


**New York State
Division of the Budget**

Institutional Investors Conference

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Director of the Budget

2005-06 Enacted Budget Overview

- Debt service bill continues to be passed on-time (March 8).
- First entire on-time budget in 21 years. . . And best budget outcome since September 11th.
- Plan is fully balanced without the need for vetoes.
- Nearly \$700 million was added to general reserves, bringing total to \$1.5 billion (3.2 percent of spending).
- Over \$1 billion in Medicaid cost containment enacted – highest level since 1996.
- Initial agreement reached on school finance overhaul in response to CFE.

2004-05 Results

- Ended with \$1.2 billion surplus.
- Revenues realized their “upside potential,” exceeding forecast at every point during the year.
- Spending was generally on track with Enacted Forecast.
- Most of surplus used to increase reserves and pre-pay 2005-06 obligations.
- Rainy Day Reserve at statutory maximum after ninth deposit in ten years.

SUMMARY OF 2004-05 GENERAL FUND OPERATING RESULTS	
Enacted Budget to Year-End Actuals	
Savings/(Costs)	
Enacted Budget Projected (Deficit)/Surplus	<u>(434)</u>
Revenue Revisions:	
Revenue Reestimates through 30-Day	1,302
Consensus Revenue	350
Closeout Revenue Reestimates	231
Change in Transfers/Fund Balances	(64)
Spending Revisions (net of prepayments):	
Delayed Empire Conversion Proceeds	(200)
Corrections	(138)
Fiscal Management Plan Savings	161
All Other Changes	(13)
Operating Surplus	<u>1,195</u>
Use of Surplus:	
Deposit to Fiscal Stability Reserve	(601)
Reserve for Timing-Related Underspending	(126)
HCRA Transfer	(200)
Prepay Medicaid Cycle	(190)
Rainy Day Fund Deposit	(78)

2005-06 Budget Plan

- Legislature enacted 80 percent of gap-closing proposals.
- Budget includes \$1.4 billion in Medicaid cost containment.
 - New preferred drug program
 - Health provider assessments
 - Family Health Plus benefits
- Major reforms help local governments.
 - Takeover of Medicaid
 - Accelerated takeover of Family Health Plus
 - Enhanced Incentive-based aid program for localities

2005-06 Gap-Closing Plan Dollars in Millions	
Initial Budget Gap	(4,152)
Enacted Budget Actions	4,752
Revenues/Reestimates	2,587
Savings Actions	2,165
<i>Medicaid</i>	1,395
<i>Mental Hygiene</i>	196
<i>Debt Management</i>	150
<i>Transportation</i>	163
<i>Welfare</i>	115
<i>All Other Spending (net)</i>	146
Deposit to Reserves	600

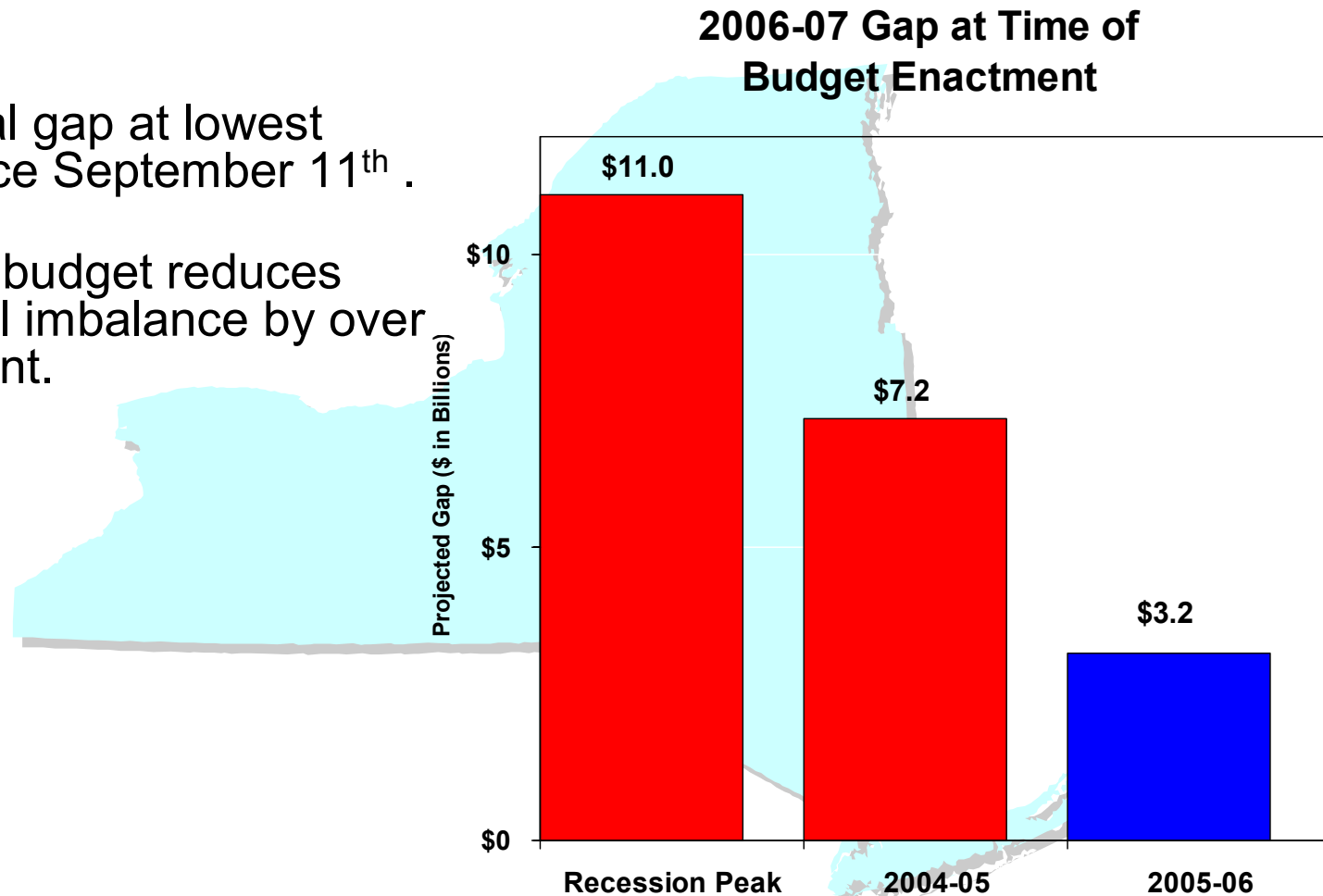
Size of the Budget

Total Disbursements (millions of dollars)				
	2004-05 Adjusted	2005-06 Enacted	Annual Change	Percent Change
General Fund	44,127	46,139	2,012	4.6%
State Funds	65,405	70,348	4,943	7.6%
All Funds	102,101	106,578	4,477	4.4%

- \$850 million increase for public schools.
- \$300 million for State takeover of local Medicaid and Family Health Plus costs.
- \$400 million for pension costs.

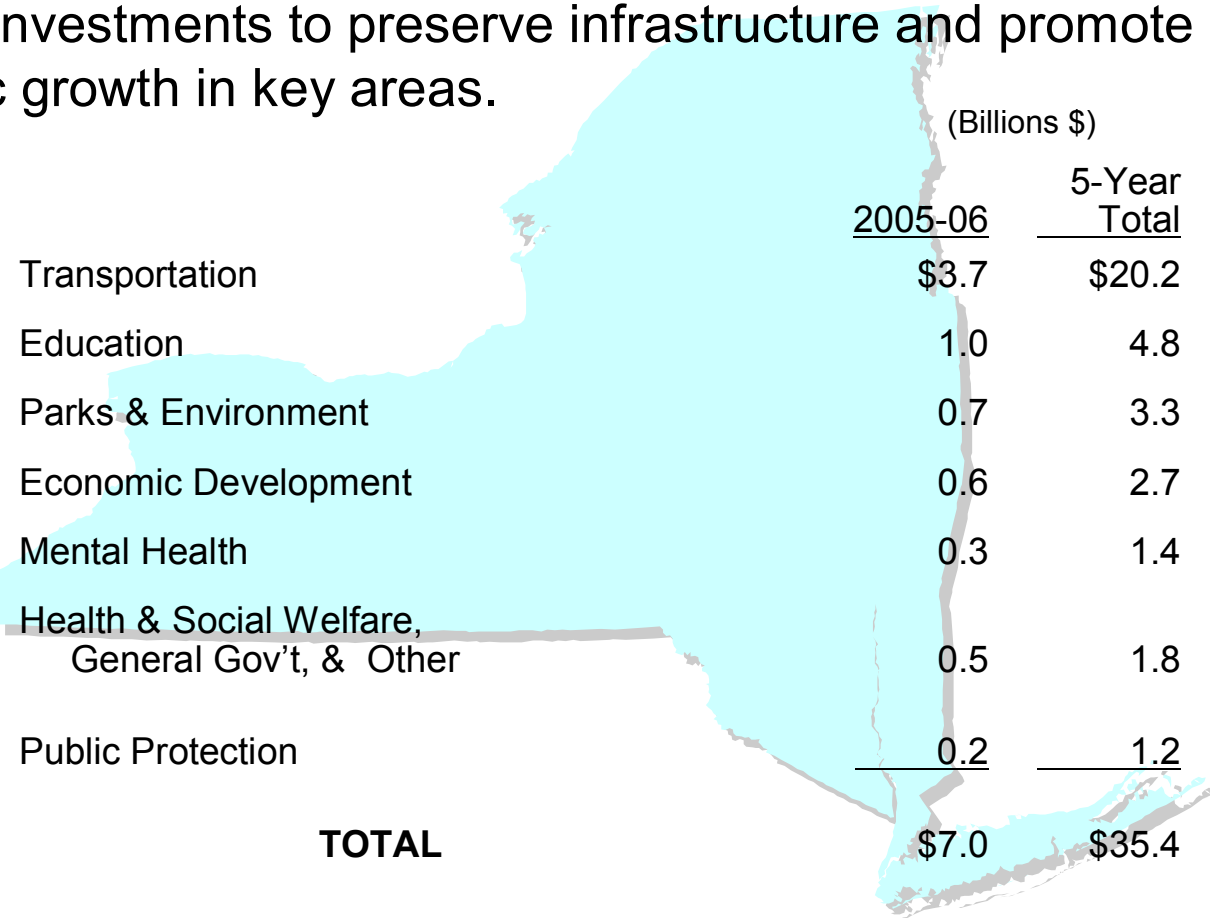
Progress Toward Structural Balance

- Structural gap at lowest level since September 11th.
- 2005-06 budget reduces structural imbalance by over 50 percent.



Executive Budget Supports Essential Capital Investments and Encourages Economic Growth

- Five-Year Capital Program and Financing Plan will support \$35.4 billion of investments to preserve infrastructure and promote economic growth in key areas.

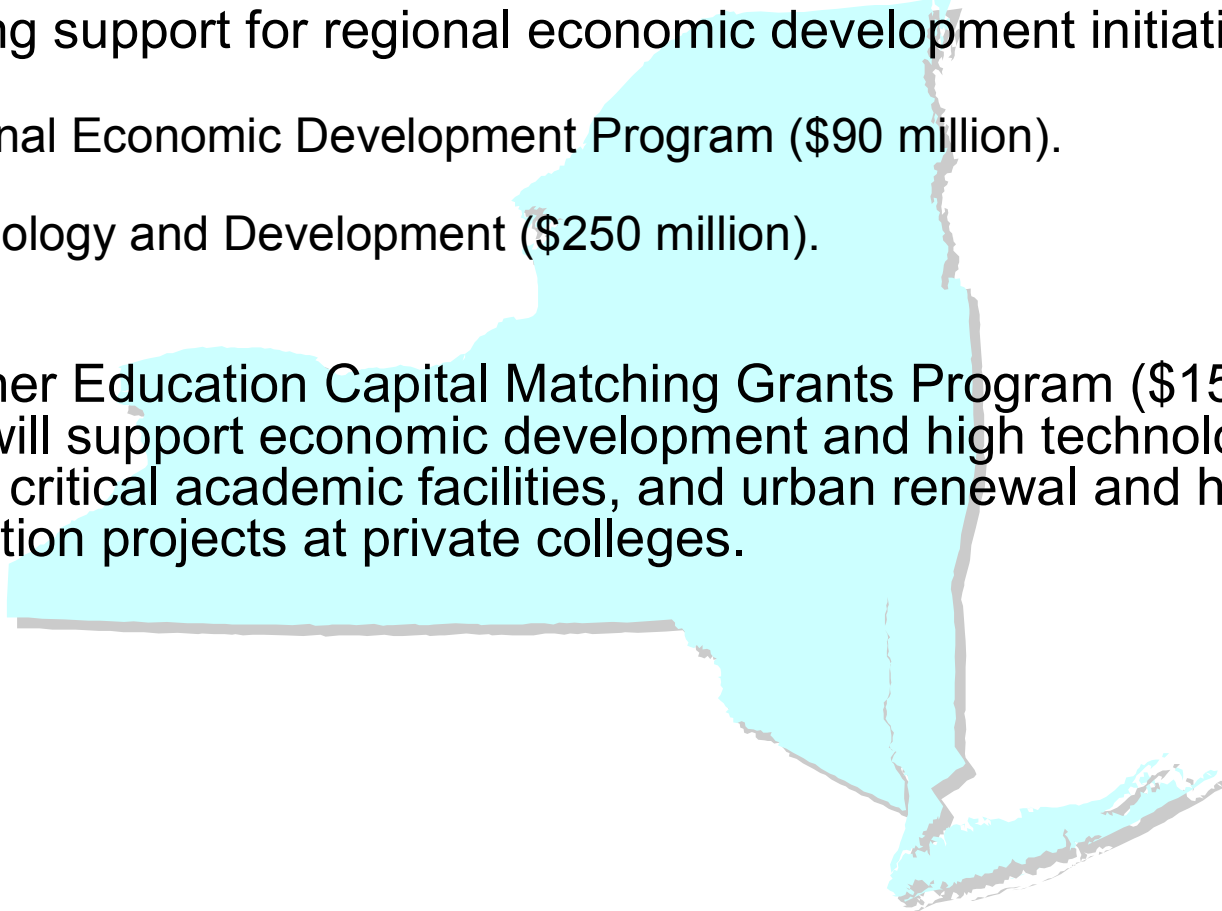


New DOT and MTA Five-Year Transportation Plans

- Enacted Budget reflects new Five-Year Plans for DOT and the MTA of \$17.9 billion each.
- Authorization for a proposed \$2.9 billion Rebuild and Renew New York Transportation Bond Act to be submitted to the voters in November 2005.
- If Bond Act approved by the voters:
 - Proceeds divided equally between DOT and MTA, \$1.45 billion each.
 - Approximately \$1.7 billion to be issued through 2009-10.
- DOT Plan reflects anticipated restructuring of \$3 billion in Dedicated Highway and Bridge Trust Fund Bonds.

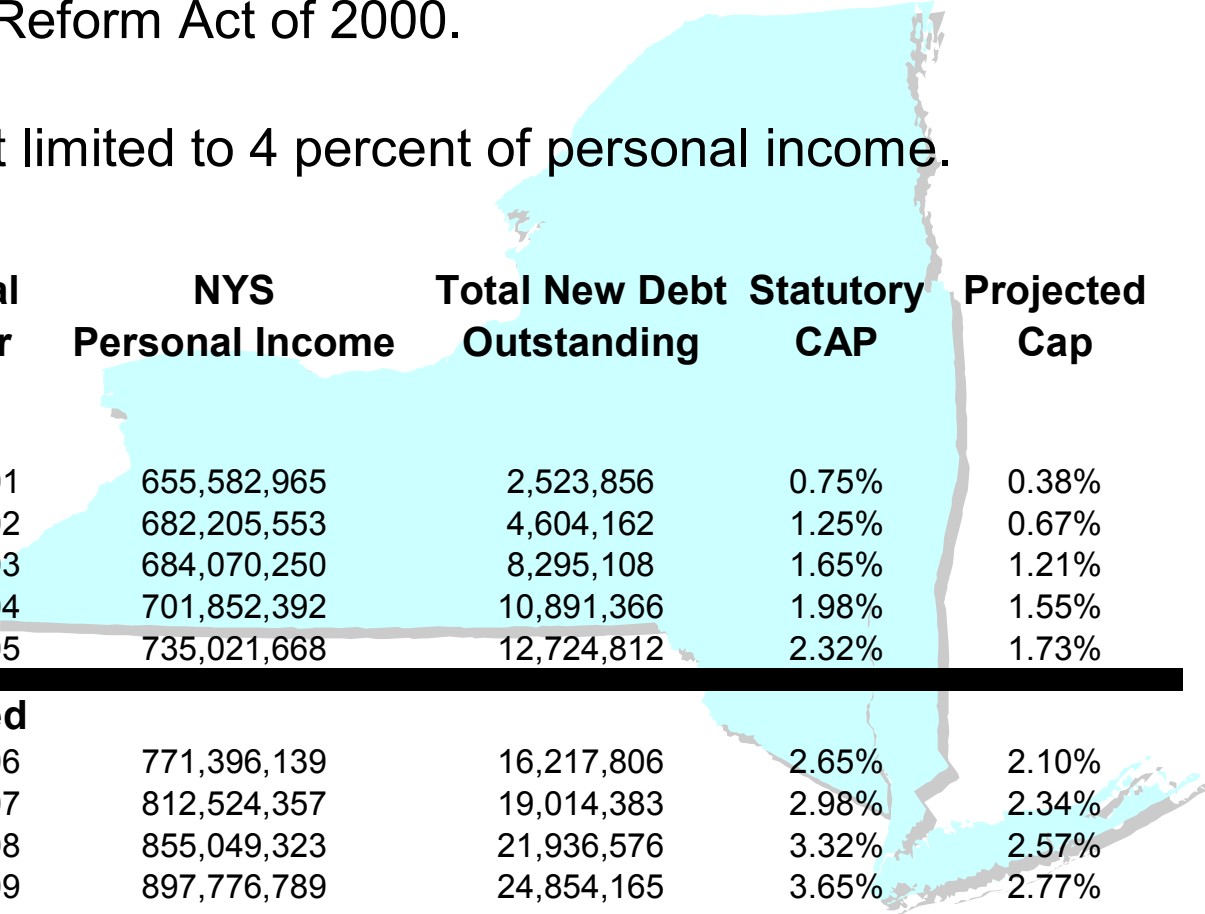
New Capital Programs Promote Economic Development

- Increasing support for regional economic development initiatives.
 - Regional Economic Development Program (\$90 million).
 - Technology and Development (\$250 million).
- The Higher Education Capital Matching Grants Program (\$150 million) will support economic development and high technology projects, critical academic facilities, and urban renewal and historic preservation projects at private colleges.



Debt Levels Remain Below Debt Reform Caps

- Enacted Budget debt levels and costs remain within caps imposed by the Debt Reform Act of 2000.
- New Debt limited to 4 percent of personal income.



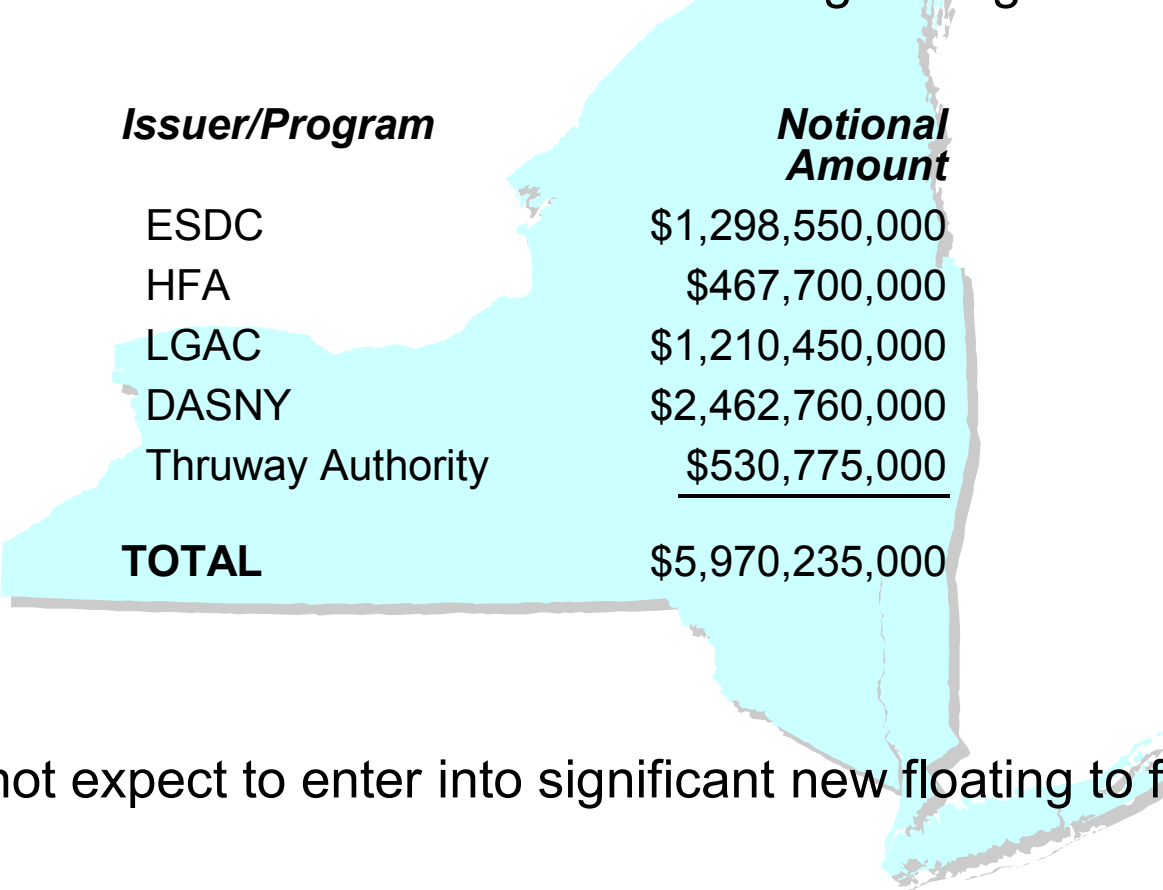
Fiscal Year	NYS Personal Income	Total New Debt Outstanding	Statutory CAP	Projected Cap
Actual				
2000 - 01	655,582,965	2,523,856	0.75%	0.38%
2001 - 02	682,205,553	4,604,162	1.25%	0.67%
2002 - 03	684,070,250	8,295,108	1.65%	1.21%
2003 - 04	701,852,392	10,891,366	1.98%	1.55%
2004 - 05	735,021,668	12,724,812	2.32%	1.73%
Projected				
2005 - 06	771,396,139	16,217,806	2.65%	2.10%
2006 - 07	812,524,357	19,014,383	2.98%	2.34%
2007 - 08	855,049,323	21,936,576	3.32%	2.57%
2008 - 09	897,776,789	24,854,165	3.65%	2.77%
2009 - 10	943,154,253	27,304,822	3.98%	2.90%

Debt Continues to be Prudently Managed and Remains Affordable

- \$16 billion in refundings over the last three years generated present value savings of over \$1 billion by:
 - Responsibly using fixed and variable rate swaps.
 - Issuing traditional fixed rate and convertible refunding bonds to maximize savings opportunities in a low interest rate environment.
- Debt affordability measures are stable and continue to improve.
 - Debt Service to All Government fund receipts will stay below 5 percent.
 - Debt outstanding to personal income is projected to decline to 5.2 percent by 2009-10.

Outstanding State-Supported Swaps

- \$6 billion of 65 percent of floating-to-fixed LIBOR swaps have been issued since 2002-03 to maximize refunding savings.



<i>Issuer/Program</i>	<i>Notional Amount</i>
ESDC	\$1,298,550,000
HFA	\$467,700,000
LGAC	\$1,210,450,000
DASNY	\$2,462,760,000
Thruway Authority	<u>\$530,775,000</u>
TOTAL	\$5,970,235,000

- We do not expect to enter into significant new floating to fixed rate swaps.

Increasing Variable Rate Portfolio

Projected Variable Rate Exposure to Debt Outstanding (Percent)					
Actual 2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
10.2	12.9	14.9	14.0	14.6	13.9

- Plan to move gradually to 15 percent of portfolio.
- State will use the most cost-effective vehicles for increasing variable rate exposure, including synthetic fixed-to-floating rate swaps, variable rate demand obligations, and ARC's.
- Approximately \$1 billion synthetic fixed-to-floating rate swaps now outstanding, which also reduce counterparty exposure.

Preliminary 2005-06 Bond Sale Schedule

Bond Issuer	Bond Program	Month of Sale	Sale Amount (\$ in Millions)
Thruway Authority	Highway and Bridge Trust Fund New Money Restructuring	June	\$364 \$3,000
Dormitory Authority	SUNY Dormitory Facilities	July	\$163
Thruway Authority	State Personal Income Tax Revenue Bonds (Transportation)	August	\$309
Dormitory Authority	Department of Health	August	\$21
Dormitory Authority	State Personal Income Tax Revenue Bonds (Education and State Facilities and Equipment)	October	\$1,034
Empire State Development Corporation/Dormitory Authority	State Personal Income Tax Revenue Bonds (Economic Development & Housing)	November	\$532

Preliminary 2005-06 Bond Sale Schedule

Bond Issuer	Bond Program	Month of Sale	Sale Amount (\$ in Millions)
Dormitory Authority	Mental Health Facilities	November	\$203
Empire State Development Corporation	State Personal Income Tax Revenue Bonds (State Facilities & Equipment)	November	\$287
Environmental Facilities Corporation	State Personal Income Tax Revenue Bonds (Environment)	December	\$214
Thruway Authority	Highway and Bridget Trust Fund	February	\$364
Housing Finance Agency	State Personal Income Tax Revenue Bonds (Economic Development & Housing)	February	\$145
New York State	General Obligation	March	\$279
Empire State Development Corporation/Dormitory Authority	State Personal Income Tax Revenue Bonds (Economic Development & Housing)	March	\$455

New York State Investor Information (www.budget.state.ny.us)

■ Financial Plan Publications

- Five-Year Capital Program and Financing Plan
- Executive Budget Documents
- Enacted Budget Report
- Year End Report
- Quarterly Financial Plan Updates

■ Investors Guide

- Annual Information Statement, including Updates & Supplements
- State-Supported Bond Sale Schedule

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