

CAPITAL PROGRAM AND FINANCING PLAN

The Five-Year Capital Plan

The Executive is proposing a \$48.4 billion Five-Year Capital Plan. (Table 10) New five-year capital spending commitments of \$2.2 billion proposed by the Executive includes: \$1.0 billion invested in the

Upstate Region and \$1.2 billion for downstate and other statewide investments. Capital Spending will increase by 14 percent for SFY 2008-09 with the majority of the spending earmarked for transportation.

Table 10

Capital Spending by Function 5-Year Plan (Dollars in Thousands)							
Spending	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Transportation	\$4,023,886	\$4,415,846	\$4,801,245	\$4,969,387	\$4,953,913	\$4,997,657	\$24,138,048
Parks and Environment Economic Development & Gov't. Oversight	586,003	667,740	633,003	590,503	588,191	590,503	\$3,069,940
Health and Social Welfare	929,032	1,217,816	1,190,830	905,301	655,373	366,290	\$4,335,610
Education - EXCEL	292,098	348,048	286,303	334,413	157,480	76,480	\$1,202,724
Education - All Other	1,000,000	750,000	554,000	-	-	-	\$1,304,000
Public Protection	1,060,055	1,355,446	1,360,212	1,426,854	1,502,222	1,633,905	\$7,278,639
Mental Hygiene	313,284	395,468	384,005	406,280	398,800	398,800	\$1,983,353
General Government	407,320	602,977	736,865	590,430	601,747	582,572	\$3,114,591
Other	123,859	148,542	181,893	284,163	195,380	193,501	\$1,003,479
Total	\$8,836,537	\$10,097,883	\$10,391,306	\$9,712,481	\$9,207,688	\$8,959,708	\$48,369,066

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 11)

Table 11

Capital Spending by Financing Sources SFY 2007-08 through SFY 2012-13 (Dollars in Thousands)							
Financing	SFY 07-08	SFY 08-09	SFY 09-10	SFY 10-11	SFY 11-12	SFY 12-13	TOTAL
State Pay-As-You-Go	\$1,636,720	\$1,845,364	\$2,114,540	\$2,205,570	\$2,178,305	\$2,111,184	\$10,454,963
Federal Pay-As-You-Go	1,885,048	1,972,922	1,998,362	1,931,307	1,894,471	1,892,231	\$9,689,293
General Obligation	310,905	471,786	614,587	660,613	513,364	455,435	\$2,715,785
Public Authority	<u>5,003,864</u>	<u>5,807,811</u>	<u>5,663,817</u>	<u>4,914,991</u>	<u>4,621,548</u>	<u>4,500,858</u>	<u>\$25,509,025</u>
Total	\$8,836,537	\$10,097,883	\$10,391,306	\$9,712,481	\$9,207,688	\$8,959,708	\$48,369,066

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 \$1.85 billion or 18.3 percent; Federal PAYGO \$1.97 billion or 19.5 percent; General Obligation \$0.4 billion or 4.7 percent; and Public Authority bonding \$5.8 billion or 57.5 percent.

State PAYGO

The \$1.85 billion of State PAYGO resources consists of General Fund taxes, other taxes and user fees 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. Transfers to capital projects from the General Fund are estimated to be \$366 million in 2008-09 and will average up to \$790 million annually over the Five-Year Plan. General Fund transfers to capital projects essentially finances non-bond eligible capital spending, including minor rehabilitation projects of facilities operated by Office of General Services, Department of Environmental Conservation and the Department of Mental Hygiene. General Fund transfers also includes \$15 million annually to the Hazardous Waste Remedial Fund to support the State Superfund program. Over \$1.3 billion is annually designated for the Dedicated Highway Bridge and Trust Fund (DHBTF).

Table 12

Five-Year Capital Projects Financed by State PAYGO Resources (Dollars in Thousands)	
	SFY 2008-09
Transportation	\$1,215,830
Parks and Environment	165,642
Economic Dev. & Gov't Oversight	3,325
Health and Social Welfare	187,868
Education	69,652
Public Protection	26,203
Mental Hygiene	107,276
General Government	67,786
Other	1,782
Total State PAYGO Financing	\$1,845,364

The Executive plans to receive additional capital funds by expanding the Bottle Bill which will provide \$25 million in receipts of unclaimed deposits for critical environmental projects to be used for SFY 2008-09. Unclaimed deposits of \$100 million are expected annually.

Federal PAYGO

Federal PAYGO resources for this fiscal year will total \$1.97 billion or 19.5 percent of the capital plan. Federal PAYGO consists of spending financed by grants from the federal government, earmarked for highways and bridges, drinking water and water pollution control facilities, public protection and housing.

Table 13

Five-Year Capital Projects Financed by Federal PAYGO Resources (Dollars in Thousands)	
	SFY 2008-09
Transportation	\$1,734,384
Parks and Environment	106,100
Economic Dev. & Gov't Oversight	3,000
Health and Social Welfare	9,980
Public Protection	49,458
Other	70,000
Total Federal PAYGO Financing	\$1,972,922

The federal capital aid appropriation in 2008-09 is available for over \$2 billion of federal funding including provisions for state and local highways and bridges, engineering contracts, rail projects and community enhancement programs.

General Obligation Bond Financing

General Obligation resources in this fiscal year will total \$471 million or 4.7 percent of the capital plan. General Obligation bonds are voter-approved and therefore backed by the taxing authority of the State.

Table 14

Five-Year Capital Projects Financed by General Obligation Resources (Dollars in Thousands)	
	SFY 2008-09
Transportation	\$409,343
Parks and Environment	62,443
Total General Obligation Financing	\$471,786

There are nine voter approved bond acts under transportation, parks and environment. It is projected that spending authorizations from seven of the nine acts will be exhausted by 2013.

Public Authority Bonding

Authority bonding resources will total \$5.8 billion or 57.5 percent of the plan. The security for these State-supported debts issued by State public authorities is provided by the appropriations of the Legislature in the Debt Service Appropriation Bill.

Table 15

Five-Year Capital Projects Financed by Authority Bonds Resources (Dollars in Thousands)	
	SFY 2008-09
Transportation	\$1,056,289
Parks and Environment	333,555
Economic Dev. & Gov't Oversight	1,211,491
Health and Social Welfare	150,200
Education	2,035,794
Public Protection	319,807
Mental Hygiene	495,701
General Government	80,756
Other	124,218
Total Authority Bonds Financing	\$5,807,811

These bond proceeds are used to reimburse bond-financed capital spending pursuant to contractual agreements. The SFY 2008-09 Five-Year Capital Plan expects to finance \$1.2 billion of new economic development initiatives with Economic Development and Housing Revenue Bonds. The Five-Year Department of Transportation Capital Plan includes authority bond proceeds of at least \$1.1 billion annually through 2012-13.

Executive SFY 2008-09 proposal for State-supported Debt Outstanding

The \$3.7 billion increase in State-supported Debt outstanding for SFY 2008-09 is primarily due to the impact of Economic Development

initiatives, the DHBTF Transportation program the Education EXCEL program, Mental Health Facilities, and SUNY Educational Facilities.

Table 16

Project State-supported Debt Outstanding (Dollars in Thousands)		
	SFY 2007-08	Projected SFY 2008-09
General Obligation	\$3,250,665	\$3,357,189
LGAC	4,036,522	3,874,183
PA Debt -Other Lease-Purchase & Contractual Obligation (Revenue Bonds)	<u>\$37,564,454</u>	<u>\$41,310,191</u>
Total Debt Outstanding	\$44,851,641	\$48,541,563

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 26 percent. (Figure 23)

Issuing NYS Debt for SFY 2008-09

NYS State-supported debt will be issued through the following financing programs: \$457.1 million General Obligation Bond financing; \$4.2 billion Revenue Bonds; \$1.35 billion in Other Revenue.

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. The Executive reports bond caps in their Annual Information Statement which is attached to each state-supported debt issue official statement.

State-supported Debt Outstanding by Function

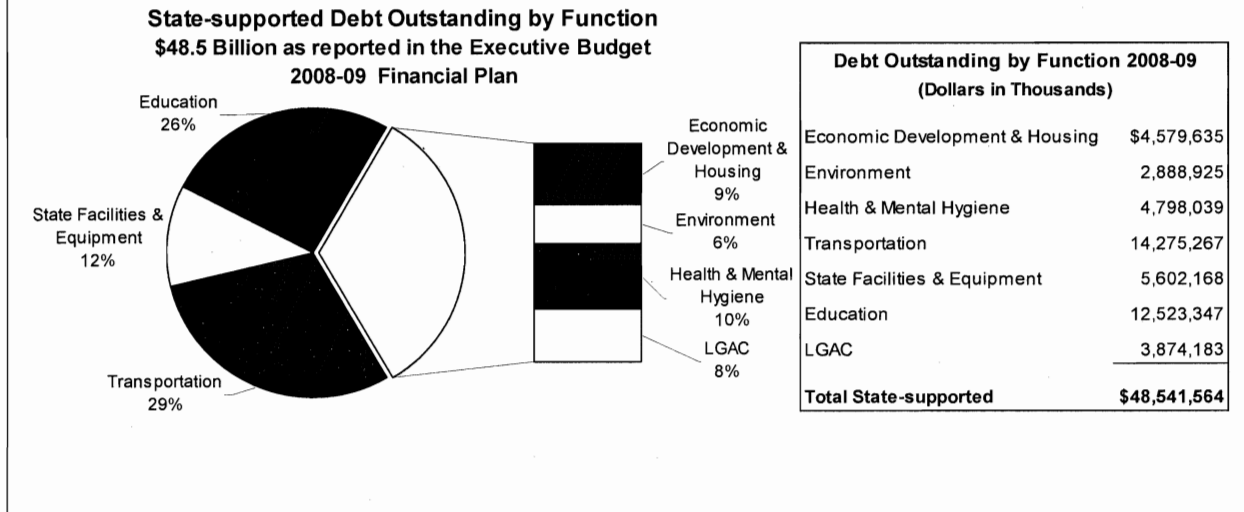


Figure 23

State-related Debt Outstanding History

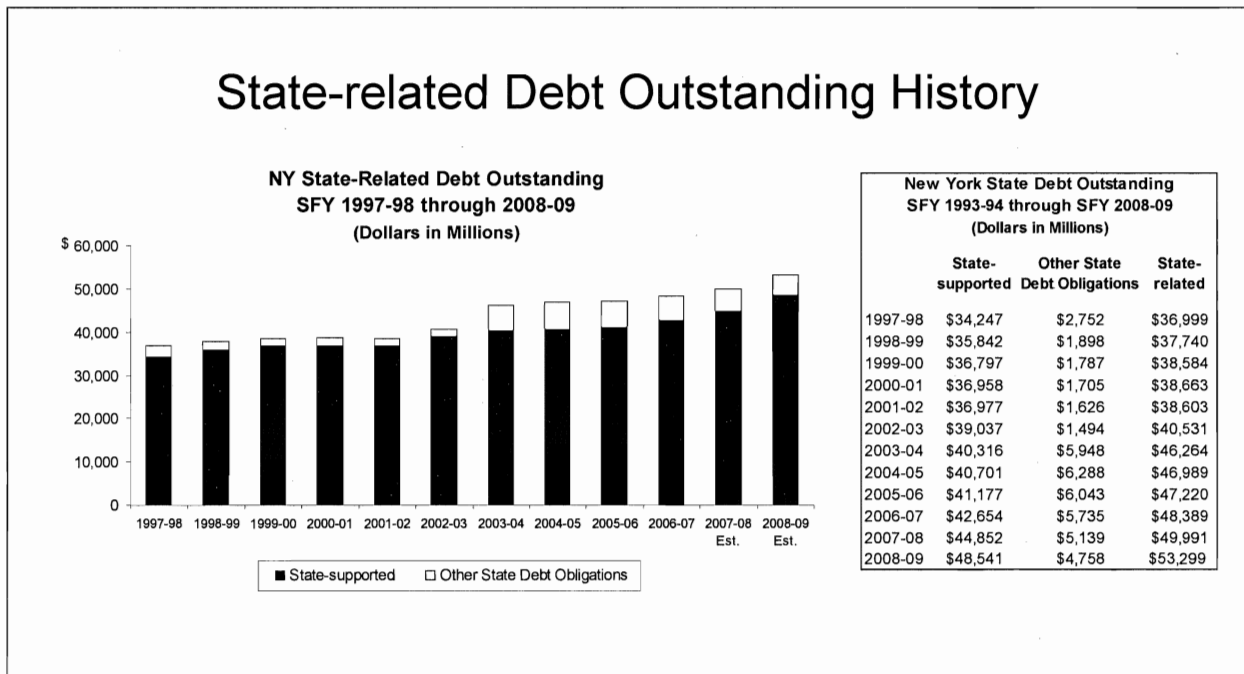


Figure 24

General Obligation Bond (GO) Financing

General Obligation Bonds are issued with the full faith and credit of the State by voter authorization. Only 6.9 percent of total State-supported debt outstanding is GO bond debt. The \$3.4 billion in GO bond represents: \$105.5 million in Economic Development and Housing; \$1.73 billion in Environment, \$1.52 billion in Transportation. For SFY 2008-09 the State will pay \$485 million in GO debt service and will issue \$457 million in bonds.

General obligation bonds are the only debt obligations that the State is required to pay for by law.

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 and Housing, Health Care, and State Facilities & Equipment.

Specifically Education supports SUNY, CUNY, Expanding our Children's Education and Learning (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 aid local transportation projects; Economic Development and Housing, Health Care, capital project for the Division of Military and Naval Affairs

and equipment bonds, including for software development.

Table 17

Revenue Bonds	
State-supported Debt Outstanding	
(Dollars in Thousands)	
SFY 2008-09	
Revenue:	
Education	\$5,842,632
Environment	983,300
Transportation	1,921,440
Economic Development & Housing	3,306,565
Health Care	153,191
State Facilities & Equipment	2,376,165
Other Revenue:	
Education - SUNY Dorms	964,725
Health & Mental Hygiene	
Health Income	327,055
Mental Health Services	4,267,222
LGAC - Sales Tax	3,874,183
Transportation - Dedicated Highway	7,071,192
Total All Revenue Bonds	\$31,087,670

Proposed SFY 2008-09 Revenue Bond projects include: issuance of \$566 million for State Facilities & Equipment, \$94 million for Health Care, \$1.1 billion for Economic Development and Housing, issuance of \$357 million for Transportation, issuance of \$345 million for Environment and \$1.7 billion for schools, library and Higher Education Programs.

Other Revenue Bonds are backed by a separate dedicated revenue stream relating to the projects that they fund, for example SUNY Dormitories would be backed by 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 18

Service Contract & Lease-Purchase Agreements State-supported Debt Outstanding (Dollars in Thousands)	
	SFY 2008-09
Economic Development & Housing	\$1,167,544
Education	5,715,991
Environment	171,662
Health & Mental Hygiene	50,570
State Facilities & Equipment	3,226,003
Transportation	3,764,935
Total	\$14,096,705

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

The Executive defines State-related debt to include 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 finances or guarantees loans which encourages economic development throughout the State and is limited to only \$750 million outstanding. Currently, State Guaranteed debt outstanding is \$32.5 million.

State Funded debt was created to enable the State to purchase delinquent tax liens from NYS Municipalities.

Table 19

State-related Debt Outstanding (Other State Debt Obligations in addition to State-supported) (Dollars in Thousands)	
	SFY 2008-09
Contingent Contractual	
DASNY/MCFFA Secured Hospitals Prg.	\$716,845
Tobacco Settlement Financing Corp.	3,521,110
Moral Obligation	
HFA Moral Obligation Bonds	41,463
MCFFA Nursing Homes & Hospitals	3,255
State Guaranteed	
Job Development Authority (JDA)	32,470
State Funded	
MBAA Prior Year School Aid Claims	442,065
Total	\$4,757,208

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 use of State-related debt surfaced in SFY 2003-04 with the issuance of the Tobacco Bonds. (Figure 24)

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. (Table 20)

The maximum cap for new debt outstanding for SFY 2008-09 is

3.65 percent or \$34.43 billion, NYS plans to issue up to 2.82 percent of the cap or \$26.6 billion. The State will have a \$7.8 billion buffer before reaching the new debt outstanding ceiling.

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 2008-09 is 3.65 percent or \$4.5 billion, NYS will pay up to 1.94 percent of its cap in debt service, which leaves \$2.4 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.

Table 20

Implementation of the Debt Reform Act of 2000 New State-supported Debt Outstanding SFY 2000-01 through 2012-13 (Dollars in Millions)				
Year	Personal Income	Statutory Cap Percentage	Actual Percentage	Difference
2000-01	\$655,583	0.75	0.38	0.37
2001-02	\$682,206	1.25	0.67	0.58
2002-03	\$684,070	1.65	1.21	0.44
2003-04	\$701,852	1.98	1.55	0.43
2004-05	\$737,039	2.32	1.73	0.59
2005-06	\$771,568	2.65	1.93	0.72
2006-07	\$848,745	2.98	2.10	0.88
2007-08 (Est.)	\$907,112	3.32	2.39	0.93
2008-09 (Est.)	\$943,241	3.65	2.82	0.83
2009-10 (Est.)	\$986,579	3.98	3.19	0.79
2010-11 (Est.)	\$1,035,405	4.00	3.45	0.55
2011-12 (Est.)	\$1,087,763	4.00	3.60	0.40
2012-13 (Est.)	\$1,144,326	4.00	3.69	0.31

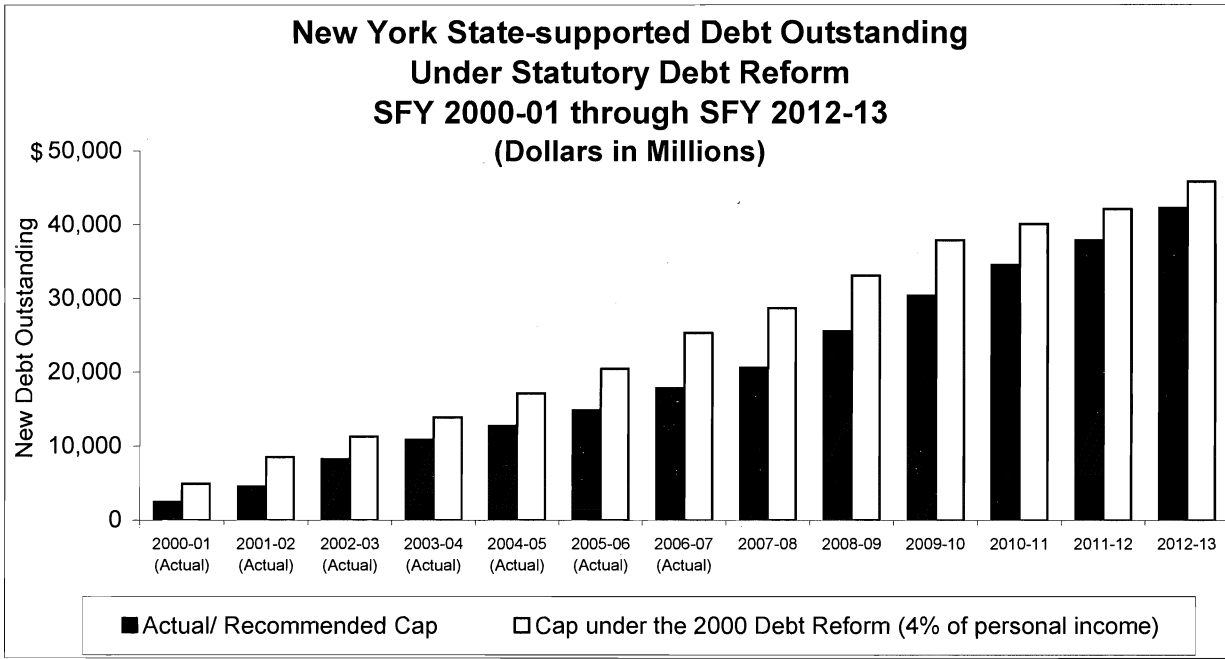


Figure 25

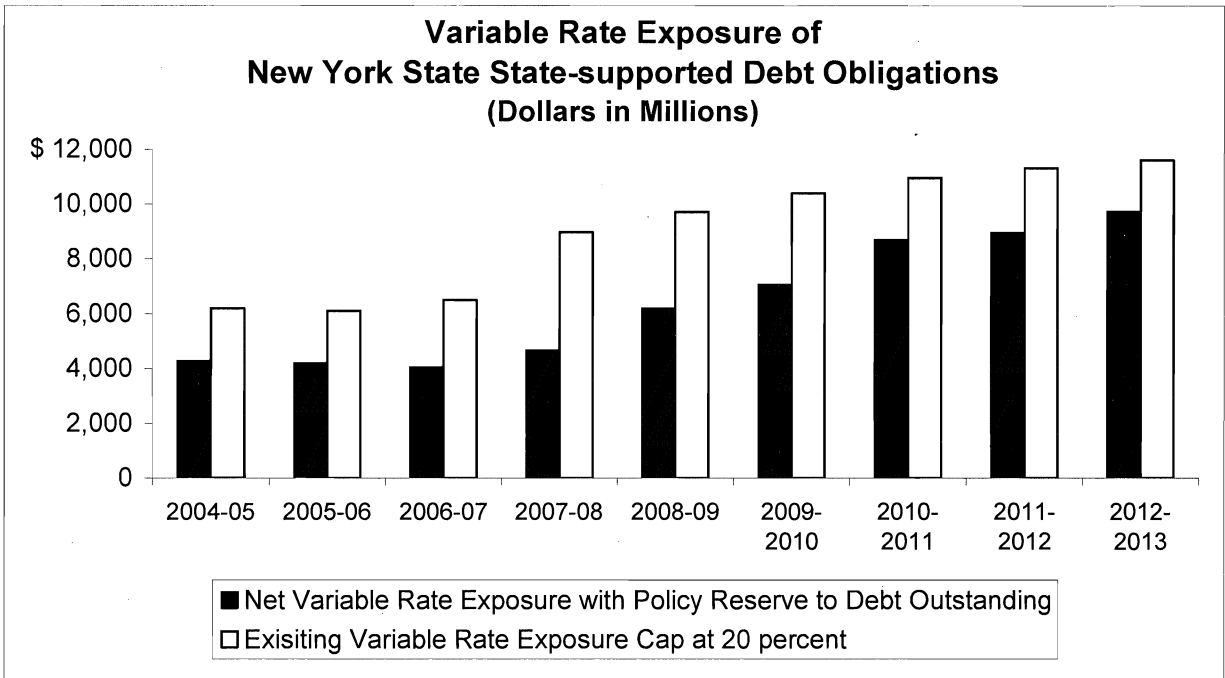


Figure 26

Debt Instruments

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

During SFY 2007-08 the State raised the variable rate (VRDO) exposure cap and swap cap from 15 percent to 20 percent of State-supported debt outstanding. Variable rate exposure has been calculated at this new cap rate in the Executive's budget. (Figure 25 and Figure 26) With the implementation of this policy the Executive is looking to save \$10 million if market conditions become favorable for SFY 2008-09.

The Executive has also proposed savings through refundings of consolidated service contracts (\$5 million), by issuing

25 percent of debt competitively (\$10 million), by enabling any PIT debt issuer to issue bonds for other PIT issuers (\$1 million) and potentially realigning the variable rate debt portfolio (\$5 million).

New York State Credit Rating

The Comptroller reported on its January 2008 Debt Impact Study that New York State has maintained a favorable credit rating for its general obligation bonds.. (Table 21)

A large part of the State's credit rating is due to the passing of the Debt Service bill in a timely manner. A favorable rating by credit rating agencies lowers State borrowing costs and allows for greater access to financial markets.

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

Table 21

State of New York General Obligation Credit Ratings (as of January 2008)		
	Rating	Outlook
Fitch	AA-	Positive
Moody's Investor Service	Aa3	Stable
Standard and Poor's Ratings Services	AA	Stable
<i>Source: Comptroller's Debt Impact Study, Fitch, Moody's and S&P</i>		