

**New York State
Division of the Budget**

The Municipal Forum of New York

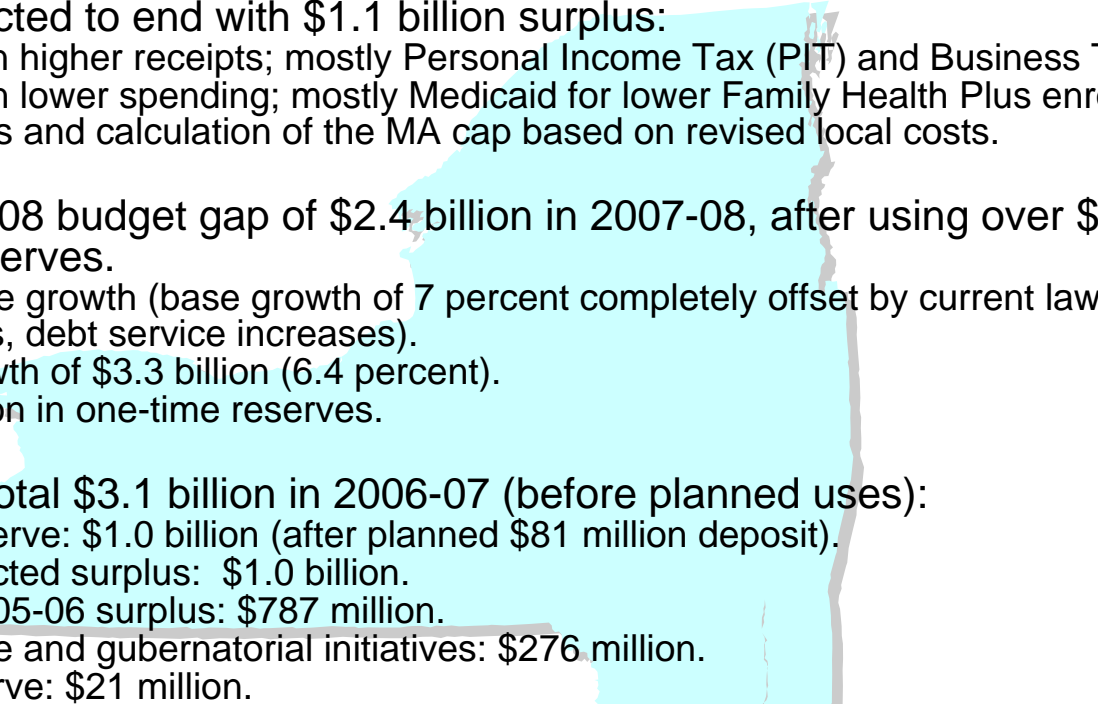
November 28, 2006

John F. Cape
Director of the Budget

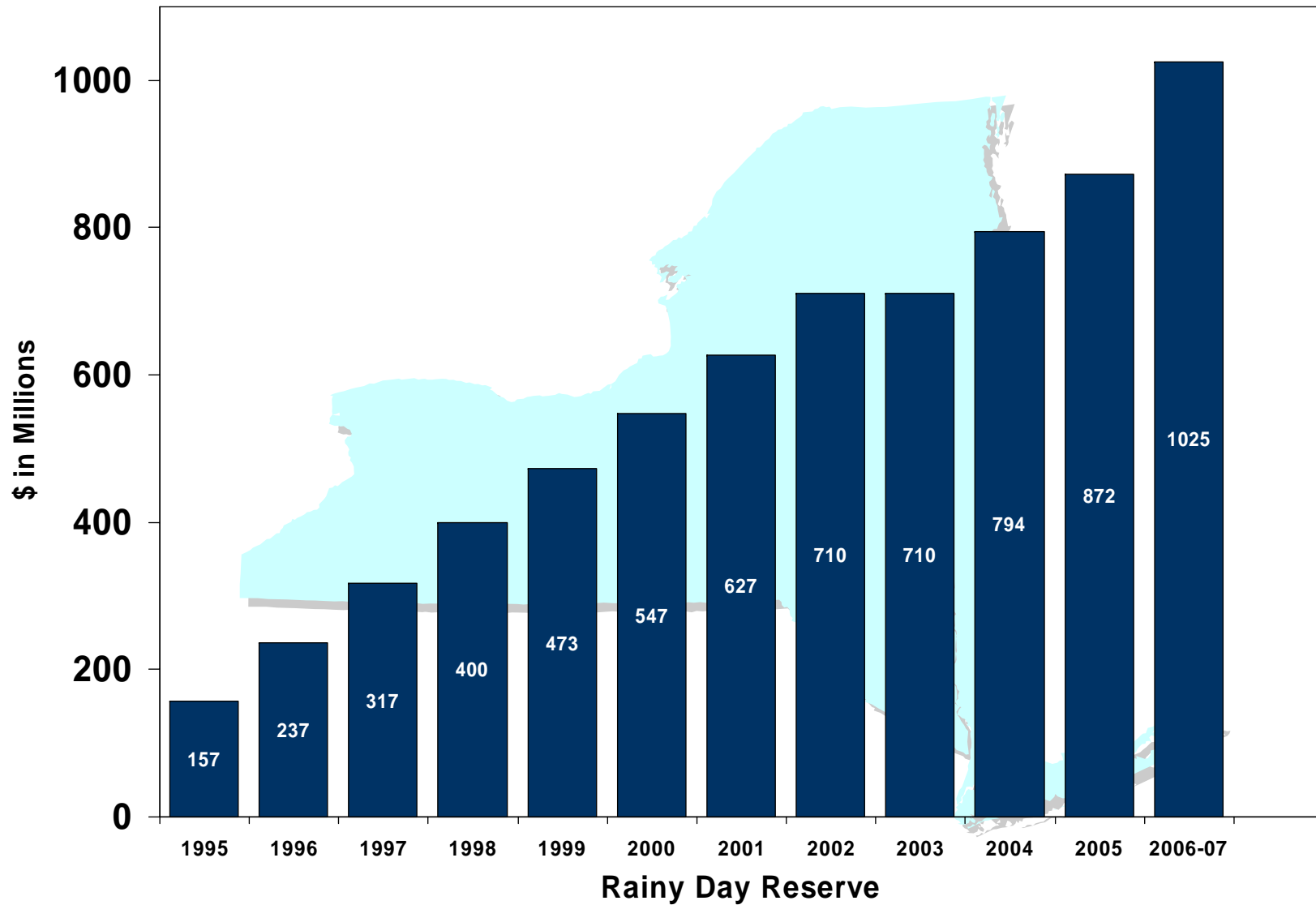
Mid-Year Financial Plan

- 2006-07 is projected to end with \$1.1 billion surplus:
 - \$700 million in higher receipts; mostly Personal Income Tax (PIT) and Business Taxes.
 - \$400 million in lower spending; mostly Medicaid for lower Family Health Plus enrollment, program trends and calculation of the MA cap based on revised local costs.

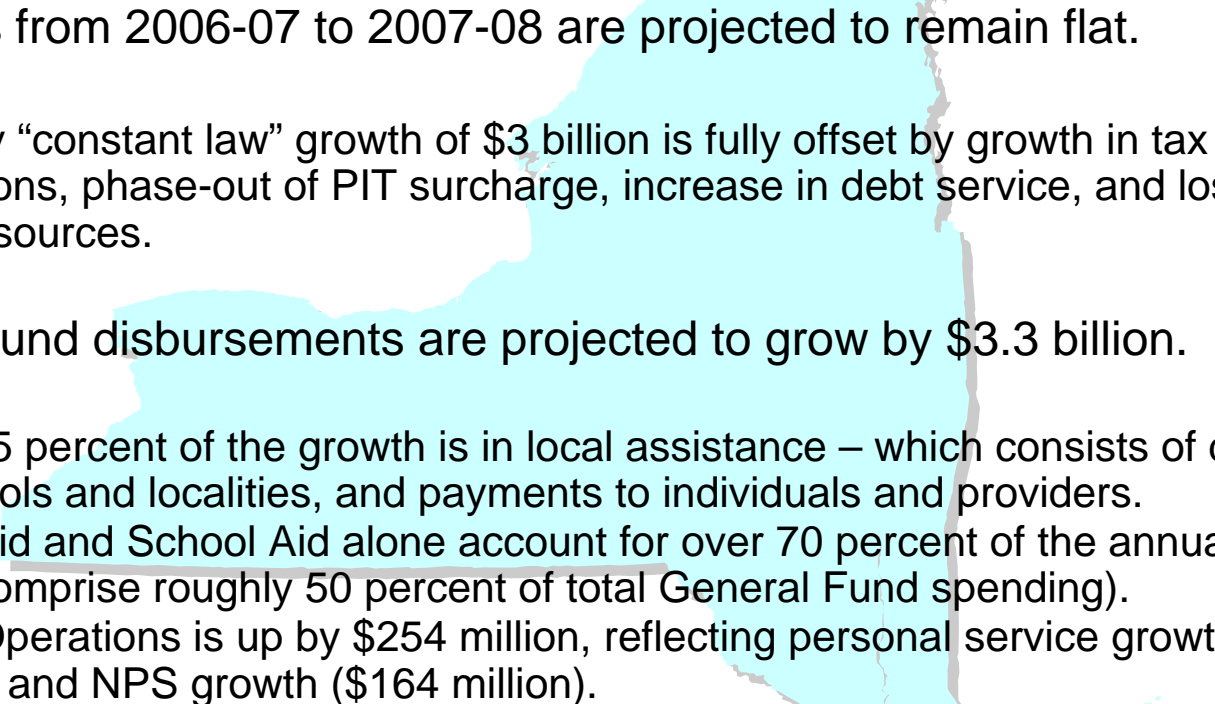
 - Reflects a 2007-08 budget gap of \$2.4 billion in 2007-08, after using over \$1 billion in discretionary reserves.
 - No net revenue growth (base growth of 7 percent completely offset by current law tax cuts, one time resources, debt service increases).
 - Spending growth of \$3.3 billion (6.4 percent).
 - Use of \$1 billion in one-time reserves.

 - Major reserves total \$3.1 billion in 2006-07 (before planned uses):
 - Rainy day reserve: \$1.0 billion (after planned \$81 million deposit).
 - 2006-07 projected surplus: \$1.0 billion.
 - Remaining 2005-06 surplus: \$787 million.
 - Prior legislative and gubernatorial initiatives: \$276 million.
 - Litigation reserve: \$21 million.
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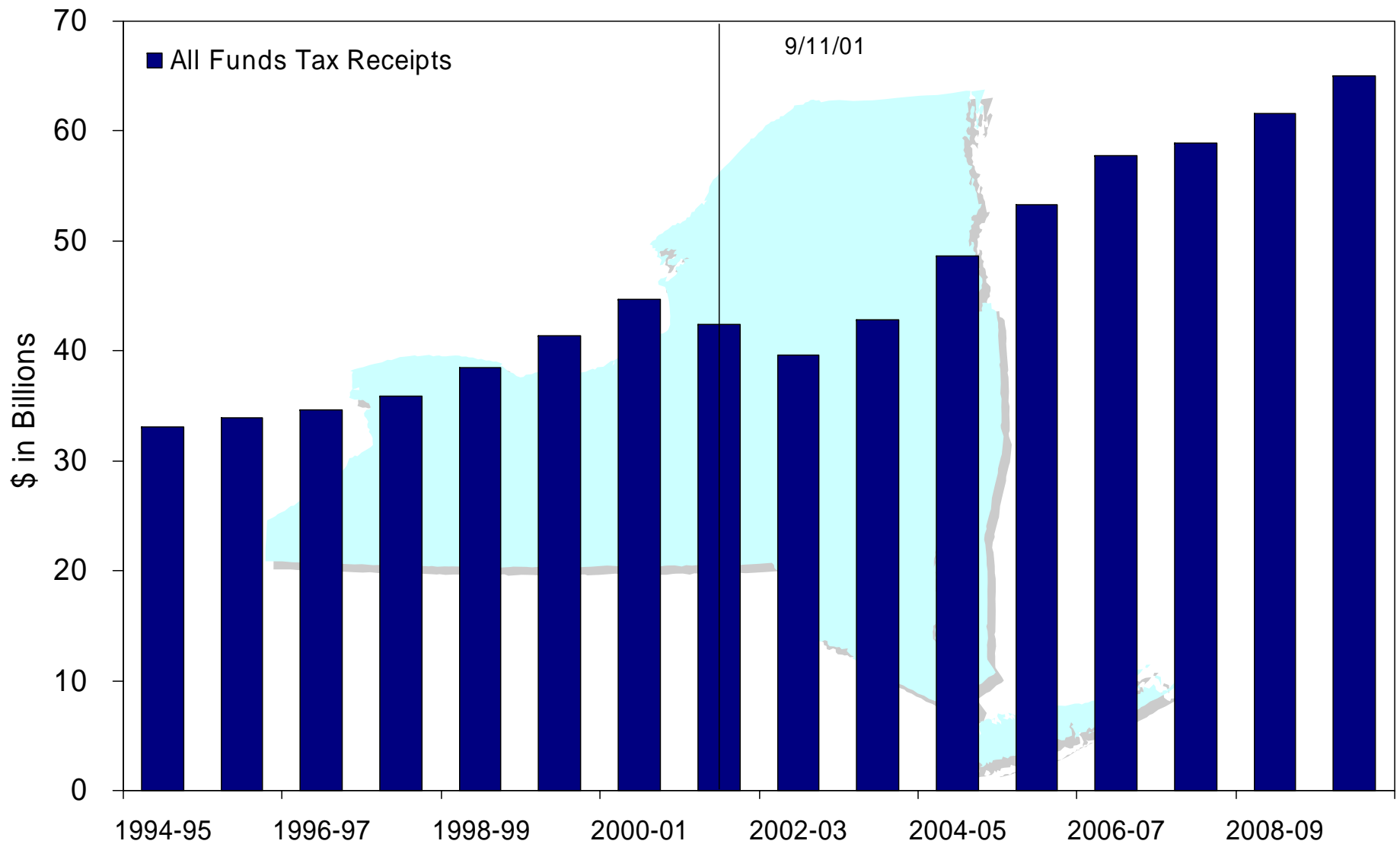
Rainy Day Fund Reserve at Maximum Level



2007-08 PROJECTIONS

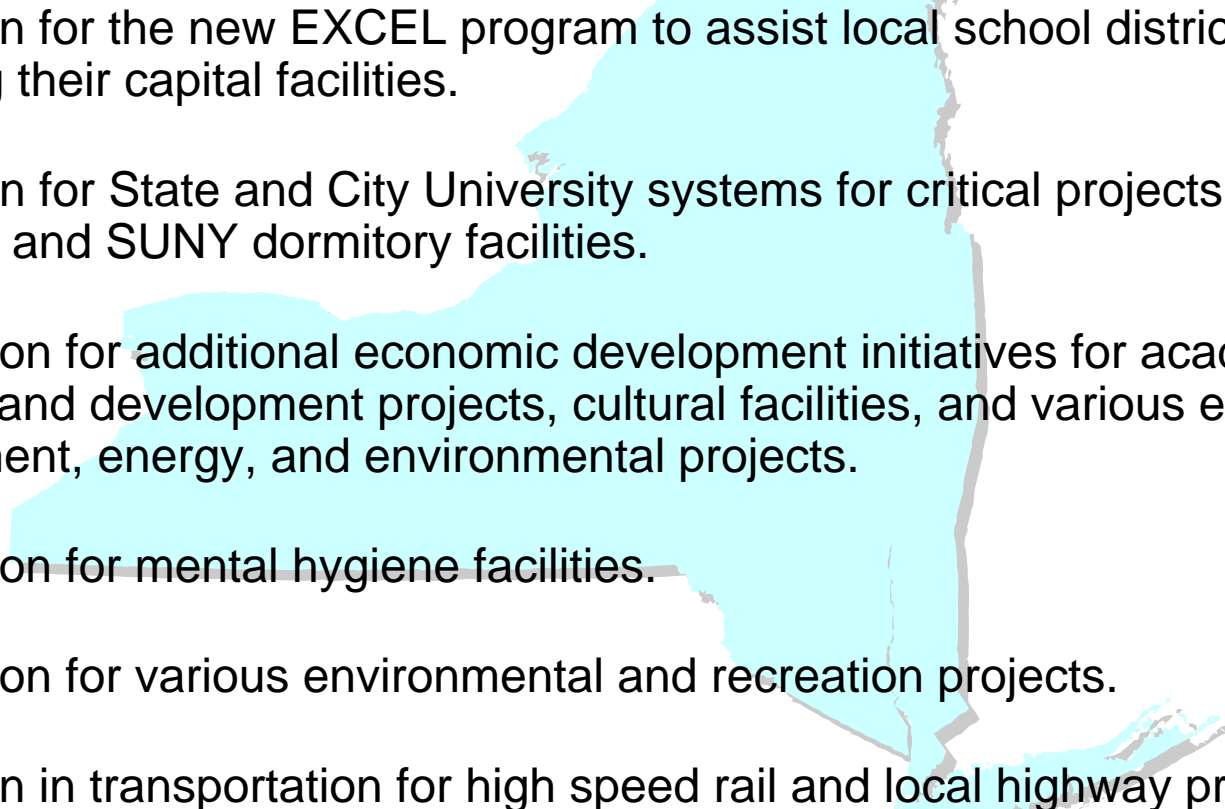
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- Revenues from 2006-07 to 2007-08 are projected to remain flat.
 - Healthy “constant law” growth of \$3 billion is fully offset by growth in tax reductions, phase-out of PIT surcharge, increase in debt service, and loss of one-time resources.
 - General Fund disbursements are projected to grow by \$3.3 billion.
 - Over 95 percent of the growth is in local assistance – which consists of direct aid to schools and localities, and payments to individuals and providers.
 - Medicaid and School Aid alone account for over 70 percent of the annual growth (they comprise roughly 50 percent of total General Fund spending).
 - State Operations is up by \$254 million, reflecting personal service growth (\$90 million) and NPS growth (\$164 million).

Revenues Have Rebounded From Post-9/11 Decline



2006-07 New or Increased Bond-Financed Capital Authorizations

\$5.1 Billion included in the Enacted Budget:

- \$2.6 billion for the new EXCEL program to assist local school districts in improving their capital facilities.
 - \$1.2 billion for State and City University systems for critical projects across all programs and SUNY dormitory facilities.
 - \$892 million for additional economic development initiatives for academic research and development projects, cultural facilities, and various economic development, energy, and environmental projects.
 - \$225 million for mental hygiene facilities.
 - \$118 million for various environmental and recreation projects.
 - \$42 million in transportation for high speed rail and local highway projects.
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2006-07 New or Increased Bond-Financed Capital Authorizations, Continued

Another \$1.7 Billion authorized at end of Legislative Session:

- \$650 million for an AMD microchip fabrication plant.
- \$800 million for economic development efforts statewide including \$300 million for grants for improvements to inner cities.
- \$80 million for multi-modal and industrial access program restorations and high speed rail.
- \$140 million for a new centralized data processing center and a new food testing laboratory.

2006-07 Bond Sale Schedule

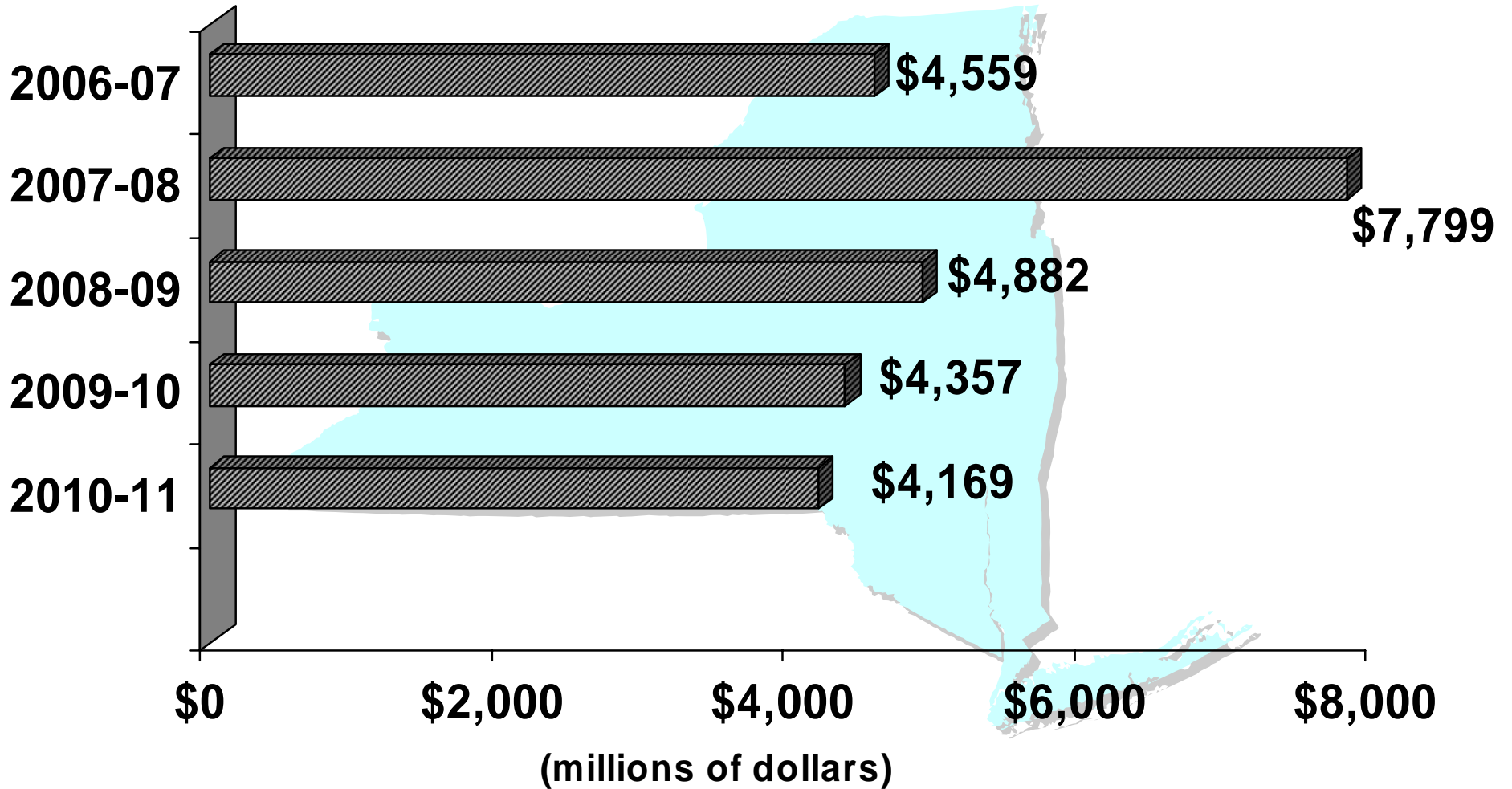
Bond Issuer	Bond Program	Month of Sale	Sale Amount (\$ in Millions)
Dormitory Authority	Department of Health Facilities	Closed July 6	\$22
Dormitory Authority	CUNY Refunding	Closed July 12	\$35
Thruway Authority	Dedicated Highway & Bridge Trust Fund	Closed July 27	\$346
Dormitory Authority	SUNY Dormitory Facilities	Closed August 9	\$90
Thruway Authority	State Personal Income Tax Revenue Bonds (Transportation)	Closed August 30	\$336
Dormitory Authority	Department of Education (Refunding)	Closed October 4	\$22
Dormitory Authority	State Personal Income Tax Revenue Bonds (EXCEL Education)	Closed November 15	\$757
Dormitory Authority	State Personal Income Tax Bonds (Education)	Pricing: November 30 Closing: December 13	\$985

2006-07 Bond Sale Schedule

Bond Issuer	Bond Program	Month of Sale	Sale Amount (\$ in Millions)
Dormitory Authority	Mental Health Facilities (New Money & Refunding)	Pricing: December 5 Closing: December 20	\$520
Empire State Development Corporation	State Personal Income Tax Revenue Bonds (State Facilities and Economic Development)	Pricing: December 14 Closing: December 29	\$750
Environmental Facilities Corporation	Riverbank State Park (Refunding)	Pricing: December 13 Closing: January 11	\$40
Dormitory Authority	State Personal Income Tax Bonds (Economic Development)	January	\$250
Environmental Facilities Corporation	State Personal Income Tax Revenue Bonds (Environment)	February	\$120
Thruway Authority	Dedicated Highway & Bridge Trust Fund	February	\$333
Housing Finance Agency	State Personal Income Tax Revenue Bonds (Economic Development & Housing)	February	\$153
New York State	General Obligation	March	\$236
Dormitory Authority/Empire State Development Corporation	State Personal Income Tax Revenue Bonds (Healthcare)	March	\$19

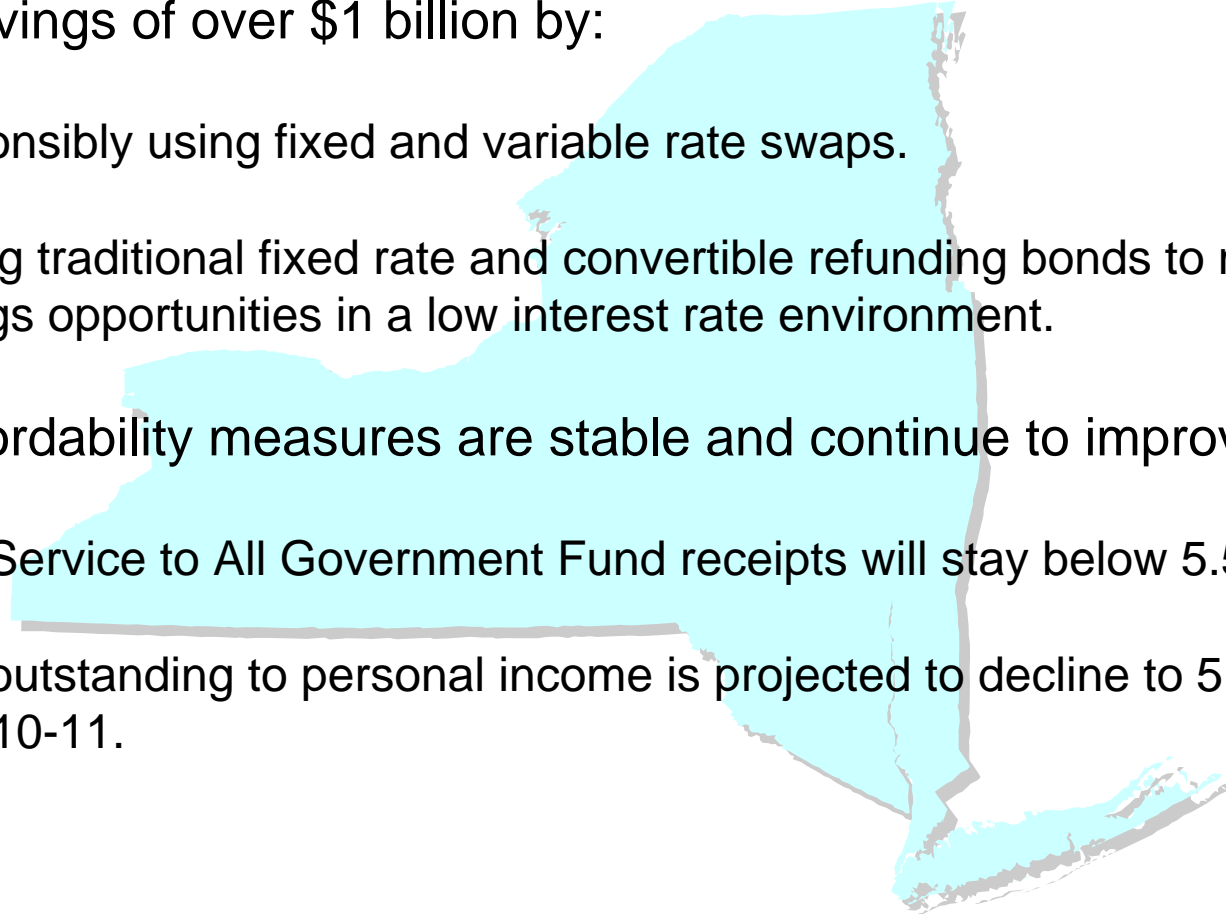
Projected State-Related Debt Issuances

Mid-Year Update

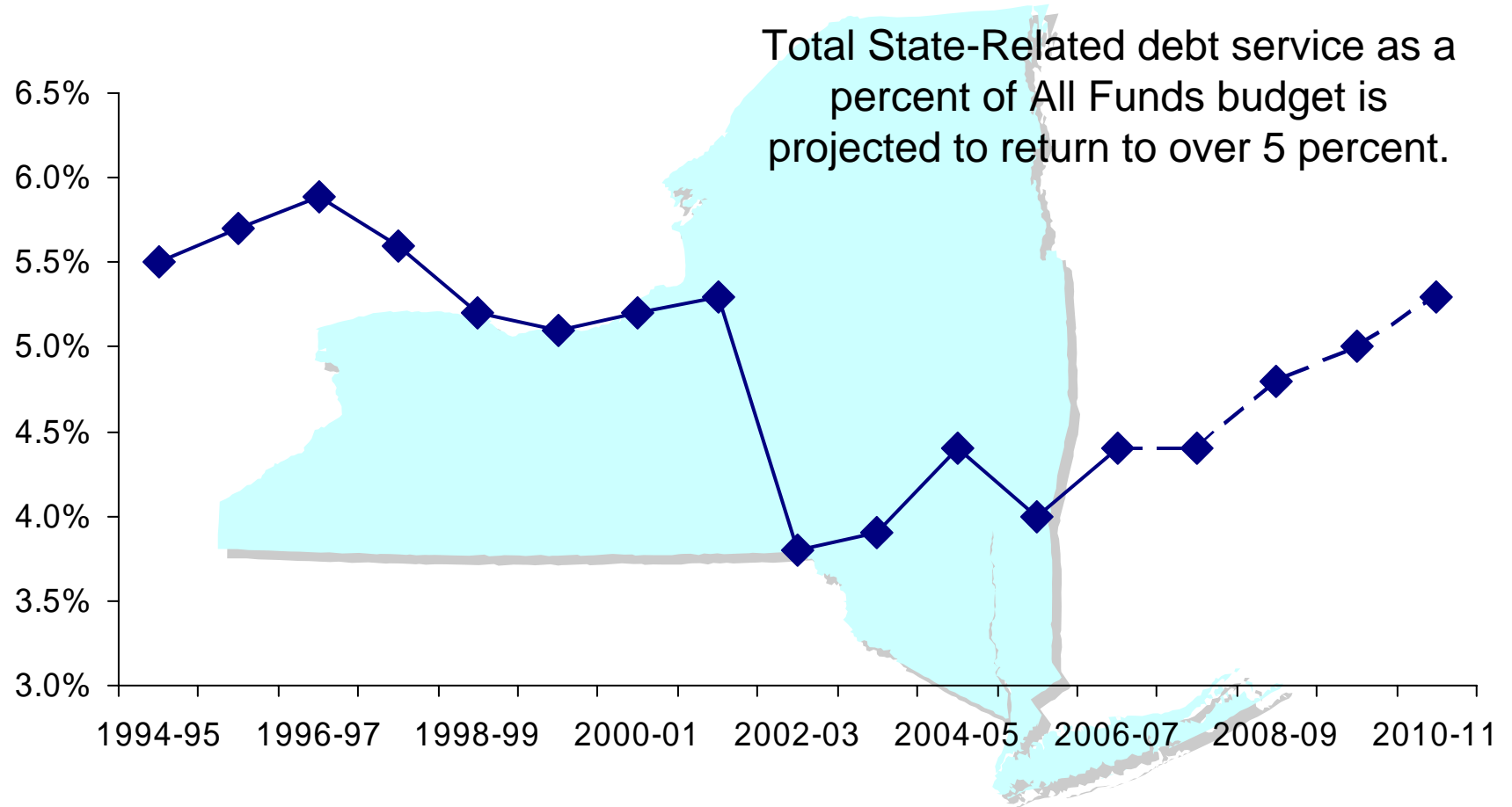


Debt Continues to be Prudently Managed and Remains Affordable

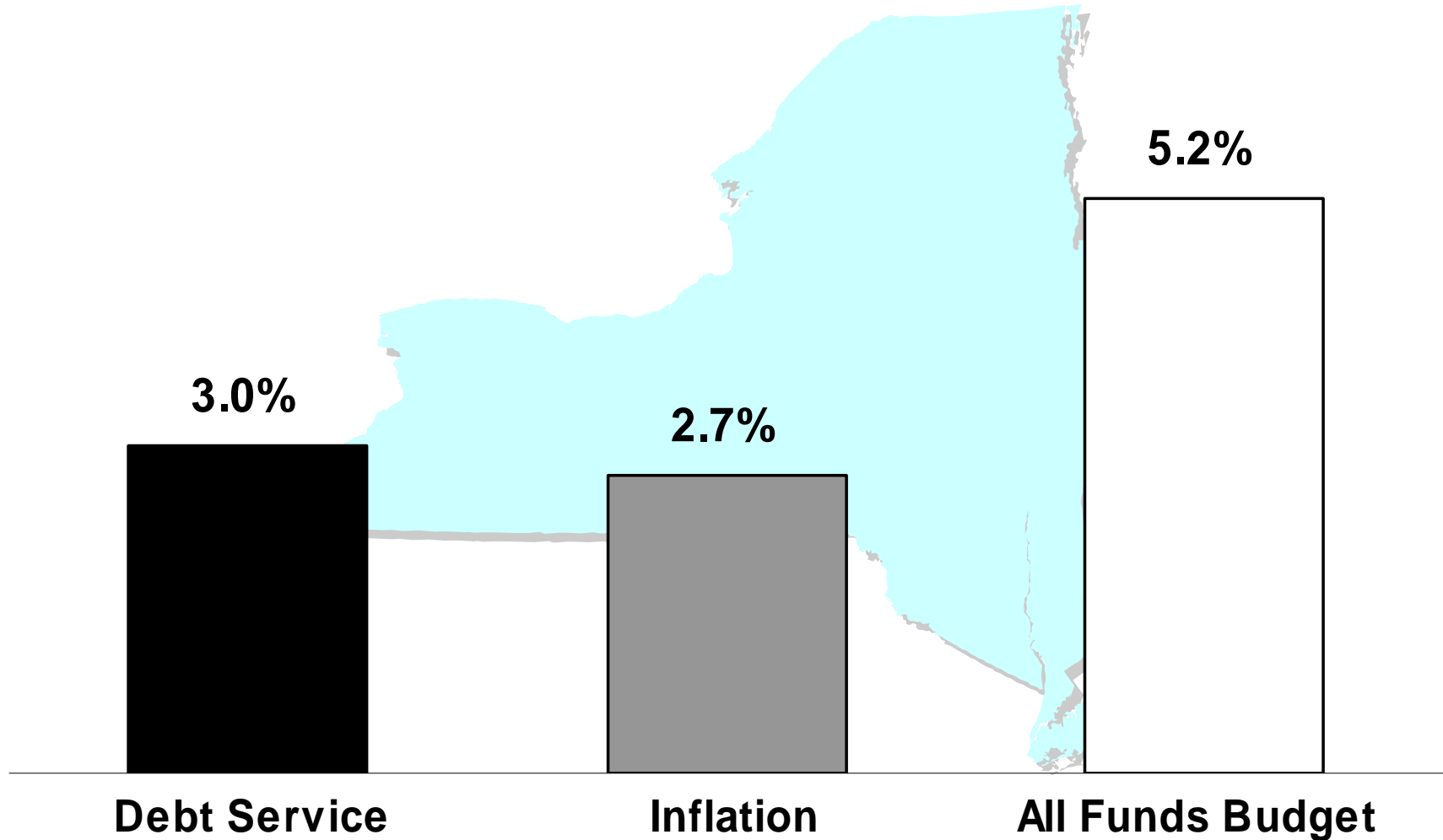
- \$19.5 billion in refundings over the last three years generated present value savings of over \$1 billion by:
 - Responsibly using fixed and variable rate swaps.
 - Issuing traditional fixed rate and convertible refunding bonds to maximize savings opportunities in a low interest rate environment.
- Debt affordability measures are stable and continue to improve.
 - Debt Service to All Government Fund receipts will stay below 5.5 percent.
 - Debt outstanding to personal income is projected to decline to 5.8 percent by 2010-11.



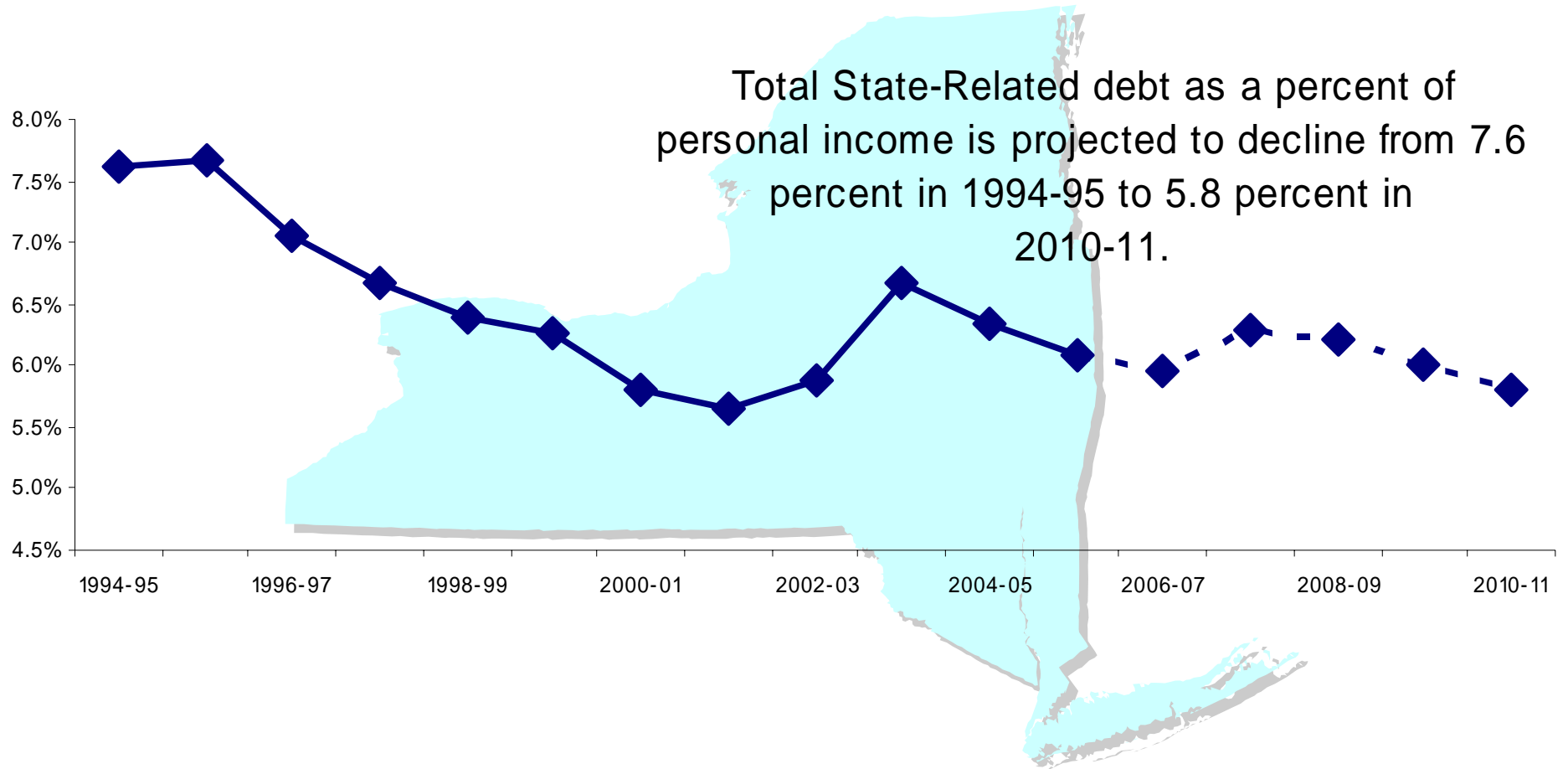
State-Related Debt Service as a Percent of All Funds Budget



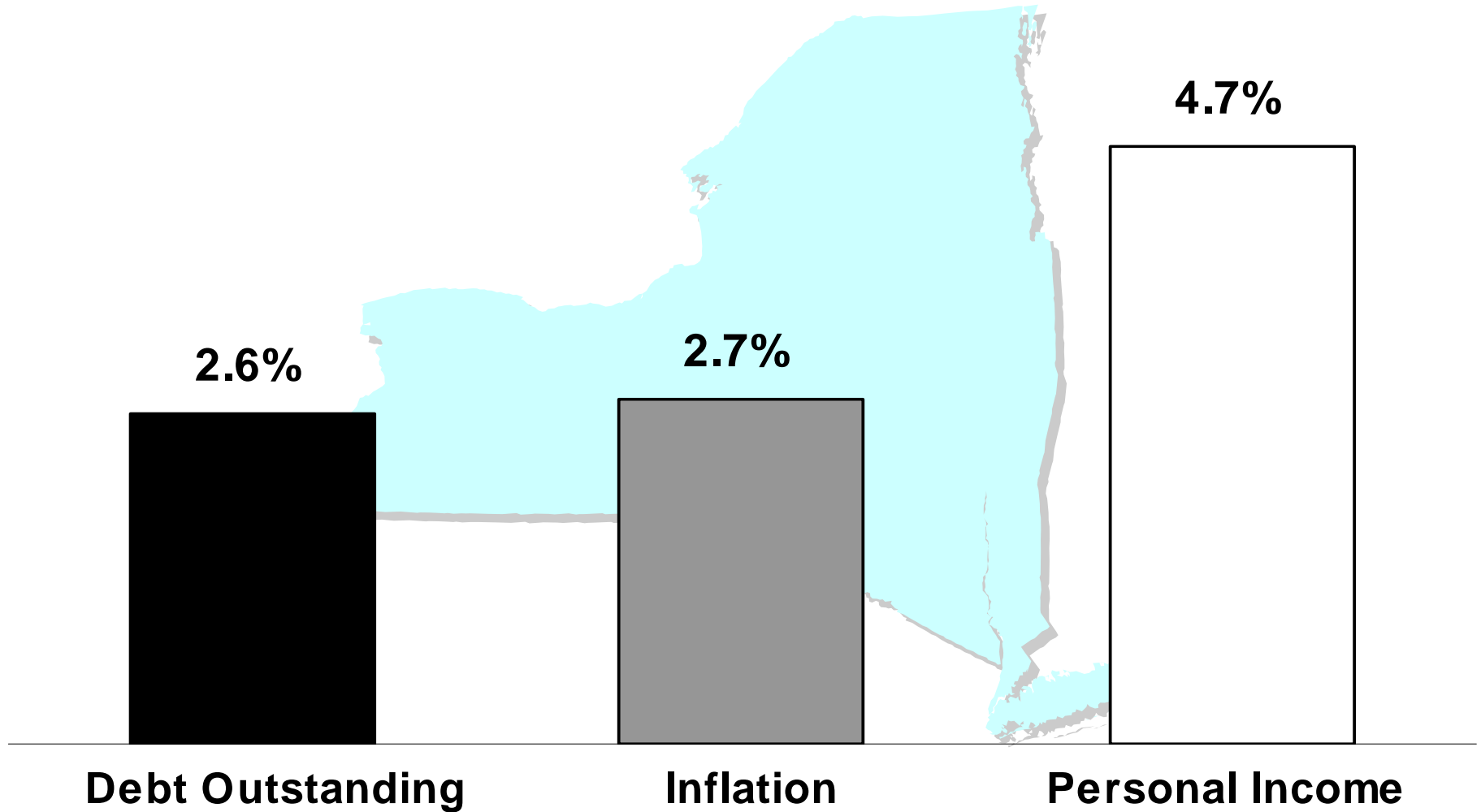
Percent Growth in State-Related Debt Service Consistent with Inflation; Below Growth In Budget



State-Related Debt as a Percent of Personal Income Has Declined

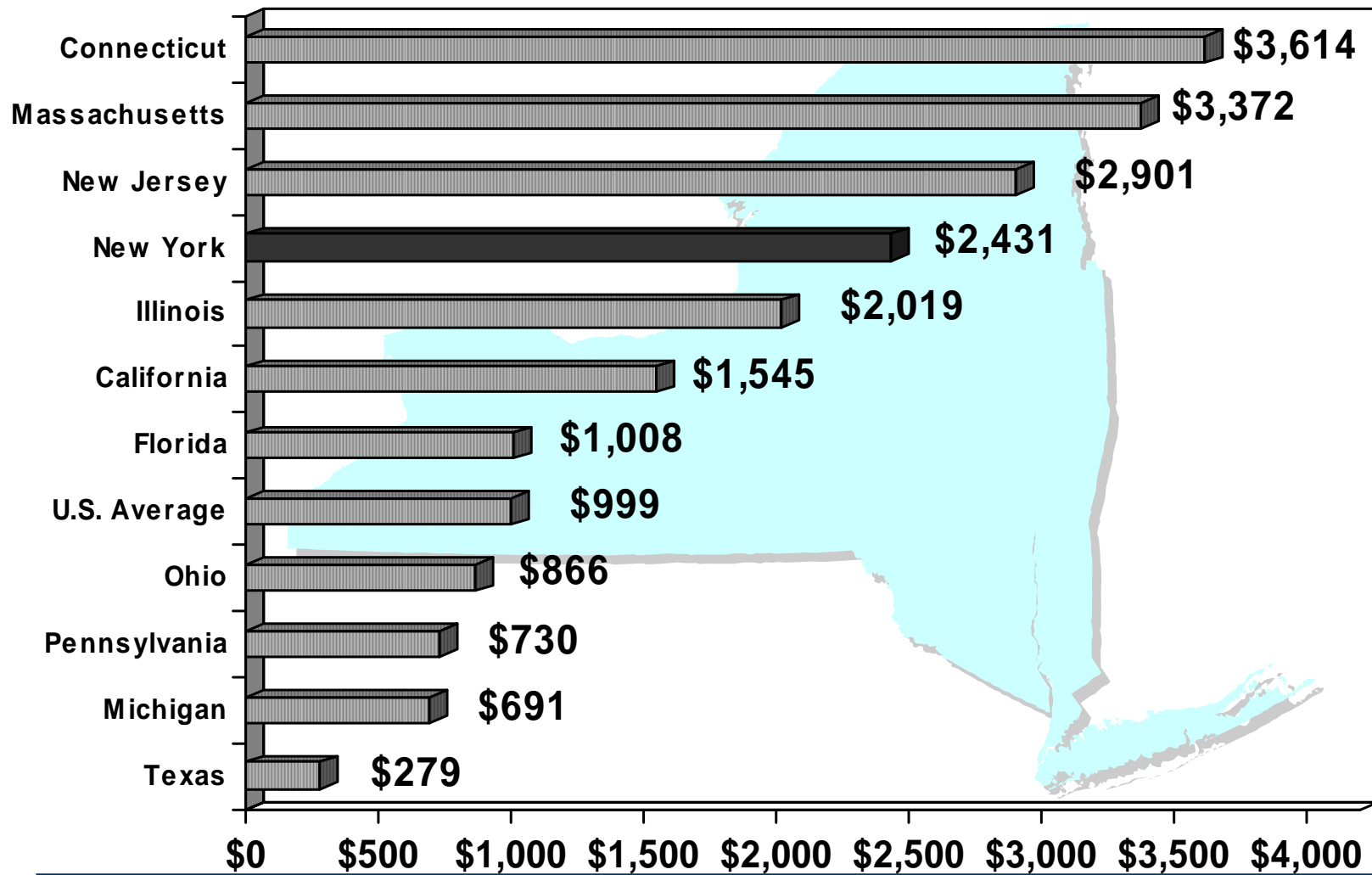


Percent Growth in State-Related Debt Outstanding Is Below Inflation/Personal Income



2004 Total Per Capita State Debt

New York and Peer State Rankings



Debt Levels Remain Below Debt Reform Caps

- Debt levels and costs continue to remain well below caps imposed by the Debt Reform Act of 2000.
- New debt limited to 4 percent of personal income; New debt service limited to 5 percent of All Funds receipts.

Debt Outstanding Cap (millions of dollars)	
New Debt Outstanding	\$14,871
Personal Income (CY 2005)	\$771,568
Debt Outstanding (Percent of PI)	1.93%
Cap Imposed by Debt Reform Act	2.65%

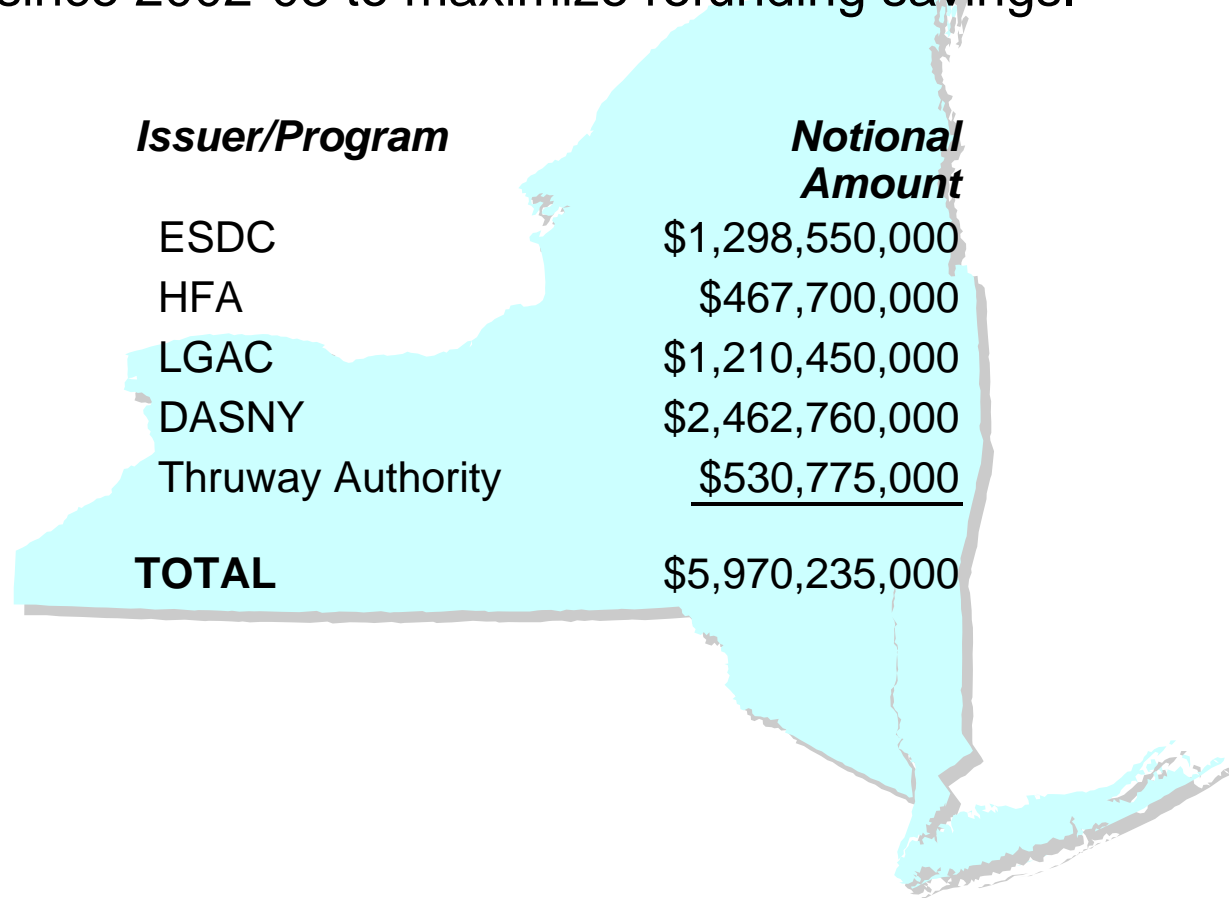
Debt Service Cap (millions of dollars)	
New Debt Service	\$1,247
Governmental Funds Receipts*	\$107,027
Debt Service (Percent of Gov't Fund Receipts)	1.16%
Cap Imposed by Debt Reform Act	2.65%

* Excludes surplus amounts.

- From April 1, 2000 through March 31, 2006 the State has issued new debt resulting in \$14.9 billion of debt outstanding applicable to the debt reform cap -- \$5.6 billion below the statutory debt outstanding limitation.
- Debt service costs on this new debt totaled \$1.2 billion in 2005-06 -- roughly \$1.6 billion below the statutory debt service limitation.

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.



Increasing Variable Rate Portfolio

Projected Variable Rate Exposure to Debt Outstanding (Percent)					
2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
10.0	11.3	12.0	14.1	13.3	13.8

- 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.
- No major increases to variable rate exposure expected in the near term.

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
- Detailed Bond Information & State-Supported Bond Sale Schedule

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