

IV. Major Assumptions – 2004-2008 Projections

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Utilization
(Revenue, Ridership, Vehicle Traffic)

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UTILIZATION – Baseline Before Gap-Closing Actions

2004 Ridership and Revenue

In 2004, ridership on the various MTA services is expected to increase on all MTA operations, as is vehicular traffic at MTA Bridges and Tunnels facilities. MTA consolidated ridership is projected to increase 2.6% in 2004, while traffic is expected to increase 1.4%. Ridership increases are projected to be 2.8% for New York City Transit and 1.2% for Metro-North Railroad's east-of-Hudson service, with a decline of 0.3% for Long Island Rail Road.

With last year's fare and toll increases instituted in May 2003, these increases continue to have an impact on 2004 fare and toll revenue levels when compared with 2003 results. MTA consolidated fare revenue is projected to increase 6.9% while toll revenue is expected to increase 6.3%. Fare revenue increases are projected to be 7.1% for New York City Transit, 5.6% for Long Island Rail Road, and 7.6% for Metro-North Railroad's east-of-Hudson service.

Compared with the 2004 Adopted Budget, MTA consolidated ridership in the 2004 Mid-Year Forecast is 17.4 million trips more than projected in the 2004 Adopted Budget, and vehicular crossings at Bridges and Tunnels facilities is 2.4 million greater than in the 2004 Adopted Budget. The projection for New York City Transit ridership is 18.8 million greater than the Adopted Budget projection, but the 2004 Mid-Year Forecast for Commuter Railroad ridership is modestly lower, down 1.1 million trips from the Adopted Budget for Long Island Rail Road and down 0.9 million trips for Metro-North Railroad.

The MTA consolidated fare revenue projection is \$35.0 million lower in the 2004 Mid-Year Forecast compared with the 2004 Adopted Budget, while projected toll revenue is \$11.2 million greater than in the Adopted Budget. The 2004 Mid-Year Forecast of New York City Transit fare revenue projection has been lowered by \$20.0 from the Adopted Budget level, while fare revenue for the Commuter Railroads has been reduced by \$14.2 million.

2004 Mid-Year Forecast projections are based on actual results through May 2004 for New York City Transit, Staten Island Railway, Long Island Bus and Bridges and Tunnels, and through April 2004 for Long Island Rail Road and Metro-North Railroad.

The changes in fare revenue, toll revenue, ridership and traffic – from the 2004 Adopted Budget to the 2004 Mid-Year Forecast – are primarily the result of the continuing impacts from the May 2003 fare and toll increases, as well as lingering impacts of the regional recession and more optimistic economic projections for second half of 2004. For the commuter railroads, the fare increase had a much greater impact on non-commutation ridership than expected, resulting in the lowered ridership projections. The ridership and fare revenue projections for NYCT have been affected by a greater than expected shift to deeper-discounted fare media options (7-day and 30-day unlimited ride MetroCards) than expected. This shift has resulted an increase in

ridership, with customers taking advantage of the unlimited trip characteristic of the 7-day and 30-day passes; at the same time, the shift to deeper discounted payment options has resulted in a smaller increase in the price per trip, resulting in lower than expected fare revenue. At B&T facilities, the fall-off in traffic from the toll increase was less than expected, and as a result toll revenue projections are greater than anticipated in the 2004 Adopted Budget.

2005 – 2008 Ridership and Revenue

For 2005 through 2008, MTA consolidated ridership is projected to increase in the 1.1% to 1.3% range each year, while traffic is expected to increase in the 0.2% to 0.6% range each year. Annual MTA consolidated fare revenue growth is projected in the 1.2% to 1.4% range for 2005 through 2008, while annual toll revenue growth is projected in the 0.1% to 0.4% range each year.

MTA consolidated ridership is projected to be greater than the Adopted Budget estimate, 20.6 million greater in 2005, 28.9 million in 2006 and 29.6 million in 2007. For each year, NYCT ridership is now projected to be greater than the Adopted Budget projections while Commuter Railroad ridership is lower than the projections in the Adopted Budget. B&T traffic projections for 2005 to 2008 in the 2004 Mid-Year forecast are marginally greater than projections in the Adopted Budget, up 1.6 million trips in 2005, up 0.6 million in 2006 and 0.1 million in 2007.

Compared with the 2004 Adopted Budget, MTA consolidated fare revenue is projected to be lower in the 2004 Mid-Year Forecast. In 2005, MTA consolidated revenue is \$34.2 million lower than the Adopted Budget, \$28.6 million lower in 2006 and \$34.8 million lower in 2007. Most of the decline is attributable to NYCT, with declines between \$28 million and \$35 million each year. B&T toll revenue shows modest increases from the 2004 Adopted Budget, increasing \$8.3 million 2005, \$4.7 million in 2006 and \$2.8 million in 2007.

MTA Consolidated Utilization

Baseline Before Gap-Closing Actions

2005 MTA Agency Ridership and Traffic Projections, in millions

	<u>Adopted Budget</u>	<u>Mid-Year Forecast</u>	<u>Favorable / (Unfavorable)</u>
Long Island Bus	30.4	30.4	0.0
Long Island Rail Road	82.4	81.6	(0.8)
Metro-North Railroad *	73.0	71.8	(1.2)
New York City Transit	2,185.2	2,207.3	22.1
Staten Island Railway	2.9	3.4	0.5
Total Ridership	2,373.9	2,394.5	20.6
Bridges and Tunnels - Traffic	300.0	301.7	1.6

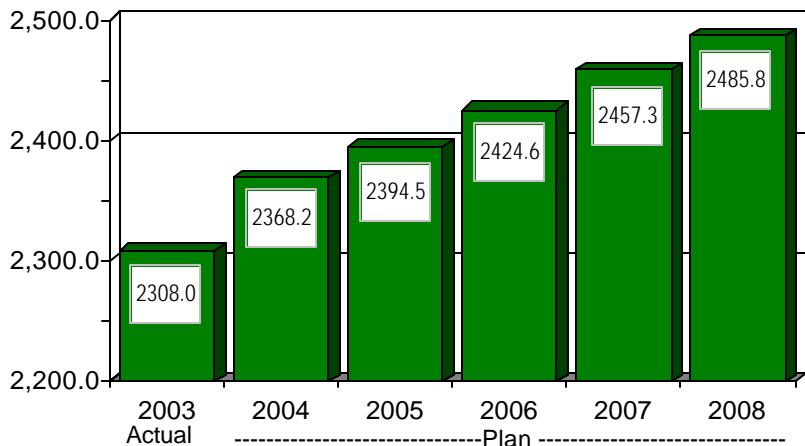
2005 MTA Agency Fare and Toll Revenue Projections, in millions

	<u>Adopted Budget</u>	<u>Mid-Year Forecast</u>	<u>Favorable / (Unfavorable)</u>
Long Island Bus	\$37.8	\$37.2	(\$0.6)
Long Island Rail Road	428.6	421.6	(7.0)
Metro-North Railroad *	415.4	418.5	3.1
New York City Transit	2,618.1	2,588.7	(29.4)
Staten Island Railway	3.4	3.2	(0.2)
Total Farebox Revenue	\$3,503.4	\$3,469.2	(\$34.2)
Bridges and Tunnels - Toll Revenue	\$1,079.2	\$1,087.5	\$8.3

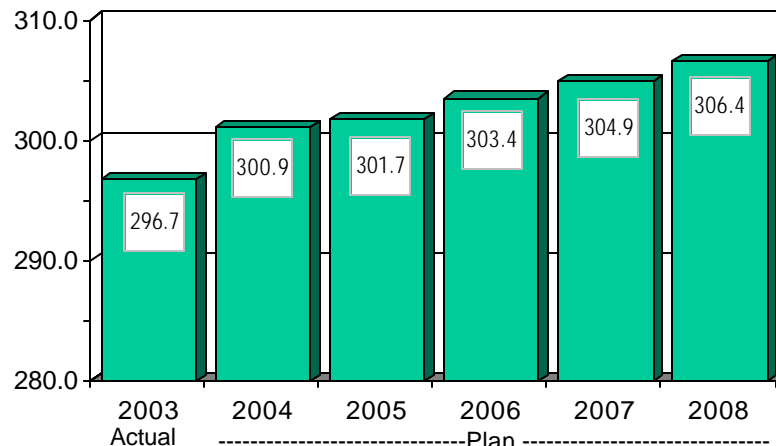
Metro-North Railroad ridership and farebox revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

MTA Consolidated Utilization – Baseline Before Gap-Closing Actions

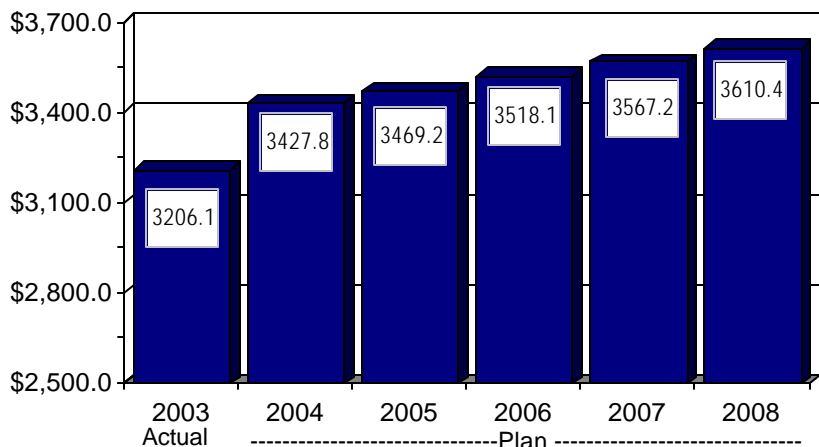
MTA Ridership (in millions)



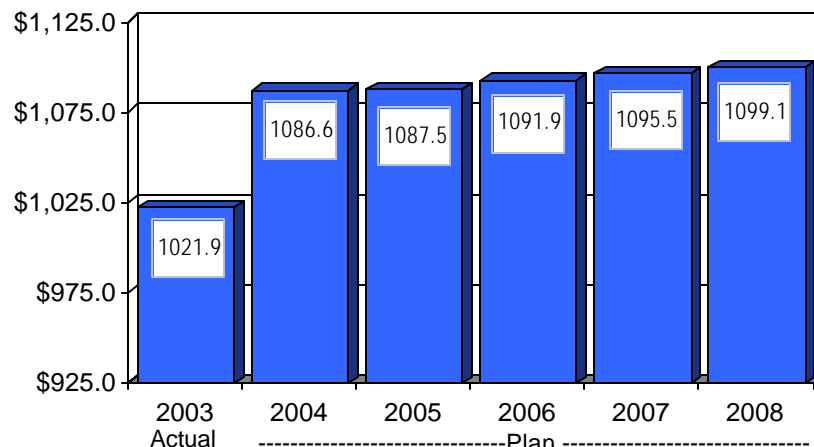
B&T Traffic (in millions)



MTA Fare Revenue (in millions)



B&T Toll Revenue (in millions)



Note: Metro-North Railroad ridership and fare revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

MTA Consolidated Utilization

Baseline Before Gap-Closing Actions

MTA Agency Ridership and Traffic Projections, in millions

July Financial Plan 2005-2008

	Mid-Year Forecast				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Traffic					
Bridges & Tunnels	300.9	301.7	303.4	304.9	306.4
Ridership					
Long Island Bus	30.3	30.4	30.6	30.8	31.1
Long Island Rail Road	80.7	81.6	83.4	84.4	85.3
Metro-North Railroad *	71.3	71.8	73.0	73.7	74.5
New York City Transit	2,182.4	2,207.3	2,234.2	2,264.9	2,291.4
Staten Island Railway	3.4	3.4	3.4	3.5	3.5
<i>Total Ridership</i>	<u>2,368.1</u>	<u>2,394.5</u>	<u>2,424.6</u>	<u>2,457.3</u>	<u>2,485.8</u>

February Financial Plan, 2004-2007

	Adopted Budget			
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Traffic				
Bridges & Tunnels	298.5	300.0	302.8	304.8
Ridership				
Long Island Bus	30.3	30.4	30.6	30.8
Long Island Rail Road	81.8	82.4	83.8	84.9
Metro-North Railroad *	72.2	73.0	73.9	74.8
New York City Transit	2,163.6	2,185.2	2,204.5	2,234.2
Staten Island Railway	2.8	2.9	2.9	2.9
<i>Total Ridership</i>	<u>2,350.8</u>	<u>2,373.9</u>	<u>2,395.7</u>	<u>2,427.6</u>

Plan-to-Plan Changes

Favorable / (Unfavorable)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Traffic				
Bridges & Tunnels	2.4	1.6	0.6	0.1
Ridership				
Long Island Bus	0.0	0.0	0.0	(0.0)
Long Island Rail Road	(1.1)	(0.8)	(0.4)	(0.5)
Metro-North Railroad *	(0.9)	(1.2)	(0.9)	(1.1)
New York City Transit	18.8	22.1	29.7	30.7
Staten Island Railway	0.5	0.5	0.5	0.5
<i>Total Ridership</i>	<u>17.4</u>	<u>20.6</u>	<u>28.9</u>	<u>29.6</u>

* Metro-North Railroad ridership and farebox revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

MTA Consolidated Utilization

Baseline Before Gap-Closing Actions

MTA Agency Fare and Toll Revenue Projections, in millions

July Financial Plan 2005-2008					
	Mid-Year Forecast				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Toll Revenue					
Bridges & Tunnels	\$1,086.6	\$1,087.5	\$1,091.9	\$1,095.5	\$1,099.1
Fare Revenue					
Long Island Bus	\$37.1	\$37.2	\$37.4	\$37.6	\$37.7
Long Island Rail Road	415.2	421.6	431.6	437.0	442.3
Metro-North Railroad *	406.7	418.5	426.0	431.0	435.3
New York City Transit	2,565.6	2,586.7 **	2,619.7	2,658.3	2,691.6
Staten Island Railway	3.2	3.2	3.3	3.3	3.4
<i>Total Farebox Revenue</i>	<u>3,427.8</u>	<u>3,467.2</u>	<u>3,518.0</u>	<u>3,567.2</u>	<u>3,610.3</u>

February Financial Plan, 2004-2007				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Toll Revenue				
Bridges & Tunnels	\$1,075.4	\$1,079.2	\$1,087.2	\$1,092.7
Fare Revenue				
Long Island Bus	\$37.7	\$37.8	\$38.1	\$38.3
Long Island Rail Road	425.2	428.6	435.8	441.7
Metro-North Railroad *	410.9	415.4	420.6	424.9
New York City Transit	2,585.6	2,618.1	2,648.7	2,693.5
Staten Island Railway	3.4	3.4	3.5	3.5
<i>Total Farebox Revenue</i>	<u>3,462.8</u>	<u>3,503.4</u>	<u>3,546.6</u>	<u>3,602.0</u>

Plan-to-Plan Changes				
Favorable / (Unfavorable)				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Toll Revenue				
Bridges & Tunnels	\$11.2	\$8.3	\$4.7	\$2.8
Fare Revenue				
Long Island Bus	(\$0.6)	(\$0.6)	(\$0.7)	(\$0.7)
Long Island Rail Road	(10.0)	(7.0)	(4.2)	(4.7)
Metro-North Railroad *	(4.2)	3.1	5.4	6.1
New York City Transit	(20.0)	(31.4)	(28.9)	(35.2)
Staten Island Railway	(0.2)	(0.2)	(0.2)	(0.2)
<i>Total Farebox Revenue</i>	<u>(35.0)</u>	<u>(36.2)</u>	<u>(28.6)</u>	<u>(34.8)</u>

* Metro-North Railroad ridership and farebox revenue figures are for East-of-Hudson service (Hudson, Harlem and New Haven Lines) only.

** Figure is corrected from originally published number (\$2,588.7)

Subsidies

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SUBSIDIES - Major Assumptions

Overview

As shown on the tables beginning on the next page, Dedicated Taxes & State and Local Subsidies total \$2.652 billion on an accrual basis, which is \$222 million higher than the 2004 Adopted Budget. This is due largely to the substantially higher forecasts for real estate and petroleum business taxes, which reflect increases of \$190 million and \$31 million, respectively.

During the period 2005 to 2007, this financial plan projects that overall Dedicated Taxes & State and Local Subsidies will increase over the levels projected in the February 2004 plan by \$135 million in 2005, \$145 million in 2006 and \$187 million in 2007. While these increases are significant, they are lower than the \$222 million plan-to-plan increase for the current year (2004). The primary reason for the projected drop between 2004 and 2005 is that this plan assumes that interest rates will begin to rise and as that happens, real estate and petroleum business tax revenues will drop below the 2004 level. Economically based improvements in the MMTOA taxes, on the other hand, are expected to yield significantly increased revenues to MTA in 2005 through 2008 relative to the 2004 yields.

The following pages contain accrual and cash summary tables for the subsidies and dedicated taxes. Following these are additional tables detailing the changes between the July Plan and the February Plan. Detailed narratives describing each subsidy, forecast methodologies and explanations of changes since the February Plan follow. Note that the details of Bridges and Tunnels operations that produce the Operating Surplus Transfer subsidy are discussed in Volume 2. Details regarding the distribution of the B&T Operating Surplus Transfer are contained in the Appendix of this volume.

MTA Consolidated Subsidies

July Financial Plan 2005 - 2008

Accrual Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007	2008
<i>Dedicated Taxes</i>					
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$768.7	\$867.2	\$905.3	\$937.6	\$972.5
Petroleum Business Tax (PBT) Receipts	554.6	551.6	552.8	556.5	559.3
Mortgage Recording Tax (MRT)	508.2	391.8	386.2	393.7	377.1
MRT Transfer to Suburban Counties	(19.5)	(14.8)	(14.6)	(14.9)	(14.2)
Use of MRT Prior Year Balances	111.2	8.7	0.0	0.0	0.0
Reimburse Agency Security Costs	(26.4)	(29.3)	(31.4)	(33.4)	(33.4)
Urban Tax	189.8	155.7	164.0	180.6	177.9
Investment Income	4.0	8.0	10.2	10.8	13.9
	\$2,090.6	\$1,939.1	\$1,972.4	\$2,030.9	\$2,053.0
<i>State and Local Subsidies</i>					
State Operating Assistance	\$190.9	\$190.9	\$190.9	\$190.9	\$190.9
Local Operating Assistance	187.9	187.9	187.9	187.9	187.9
Nassau County Subsidy	7.4	15.6	17.2	20.6	24.6
CDOT Subsidy	48.3	52.8	61.4	67.5	73.9
Station Maintenance	126.5	129.2	132.4	136.0	140.4
	\$560.9	\$576.3	\$589.8	\$603.0	\$617.6
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	(\$10.0)	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$2,651.5	\$2,515.4	\$2,552.1	\$2,633.9	\$2,670.6
<i>Inter-agency Subsidy Transactions</i>					
B&T Operating Surplus Transfer	\$350.9	\$279.0	\$252.6	\$222.2	\$200.8
MTA Subsidy to Subsidiaries	46.6	34.3	35.2	36.2	37.4
	\$397.4	\$313.3	\$287.8	\$258.5	\$238.2
GROSS SUBSIDIES	\$3,048.9	\$2,828.7	\$2,839.9	\$2,892.4	\$2,908.8

MTA Consolidated Subsidies

July Financial Plan 2005 - 2008

Cash Basis

(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007	2008
<i>Dedicated Taxes</i>					
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$766.3	\$865.7	\$905.3	\$937.6	\$972.5
Petroleum Business Tax (PBT) Receipts	554.6	551.6	552.8	556.5	559.3
Mortgage Recording Tax (MRT)	508.2	391.8	386.2	393.7	377.1
MRT Transfer to Suburban Counties	(19.5)	(14.8)	(14.6)	(14.9)	(14.2)
Use of MRT Prior Year Balances	111.2	8.7	0.0	0.0	0.0
Reimburse Agency Security Costs	(26.4)	(29.3)	(31.4)	(33.4)	(33.4)
Urban Tax	189.0	155.1	162.5	180.8	178.4
Investment Income	4.0	8.0	10.2	10.8	13.9
	\$2,087.3	\$1,937.0	\$1,970.8	\$2,031.1	\$2,053.5
<i>State and Local Subsidies</i>					
State Operating Assistance	\$194.9	\$190.7	\$190.9	\$190.9	\$190.9
Local Operating Assistance (18-b)	187.9	187.9	187.9	187.9	187.9
Nassau County Subsidy (includes 18-b local match)	7.4	15.6	17.2	20.6	24.6
CDOT Subsidy	48.3	52.8	61.4	67.5	73.9
Station Maintenance	124.6	127.1	129.9	133.2	137.0
	\$563.1	\$574.1	\$587.3	\$600.2	\$614.2
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	(\$10.0)	\$0.0	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$2,650.4	\$2,511.1	\$2,548.1	\$2,631.3	\$2,667.7
<i>Inter-agency Subsidy Transactions</i>					
B&T Operating Surplus Transfer	\$375.8	\$286.2	\$255.2	\$225.3	\$202.9
MTA Subsidy to Subsidiaries	46.6	34.3	35.2	36.2	37.4
	\$422.4	\$320.4	\$290.4	\$261.5	\$240.3
GROSS SUBSIDIES	\$3,072.8	\$2,831.5	\$2,838.5	\$2,892.8	\$2,908.1

MTA Consolidated Subsidiaries
July Financial Plan 2005 - 2008
Summary of Changes Between July Plan and February Plan
Accrual Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007
	<i>Favorable/Unfavorable</i>			
<i>Dedicated Taxes</i>				
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$18.5	\$104.1	\$121.2	\$131.8
Petroleum Business Tax (PBT) Receipts	30.6	12.8	12.3	13.1
Mortgage Recording Tax (MRT)	155.0	36.9	29.5	35.3
MRT Transfer to Suburban Counties	(6.1)	(1.4)	(1.1)	(1.3)
Use of MRT Prior Year Balances	19.9	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0
Urban Tax	35.0	0.1	7.6	23.5
Investment Income	1.5	5.1	6.9	6.6
	\$254.5	\$157.7	\$176.5	\$208.9
<i>State and Local Subsidies</i>				
State Operating Assistance	(\$25.4)	(\$16.7)	(\$17.1)	(\$17.4)
Local Operating Assistance	0.0	0.0	0.0	0.0
Nassau County Subsidy	(0.9)	7.3	8.9	12.3
CDOT Subsidy	(4.2)	(9.3)	(8.3)	(11.0)
Station Maintenance	(2.2)	(3.7)	(4.8)	(5.5)
	(\$32.7)	(\$22.4)	(\$21.2)	(\$21.7)
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	(\$10.0)	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$221.8	\$135.3	\$145.3	\$187.3
<i>Inter-agency Subsidy Transactions</i>				
B&T Operating Surplus Transfer	\$4.7	\$7.9	\$10.2	\$11.6
MTA Subsidy to Subsidiaries	13.5	(6.1)	(9.6)	(12.5)
Additional State Aid	(14.6)	(14.6)	(14.6)	(14.6)
	\$3.6	(\$12.8)	(\$13.9)	(\$15.4)
GROSS SUBSIDIES	\$225.4	\$122.5	\$131.4	\$171.8

MTA Consolidated Subsidies
July Financial Plan 2005 - 2008
Summary of Changes Between July Plan and February Plan
Cash Basis
(\$ in millions)

<u>Subsidies</u>	2004	2005	2006	2007
	<i>Favorable/Unfavorable</i>			
<i>Dedicated Taxes</i>				
Metro. Mass Transp. Oper. Asst. (MMTOA)	\$0.9	\$87.2	\$105.7	\$115.6
Petroleum Business Tax (PBT) Receipts	30.6	12.8	12.3	13.1
Mortgage Recording Tax (MRT)	155.0	36.9	29.5	35.3
MRT Transfer to Suburban Counties	(6.1)	(1.4)	(1.1)	(1.3)
Use of MRT Prior Year Balances	19.9	0.0	0.0	0.0
Reimburse Agency Security Costs	0.0	0.0	0.0	0.0
Urban Tax	34.3	(0.3)	6.2	23.8
Investment Income	1.5	5.1	6.9	6.6
	\$236.2	\$140.4	\$159.6	\$193.1
<i>State and Local Subsidies</i>				
State Operating Assistance	(\$24.4)	(\$16.0)	(\$15.9)	(\$15.9)
Local Operating Assistance	0.0	0.0	0.0	0.0
Nassau County Subsidy	(0.9)	7.3	8.9	12.3
CDOT Subsidy	(4.2)	(9.3)	(8.3)	(11.0)
Station Maintenance	(1.1)	(2.6)	(4.0)	(5.0)
	(\$30.6)	(\$20.7)	(\$19.3)	(\$19.6)
Commuter Operating Capital Transfer - MNR M-7	\$0.0	\$0.0	(\$10.0)	\$0.0
Total Dedicated Taxes & State and Local Subsidies	\$205.6	\$119.7	\$130.3	\$173.5
<i>Inter-agency Subsidy Transactions</i>				
B&T Operating Surplus Transfer	\$26.6	\$7.6	\$10.0	\$11.5
MTA Subsidy to Subsidiaries	13.5	(6.1)	(9.6)	(12.5)
	\$40.1	\$1.5	\$0.4	(\$1.0)
GROSS SUBSIDIES	\$245.7	\$121.1	\$130.7	\$172.5

METROPOLITAN MASS TRANSPORTATION OPERATING ASSISTANCE (MMTOA)

Metropolitan Mass Transportation Operating Assistance Taxes (MMTOA) consist of special State taxes imposed within the MTA Transportation District which, subject to State appropriation, supplement the general operating subsidies of transportation systems in the District. It comprises the following taxes: petroleum business tax (PBT), which is a small portion of the basic PBT imposed on petroleum businesses operating within New York State; sales tax of one-quarter of one percent (1/4%) imposed on sales and uses of certain tangible personal property and services; corporate franchise taxes imposed on certain transportation and transmission companies; and temporary corporate surcharges imposed on the portion of the franchise and other taxes of certain businesses attributable to the conduct of business within the transportation district.

Estimated Statewide MMTOA taxes for 2004 total approximately \$1,151.6 million of which \$1,086.6 million are allotted for Downstate transit properties. In 2004, \$174.6 million of the Downstate share is earmarked to fund the State's 18-b obligations. The portion of the MMTOA Taxes payable to New York City Transit for the benefit of NYCT and SIR, and to MTA for the benefit of Long Island Rail Road and Metro-North Railroad is the same percentage as the percentage of the State Legislature's appropriation of all amounts from the MMTOA Account to such entities. For 2003, that percentage was 61.12% to NYCT and 27.71% to Commuter Railroads. Long Island Bus, city private buses and other downstate transportation properties also receive MMTOA funds.

2004 Mid-Year Forecast

The 2004 Mid-Year Forecast estimates MMTOA cash receipts of \$737.7 million for NYCT, SIR and the Commuter Railroads, a \$12.5 million reduction from the February 2004 Adopted Budget. In addition, \$28.6 million is allocated to Long Island Bus. On an accrual basis MTA is forecasted to earn \$768.7 million in 2004.

Forecasts of sales taxes and petroleum business taxes annualize year-to-date actual collections through May 2004, based on 2003's trends. The corporate franchise taxes forecast is based on a combination of 2003 actual trends and 2004 year-to-date actuals through May. Corporate tax surcharge is based on Fiscal Year projections from the State adjusted to reflect calendar year 2004; calendar year adjustments assume a 33.5% allocation of the tax proceeds in State Fiscal Year ("SFY") 2004 and 66.5% allocations of SFY 2005. Forecast of Investment Income annualizes May year-to-date receipts.

The 2004 allocation of MMTOA's downstate share to MTA is based on the total downstate appropriations as contained in the State's Fiscal Year Executive Budget total appropriation for 2004/2005. NYCT/SIR's proposed appropriation is

\$464.2 million or 56.5%. This reflects a decline in the percentage share to NYCT/SIR from 61.1% in 2003. This is due to the State's use of some MMTOA funds to ensure that each downstate transit property would receive the same level of State aid as was appropriated in 2003. Although the effect was lower than expected MMTOA receipts for the MTA, additional Petroleum Business Tax receipts were appropriated to MTA. Beginning in 2005, the MMTOA allocations are expected to revert to previous levels.

In 2004, allocation of the downstate share MMTOA appropriations to the Commuter Railroads is \$273.6 or 26.5%, down from the 27.7% in the previous year.

2005 - 2008

In 2005, 2006 and 2007, MMTOA cash receipts are expected to be higher than the February Plan estimates by \$87.2 million, \$105 million and \$115.6 million respectively. On an accrual basis, 2005, 2006 and 2007 forecasts are \$104.1 million, \$121.2 million and \$131.8 million higher than the February Plan.

2005 through 2008 forecasts for sales taxes, petroleum business taxes, and corporate tax surcharge are based on growth rates provided by New York State Division of the Budget.

Corporate franchise tax forecast for 2005 applies the State growth rate to the 2004 forecast. Based on the State's projections, the forecast for 2006 and beyond assumes no growth.

For 2005 and other years, the Investment Income forecast inflates previous year collections by the change in the T-Bill rate.

Allocation of the downstate share of MMTOA to NYCT/SIR and Commuter Railroads in calendar year 2005 reflects restoration of 2003 appropriation levels for the period April 1 through December 31. For 2006 and outer years, allocations reflect restoration to full 2003 appropriation allocation.

MMTOA STATE DEDICATED TAXES
July Financial Plan 2005 - 2008
Tax Yield Distribution 2003 - 2008
(\$ in millions)

	ACTUAL	FORECAST				
	2003	2004	2005	2006	2007	2008
<u>Forecast of MMTOA Gross Receipts:</u>						
Sales Tax	\$393.1	\$414.8	\$430.2	\$450.0	\$469.8	\$491.4
Petroleum Business Tax (PBT)	125.8	144.2	142.1	142.8	143.5	144.2
Corporate Franchise Tax	51.9	69.6	71.0	71.0	71.0	71.0
Corporate Tax Surcharge	500.2	520.6	542.5	553.9	568.9	584.8
Investment Income	13.0	2.3	2.3	2.4	2.4	2.5
Total Gross Receipts Available for Allocation	\$1,084.0	\$1,151.6	\$1,188.1	\$1,220.0	\$1,255.6	\$1,293.9
<u>Allocation of Total Gross Receipts to DownState:</u>						
Total Gross Receipts	\$1,084.0	\$1,151.6	\$1,188.1	\$1,220.0	\$1,255.6	\$1,293.9
Less: Upstate Share of Gross Oil Company Receipts / PBT	(56.6)	(64.9)	(63.9)	(64.2)	(64.6)	(64.9)
Upstate Percent Share of Investment Income	5.28%	5.65%	5.39%	5.28%	5.15%	5.02%
Less: Upstate Share of Investment Income	(0.7)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Total Net DownState Share Available for Allocation	\$1,026.7	\$1,086.6	\$1,124.1	\$1,155.7	\$1,190.9	\$1,228.9
Less: 18-B Adjustment	(161.1)	(174.6)	(161.1)	(161.1)	(161.1)	(161.1)
Adjusted Total Net DownState Share for Allocation	\$865.6	\$912.0	\$963.0	\$994.6	\$1,029.8	\$1,067.8
<u>Allocation of Total Net DownState Share to NYCT/SIR:</u>						
NYCT/SIR Share	61.12%	56.52%	60.57%	61.12%	61.12%	61.12%
From Total Net DownState Share	\$627.6	\$614.1	\$680.9	\$706.4	\$727.9	\$751.1
Less: 18-B Adjustment	(146.4)	(150.0)	(146.4)	(146.4)	(146.4)	(146.4)
Adjusted Total Net DownState Share	\$481.2	\$464.2	\$534.5	\$560.0	\$581.5	\$604.7
From Carryover	(17.9)	0.0	0.0	0.0	0.0	0.0
Total NYCT/SIR Share of Net DownState Share	\$463.2	\$464.2	\$534.5	\$560.0	\$581.5	\$604.7
Total SIR Share	1.4	1.4	1.7	1.7	1.8	1.9
Total NYCT Share of Net DownState Share	\$461.8	\$462.7	\$532.8	\$558.3	\$579.7	\$602.9
<u>Allocation of Total Net DownState Share to CRs:</u>						
MTA Share	27.71%	26.53%	27.46%	27.71%	27.71%	27.71%
From Total Net DownState Share	\$284.5	\$288.2	\$308.7	\$320.2	\$330.0	\$340.5
Less: 18-B Adjustment	(8.7)	(14.7)	(8.7)	(8.7)	(8.7)	(8.7)
Adjusted Total Net DownState Share	\$275.8	\$273.6	\$299.9	\$311.5	\$321.3	\$331.8
From Carryover	(8.1)	0.0	0.0	0.0	0.0	0.0
Total MTA Share of Net DownState Share	\$267.6	\$273.6	\$299.9	\$311.5	\$321.3	\$331.8
<u>Allocation of Total Net DownState Share to LIB:</u>						
LI Bus Share	1.57%	2.99%	2.99%	2.99%	2.99%	2.99%
Gross MTOA, MTOA Plus and Supplement	\$16.2	\$32.5	\$33.6	\$34.6	\$35.6	\$36.8
Less: Used for 18-B/other	(0.9)	(1.3)	(0.8)	(0.8)	(0.8)	(0.8)
Net MTOA, MTOA Plus and Supplement	\$15.3	\$31.2	\$32.8	\$33.7	\$34.8	\$35.9
From Carryover	(0.5)	(2.6)	(1.5)	0.0	0.0	0.0
Total MTA Share of Net DownState Share	\$14.8	\$28.6	\$31.3	\$33.7	\$34.8	\$35.9

PETROLEUM BUSINESS TAXES (PBT) (Trust Fund Taxes)

The Statewide Dedicated Funds Pool is the repository for revenues from the following dedicated taxes and fees: petroleum business taxes, a business privilege tax imposed on petroleum businesses operating in New York State; motor fuel taxes, an excise tax levied with respect to gasoline and diesel motor fuels; and motor vehicle fees that are derived mainly from vehicle registration and driver license fees. Subject to statutory allocation under current State Law, thirty-four percent (34%) of the Dedicated Funds Pool is currently deposited in the Mass Transportation Trust Fund (MTTF) for MTA's benefit. Amounts transferred from the MTTF Account to the MTA's Dedicated Tax Fund constitute MTTF Receipts. For the purposes of budget preparations MTTF Receipts are also referred to as PBT Receipts interchangeably. Eighty-five percent (85%) of the MTTF Receipts are payable to New York City Transit (NYCT) for the benefit of NYCT and SIR, and the remaining 15% to MTA for the benefit of LIRR and Metro-North.

MTA utilizes the MTTF Receipts (PBT) to pay debt service on MTA's Dedicated Tax Fund Bonds (DTF Bonds). Debt service on DTF Bonds is payable first from PBT Receipts and then, to the extent of any deficiency, from MMTOA Taxes. On an annual basis to date, PBT Receipts have been sufficient to meet all debt service commitments and no MMTOA Taxes have been used.

After debt obligations are satisfied, the remaining PBT funds are transferred for use by New York City Transit and the Commuter Railroads as a subsidy.

2004 Mid-Year Forecast

Based on new forecast and updated actuals for 2004, MTA PBT Receipts forecast increased \$30.6 million compared with the 2004 Adopted Budget. Petroleum Business Taxes (PBT) cash receipts through June 2004 were \$29.8 million more than budget, likely representing higher prices. It is expected that the positive variance will peak soon and then dissipate as the year progresses and as petroleum prices recede.

In MTA's 2004 Mid-Year Forecast, State-wide Dedicated Tax Funds Pool is estimated at \$1,631.1 million, of which \$964.6 million is derived from Base PBT taxes and \$666.5 million from Supplemental PBT taxes. Of the total PBT, \$554.6 million represents MTA's thirty-four percent (34%) share. Of the MTA allocation, 85% or \$471.4 million is allotted to New York City Transit and 15% or \$83.2 million is allotted to Commuter Railroads.

The PBT projection for 2004 annualized year-to-date June collections by applying actual trends in 2003 and 2004. The forecast adjusted for a \$7 million MTA non-recurring carryover from 2003.

The supplemental portion of the 2004 PBT forecast is based on the State's Fiscal Year estimates of MTA receipts from motor fuel tax and motor vehicle fees provided by New York State Division of the Budget.

2005 - 2008

The 2005 through 2008 forecasts inflate the 2004 level by the State's growth rates provided by the New York State Division of the Budget.

The 2005 forecast of is \$12.8 million higher than the February Plan. The 2006 and 2007 receipts are projected to be higher than the February Plan by \$12.3 million and \$13.1 million, respectively.

PETROLEUM BUSINESS TAX PROJECTIONS

July Financial Plan 2005 - 2008
Tax Yield Distribution 2003 - 2008
(\$ in millions)

	ACTUAL	FORECAST				
	2003	2004	2005	2006	2007	2008
Net Base PBT Collections Available for Distribution	\$849.9	\$964.6	\$947.2	\$952.0	\$954.8	\$959.6
<i>Forecast of Supplemental PBT Collections for Distribution:</i>						
Supplemental PBT Collections	\$519.7	\$666.5	\$675.1	\$673.8	\$681.9	\$685.3
Month Cash Lag / DOT Special Programs	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Supplemental PBT Collections Available for Distribution	\$519.7	\$666.5	\$675.1	\$673.8	\$681.9	\$685.3
Total Net PBT Collections Available for Distribution	\$1,369.6	\$1,631.1	\$1,622.4	\$1,625.8	\$1,636.7	\$1,644.9
<i>Distribution Shares:</i>						
MTA Total	34.0%	34.0%	34.0%	34.0%	34.0%	34.0%
Other Transit	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Highway Trust Fund	63.0%	63.0%	63.0%	63.0%	63.0%	63.0%
General Fund	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Share Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Amount of Total Net Collections Available for the MTA:</i>						
MTA Total	\$465.7	\$554.6	\$551.6	\$552.8	\$556.5	\$559.3
NYCT/SIR Share of MTA Total	<u>395.8</u>	<u>471.4</u>	<u>468.9</u>	<u>469.8</u>	<u>473.0</u>	<u>475.4</u>
Commuter Railroad Share of MTA Total	<u>69.9</u>	<u>83.2</u>	<u>82.7</u>	<u>82.9</u>	<u>83.5</u>	<u>83.9</u>
MTA Total of Net Collections	\$465.7	\$554.6	\$551.6	\$552.8	\$556.5	\$559.3

MORTGAGE RECORDING TAXES (MRT)

Mortgage Recording Taxes consist of two taxes: Mortgage Recording Tax-1 (MRT-1) and Mortgage Recording Tax-2 (MRT-2).

MRT-1 is imposed on the borrower for recorded mortgages of real property situated in New York State, subject to certain exclusions, and collected by New York City and the seven other counties within the MTA's service area, at the rate of one-quarter of one percent (1/4%) of the debt secured by certain real estate mortgages. It must be applied, first, to meet MTA Headquarters operating expenses and, second, to make deposits into the New York City Transit (NYCT) Account (55% of the remaining amount) and the Commuter Railroad Account (45% of the remaining amount).

Moneys in the NYCT Account are required to be used to pay operating and capital costs of the Transit Authority, its subsidiaries, and SIR. Moneys in the Commuter Railroad Account are required to be used first to pay up to \$20 million to the State Suburban Transportation Fund each year to finance certain types of highway capital projects in certain areas of the Transportation District. In the event the transfer would result in Commuter Railroad operating deficit, the amount of the deficit is appropriated to the MTA for Commuter Railroad operating purposes, and not transferred to the Suburban Fund. After first making the required transfers to the State Suburban Transportation Fund, the balance in the Commuter Railroad Account is required to be used to pay operating and capital costs of the commuter railroad operations of MTA, other than SIR.

MRT-2 is a tax imposed on the institutional lender. It consists of one-quarter of one percent (1/4%) of certain recorded mortgages within New York State secured by real estate improved or to be improved by structures containing one to six dwelling units in the Authority's service area. MRT-2 Receipts are to be applied, first, to make deposits into the Payment Sub-accounts of Dutchess, Orange and Rockland counties and, second, to make deposits into the Corporate Purposes Sub-account for the purposes of paying operating and capital costs, including debt service and debt service reserve requirements, if any, incurred for the benefit of MTA, the Transit Authority and their respective subsidiaries.

Each year, MTA is required to transfer in equal quarterly installments, from the Corporate Transportation Account to the Metropolitan Transportation Authority's Dutchess, Orange and Rockland Fund (DORF) an annual amount of \$5.0 million, of which \$1.5 million is for each of the counties of Dutchess and Orange, and \$2.0 million is for the county of Rockland. Additionally, MTA must transfer from that Account to such fund for each of these three counties, respectively, an amount equal to the product of (i) the percentage by which such county's mortgage recording tax payment to MTA in the preceding calendar year increased over such payment in calendar year 1989 and (ii) \$1.5 million each for Dutchess and Orange Counties and \$2.0 million for Rockland County.

2004 Mid-Year Forecast

Mortgage Recording Taxes cash receipts for June 2004 year-to-date were \$115.0 million (60%) more than budget, and \$108.0 (54%) more than 2003 for the same period. During the first four months of the year, the counties in the MTA region were catching up on processing the heavy volume of mortgage recordings stemming from low interest rates that have continued from 2003 through 2004. These low interest rates have fostered extraordinarily high levels of mortgage refinancing, particularly in 2003. As a result, much of the higher-than-expected MRT Tax revenues in the early months of 2004 stemmed from the clearing of these processing delays.

Global Insight's projection for the 10-year U.S. Treasury Note calls for increases from a rate of 4.3% in 2004 to 5.0% in 2005 to 5.4% in 2006. Interest rates for personal mortgages consistently rise and fall as the Treasury Note rate changes.

For the 2004 Mid-Year Forecast, total MRT cash receipts are \$155.0 million higher than the 2004 Adopted Budget. MRT-1 receipts on a cash basis are estimated at \$258.8 million, an increase of \$74.0 million over the February Plan, and MRT-2 receipts are estimated at \$249.4 million, an increase of \$81.1 million over the February Plan.

The 2004 forecast in the February Plan was based on historical trends and the assumption that interest rates would rise in 2004 resulting in sharp downturns in mortgage activity, thereby producing substantially lower tax yields than 2002 and 2003 levels. Research of MRT historical tax yields and historical interest rate levels indicated that when interest levels dropped, mortgage activity climbed and conversely, when interest levels increased, mortgage activity dropped. At the end of 2003, leading forecasters were predicting that interest rates would increase steadily during 2004. Reflecting this, the 2004 Adopted Budget assumed that a decrease from the 2003 level would be 90% of the sharpest historical decrease for each of the MRTs. For MRT-1, the sharpest decrease was 28.6% from 1990 to 1991, and for MRT-2, the sharpest decline was 22% from 1994 to 1995. MRT receipts were assumed to stay fairly flat for the rest of the February Plan period, 2005-2007, growing a modest 0.5% annually. At the time, New York City's real estate tax forecasts reflected similar negative growth in 2004/2005.

In early 2004 it was evident that interest rates were not dropping as expected and mortgage taxes remained robust. In an effort to improve forecasting, MTA Budget developed regression models to forecast real estate taxes – both the MRT and Urban taxes.

The forecast methodology for MRT applies 16 models in total, with New York City and the seven suburban counties (8 jurisdictions) each having an MRT-1 model and an MRT-2 model, with each model forecasting tax collections. Models are time-series regression models, with a log-log specification. Tax collections are a function of the ten-year U.S. Treasury Note rate and population of the county (or New York City).

The majority of the MRT-1 Receipts of \$258.8 million is expected to be applied to the MTA Headquarters operating deficit in 2004. Of the total MRT-2 receipts available for transfer to MTA, after all required adjustments, NYCT/SIR share is estimated at \$259.4 million, and the Commuter Railroads share is estimated at \$25.7 million. These subsidy allocations include distribution of \$111.2 million of prior year MRT-2 collections.

2005 - 2008

The aforementioned models were used to forecast 2005-2008 projections, with some adjustments to 2005 to exclude extraordinary 2004 gains reflecting late processing of 2003 mortgages. This approach was taken because information for various County Clerk offices indicates that an unidentifiable but significant portion of actual 2004 collections were due to delays in recording 2003 mortgages.

In each of the years 2005, 2006 and 2007, total MRT collections on a cash basis are higher than the February Plan estimate by \$36.9 million, \$29.5 million and \$35.3 million, respectively.

Additional Assumptions

The MTA General Reserve of \$30.0 million annually is funded from MRT-2, and is allocated prior to transfer to NYCT and Commuter Railroads subsidy accounts. Also, MRT-2 funds the Agency Security Costs, which reimburses the agencies for security expenses. MTA Police manages the fund.

SUMMARY OF MORTGAGE RECORDING TAX PROJECTIONS

July Financial Plan 2005 - 2008
Tax Yield Distribution 2003 - 2008
(\$ in millions)

MORTGAGE RECORDING TAX #261-1	ACTUAL	FORECAST				
	2003	2004	2005	2006	2007	2008

Receipts Available for Transfer to NYCT and CRs:

Total Gross Receipts	\$244.4	\$258.8	\$220.3	\$219.4	\$224.8	\$218.3
Less: MTAHQ Operating Deficit	(212.1)	(258.2)	(257.7)	(263.9)	(270.9)	(278.7)
Net Receipts Available for Transfer	\$32.3	\$0.6	(\$37.4)	(\$44.5)	(\$46.1)	(\$60.3)

Allocation of Net Receipts to NYCT/SIR Account:

NYCT/SIR Share	55%	55%	55%	55%	55%	55%
From Net Receipts	\$17.8	\$0.3	(\$20.5)	(\$24.5)	(\$25.4)	(\$33.2)
Less: B&T Special Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Transfers from MRT-2	0.0	0.0	20.5	24.5	25.4	33.2
Total NYCT/SIR Net Cash Share	\$17.8	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0
Total SIR Net Cash Share	0.1	0.0	0.0	0.0	0.0	0.0
Total NYCT Net Cash Share	\$17.7	\$0.3	\$0.0	\$0.0	\$0.0	\$0.0

Allocation of Net Receipts to Commuter Railroad Account:

Commuter Railroad Share	45%	45%	45%	45%	45%	45%
From Net Receipts	\$14.5	\$0.3	(\$16.8)	(\$20.0)	(\$20.8)	(\$27.1)
Less: B&T Special Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Less: Suburban Debt Service	0.0	(0.3)	0.0	0.0	0.0	0.0
Transfers from MRT-2	0.0	0.0	16.8	20.0	20.8	27.1
Total Commuter Railroad Net Cash Share	\$14.5	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

MORTGAGE RECORDING TAX #261-2

Receipts Available for Transfer to NYCT and CRs:

Total Receipts to Corporate Account	\$206.5	\$249.4	\$171.5	\$166.8	\$168.9	\$158.7
Opening Fund Balance (starting in 1998)	159.3	119.9	8.7	0.0	0.0	0.0
Reimburse Agency Security Costs	(23.4)	(26.4)	(29.3)	(31.4)	(33.4)	(33.4)
Reserve for Following Year/Cash Flow Provision	(119.9)	(8.7)	0.0	0.0	0.0	0.0
General Reserve	0.0	(30.0)	(30.0)	(30.0)	(30.0)	(30.0)
Investment Income	1.7	0.0	0.0	0.0	0.0	0.0
Total Receipts Available for Transfer	\$224.1	\$304.2	\$121.0	\$105.4	\$105.5	\$95.3

Use of Total Receipts:

Less: Transfer to MTA DORF Account	(14.0)	(19.2)	(14.8)	(14.6)	(14.9)	(14.2)
Less: Transfer to MTAHQ Funds	0.0	0.0	(37.4)	(44.5)	(46.1)	(60.3)
Net Receipts Available for Debt Service	\$210.1	\$285.0	\$68.8	\$46.3	\$44.5	\$20.8

Allocation of Net Receipts to NYCT/SIR Corporate Account:

Projected NYCT/SIR Share	85.00%	91.00%	91.00%	91.00%	91.00%	91.00%
From Net Receipts	\$178.6	\$259.4	\$62.6	\$42.1	\$40.5	\$18.9
B&T Special Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Total NYCT/SIR Cash Share	\$178.6	\$259.4	\$62.6	\$42.1	\$40.5	\$18.9
Total SIR Cash Share	0.0	0.0	0.0	0.0	0.0	0.0
Total NYCT Cash Share	178.6	259.4	62.6	42.1	40.5	18.9

Allocation of Net Receipts to CRs Corporate Account:

Projected Commuter Railroad Share	15.00%	9.00%	9.00%	9.00%	9.00%	9.00%
From Net Receipts	\$31.5	\$25.7	\$6.2	\$4.2	\$4.0	\$1.9
B&T Special Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Total Commuter Railroad Net Cash Share	\$31.5	\$25.7	\$6.2	\$4.2	\$4.0	\$1.9

URBAN TAXES

Urban Taxes consist of two taxes: a Mortgage Recording Tax imposed on New York City commercial properties' mortgages that exceed \$500,000, and a Real Property Transfer Tax imposed on New York City commercial properties valued over \$500,000. It is available only for transit purposes in New York City. New York City Transit (NYCT) is entitled to 90% of the revenues collected for its general operations. In addition, NYCT receives 6% of the revenues collected for partial reimbursement of Paratransit costs. The remaining 4% is earmarked as subsidy for the City private buses.

2004 Mid-Year Forecast

In MTA's 2004 Mid-Year Forecast, Urban Tax receipts on a cash basis are estimated at \$189.0 million, an increase of \$34.3 million over the February 2004 Adopted Budget.

In making the projections for 2004 and the out-years two models were applied, one for the Mortgage Recording Tax and one for the Real Property Transfer Tax (RPPT). Each model forecasts tax collections. Models are time-series regression models, with a log-log specification. Tax collections are a function of the ninety-day U.S. Treasury Bill rate and New York City private-sector employment.

The 2004 projections include actual collections for the first six months of the year. The RPTT projection for the second half of 2004 is based on adjusted actual collections for the second half of 2003. A downward adjustment of \$10.9 million was made to take account of an unusually large transaction in the second half of 2003.

2005 - 2008

The MRT and RPTT projections for 2005 are based on adjusted 2004 projections. Downward adjustments of \$5.2 million for RPTT and \$4.8 million for MRT were made to take account of unusually large transactions in the first half of 2004.

Cash projections for 2005 are slightly below February 2004 projections. In 2006 and 2007, projected receipts are \$6.2 million and \$23.8 million over the February Plan projections respectively.

STATE AND LOCAL SUBSIDIES

State and Local Subsidies consist of New York State and Local Section 18-B Operating Assistance, Nassau County Subsidy, Station Maintenance and Connecticut Department of Transportation (CDOT) Subsidy to Metro-North Railroad. In addition the Commuter Railroads' subsidies include an operating capital transfer in 2006.

New York State 18-b Operating Assistance is direct State aid to the MTA appropriated by the State Legislature on an annual basis. Each County in the MTA Transportation District is required by the transportation law to match the State amounts by making quarterly payments of Local 18-b Operating Assistance to the MTA. Beginning in 1994, the State earmarked a portion of the dedicated taxes to fund the State's obligations for 18-b payments.

Nassau County subsidies consist of Nassau County payments to Long Island Bus. The Long Island Bus Local 18-b match is also included in the Nassau County subsidy.

Connecticut Department of Transportation (CDOT) subsidy payments are made to Metro-North Railroad as reimbursement for expenses associated with commuter train operations by Metro-North in the State of Connecticut.

Station Maintenance subsidy is paid by the City and each of the seven counties in the MTA region for the operation, maintenance and use of Commuter System passenger stations within the City and each of the counties. Station Maintenance base amounts were established in 1999 and are subject to CPI (Consumer Price Index) adjustment each year thereafter.

2004 Mid-Year Forecast

Estimated state and local cash subsidy receipts in the 2004 Mid-Year Forecast are \$563.1 million, a decrease of \$30.6 million when compared to the February 2004 Adopted Budget estimates. This unfavorable variance is due primarily to the following changes in the forecast assumptions from the prior plan:

- The February Adopted Budget assumed that the State would continue payment of Additional Mass Transportation Assistance Program (AMTAP) subsidy to Long Island Bus. The State Fiscal Year Executive Budget eliminated the AMTAP subsidy, which accounted for \$14.6 million. This was made up in increased MMTOA subsidy to LIB.
- The February 2004 Adopted Budget assumed \$8.9 million in "Increased Governmental Assistance", which will not materialize.
- CDOT subsidies were \$4.2 million lower than the February projections due to a reforecast of Connecticut's share.

- Station Maintenance was slightly reduced by \$1.1 million due to changes in the CPI growth rates, as forecasted by Global Insight CPI.

State and Local 18-b Operating Assistance to MTA has not changed in the last 15 years. The 2004 Mid-Year Forecast keeps these collections flat for the remainder of the plan period.

2005 - 2008

In 2005, 2006 and 2007 state and local subsidies decreased by \$20.7 million, \$19.3 million and \$19.6 million, respectively from the February Plan level. These out-years variances also reflect the elimination of the AMTAP by the State, as well as the fluctuation in Station Maintenance to reflect CPI adjustments and CDOT reductions.

In January 2004, the MTA Board authorized the exercise of a M-7 car option to permit Metro-North to accelerate the purchase of 120 additional cars. Included in the action was a provision for the Metro-North Operating Budget to transfer savings of \$10 million to the capital program. Metro-North's financial plan includes the requisite \$10 million savings in 2004 – 2006. Since this will result in \$10 million in commuter rail subsidy savings, a commensurate operating capital transfer is included as a reduction to 2006 commuter rail subsidies. The car purchase payment schedule will require the transfer in that year.

MTA SUBSIDY TO SUBSIDIARIES

In the 2004 Mid-Year Forecast, total estimated MTA subsidy payment to its subsidiaries is \$46.6 million. Staten Island Railroad's (SIR) share is \$18.8 million, Long Island Bus' (LIB) share is \$14.8 million and NYCT's share is \$13.0 million.

SIR's share reflects amounts need to cover the operating deficit after all other subsidies and operating revenues are allocated. A full discussion of SIR operating deficit is contained in Volume 2.

The February Financial Plan included \$14.6 million in MTA subsidies to Long Island Bus. This was modestly changed to \$14.8 million after taking into account Nassau County's contribution. The July Plan has capped LIB subsidies at this level for 2005 through 2008.

The 2004 forecast provides \$13.0 million in MTA subsidy to NYCT in order to cover the reduced NYCT share of MMTOA funds appropriated in 2004. Since it is assumed that NYCT's share will be increased in 2005 through 2008, this provision is not included in those years.

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Debt Service

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Debt Service in the Financial Plan

The following table reflects debt service projections for 2004 through 2008 associated with existing approved Capital Programs as well as estimates associated with the MTA's next five-year capital program for the 2005–2009 period. The table compares all MTA and TBTA debt service, excluding State Service Contract and Convention Center obligations, as published in the MTA February 2004 Financial Plan with newly revised estimates for this July 2004 Financial Plan. Debt service is estimated to be \$1,636 million higher over the Financial Plan years due to the additional estimate for 2008 which was not previously reflected in the February 2004 Financial Plan.

Changes in Forecasted Debt Service (\$ in millions)			
Year	February Plan Debt Service	July Plan Debt Service	Difference Favorable/(Unfavorable)
2004	941.8	916.2	25.6
2005	1,250.5	1,250.1	0.4
2006	1,441.7	1,445.0	(3.3)
2007	1,583.3	1,570.1	13.2
2008	<u>n.a</u>	<u>1,672.1</u>	<u>(1,672.1)</u>
Total:	5,217.3	6,853.5	(1,636.2)

The following is a summary of the key assumptions used to determine the debt service projections included in the financial plan.

Debt Issuance Assumptions:

Forecasted Debt Service and Borrowing Schedule	2004	2005	2006	2007	2008
Forecasted New Money Bonds (\$ in millions)	1,339.7	2,675.5	2,056.8	1,582.9	1,336.9
Assumed Interest Rates					
Transportation Revenue Bonds	4.95%	5.20%	5.35%	5.49%	5.56%
Dedicated Tax Fund Bonds	5.10%	5.36%	5.52%	5.66%	5.74%
Triborough Bridge & Tunnel Authority	4.95%	5.20%	5.35%	5.49%	5.56%

- All debt is assumed to be issued as 30-year level debt, principal amortized over the life of the bonds.
- Split of fixed-rate debt versus variable rate debt each year is 90% / 10%.
- New bond issues expected interest rate at time of issuance use weighted average of fixed and variable assumptions. Variable rate is assumed at 4%.
- Cost of issuance is 2% of gross bonding amount.

- New money bonds for currently approved transit and commuter projects assumed issued 25% under the DTF credit and 75% under the Transportation credit.
- New money bonds for 2005-2009 transit and commuter projects assumed issued 100% under the Transportation credit.
- All bonds issued to finance TBTA capital projects issued under the General Resolution.
- No reserve funds.

2004 Debt Service is a mid-year forecast using actual rate experience from January 1 to June 30. Due to the continued low interest rate environment, the assumed rate on variable rate bonds has been lowered from 4% to 2% for the remainder of the year.

Bond proceeds as a funding source in the next capital program, the 2005-2009 Capital Program, are assumed to be \$4 billion. For further capital program details see "Draft 2005-2009 Capital Program" published concurrently with this financial plan.

Metropolitan Transportation Authority
Summary of Total Budgeted Debt Service
2004 - 2008
(\$ in millions)

Line Number		FORECAST				
		2004	2005	2006	2007	2008
9	<u>New York City Transit:</u>					
10						
11	Budgeted Gross Debt Service for Existing Transportation Revenue Bonds	\$221.2	\$246.6	\$246.8	\$246.2	\$246.0
12	Debt Service on Additional Transportation Revenue Bonds Supporting Existing Capital Programs	7.1	81.0	153.3	216.9	266.3
13	Debt Service on Transportation Revenue Bonds Supporting Future Capital Plan (2005-2009)	0.0	0.8	4.2	12.7	30.0
14	2 Broadway Certificates of Participation - NYCT Lease Portion	22.0	21.9	20.7	20.7	20.7
15	2 Broadway Certificates of Participation - Additional NYCT Share of MTA Lease Portion	2.2	2.2	2.1	2.1	2.1
16	Transportation Resolution Commercial Paper	4.7	9.2	12.1	12.1	12.1
17	Budgeted Gross Debt Service for Existing Dedicated Tax Fund Bonds	133.1	155.9	155.9	155.9	155.9
18	Debt Service on Additional Dedicated Tax Fund Bonds Supporting Existing Capital Programs	0.0	12.7	36.3	57.1	73.3
19	Debt Restructuring Savings Offset (Deferred Gain)	0.0	0.0	0.0	0.0	0.0
20	<u>Prepayment Effect on Transportation Revenue Bonds</u>	<u>(30.0)</u>	<u>(16.7)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
21	<i>Sub-Total MTA Paid Debt Service</i>	\$360.2	\$513.5	\$631.5	\$723.7	\$806.3
22						
23	Budgeted Gross Debt Service for Existing TBTA (B&T) General Revenue Bonds	\$127.4	\$148.0	\$147.7	\$148.0	\$148.0
24	Budgeted Gross Debt Service for Existing TBTA (B&T) Subordinate Revenue Bonds	73.3	77.0	76.9	76.8	77.0
25	<u>Debt Service on Additional TBTA (B&T) Bonds Supporting Existing Capital Programs</u>	<u>3.5</u>	<u>8.3</u>	<u>8.3</u>	<u>8.3</u>	<u>8.3</u>
26	<i>Sub-Total B&T Paid Debt Service</i>	\$204.3	\$233.3	\$232.9	\$233.2	\$233.3
27						
28						
29	Total NYCT Debt Service	\$564.5	\$746.9	\$864.4	\$956.9	\$1,039.7
30						
31	<u>Commuter Railroads:</u>					
32						
33	Budgeted Gross Debt Service for Existing Transportation Revenue Bonds	\$168.0	\$187.2	\$187.4	\$186.9	\$186.8
34	Debt Service on Additional Transportation Revenue Bonds Supporting Existing Capital Programs	5.0	51.7	90.0	108.3	109.9
35	Debt Service on Transportation Revenue Bonds Supporting Future Capital Plan (2005-2009)	0.0	0.3	1.4	4.2	10.0
36	Transportation Resolution Commercial Paper	2.2	4.3	5.6	5.6	5.6
37	Budgeted Gross Debt Service for Existing Dedicated Tax Fund Bonds	26.0	30.5	30.5	30.5	30.5
38	Debt Service on Additional Dedicated Tax Fund Bonds Supporting Existing Capital Programs	0.0	13.6	27.2	27.2	27.2
39	Debt Restructuring Savings Offset (Deferred Gain)	0.0	0.0	0.0	0.0	0.0
40	<u>Prepayment Effect on Transportation Revenue Bonds</u>	<u>(49.7)</u>	<u>(15.3)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
41	<i>Sub-Total MTA Paid Debt Service</i>	\$151.5	\$272.2	\$342.1	\$362.7	\$369.9
42						
43	Budgeted Gross Debt Service for Existing TBTA (B&T) General Revenue Bonds	\$57.0	\$66.2	\$66.1	\$66.3	\$66.2
44	Budgeted Gross Debt Service for Existing TBTA (B&T) Subordinate Revenue Bonds	30.2	31.7	31.6	31.6	31.7
45	<u>Debt Service on Additional TBTA (B&T) Bonds Supporting Existing Capital Programs</u>	<u>3.5</u>	<u>8.3</u>	<u>8.3</u>	<u>8.3</u>	<u>8.3</u>
46	<i>Sub-Total B&T Paid Debt Service</i>	\$90.7	\$106.2	\$106.1	\$106.2	\$106.2
47						
48	Total CRR Debt Service	\$242.2	\$378.4	\$448.2	\$468.9	\$476.2
49						
50	<u>Bridges and Tunnels:</u>					
51						
52	Budgeted Gross Debt Service for Existing TBTA (B&T) General Revenue Bonds	\$69.2	\$80.4	\$80.2	\$80.4	\$80.4
53	Budgeted Gross Debt Service for Existing TBTA (B&T) Subordinate Revenue Bonds	32.6	34.2	34.1	34.1	34.2
54	Debt Service on Additional TBTA (B&T) General Revenue Bonds Supporting Existing Capital Programs	0.0	2.2	9.4	18.2	24.5
55	Debt Service on TBTA (B&T) General Revenue Bonds Supporting Future Capital Plan (2005-2009)	0.0	0.3	1.4	4.2	9.8
56	2 Broadway Certificates of Participation - TBTA Lease Portion	3.3	3.3	3.1	3.1	3.1
57	2 Broadway Certificates of Participation - Additional TBTA Share of MTA Lease Portion	4.5	4.5	4.3	4.3	4.3
58						
59	Total Debt Service	\$109.6	\$124.8	\$132.4	\$144.3	\$156.2
60						
61	<u>MTA Total:</u>					
62						
63	Budgeted Gross Debt Service for Existing Bonds	\$938.0	\$1,057.6	\$1,057.4	\$1,056.7	\$1,056.6
64	Debt Service on Additional Transportation Revenue Bonds Supporting Existing Capital Programs	12.1	132.7	243.3	325.2	376.2
65	Debt Service on Additional Dedicated Tax Fund Bonds Supporting Existing Capital Programs	0.0	26.2	63.5	84.3	100.5
66	Debt Service on Additional TBTA (B&T) General Revenue Bonds Supporting Existing Capital Programs	7.0	18.9	26.1	34.9	41.2
67	Debt Service on Bonds Supporting 2005-2009 Capital Plan Transportation & TBTA	0.0	1.4	7.0	21.1	49.8
68	2 Broadway Certificates of Participation	32.0	31.9	30.1	30.1	30.1
69	Transportation Resolution Commercial Paper	6.9	13.5	17.7	17.7	17.7
70	Debt Restructuring Savings Offset (Deferred Gain)	0.0	0.0	0.0	0.0	0.0
71	Prepayment Effect on Transportation Revenue Bonds	(79.7)	(32.0)	0.0	0.0	0.0
72						
73	Total Debt Service	\$916.2	\$1,250.1	\$1,445.0	\$1,570.1	\$1,672.1

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Debt Service Affordability Statement

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MTA 2004 - 2008 Financial Plan

Debt Affordability Statement

\$ in millions

Forecasted Debt Service and Borrowing Schedule		Notes	2004	2005	2006	2007	2008
Combined MTA/TBTA Forecasted Debt Service Schedule	1, 2, 3 4		884.3	1,218.2	1,414.9	1,539.9	1,641.9
Forecasted New Money Bonds Issued	5		1,339.7	2,675.5	2,056.8	1,582.9	1,336.9
Assumed Interest Rates	6						
Transportation Revenue Bonds			4.95%	5.20%	5.35%	5.49%	5.56%
Dedicated Tax Fund Bonds			5.10%	5.36%	5.52%	5.66%	5.74%
Triborough Bridge & Tunnel Authority			4.95%	5.20%	5.35%	5.49%	5.56%
Forecasted Debt Service by Credit		Notes	2004	2005	2006	2007	2008
Transportation Revenue Bonds							
Pledged Revenues	7	\$	6,062.7	\$ 5,954.5	\$ 5,988.4	\$ 6,133.6	\$ 6,159.0
Debt Service	11, 12		328.4	549.0	700.9	792.9	866.7
Debt Service as a % of Pledged Revenues			5%	9%	12%	13%	14%
Dedicated Tax Fund Bonds							
Pledged Revenues	8	\$	554.6	\$ 551.6	\$ 552.8	\$ 556.5	\$ 559.3
Debt Service	12		159.1	212.6	249.9	270.6	286.8
Debt Service as a % of Pledged Revenues			29%	39%	45%	49%	51%
Triborough Bridge and Tunnel Authority General Revenue Bonds							
Pledged Revenues	9	\$	781.1	\$ 770.1	\$ 751.8	\$ 734.4	\$ 726.6
Debt Service	12		260.7	313.8	321.4	333.8	345.6
Debt Service as a % of Total Pledged Revenues			33%	41%	43%	45%	48%
Triborough Bridge and Tunnel Authority Subordinate Revenue Bonds							
Pledged Revenues	10	\$	520.4	\$ 456.3	\$ 430.4	\$ 400.7	\$ 380.9
Debt Service	12		136.0	142.8	142.7	142.6	142.8
Debt Service as a % of Total Pledged Revenues			26%	31%	33%	36%	37%
Cumulative Debt Service (Excluding State Service Contract Bonds)		Notes	2004	2005	2006	2007	2008
Total Debt Service		\$	884.3	\$ 1,218.2	\$ 1,414.9	\$ 1,539.9	\$ 1,641.9
Operating Revenues and Subsidies			7,516.0	7,638.7	7,746.8	8,131.8	8,231.4
Total Debt Service as a % of Operating Revenues and Subsidies			12%	16%	18%	19%	20%
Fare and Toll Revenues			4,514.4	4,773.8	4,831.8	5,122.8	5,174.3
Total Debt Service as a % of Fare and Toll Revenue			20%	26%	29%	30%	32%
Non-reimbursable expenses			8,051.8	8,595.7	9,048.2	9,457.2	9,893.4
Total Debt Service as % of Non-reimbursable expenses			11%	14%	16%	16%	17%

MTA 2004 - 2008 Financial Plan

Debt Affordability Statement

Notes

- ¹ Unhedged tax-exempt variable rate debt, excluding Transportation Revenue Commercial Paper Notes, reflect assumed interest rate of 4.00% (2004 estimates based on actuals for first half and 2% for remainder).
- ² Unhedged taxable variable rate debt assumed interest rate of 4.50% (2004 estimates based on actuals for first half and 2% for remainder).
- ³ Synthetic fixed-rate debt assumed at swap rate.
- ⁴ Total debt service excludes COPS lease payments, and includes debt service prepayments made in 2003 for 2004 and 2005.
- ⁵ New money bonds amortized as 30-year level debt. Assumes an increase in the MTA/TBTA bond cap by the State Legislature in conjunction with the 2005-09 Capital Program. New debt issued assumed 90% fixed-rate and 10% variable rate.
- ⁶ Interest rates for new money fixed-rate bonds calculated from data provided by Bloomberg municipal fair market yield curves for "AA" and "A" Transportation trades and Bloomberg municipal forward curves.
- ⁷
- ⁸ Transportation Revenue Bonds pledged revenues consist generally of the following: fares and other miscellaneous revenues from the transit and commuter systems, including advertising, rental income and certain concession revenues (not including Grand Central Terminal and Penn Station); revenues from the distribution to the transit and commuter system of TBTA surplus; State and local general operating subsidies; special tax-supported operating subsidies after the payment of debt service on the MTA Dedicated Tax Fund Bonds; New York City urban tax for transit; station maintenance and service reimbursements; and revenues from the investment of capital program funds. Pledged revenues secure Transportation Revenue Bonds before the payment of operating and maintenance expenses.
- ⁹
- ¹⁰ Dedicated Tax Fund pledged revenues consist generally of the following: petroleum business tax, motor fuel tax and motor vehicle fees deposited into the Dedicated Mass Transportation Trust Fund for the benefit of the MTA; and the petroleum business tax, district sales tax, franchise taxes and temporary franchise surcharges deposited into the Metropolitan Mass Transportation Operating Assistance Account for the benefit of the MTA. Assumes the continuation by the State Legislature of the temporary franchise surcharges that expire beginning in 2004.
- ¹¹ Triborough Bridge and Tunnel Authority General Revenue Bond pledged revenues consist primarily of the tolls charged by TBTA on its seven bridges and two tunnels. Pledged revenues secure TBTA General Revenue Bonds after the payment of TBTA operating and maintenance expenses, including certain reserves.
- ¹² Triborough Bridge and Tunnel Authority Subordinate Revenue Bonds pledged revenues consist primarily of the tolls charged by TBTA on its seven bridges and two tunnels, after the payment of debt service on the TBTA General Revenue Bonds.
- ¹³ Transportation Revenue debt service includes effect of prepayments of debt service in 2003 for 2004 and 2005
- ¹⁴ Debt service schedules for each credit are attached as addendum hereto.

Metropolitan Transportation Authority (including Triborough Bridge and Tunnel Authority)
Total Budgeted Annual Debt Service
All Issuance to June 24, 2004

Fiscal Year	Transportation Revenue Resolution			Dedicated Tax Fund Resolution			TBTA General Revenue Resolution			TBTA Subordinate Resolution			MTA and TBTA Debt Service			Fiscal Year
	Existing DS	Additional DS	Combined	Existing DS	Additional DS	Combined	Existing DS	Additional DS	Combined	Existing DS	Additional DS	Combined	Existing DS	Additional DS	Combined	
2004	396.1	12.1	408.1	159.1	-	159.1	253.7	7.0	260.7	136.0	-	136.0	945.0	19.0	964.0	2004
2005	447.2	133.8	581.0	186.4	26.2	212.6	294.6	19.1	313.8	142.8	-	142.8	1,071.0	179.1	1,250.2	2005
2006	452.0	248.9	700.9	186.4	63.5	249.9	294.0	27.4	321.4	142.7	-	142.7	1,075.0	339.8	1,414.9	2006
2007	450.8	342.2	792.9	186.4	84.3	270.6	294.7	39.1	333.8	142.6	-	142.6	1,074.4	465.5	1,539.9	2007
2008	450.5	416.2	866.7	186.3	100.5	286.8	294.6	51.0	345.6	142.8	-	142.8	1,074.3	567.6	1,641.9	2008
2009	462.6	480.2	942.8	186.5	106.8	293.4	294.8	61.9	356.7	142.7	-	142.7	1,086.6	649.0	1,735.6	2009
2010	462.2	530.8	993.0	186.4	106.8	293.2	294.5	71.9	366.4	142.6	-	142.6	1,085.7	709.5	1,795.2	2010
2011	462.4	571.7	1,034.1	186.7	106.8	293.5	293.5	81.9	375.5	142.7	-	142.7	1,085.3	760.4	1,845.7	2011
2012	461.7	606.9	1,068.6	186.4	106.8	293.2	293.5	90.6	384.0	143.1	-	143.1	1,084.6	804.3	1,888.9	2012
2013	462.8	630.5	1,093.4	188.4	106.8	295.2	294.4	96.4	390.8	142.6	-	142.6	1,088.3	833.7	1,922.0	2013
2014	462.4	642.4	1,104.8	186.4	106.8	293.3	293.1	99.3	392.4	142.6	-	142.6	1,084.5	848.5	1,933.0	2014
2015	462.6	647.2	1,109.8	186.7	106.8	293.6	293.3	100.5	393.8	142.8	-	142.8	1,085.5	854.5	1,940.0	2015
2016	462.3	648.4	1,110.7	186.8	106.8	293.6	293.1	100.7	393.8	142.6	-	142.6	1,084.8	856.0	1,940.8	2016
2017	462.1	648.4	1,110.5	187.0	106.8	293.8	293.3	100.7	394.0	146.3	-	146.3	1,088.7	856.0	1,944.7	2017
2018	462.7	648.4	1,111.1	188.6	106.8	295.5	293.1	100.7	393.9	145.2	-	145.2	1,089.6	856.0	1,945.6	2018
2019	463.7	648.4	1,112.1	187.2	106.8	294.0	293.1	100.7	393.9	142.9	-	142.9	1,086.9	856.0	1,942.9	2019
2020	462.7	648.4	1,111.1	187.6	106.8	294.5	293.2	100.7	394.0	142.6	-	142.6	1,086.1	856.0	1,942.1	2020
2021	462.6	648.4	1,111.0	187.7	106.8	294.6	290.5	100.7	391.3	143.0	-	143.0	1,083.9	856.0	1,939.8	2021
2022	460.2	648.4	1,108.6	185.0	106.8	291.8	293.3	100.7	394.1	142.9	-	142.9	1,081.3	856.0	1,937.3	2022
2023	462.2	648.4	1,110.6	188.2	106.8	295.0	289.1	100.7	389.8	142.7	-	142.7	1,082.2	856.0	1,938.1	2023
2024	462.3	648.4	1,110.7	188.1	106.8	294.9	293.1	100.7	393.9	143.2	-	143.2	1,086.7	856.0	1,942.6	2024
2025	461.4	648.4	1,109.8	188.1	106.8	295.0	293.1	100.7	393.9	142.4	-	142.4	1,085.1	856.0	1,941.1	2025
2026	461.5	648.4	1,109.9	188.3	106.8	295.1	291.5	100.7	392.3	142.7	-	142.7	1,084.0	856.0	1,940.0	2026
2027	462.2	648.4	1,110.6	188.2	106.8	295.0	291.3	100.7	392.0	142.8	-	142.8	1,084.5	856.0	1,940.5	2027
2028	462.2	648.4	1,110.6	188.3	106.8	295.2	293.1	100.7	393.9	142.9	-	142.9	1,086.5	856.0	1,942.5	2028
2029	462.3	648.4	1,110.7	188.3	106.8	295.1	291.3	100.7	392.0	142.8	-	142.8	1,084.6	856.0	1,940.6	2029
2030	462.3	648.4	1,110.7	188.3	106.8	295.1	293.1	100.7	393.9	142.8	-	142.8	1,086.5	856.0	1,942.5	2030
2031	459.6	648.4	1,108.0	188.3	106.8	295.2	315.6	100.7	416.4	140.5	-	140.5	1,104.0	856.0	1,960.0	2031
2032	362.8	648.4	1,011.2	166.9	106.8	273.7	226.3	100.7	327.0	108.3	-	108.3	864.3	856.0	1,720.3	2032
2033	58.4	648.4	706.8	36.4	106.8	143.2	-	100.7	100.7	-	-	-	94.8	856.0	950.7	2033
2034	53.6	612.2	665.8	-	106.8	106.8	-	92.4	92.4	-	-	-	53.6	811.5	865.0	2034
2035	29.5	514.6	544.1	-	80.6	80.6	-	81.6	81.6	-	-	-	29.5	676.8	706.3	2035
2036	29.5	399.5	429.0	-	43.3	43.3	-	73.3	73.3	-	-	-	29.5	516.1	545.6	2036
2037	29.5	306.3	335.7	-	22.5	22.5	-	61.7	61.7	-	-	-	29.5	390.4	419.9	2037
2038	29.5	232.2	261.7	-	6.4	6.4	-	49.7	49.7	-	-	-	29.5	288.4	317.8	2038
2039	-	168.2	168.2	-	-	-	-	38.8	38.8	-	-	-	-	207.0	207.0	2039
2040	-	117.6	117.6	-	-	-	-	28.8	28.8	-	-	-	-	146.5	146.5	2040
2041	-	76.7	76.7	-	-	-	-	18.8	18.8	-	-	-	-	95.6	95.6	2041
2042	-	41.5	41.5	-	-	-	-	10.2	10.2	-	-	-	-	51.7	51.7	2042
2043	-	17.9	17.9	-	-	-	-	4.4	4.4	-	-	-	-	22.3	22.3	2043
2044	-	6.0	6.0	-	-	-	-	1.5	1.5	-	-	-	-	7.5	7.5	2044
2045	-	1.2	1.2	-	-	-	-	0.3	0.3	-	-	-	-	1.5	1.5	2045

Notes:
Does not include debt service for State Service Contract Bonds and Convention Center Bonds, which is paid by NY State. Also excludes COPS lease payments.
Includes interest budgeted for Transportation Revenue Commercial Paper and bonds for defeasance of CP in 2009.
Does not include effect of prepayments of debt service in 2003 for 2004 and 2005.

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Inflation Assumptions

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Baseline Expense Inflator Assumptions

The following were the major expense inflator assumptions used to prepare the July Financial Plan. Deviations from these general guidelines are detailed in the respective Agency sections contained in Volume 2.

Payroll

Pattern labor settlement increases were assumed for represented personnel (either settled or pending). Regional CPI growth was assumed for 2005 and outer years for non-represented personnel and represented personnel upon contract expiration.

Health & Welfare

An inflator of 14.2% over 2003 was assumed for 2004, based on information provided by New York State after taking into account the Empire Plan's most recent report. An inflator of 12.9% was assumed for 2005 based on projected increases in Empire Plan costs. For 2006 through 2008, an inflator of 9.3% was assumed based on a 10-year average of historical information provided in the Empire Plan report. (Agencies were not required to use this inflator for union trust plans if there was a compelling rationale).

Pensions

The February Plan pension assumptions, which were based on the most recent actuarial information, were again assumed for the July Plan.

All Other expenses

Expenses were projected based on regional inflators as supplied by Global Insight Inc., adjusted for any programmatic impacts.

INFLATION FACTORS
BASED ON THE CONSUMER PRICE INDEX
Source: Global Insight
Date: April 5, 2004

Line Number		ACTUAL	FORECAST				
		2003	2004	2005	2006	2007	2008
9							
10	CPI-U National (US City Average):						
11	Annual change	1.0237	1.0167	1.0128	1.0160	1.0207	1.0222
12	Post - 2004 cumulative change			1.0128	1.0290	1.0503	1.0736
13	Post - 2005 cumulative change				1.0160	1.0370	1.0601
14							
15	CPI-U Regional (MTA Region):						
16	Annual change	1.0326	1.0234	1.0203	1.0220	1.0257	1.0281
17	Post - 2004 cumulative change			1.0203	1.0427	1.0695	1.0996
18	Post - 2005 cumulative change				1.0220	1.0483	1.0777
19							
20	Medical Care Component:						
21	Annual change	1.0283	1.033	1.0314	1.0313	1.0376	1.0391
22	Post - 2004 cumulative change			1.0314	1.0637	1.1037	1.1468
23	Post - 2005 cumulative change				1.0313	1.0701	1.1119
24							
25	Metal & Metal Products:						
26	Annual change	1.0183	1.075	1.0247	1.0115	1.0278	1.0044
27	Post - 2004 cumulative change			1.0247	1.0365	1.0653	1.0700
28	Post - 2005 cumulative change				1.0115	1.0396	1.0442
29							
30	Transportation Equipment:						
31	Annual change	1.0085	1.016	1.015	1.0117	1.0123	1.0131
32	Post - 2004 cumulative change			1.015	1.0269	1.0395	1.0531
33	Post - 2005 cumulative change				1.0117	1.0241	1.0376
34							
35	PPI - Fuels and Related Products, Refined Petroleum Products						
36	Annual change	1.204	0.9942	0.8701	0.9836	1.0171	1.018
37	Post - 2004 cumulative change			0.8701	0.8558	0.8705	0.8861
38	Post - 2005 cumulative change				0.9836	1.0004	1.0184
39							
40	PPI - Fuels and Related Products, Electric Power						
41	Annual change	1.0348	1.0035	0.9845	1.0001	1.0107	1.012
42	Post - 2004 cumulative change			0.9845	0.9846	0.9951	1.0071
43	Post - 2005 cumulative change				1.0001	1.0108	1.0229
44							
45	Current-Dollar GDP: (Chained Price Index, Gross Domestic Product)						
46	Annual change	1.0174	1.0635	1.0513	1.054	1.0566	1.0474
47	Post - 2004 cumulative change			1.0513	1.1081	1.1708	1.2263
48	Post - 2005 cumulative change				1.054	1.1137	1.1664
49							
56	Corporate Profits Before Taxes						
57	Annual change	1.1445	1.2194	1.324	1.0039	1.0235	0.9573
58	Post - 2004 cumulative change		1.2194	1.6145	1.6208	1.6589	1.5880
59	Post - 2005 cumulative change			1.324	1.3292	1.3604	1.3023
60							
61	Regional Disposable Personal Income in Current Dollars (Total):						
62	Annual change		1.0452	1.0513	1.054	1.0558	1.0529
63	Post - 2004 cumulative change						
64	Post - 2005 cumulative change						
65							
66	Regional Disposable Personal Income in Current Dollars (Per Capita):						
67	Annual change		1.0398	1.0458	1.0497	1.052	1.0508
68	Post - 2004 cumulative change						
69	Post - 2005 cumulative change						
70							
71	90-Day T-Bill Rate (in percent):	0.012	0.0108	0.0217	0.0275	0.0292	0.0376
72							
73	Chain Price Index, Industrial Structure:						
74	Annual change	1.026	1.0384	1.0313	1.0342	1.0417	1.0415
75	Post - 2003 cumulative change		1.0384	1.0709	1.1075	1.1537	1.2016
76	Post - 2004 cumulative change			1.0313	1.0666	1.1110	1.1572
77							
78	PPI - Fuels and Related Products, Gas Fuels						
79	Annual change	1.851	0.9967	0.7755	0.9517	1.0495	1.0158
80	Post - 2003 cumulative change		0.9967	0.7729	0.7356	0.7720	0.7842
81	Post - 2004 cumulative change			0.7755	0.7380	0.7746	0.7868