

## DEBT SERVICE

	Adjusted Appropriation 2004-05	Executive Request 2005-06	Change	Percent Change
<b>AGENCY SUMMARY</b>				
General Fund	245,000,000	245,000,000	0	0.0%
Internal Service Fund	35,000,000	25,000,000	(10,000,000)	-28.6%
Fiduciary	40,000,000	40,000,000	0	0.0%
Debt Service Fund	3,887,800,000	4,208,300,000	320,500,000	8.2%
Capital Projects Fund - Other	750,000,000	775,000,000	25,000,000	3.3%
Emergency	2,310,000,000	2,350,000,000	40,000,000	1.7%
<b>Total for AGENCY SUMMARY:</b>	<b>7,267,800,000</b>	<b>7,643,300,000</b>	<b>375,500,000</b>	<b>5.2%</b>

### **BUDGET HIGHLIGHTS**

(Executive Budget: pp. 425 - 429)

The Executive recommends total Debt Service Budget appropriations of \$7,643,300,000 for State Fiscal Year (SFY) 2005-06, a net increase of \$375,500,000 over SFY 2004-05. This increase is primarily attributed to a \$200,000,000 increase in payments of the Personal Income Tax Revenue Bond Financing Agreements. In addition, there were increases in Mental Health Service Fund financing agreements, the Local Government Assistance Tax Fund, Dedicated Highway and Bridge Trust Fund, contingent contractual payments on the variable rate obligations and interest rate exchange agreements (swaps) and the special contingent contractual obligations related to the Tobacco Settlement Financing Corporation Asset-Backed Revenue Bonds that are available in the event tobacco receipts are insufficient to make debt service payments on bonds of the Corporation.

The Executive submits a separate appropriation bill for debt service, which reflects the maximum required debt service payments for the State Fiscal Year. This appropriation reflects a maximum annual rate of 18 percent on the variable rate debt and other short term debt instruments issued by the Local Government Assistance Corporation (LGAC), the Housing Finance Agency, the Urban Development Corporation, the Dormitory Authority and the State's General Obligation bonds.

## General Fund

The Executive recommends a total General Fund appropriation of \$245,000,000 for debt service, the same level appropriated in SFY 2004-05. This total includes a \$20,000,000 Contingent appropriation for the State's potential liability to rebate arbitrage earnings on its General Obligation bonds to the Federal government. It also includes a Contingent appropriation of \$225,000,000 for redemption of General Obligation serial bonds should this become necessary to maintain their federal tax exemption. These contingent appropriations are the same as the enacted level in SFY 2004-05. It is not anticipated that disbursements will be necessary against these contingent appropriations.

## Internal Service Funds

The Executive recommends total appropriations of \$25,000,000 for the Centralized Services Fund, a decrease of \$10,000,000 from SFY 2004-05 for payments on the State's Certificates of Participation (COPs). This appropriation includes debt service payments on planned COPs for equipment financing.

## Debt Service Funds

The Executive recommends total appropriations of \$4,208,300,000 for the General Debt Service Fund, a net increase of \$320,500,000 from SFY 2003-04. Significant adjustments include:

- \$60,300,000 increase in General Debt Service Fund – Financing Agreements;
- \$200,000,000 increase in the Revenue Bond payments;
- \$40,000,000 increase in the Mental Health Services Fund;
- \$200,000 increase in Lease Purchase Payments;
- \$5,000,000 decrease in the State's General Obligation (GO) Bonds; and
- \$25,000,000 increase in the Local Government Assistance Tax Fund.

## Capital Projects Fund

The Executive recommends an appropriation of \$775,000,000 in the Capital Projects Fund, an increase of \$25,000,000 over SFY 2004-2005. This increase reflects the Executive's proposed capital program for transportation. This appropriation will be set aside in the Dedicated Highway and Bridge Trust Fund. Disbursements from the Fund are used to make payments to the Thruway Authority for debt service on its Dedicated Highway and Bridge Trust Fund bonds.

## Fiduciary Fund

The Executive recommends an appropriation of \$40,000,000 in the School Capital Facilities Financing Reserve Fund, the same level as in SFY 2004-05. These funds are used to pay debt service on bonds issued by the Dormitory Authority on behalf of certain Special Act School Districts, pursuant to legislation enacted in 1988.

## Debt Reform

The Executive proposes a Constitutional Debt Reform package following the enactment of the Debt Reform Act of 2000. The plan would do the following:

- constitutionally mandate the State-supported debt outstanding and debt service caps now imposed by the Debt Reform Act of 2000;
- ban “back door” borrowing;
- authorize a limited amount of revenue-backed debt;
- require that at least one-half of the debt be approved by the voters; and
- authorize multiple General Obligation (GO) bond act proposals.