

CAPITAL PROGRAM AND FINANCING PLAN

The Five-Year Capital Plan

The Executive is proposing a \$54.3 million Five-Year Capital Plan. New five-year capital spending commitments of \$3.2 billion are proposed by the Executive entails: \$1.5 billion General Obligation Bond Act to finance stem cell research and innovation and other emerging technologies,

\$600 million for economic development programs in research and development, \$266 million to CUNY, \$200 million to Mental Hygiene, \$380 million to SUNY, and \$50 million for a new State Police Troop G Headquarters. The Capital Plan continues to reflect education EXCEL spending for school districts across New York State.

Table 9

Capital Spending by Function 5-Year Plan (Thousands)							
Spending	2006-07	2007-08	2008-09	2009-2010	2010-11	2011-12	Total
Transportation	\$3,765,361	\$4,147,041	\$4,445,870	\$4,696,497	\$4,822,158	\$4,885,932	\$26,762,859
Parks and Environment	\$636,614	\$624,394	\$566,735	\$556,053	\$566,053	\$566,053	\$3,515,902
Economic Development & Gov't. Oversight	\$455,642	\$1,423,298	\$1,498,811	\$1,273,093	\$872,373	\$609,250	\$6,132,467
Health and Social Welfare	\$178,347	\$359,222	\$422,433	\$373,988	\$292,098	\$128,165	\$1,754,253
Education - EXCEL	\$750,000	\$1,450,000	\$400,000	-	-	-	\$2,600,000
Education	\$1,045,434	\$1,190,180	\$1,305,680	\$1,293,082	\$1,101,192	\$863,788	\$6,799,356
Public Protection	\$315,393	\$352,011	\$354,356	\$359,380	\$383,280	\$378,800	\$2,143,220
Mental Hygiene	\$358,350	\$407,320	\$591,912	\$692,990	\$558,101	\$586,581	\$3,195,254
General Government	\$121,689	\$101,953	\$123,850	\$124,000	\$74,500	\$70,250	\$616,242
Other	\$70,027	\$244,357	\$182,707	\$147,251	\$94,651	\$94,151	\$833,144
Total	\$7,696,857	\$10,299,776	\$9,892,354	\$9,516,334	\$8,764,406	\$8,182,970	\$54,352,697

The State uses four different sources to finance its programs: State Pay-as-you-go (PAYGO), Federal PAYGO, General

Obligation Bonding, and Public Authority Bonding.

Table 10

Capital Spending by Financing Sources SFY 2006-07 through SFY 2011-12 (Thousands)							
Financing	SFY 06-07	SFY 07-08	SFY 08-09	SFY 09-10	SFY 10-11	SFY 11-12	TOTAL
State Pay-As-You-Go	\$1,598,583	\$1,822,570	\$1,873,692	\$1,882,221	\$1,832,088	\$1,885,801	\$10,894,955
Federal Pay-As-You-Go	\$1,795,373	\$1,974,284	\$2,009,753	\$1,999,869	\$2,003,307	\$2,027,419	\$11,810,005
General Obligation	\$220,017	\$407,728	\$552,010	\$787,566	\$724,351	\$594,460	\$3,286,132
Public Authority	\$4,082,884	\$6,095,194	\$5,456,899	\$4,846,678	\$4,204,660	\$3,675,290	\$28,361,605

History of New York State Capital Spending from SFY 1998-2012

As proposed by the Executive, Capital Spending will increase by 25 percent for SFY 2007-08 with the majority of the spending earmarked for transportation.

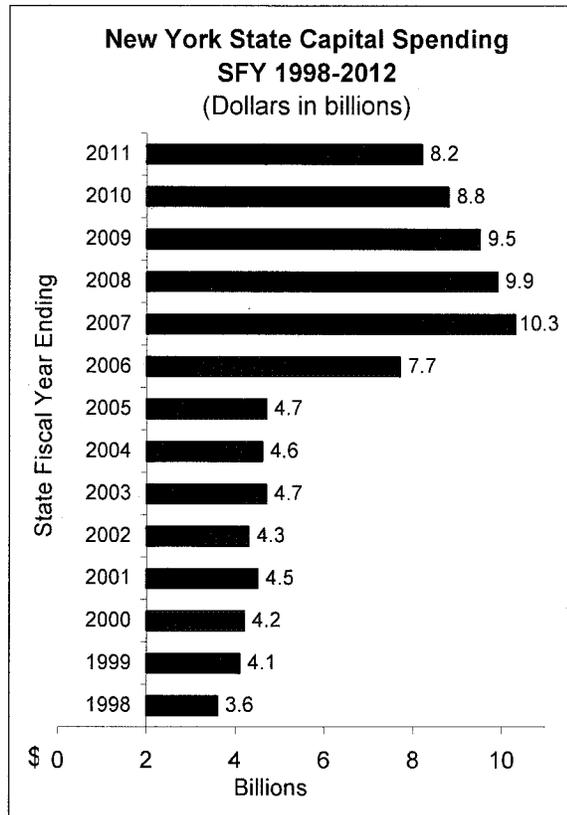


Figure 22
Financing the Plan

The Executive proposes to finance the Five-Year Capital program with a combination of State PAYGO and bonded resources.

State PAYGO is estimated to be \$1.82 billion or 17.7 percent; Federal PAYGO \$1.97 billion or 19.2 percent; General Obligation \$0.4 billion or 4 percent; and Public Authority bonding \$6.1 billion or 59 percent.

Public authority bonding remains the most used financing mechanism for the Capital Plan. It also accounts for the highest levels of debt in the total State-supported debt outstanding.

State PAYGO

The \$1.8 billion of State PAYGO resources consists of General Fund taxes, other taxes and user fees set aside dedicated for specific capital programs, repayment from Local Government and Public Authorities for their share of the projects and transfers from other funds including the General Fund. The General Fund Transfer is projected to be \$255 million in 2007-08 and will average up to \$580 million annually over the Five-Year Plan. The General Fund transfer essentially finances non-bond eligible capital spending, including minor rehabilitation projects of facilities operated by OGS, DEC and the Department of Mental Hygiene. It also includes \$15 million annually to the Hazardous Waste Remedial Fund to support the State Superfund program. Over \$1.2 billion annually of dedicated taxes is slated for the Dedicated Highway Bridge and Trust Fund (DHBTF).

Table 11

	SFY 2007-08
Transportation	\$1,143,941
Parks and Environment	\$236,610
Economic Dev. & Gov't Oversight	\$19,825
Health and Social Welfare	\$189,136
Education	\$63,480
Public Protection	\$14,551
Mental Hygiene	\$97,925
General Government	\$48,595
Other	<u>\$8,507</u>
Total State PAYGO Financing	\$1,822,570

The Executive plans to receive additional capital funds by expanding the Bottle Bill which will provide an additional \$25 million in receipts of unclaimed deposits for critical environmental projects to be used for SFY 2007-08. Unclaimed deposits upwards of \$100 million are expected annually.

Federal PAYGO

Federal PAYGO resources for this fiscal year will total \$1.97 billion or 19.2 percent of the Capital plan. Federal PAYGO consists of spending financed by grants from the Federal Government.

Table 12

Five-Year Capital Projects Financed by Federal PAYGO Resources (Thousands)	
	SFY 2007-08
Transportation	\$1,629,819
Parks and Environment	\$105,000
Economic Dev. & Gov't Oversight	\$3,000
Health and Social Welfare	\$36,812
Public Protection	\$59,203
Other	\$140,450
Total Federal PAYGO Financing	\$1,974,284

Since the passing of SAFETEA-LU took longer than expected, New York State will have an additional \$1.457 billion in additional Federal resources through 2009-10. Despite the unexpected cash infusion, almost \$280 million in additional resources will need to be identified through 2009-10 for transportation projects.

General Obligation Bond Financing

General Obligation resources in this fiscal year will total \$407 million or 4 percent of the Capital plan. General Obligation bonds are voter-approved and therefore

backed by the power of taxation of the State.

Table 13

Five-Year Capital Projects Financed by General Obligation Resources (Thousands)	
	SFY 2007-08
Transportation	\$286,944
Parks and Environment	\$120,784
Total General Obligation Financing	\$407,728

Slated for the November 2008 elections is the \$1.5 billion General Obligation Stem Cell Research and Innovation Bond Act.

Public Authority Bonding

To further help with the financing of the Capital plan the Executive proposes to bond resources from the public authorities. Authority bonding resources will total \$6.1 billion or 59 percent of the plan. The security for the State-supported debts issued by State public authorities is provided by the appropriations of the Legislature in the Debt Service Appropriation Bill.

Table 14

Five-Year Capital Projects Financed by Authority Bonds Resources (Thousands)	
	SFY 2007-08
Transportation	\$1,086,337
Parks and Environment	\$162,000
Economic Dev. & Gov't Oversight	\$1,400,473
Health and Social Welfare	\$133,274
Education	\$2,576,700
Public Protection	\$278,257
Mental Hygiene	\$309,395
General Government	\$53,358
Other	\$95,400
Total Authority Bonds Financing	\$6,095,194

These bond proceeds are used to reimburse bond financed capital spending

pursuant to contractual agreements. The largest disbursements are from the \$2.6 billion Education Excel program and the annual \$800 million DHBT Five-Year DOT Capital Plan.

Executive SFY 2007-08 proposal for State-supported Debt Outstanding

Debt Outstanding has increased by 39 percent, or \$13.2 billion, over an eleven-year period. For SFY 2007-08 the Executive proposes to deposit \$250 million into the Debt Reduction Reserve Fund to reduce debt service costs.

Development initiatives, the DHBT Transportation program and the Education EXCEL program.

Table 15

Project State-supported Debt Outstanding (Thousands)		
	SFY 2006-07	Projected SFY 2007-08
General Obligation	\$3,348,762	\$3,399,497
LGAC	\$4,203,951	\$4,053,232
PA Debt -Other Lease-Purchase & Contractual Obligation (Revenue Bonds)	<u>\$35,730,424</u>	<u>\$40,018,139</u>
Total Debt Outstanding	\$43,283,137	\$47,470,868

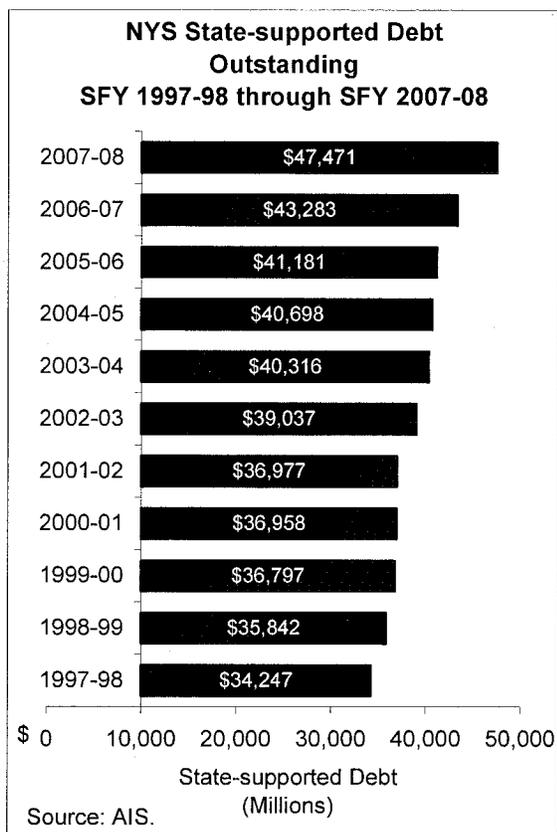


Figure 23

The \$4.2 billion increase in State-supported Debt outstanding for SFY 2007-08 is primarily due to the impact of High-Tech Economic

The Allotment of Debt Outstanding by Function as submitted by the Executive shows that Transportation continues to be the largest component of State-supported debt at 29 percent, with Education at a close second with 27 percent. (Figure 22)

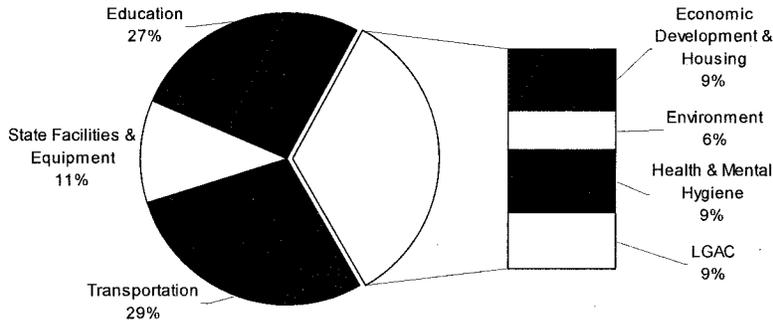
Issuing NYS Debt for SFY 2007-08

NYS State-supported Debt outstanding will be issued through the following State-supported debt outstanding financing programs: \$3.4 billion General Obligation Bond financing; \$28.99 billion Revenue Bonds (\$13.21 billion Personal Income Tax and \$15.79 billion Other Revenue); \$15.08 billion Service Contract & Lease-Purchase Bonds.

The Executive is proposing to consolidate all State-supported bond authorization into a single provision of law. This would entail moving all bond caps to a single section in law and then converting the bond caps to a "net project cost" basis.

State-supported Debt Outstanding by Function

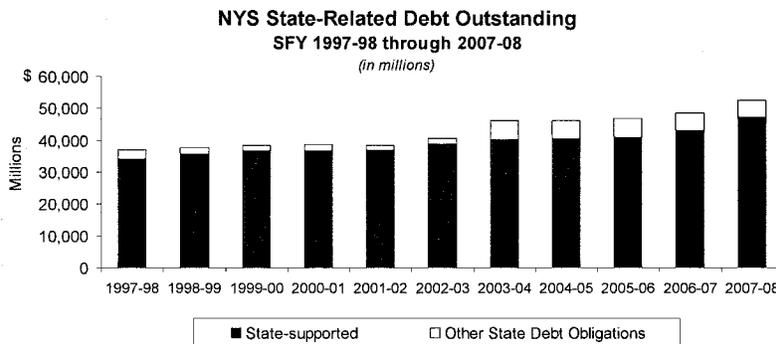
State-supported Debt Outstanding by Function
\$43.4 Billion as reported in the Mid-Year Update to the 2007-08
Financial Plan



Economic Development & Housing	\$4,506,385
Environment	\$2,863,140
Health & Mental Hygiene	\$4,482,412
Transportation	\$13,449,809
State Facilities & Equipment	\$5,453,707
Education	\$12,662,182
LGAC	\$4,053,232
Total State-supported	\$47,470,867

Figure 24

State-related Debt Outstanding History



SFY	State-supported	Other State Debt Obligations	State Related
1997-98	\$34,247	\$2,752	\$36,999
1998-99	\$35,842	\$1,898	\$37,740
1999-00	\$36,797	\$1,787	\$38,584
2000-01	\$36,958	\$1,705	\$38,663
2001-02	\$36,977	\$1,626	\$38,603
2002-03	\$39,037	\$1,494	\$40,531
2003-04	\$40,316	\$5,948	\$46,264
2004-05	\$40,698	\$5,541	\$46,239
2005-06	\$41,181	\$5,751	\$46,932
2006-07	\$43,283	\$5,481	\$48,764
2007-08	\$47,471	\$5,160	\$52,631

Figure 25

General Obligation Bond (GO) Financing

Bonds issued by the full faith and credit of the State by voter authorization. Only 7.2 percent of total State-supported debt outstanding is GO bond debt. The \$3.4 billion in GO bond represents: \$120 million in Economic Development and Housing; \$1.98 billion in Environment, \$1.30 billion in Transportation. For SFY 2007-08 the State will pay \$490 million in GO debt service and will issue \$400 million.

General obligation bonds are the only debt obligations that the State is required to pay for by law. The Executive proposes to put before the voters in November of 2008 a \$1.5 billion Stem Cell Research and Innovation Bond Act.

Revenue Bonds

Personal Income Tax (PIT) Revenue Bonds are backed by 25 percent of Income Tax revenues. The following programs are supported by Revenue Bonds: Education, Environment, Transportation, Economic Development & Housing, Health Care, and State Facilities & Equipment.

Specifically Education supports SUNY, CUNY, EXCEL, NYS Office of Science and Technology, and Academic Research (NYSTAR); Environment supports State Revolving Fund, State Superfund, West Valley and other environmental projects; Transportation supports the CHIPs program to aide local transportation projects; Economic Development & Housing supports SIP, Buffalo economic projects, AMD, CEFAP, Regional Economic Growth Program, Javits Center,

Operation SPUR, NYS Economic Development Program; Health Care supports Capital and Equipment grants to health care providers and State Facilities & Equipment supports Correctional Facilities, Youth Facilities, State Office Buildings, Elk Street Parking Garage, new State Police Headquarters, capital project for DMNA and equipment bonds.

Table 16

Revenue Bonds	
State-supported Debt Outstanding	
(Thousands)	
	SFY 2007-08
Revenue:	
Education	\$5,615,449
Environment	\$682,810
Transportation	\$1,682,978
Economic Development & Housing	\$31,174,013
Health Care	\$66,045
State Facilities & Equipment	\$2,046,616
Other Revenue:	
Education - SUNY Dorms	\$829,950
Health & Mental Hygiene	
Health Income	\$339,800
Mental Health Services	\$4,022,922
LGAC - Sales Tax	\$4,053,232
Transportation - Dedicated Highway	<u>\$6,532,679</u>
Total All Revenue Bonds	\$57,046,494

Proposed SFY 2007-08 Revenue Bond projects include: issuance of \$457 million for State Facilities & Equipment, \$66 million for Health Care, \$1.4 billion for Sematech under Economic Development & Housing, issuance of \$362 million for Transportation, issuance of \$169 million for Environment and \$2.4 billion for Higher Education Matching Grant Program for \$2.4 billion.

Other Revenue Bonds are backed by a separate dedicated revenue stream relating to the projects that they fund, for example SUNY Dorms would be backed by a student fees.

Service Contract & Lease-Purchase Agreements

The State enters into Service Contract & Lease-Purchase Agreements with Public Benefit Corporations, Municipalities and Other entities.

A lease-purchase agreement is a title asset that will revert back to the State at the end of the lease. Examples of these assets are: Capital Lease-Purchase Agreements (electronic data processing or telecommunications equipment) and Real Property Capital Lease-Purchase Agreements.

Table 17

Service Contract & Lease-Purchase Agreements State-supported Debt Outstanding (Thousands)	
	SFY 2007-08
Economic Development & Housing	\$1,268,243
Education	\$6,216,784
Environment	\$204,061
Health & Mental Hygiene	\$53,645
State Facilities & Equipment	\$3,407,092
Transportation	<u>\$3,931,665</u>
Total	\$15,081,490

These debt financings enable Hospitals, Schools and other facilities to purchase new technical equipment and other assets that would be too costly for them to purchase outright.

State-related Debt

State-related debt includes the following debt obligations in addition to State-supported debt: Contingent Contractual Obligation (Tobacco Settlement Financing Corporation, DASNY/MCFFA Secured Hospital Program), Moral Obligation (Housing Finance Agency Moral Obligation Bonds, MCFFA Nursing

Homes and Hospitals), State Guaranteed Debt (Job Development Authority) and State Funded Debt (MBAA Prior Year School Aid Claims).

Contingent Contractual Obligations are agreements by the State to fund the debt service payments related to a bonded debt issuance only in the case that debt service payments can't be made.

Moral Obligation bonds are issued by an authority to finance a revenue-producing project. The debt is secured by project revenues with statutory provisions morally committing the State.

State Guaranteed debt is public authority debt that encourages economic development throughout the State and State Funded debt is created to enable the State to purchase delinquent tax liens from NYS Municipalities.

Table 18

State-related Debt Outstanding (Other State Debt Obligations in addition to State-supported) (Thousands)	
	SFY 2007-08
Contingent Contractual	
DASNY/MCFFA Secured Hospitals Prog.	\$748,490
Tobacco Settlement Financing Corp.	\$3,840,120
Moral Obligation	
HFA Moral Obligation Bonds	\$48,421
MCFFA Nursing Homes & Hospitals	\$7,300
State Guaranteed	
Job Development Authority (JDA)	\$52,350
State Funded	
MBBA Prior Year School Aid Claims	<u>\$463,685</u>
Total	\$5,160,366

The Executive began reporting State-related debt in their proposed SFY 2006-07 Executive Budget. The Executive also reports State-related debt in the Annual Information Statement

(which is also certified by the Comptroller). The used of State-related debt rose in SFY 2003-04 with the issuance of the Tobacco Bonds. (Figure 23)

Debt Reform Act of 2000

State-supported debt is the established metric, by the Debt Reform Act of 2000, used to benchmark our State debt levels of debt outstanding, debt service, interest rate exchange agreements and variable rate exposure.

Maximum debt authorized is the debt outstanding cap which is limited to no more than 4 percent of State personal income when fully phased in by SFY 2010-11.

The maximum cap for new debt outstanding for SFY 2007-08 is 3.32 percent of \$28.64 billion, NYS plans

to issue up to 2.78 percent of the cap or \$23.99 billion. The State will have a \$4.65 billion buffer before reaching the new debt outstanding ceiling. (Figure 24)

Maximum debt service costs are capped at no more than 5 percent of All Funds receipts when fully phased in by SFY 2013-14. The maximum cap for debt service for SFY 2007-08 is 3.32 percent or \$3.93 billion, NYS will pay up to 1.6 percent of its cap in debt service, which leaves \$2.02 billion in available debt service room.

The State's Debt levels are projected based on the amount of debt issued in prior years, planned new debt programming and upcoming debt retirements. Future debt authorizations will need to be carefully to be carefully considered so the State does not exceed its cap. (Figure 25)

Table 19

Implementation of the Debt Reform Act of 2000				
New State-supported Debt Outstanding SFY 2000-01 through 2011-12				
(Millions)				
Year	Personal Income	Cap % under the 2000 Debt Reform Act (4% of personal income)	Actual/Recommended Cap %	% Below Cap
2000-01 (Actual)	\$655,583	0.75%	0.38%	0.37
2001-02 (Actual)	\$682,206	1.25%	0.67%	0.58
2002-03 (Actual)	\$684,070	1.65%	1.21%	0.44
2003-04 (Actual)	\$701,852	1.98%	1.55%	0.43
2004-05 (Actual)	\$737,039	2.32%	1.73%	0.59
2005-06 (Actual)	\$771,568	2.65%	1.93%	0.72
2006-07	\$818,649	2.98%	2.25%	0.73
2007-08	\$862,776	3.32%	2.78%	0.54
2008-09	\$906,011	3.65%	3.16%	0.49
2009-10	\$951,341	3.98%	3.44%	0.55
2010-11	\$1,000,651	4.00%	3.59%	0.41
2011-12	\$1,051,452	4.00%	3.64%	0.36

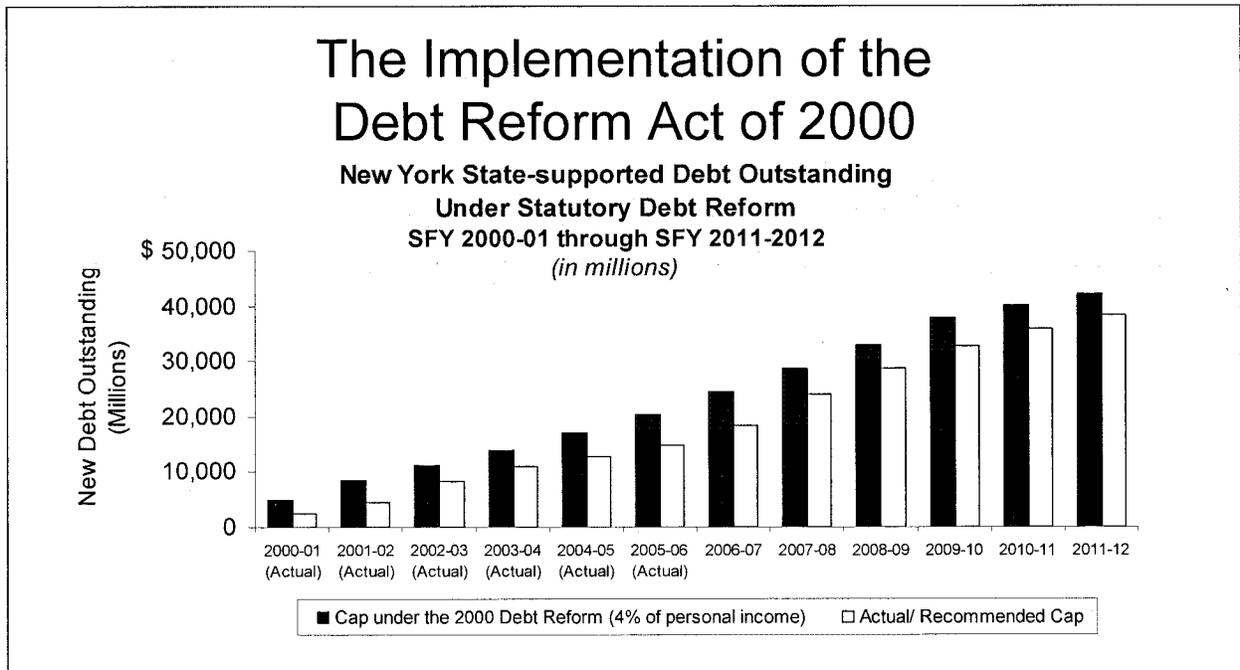


Figure 26

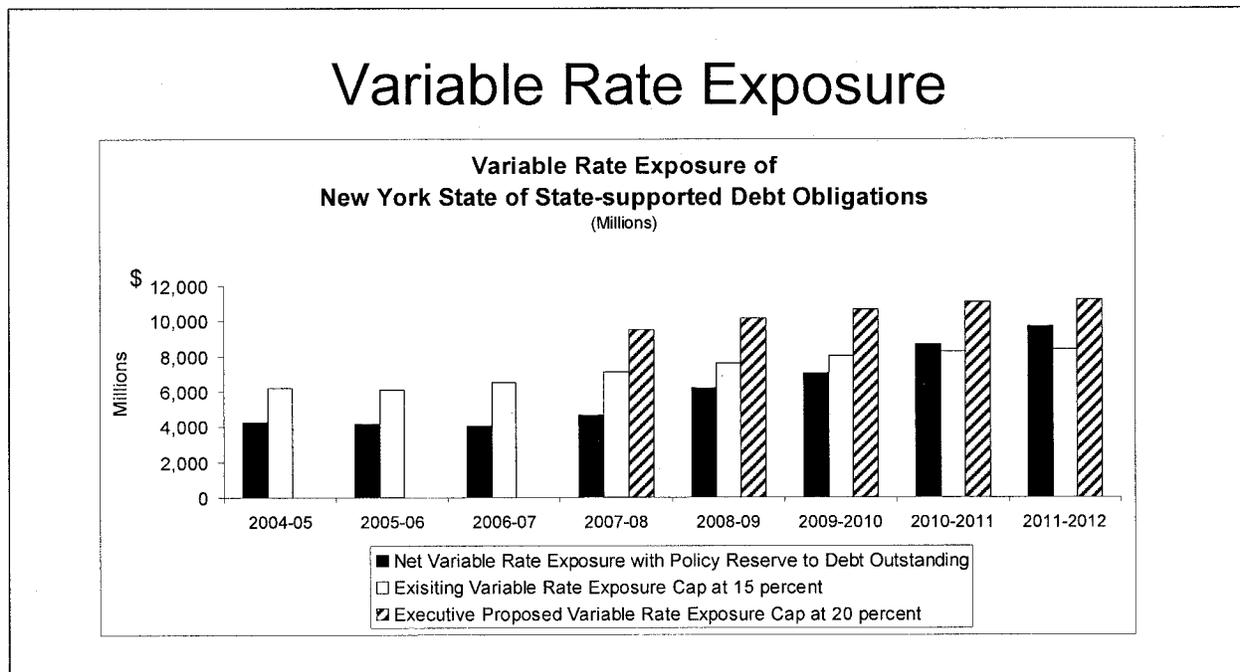


Figure 27

Debt Instruments

To maintain a diverse portfolio, the State will use Variable Rate Demand Obligations (VRDO's) and interest rate exchange agreement (swaps) blended into fixed rate securities.

For SFY 2007-08, the Executive proposed to raise the variable rate (VRDO) exposure cap from 15 percent to 20 percent of State-supported debt outstanding. Variable rate exposure has been calculated at the new cap in the Executive's budget. (Figure 26)

This debt management initiative is to be used for reducing debt service costs. The Executive is looking for \$40 million in cost savings on the State's debt service for SFY 2007-08.

In addition to the VRDO cap increase, the Executive is also proposing to increase the swap cap from 15 to 20 percent.

Swaps are used to convert obligations into synthetic fixed or variable rate debt to generate a savings from lower borrowing costs and lower cost of capital.

New York State Credit Rating

The Comptroller reported on November 15, 2006 that New York State has maintained a favorable credit rating. (Figure 27)

NYS has a AA credit rating because the State passes its Debt Service appropriation bill each budget session and the General Obligation debt does not require an appropriation. A favorable rating by credit rating agencies lowers State borrowing costs and allows for greater access to financial markets.

Moody's rates NYS PIT bond the same as General Obligation bonds because it is backed by 25 percent of NYS Personal Income Tax.

Table 20

State of New York General Obligation Credit Ratings		
(as of November 15, 2006)*		
	Rating	Outlook
Fitch	AA-	Stable
Moody's Investor Service	Aa3	Stable
Standard and Poor's Ratings Services	AA	Stable
*Source: Comptroller		