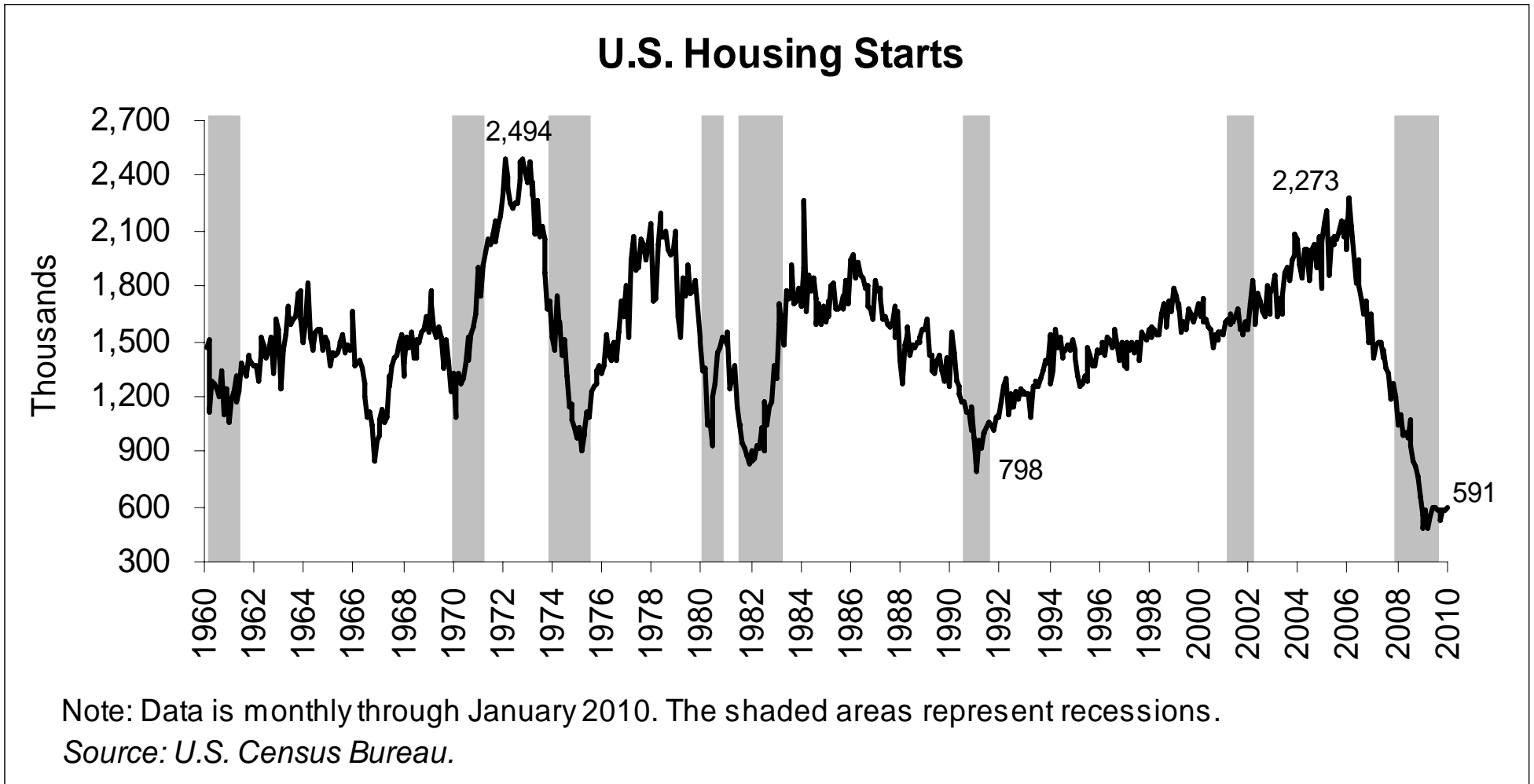
New York State Employment Loss Compared to Other States

	Total Nonfarm Empl. Dec. 2009 (Thousands)	Empl. Change Dec. 2007 to Dec. 2009 (Thousands)	Employment Change (%)
California	14,148.0	(1,041.3)	(6.9)
Florida	7,343.7	(607.6)	(7.6)
Michigan	3,831.0	(411.0)	(9.7)
Illinois	5,612.2	(379.0)	(6.3)
Ohio	5,086.9	(331.8)	(6.1)
Georgia	3,839.7	(314.5)	(7.6)
Arizona	2,412.0	(261.6)	(9.8)
North Carolina	3,924.0	(248.0)	(5.9)
New York	8,544.9	(231.0)	(2.6)
Texas	10,355.3	(182.5)	(1.7)

Source: U.S. Bureau of Labor Statistics.

States that have lost more jobs than New York State during the national recession that began in December 2007 have been harder hit in sectors such as construction and manufacturing. Only eight states have lost less jobs than New York State.

Housing Market



There are signs of bottoming out in the housing market, as housing starts have been ticking up. However, problems remain as 22.6% of U.S. homes are in negative equity (NYS: 6.2%).

Economic Forecast

New York State

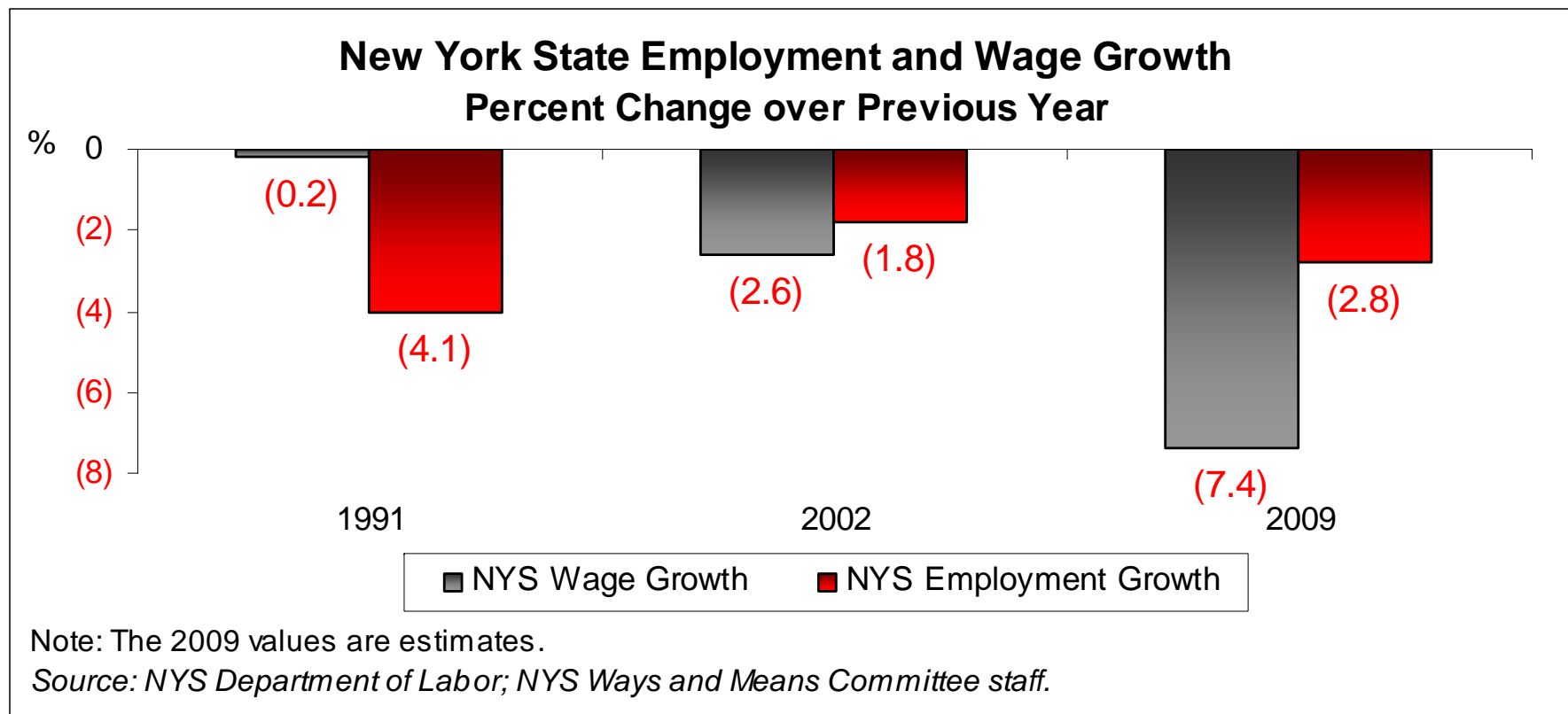
New York State Economic Outlook (Percent Change)

	Estimate	Forecast	Average for Recession Years	Average for First Recovery Year
	2009*	2010**	(1980-2002)	(1981-2003)
Employment	(2.8)	(0.4)	(1.5)	(0.2)
Personal Income	(4.2)	4.2	6.4	7.4
Total Wages (Calendar Year)	(7.4)	5.2	3.5	6.7
Total Wages (<i>Fiscal Year</i>)	(2.2)	4.1	4.0	5.3
Variable Comp (Calendar Year)	(31.6)	32.1	(10.3)	23.7
Variable Comp (<i>Fiscal Year</i>)	2.0	15.0	(11.4)	15.7
Base Wages	(3.6)	2.2	4.7	5.2
Capital Gains	(27.2)	45.0	(4.3)	9.3

Notes: *For fiscal year data, representative of FY 2009-10. ** For Fiscal Year data, representative of FY 2010-11. Base wages and variable compensation are estimated by the NYS Assembly Ways and Means Committee staff and sum to total wages.

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.

New York State Difference from Prior Recessions



Wage growth was hit harder than in past two recessions due to large losses from high-paying finance sector jobs.

New York State Employment by Sector

	Growth (%)		Level (Thousands)		Level Change from 2009 to 2010
	Estimate	Forecast	Estimate	Forecast	
	2009	2010	2009	2010	
Total Employment	(2.8)	(0.4)	8,335	8,302	(33,208)
Education & Health	2.0	2.0	1,554	1,584	30,557
Mgmt. of Companies	1.1	0.9	133	134	1,219
Government	(0.1)	(0.3)	1,443	1,438	(4,843)
Leisure & Hospitality	(1.5)	(0.1)	705	704	(563)
Real Estate, Rental, & Leasing	(3.6)	(2.1)	179	175	(3,714)
Information	(3.7)	(2.2)	252	247	(5,482)
Professional Services	(4.1)	(1.0)	562	556	(5,753)
Retail Trade	(4.2)	(0.8)	857	850	(7,101)
Other Services ¹	(4.2)	1.4	729	739	10,397
Transp. & Utilities ²	(4.3)	(1.3)	258	255	(3,343)
Wholesale Trade	(5.7)	(1.0)	331	328	(3,152)
Finance & Insurance	(6.5)	(2.0)	500	490	(10,184)
Construction	(9.9)	(3.4)	324	313	(11,054)
Manufacturing ³	(10.1)	(4.6)	483	461	(22,093)

Note: Rankings are based on two decimal places.

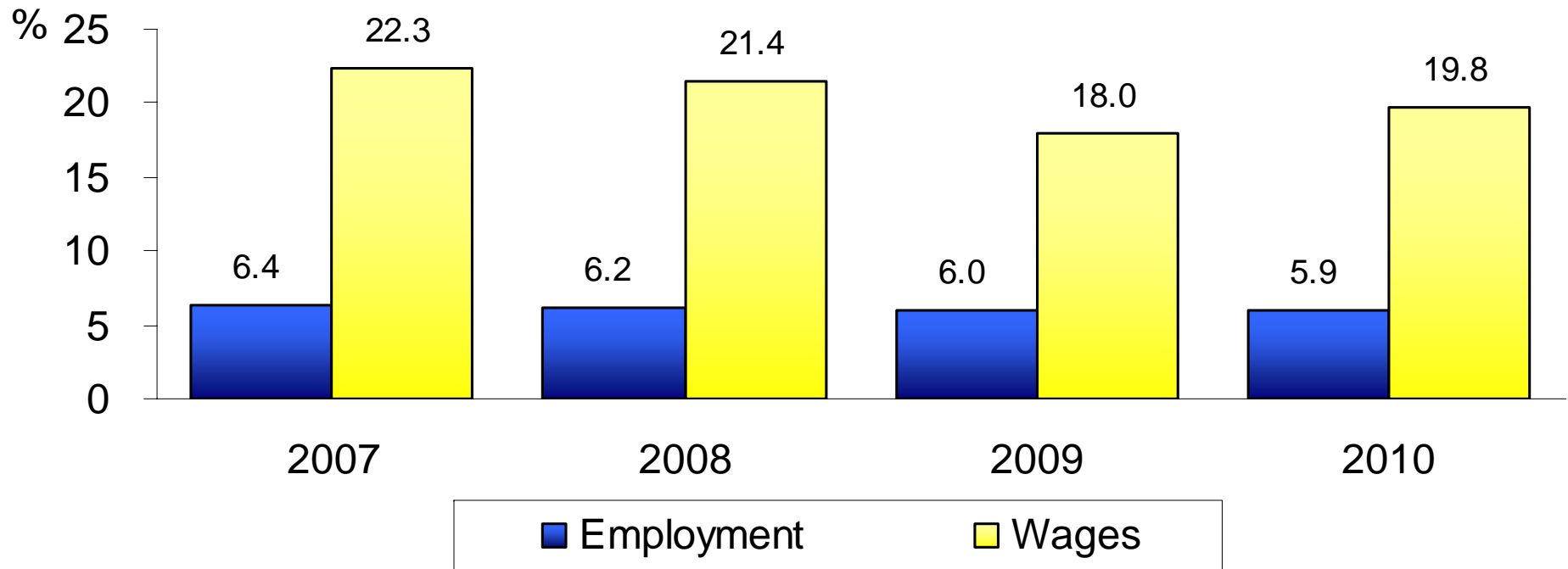
¹ Including Administrative, Support, and Waste Management Services.

² Transportation, Warehousing, and Utilities.

³ Including Mining.

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

NYS Finance and Insurance Sector Employment and Wages Share of New York State Total



Note: Data for 2009 is estimated; 2010 is forecast.

Source: NYS Department of Labor, QCEW.

The share of finance and insurance wages to total NYS wages has fallen from its high of 22.3 in 2007 to an estimated 18.0 in 2009. The employment share of the sector has been declining since 1975.

Forecast Comparison (Percent Change)

	2009		2010		2011	
	WAM	DOB	WAM	DOB	WAM	DOB
Calendar Year						
GDP	(2.4)	(2.4)	2.9	3.1	2.8	3.4
U.S. Employment	(4.3)	(4.3)	(0.6)	(0.3)	1.3	1.5
NYS Capital Gains	(27.2)	(35.1)	45.0	58.7	(33.4)	(46.7)
	2009-10		2010-11		2011-12	
Fiscal Year						
NYS Employment	(2.6)	(2.7)	0.1	(0.2)	1.0	1.0
NYS Total Wages	(2.2)	(2.5)	4.1	3.9	5.1	4.9

Blue Chip's forecast for 2010 GDP is 3.0 percent. The Blue Chip forecast for 2011 GDP is 3.1 percent.

Revenue Forecast

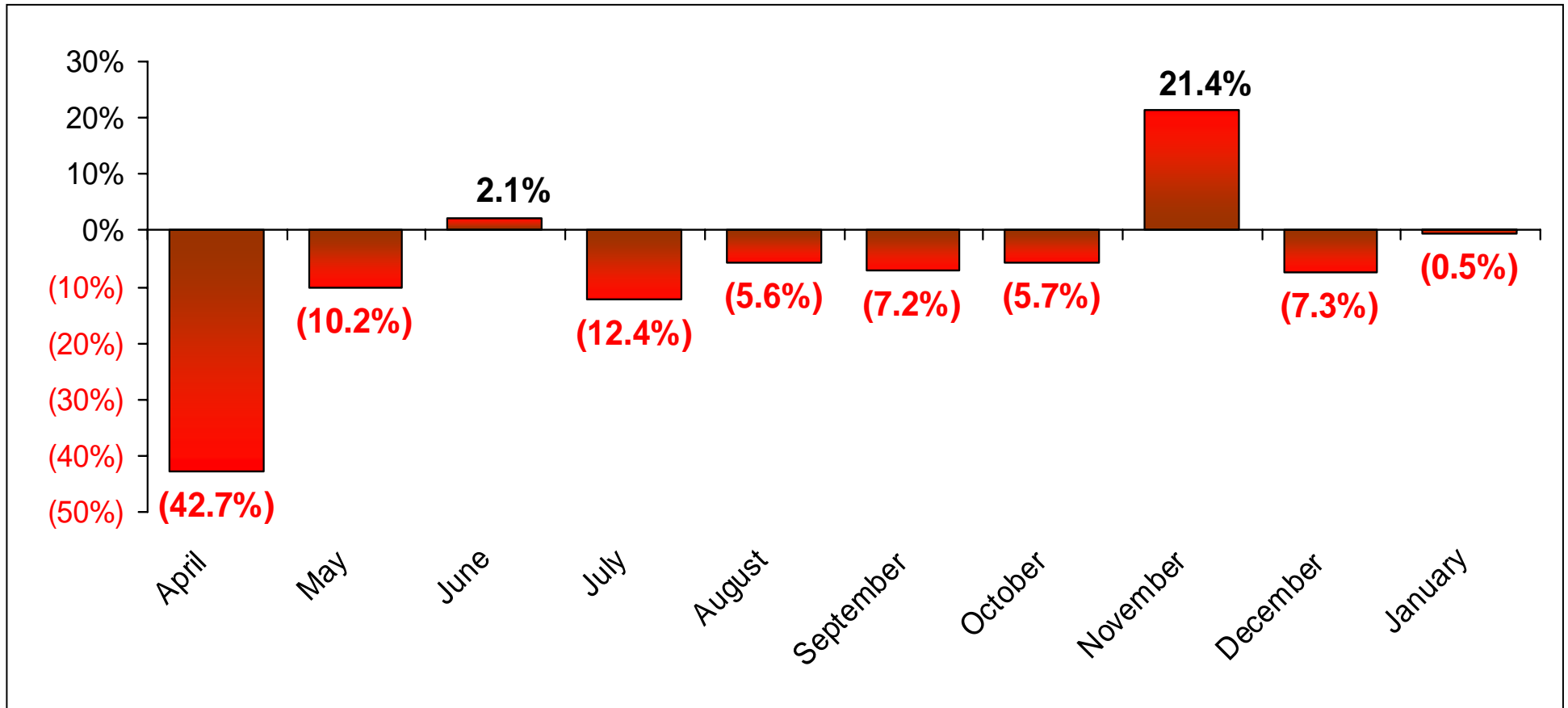
Summary of Total Tax Collections (Dollar Amounts in Millions)

	2008-09 Actual	2009-10 Estimate	Change	Percent Growth	Diff. Exec.
Personal Income Tax	\$36,840	\$34,321	(\$2,519)	(7.4%)	(\$59)
User Taxes	14,004	13,836	(168)	(1.2%)	(158)
Business Taxes	7,604	7,884	279	3.7%	61
Other	1,890	1,398	(491)	(26.0%)	(10)
Payroll Tax	-	1,237	1,237	N/A	64
Total Tax Collections	\$60,338	\$58,675	(\$1,663)	(2.8%)	(\$103)
General Fund Misc Rpts	\$3,105	\$3,508	\$403	13.0%	-
Lottery	2,544	2,958	414	16.3%	\$27
Total w/Misc Rpts & Lottery	\$65,987	\$65,141	(\$846)	(1.3%)	(\$76)

Summary of Total Tax Collections (Dollar Amounts in Millions)

	2009-10 Estimate	2010-11 Forecast	Change	Percent Growth	Diff. Exec.
Personal Income Tax	\$34,321	\$36,389	\$2,068	6.0%	(\$1,054)
User Taxes	13,836	15,424	1,588	11.5%	(139)
Business Taxes	7,884	7,578	(306)	(3.9%)	(182)
Other	1,398	1,583	185	13.2%	158
Payroll Tax	1,237	1,588	351	28.4%	11
Total w/Payroll Tax	\$58,675	\$62,562	\$3,886	6.6%	(\$1,208)
General Fund Misc Rpts	\$3,508	\$2,915	(\$593)	(16.9%)	\$0
Lottery	2,958	2,869	(89)	(3.0%)	31
Total w/Misc Rpts & Lottery	\$64,877	\$68,345	\$3,204	4.9%	(\$1,177)

Monthly Growth in Tax Revenue SFY 2009-10



Source: Office of the State Comptroller, adjusted for impact of Metropolitan Commuter Mobility Tax.