

CAPITAL PROGRAM AND FINANCING PLAN

The Five-Year Capital Plan

The Executive is proposing a \$46.6 billion Five-Year Capital Plan (Table 22). New capital initiatives over the plan have been significantly reduced and existing projects have been prioritized in order to contain costs. The plan for SFY 2009-10 will include some of the following investments: \$451 million in economic development and government oversight, \$166 million in education and \$144 million in transportation. These

increases will be offset by reductions in education (\$512 million) and parks and environments (\$35 million). The reduction in education is expected after the phase out of the EXCEL school construction program.

It is proposed that the State will only need a four percent increase, or \$351 million, in capital spending over SFY 2009-10, with the majority of the spending earmarked for transportation.

Table 22

Capital Spending by Function 5-Year Plan (\$ in Thousands)							
Spending	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	Total 5-Yr
Transportation	\$4,221,903	\$4,365,914	\$4,323,839	\$4,253,893	\$4,286,554	\$4,303,511	\$21,533,711
Parks and Environment	614,015	579,403	550,403	525,591	517,903	517,903	\$2,691,203
Economic Development & Gov't. Oversight	756,959	1,181,985	1,209,742	1,191,788	737,952	587,340	\$4,908,807
Health and Social Welfare	243,637	321,821	442,538	584,820	267,380	156,380	\$1,772,939
Education - EXCEL	1,019,359	306,555	324,974	-	-	-	\$631,529
Education - All Other	1,243,376	1,444,471	1,733,177	1,890,758	1,981,283	1,990,283	\$9,039,972
Public Protection	358,119	378,997	419,549	418,800	398,800	415,300	\$2,031,446
Mental Hygiene	489,449	584,619	591,930	715,756	769,100	670,489	\$3,331,894
General Government	120,613	213,791	256,372	236,225	196,251	196,251	\$1,098,890
Other	159,078	200,300	204,600	170,200	124,200	110,000	\$809,300
Timing Adjustment	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(1,250,000)
Total	\$8,976,508	\$9,327,856	\$9,807,124	\$9,737,831	\$9,029,423	\$8,697,457	\$46,599,691

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 23)

Table 23

Capital Spending by Financing Sources							
SFY 2007-08 through SFY 2012-13							
(\$ in Thousands)							
Financing	SFY 08-09	SFY 09-10	SFY 10-11	SFY 11-12	SFY 12-13	SFY 13-14	TOTAL 5-Yr
State Pay-As-You-Go	\$1,785,794	\$2,026,933	\$2,519,997	\$2,690,417	\$2,596,320	\$2,657,589	\$12,491,256
Federal Pay-As-You-Go	1,884,528	1,843,783	1,720,959	1,752,432	1,796,690	1,825,354	\$8,939,218
General Obligation	348,832	531,210	595,956	452,273	380,403	322,280	\$2,282,122
Public Authority	5,207,354	5,175,930	5,220,212	5,092,709	4,506,010	4,142,234	\$24,137,095
Timing Adjustment	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(250,000)	(\$1,250,000)
Total	\$8,976,508	\$9,327,856	\$9,807,124	\$9,737,831	\$9,029,423	\$8,697,457	\$46,599,691

Financing the Plan

The Executive proposes to finance the Five-Year Capital program with a combination of PAYGO and bonded resources. State PAYGO is estimated to be \$2.03 billion or 21.7 percent; Federal PAYGO \$1.84 billion or 19.8 percent; General Obligation \$0.53 billion or 5.7 percent; and Public Authority bonding \$5.18 billion or 55.5 percent.

State PAYGO

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. (Table 24) Transfers to capital projects from the General Fund are estimated to be \$519 million in 2009-10 and will average up to \$1.1 billion annually over the Five Year Plan. General Fund transfers to capital projects essentially finances non-bond eligible capital spending, including minor rehabilitation of facilities operated by Office of General Services, Department of Environmental Conservation, Parks and

the Department of Mental Hygiene. General Fund transfers also includes: \$5 million annually to the Hazardous Waste Remedial Fund to support the State Superfund program. Over \$683 million will be annually designated for the Dedicated Highway Bridge and Trust Fund (DHBTF).

Table 24

Five-Year Capital Projects Financed by State PAYGO Resources	
(\$ in Thousands)	
	SFY 2009-10
Transportation	\$1,339,603
Parks and Environment	169,160
Economic Dev. & Gov't Oversight	2,575
Health and Social Welfare	161,400
Education	108,032
Public Protection	17,525
Mental Hygiene	84,492
General Government	140,146
Other	4,000
Total State PAYGO Financing	\$2,026,933

The Executive plans to receive additional capital funds by expanding the Bottle Bill which is expected to provide and additional \$590 million in receipts over the Five-Year Plan.

Federal PAYGO

Federal PAYGO resources for this fiscal year will be portioned to transportation (\$1.7 billion) and Environmental projects (\$105 million). The Capital Plan for federal spending will also include \$50 million for Department of Health Safe Drinking Water projects. Federal PAYGO supports 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 25

Federal PAYGO Resources	
(\$ in Thousands)	
	SFY 2009-10
Transportation	\$1,652,703
Parks and Environment	105,300
Economic Dev. & Gov't Oversight	3,000
Health and Social Welfare	9,980
Public Protection	22,800
Other	50,000
Total Federal PAYGO Financing	\$1,843,783

The federal capital aid appropriation in 2009-10 is over \$1.8 billion of federal funding including provisions for state and local highways and bridges, engineering contracts, rail projects and community enhancement programs. (Table 25)

General Obligation Bond Financing

General Obligation bonds are voter-approved and therefore backed by the taxing authority of the State.

Table 26

Five-Year Capital Projects Financed by General Obligation Resources	
(\$ in Thousands)	
	SFY 2009-10
Transportation	\$474,767
Parks and Environment	56,443
Total General Obligation Financing	\$531,210

There are nine voter approved bond acts, five for transportation, four for parks and environment. The financing for the 2005 Rebuild and Renew New York Bond Act currently takes up the bulk of the General Obligation financing. It is projected that spending authorizations from seven of the nine acts will be exhausted by 2013. (Table 26)

Public Authority Bonding

Public Authority bonds will be issued to support bond-financed capital projects over 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 27

Five-Year Capital Projects Financed by Authority Bonds Resources	
(\$ in Thousands)	
	SFY 2009-10
Transportation	\$898,841
Parks and Environment	248,500
Economic Dev. & Gov't Oversight	1,176,410
Health and Social Welfare	150,441
Education	1,642,994
Public Protection	338,672
Mental Hygiene	500,127
General Government	73,645
Other	146,300
Total Authority Bonds Financing	\$5,175,930

The SFY 2009-10 Five-Year Capital Plan expects State Personal Income Tax (PIT) Revenue Bonds to finance \$1.1 billion of Economic Development initiatives with Economic Development and Housing Revenue Bonds to support the following programs: SIP, Economic Development Projects for the Buffalo area, AMD, CEFAP, the Regional Economic Growth Program, the New York State Economic Development, high technology and other business investment programs. Authority Bonding will also fund \$1.3 billion for Education, \$189 million for Environmental, \$321 million for Transportation, \$121 million for Health Care and \$776 million for State Facilities and Equipment Bonds. The remaining \$1.3 billion in 2009-10 will be financed by other revenue credits. (Table 27)

Executive SFY 2008-09 proposal for State supported Debt Outstanding

The \$2.98 billion increase in State supported Debt outstanding for SFY 2009-10 is primarily due to the impact of Economic Development, the DHBTF Transportation program the Education EXCEL program, Mental Health Facilities, and SUNY Educational Facilities. (Table 27)

Table 28

Projected Debt Outstanding		
(\$ in Thousands)		
	SFY 2008-09	Projected SFY 2009-10
General Obligation	\$3,311,693	\$3,563,685
LGAC	3,848,498	3,651,100
PA Debt -Other Lease-Purchase & Contractual Obligation (Revenue Bonds)	<u>\$39,723,181</u>	<u>\$42,649,600</u>
Total State-supported Debt	\$46,883,372	\$49,864,385
Other State Obligations:		
Tobacco	\$3,550,525	\$3,207,620
All Other	<u>\$1,201,378</u>	<u>\$1,123,039</u>
Total State-related Debt	\$51,635,275	\$54,195,044

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 29.7 percent, with Education at a close second with 26 percent. (Figure 15)

Issuing NYS Debt for SFY 2009-10

NYS State-supported debt will be issued through the following financing programs: \$611.0 million General Obligation Bond financing; \$3.7 billion Revenue Bonds; \$1.28 billion in Other Revenue.

The Executive is proposing to consolidate service contract refundings and to enable consolidation of the issuance of PIT bonds.

State-supported Debt Outstanding by Function

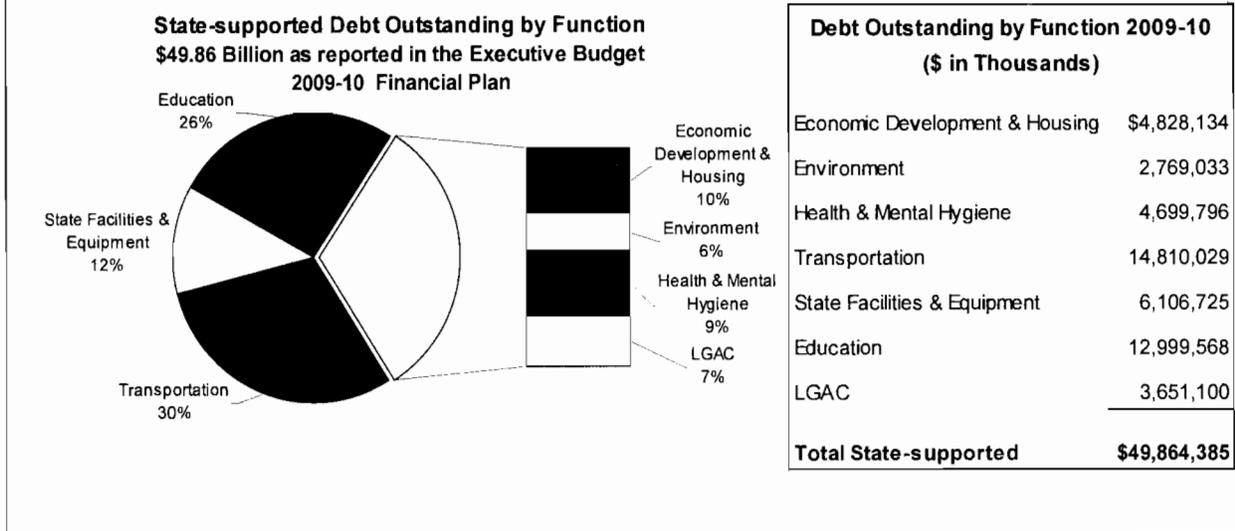


Figure 15

State-related Debt Outstanding History

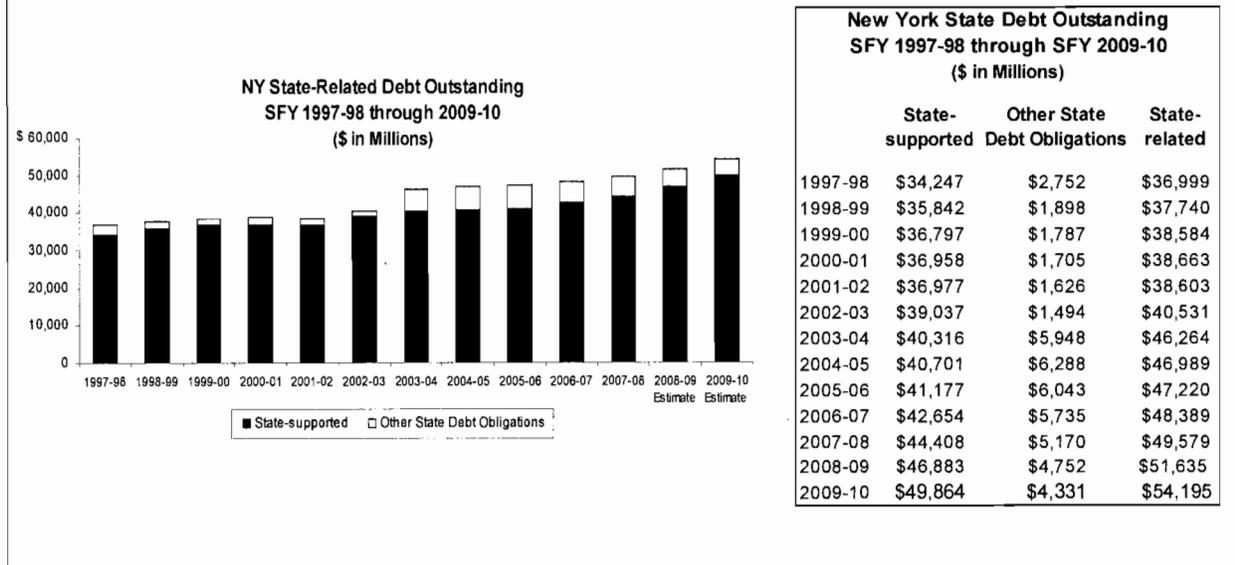


Figure 16

General Obligation Bond (GO) Financing

General Obligation Bonds are issued with the full faith and credit of the State by voter authorization. Only 7.15 percent of total State-supported debt outstanding is GO bond debt. The \$3.56 billion in GO bond represents: \$90.2 million in Economic Development and Housing; \$1.58 billion in Environment, and \$1.89 billion in Transportation. For SFY 2009-10 the State will pay \$499 million in GO debt service and will issue \$611 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. (Table 29)

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 29

Revenue Bonds	
State-supported Debt Outstanding	
(\$ in Thousands)	
	SFY 2009-10
Revenue:	
Education	\$6,511,092
Environment	1,026,130
Transportation	2,159,345
Economic Development & Housing	3,662,288
Health Care	259,397
State Facilities & Equipment	3,076,116
Other Revenue:	
Education - SUNY Dorms	1,043,550
Health & Mental Hygiene	
Health Income	313,740
Mental Health Services	4,079,295
LGAC - Sales Tax	3,651,100
Transportation - Dedicated Highway	7,206,896
Total All Revenue Bonds	\$32,988,949

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 30

Service Contract & Lease-Purchase Agreements State-supported Debt Outstanding (\$ in Thousands)	
	SFY 2009-10
Economic Development & Housing	\$1,075,606
Education	5,444,926
Environment	160,171
Health & Mental Hygiene	47,365
State Facilities & Equipment	3,030,609
Transportation	3,553,075
Total	\$13,311,752

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. (Table 30)

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 \$27.7 million.

State Funded debt was created to enable the State to purchase delinquent tax liens from NYS Municipalities. Current, State funded debt outstanding is \$419.5 million. (Table 31)

Table 31

State-related Debt Outstanding (Other State Debt Obligations in addition to State-supported) (\$ in Thousands)	
	SFY 2009-10
Contingent Contractual	
DASNY/MCFFA Secured Hospitals Prg.	\$637,025
Tobacco Settlement Financing Corp.	3,207,620
Moral Obligation	
HFA Moral Obligation Bonds	35,914
MCFFA Nursing Homes & Hospitals	2,880
State Guaranteed	
Job Development Authority (JDA)	27,745
State Funded	
MBBA Prior Year School Aid Claims	419,475
Total	\$4,330,659

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 16)

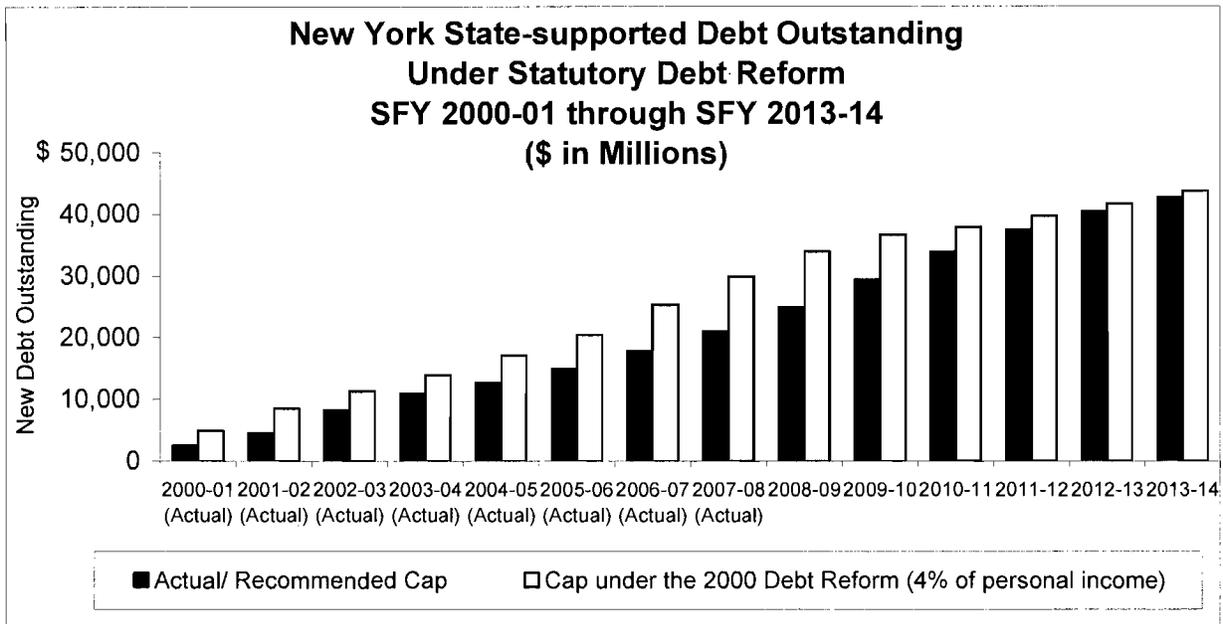


Figure 17

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 32)

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 32

	Rating	Outlook
Fitch	AA-	Stable
Moody's Investor Service	Aa3	Stable
Standard and Poor's Ratings Services	AA	Stable

Source: NYS DOB, Fitch, Moody's and S&P