State Fiscal Year 2009-10
Executive Budget
Preliminary Overview

December 2008

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New York State Comptroller

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Introduction

In response to the ongoing economic crisis in the State and nation, the State Fiscal Year (SFY) 2009-10 Executive Budget recommends $9.5 billion in spending reductions, $3.1 billion in new and higher taxes and fees, and $1.1 billion in nonrecurring resources to close an anticipated $13.7 billion SFY 2009-10 General Fund deficit, including shortfalls expected in the Health Care Reform Act (HCRA) funds. These actions, which would create recurring revenue and savings, appear to have helped minimize the use of nonrecurring resources to balance the budget. Debt issuances, although still high by historical standards, are limited primarily to program authorizations enacted in prior years. The use of direct cash financing (pay-as-you-go) for capital projects is increased over the next five fiscal years.

Despite these proposed actions, the long term Financial Plan remains structurally out of balance. General Fund revenue growth over the four year Financial Plan is expected to increase by approximately 16 percent, while General Fund spending is projected to increase by 23 percent. This continued imbalance is expected to result in a General Fund deficit of $5.5 billion in SFY 2012-13.

The SFY 2009-10 Executive Budget also recommends a $1.7 billion deficit reduction plan for the current fiscal year. Unlike the budget proposal for the next fiscal year, which includes both spending and revenue initiatives to close the General Fund budget deficit, the deficit reduction plan for SFY 2008-09 relies primarily on the use of recurring and non-recurring resources to close the current year deficit. No significant spending reductions are recommended.

General Fund spending for SFY 2009-10 is recommended to remain at the $55.4 billion level of the current fiscal year. This amount is $969 million below General Fund spending estimates for SFY 2008-09 as originally projected in the SFY 2008-09 Enacted Budget Financial Plan released on May 1, 2008 and $2.0 billion, or 3.8 percent, over SFY 2007-08.

Spending on an All Funds basis, which includes the General Fund as well as special revenue, debt service and capital projects funds, is projected at $121.1 billion in SFY 2009-10, an increase of 1.1 percent over the current year estimate of $119.7 billion. This projection is $548 million above the All Funds spending estimates for SFY 2008-09 as projected in the SFY 2008-09 Enacted Budget Financial Plan released on May 1, 2008, and $5.0 billion, or 4.3 percent, over SFY 2007-08.

The proposed General Fund deficit reduction plan for SFY 2009-10 includes approximately $3.5 billion in Medicaid and health care savings and revenue actions, and $3.7 billion in school aid and Middle Class School Tax Relief (STAR) Program reductions. However, after these reductions, spending for total Medicaid is expected to increase by $432 million, or 1 percent, while education aid is expected to remain approximately level. The Executive also proposes reductions to most other major categories of spending, including local government assistance ($432 million), mental hygiene ($423 million) and public protection ($191 million).

The SFY 2009-10 Executive Budget does not include proposals for across the board increases to the State's broad based income and business taxes, but includes revenue actions that would generate an additional $5.2 billion in All Funds receipts, including 24 proposals to modify the current tax structure to raise $1.4 billion in the next fiscal year. A total of 90 new or increased fee proposals valued at over $415 million in the next fiscal year are also included. Several of these initiatives have been proposed in prior years' budgets but not enacted, including the elimination of the $110 sales tax exemption on clothing as well as higher motor vehicle related fees. New proposals include a limit on itemized deductions for high income taxpayers, a higher sales tax on high caloric beverages and the extension of the sales tax for cable and satellite television and radio.

Many of the Executive's proposals to close the deficits for the current and next fiscal year are at risk of not being realized. This includes spending reductions and revenue actions that have been proposed in the past and rejected. Balancing the budget on risky revenue and savings assumptions places additional strain on the State's Financial Plan at a time of economic recession. Unlike previous years, growth in State tax revenues will not be available to cover any shortfall created by Legislative rejection of Executive spending and revenue proposals or through the failure of anticipated revenue to materialize (such as funds from insurance conversions).

The SFY 2009-10 Executive Budget closes the $13.7 billion General Fund deficit projected for the next fiscal year, and begins to realign the ongoing structural imbalance between revenues and spending. However, State debt levels remain among the highest in the nation, and debt service remains one of the fastest growing categories of State spending, limiting available funds for other critical programs such as health and education.

As the Legislature proceeds with its review of the SFY 2009-10 Executive Budget and specific proposals to address the State's budget deficit are either enacted or substituted for alternative proposals, attention must be given to creating a final budget that improves underlying budget balance on a structural level. The use of one-time revenues to balance next year's budget will only add to out-year budget shortfalls.

While all prudent fiscal measures must be considered to avoid devastating reductions in services and to maintain critical support for New York's infrastructure, the choices made must improve the State's future financial condition. New York must act now to implement long-term solutions to provide real and lasting fiscal strategies to improve the State's financial prospects.

Economic Outlook

Since the release of the Office of the State Comptroller's "Report on Estimated Receipts and Disbursements – State Fiscal Years 2008-09 through 2010-11" on November 5, 2008, the forecast for the national economy has continued to weaken. The National Bureau of Economic Research recently reported that the nation entered into a recession in December 2007, making the current recession the longest in over 25 years. Moreover, the latest Blue Chip consensus forecast of December 2008 projects that the recession will last through the second quarter of 2009—the longest recession in the post war period.

The weakness in the economy has spread well beyond the housing and financial markets as consumer spending declined in the third quarter of 2008 and the nation lost 533,000 jobs in November (the largest one month decline in 34 years), increasing the unemployment rate to 6.7 percent in November (the highest rate since October 1993). Businesses, facing weak consumption and tight credit, have cut back their investments and hiring, while the housing market has continued to decline. The Institute for Supply Management's manufacturing index fell to a 26-year low in November and has fallen in each of the past five months.

To date, attempts by the Federal Reserve, the U.S. Treasury and the central banks around the world have thus far failed to restore liquidity to the credit markets. Recently, the Federal Reserve set a target range for the federal funds rate of zero to 0.25 percent, the lowest rate in history. President-elect Barack Obama, working with Congress, is developing an economic stimulus package expected to total between $500 billion and $700 billion.

New York's economy has fared better than the national economy to date. The housing market crisis has not hit New York as hard as in many other areas of the country. However, the impact on the State is likely to worsen as the financial crisis works its way through the economy. Declines in the securities industry profits and bonuses are expected to have a significant negative impact on State revenues.

Between December 2007 and November 2008, the State lost 25,700 jobs, but job losses have recently accelerated. The Office of the State Comptroller has previously reported that it expects job losses of 225,000 over a two-year period. The Executive expects the unemployment rate to increase 1.8 percentage points to 7.2 percent in 2009. With the large decline in securities industry bonuses and the large decline in employment, wages are expected to decline by 3.0 percent in 2009—the largest decline since 1991.

Financial Overview

SFY 2008-09

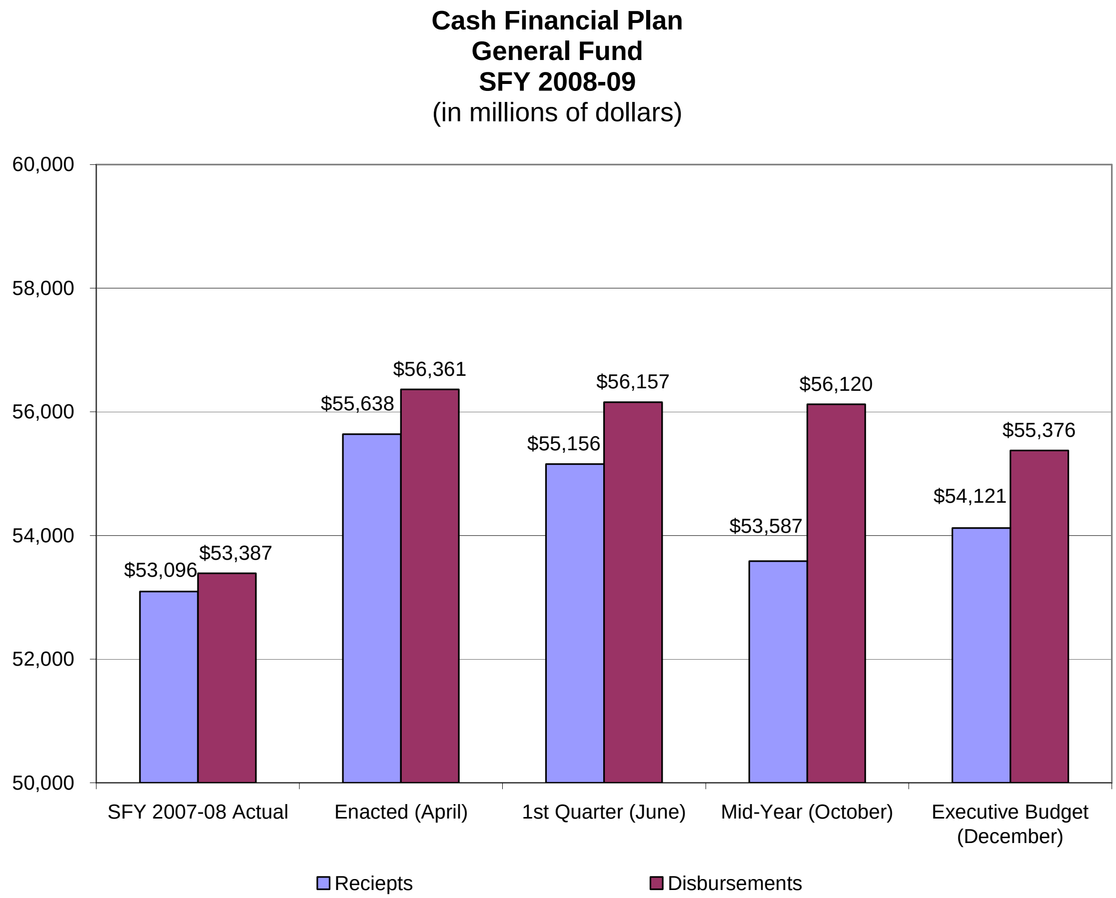
Throughout State Fiscal Year (SFY) 2008-09, economic events have negatively impacted State revenue collections, adding significant pressure to the State's Financial Plan. While the Governor and the Legislature have reduced current year spending by nearly $1.8 billion from April 2008 projections, a current year General Fund deficit of $1.7 billion is still projected.

General Fund

In the SFY 2008-09 Enacted Budget Financial Plan released May 1, General Fund tax revenue was expected to increase $2.2 billion, or 5.8 percent, over SFY 2007-08 levels to $40.6 billion. As the year progressed and the economy worsened, revenue projections were adjusted downward by over $2 billion to $38.6 billion in the SFY 2009-10 Executive Budget, representing growth of 0.5 percent. Most of the reductions were made to Personal Income Tax ($941 million) and business tax ($914 million) projections. Tax revenues were lowered by $101 million between the Mid-Year Update to the Financial Plan issued October 30 and the SFY 2009-10 Executive Budget proposal.

Total projected General Fund receipts for SFY 2008-09 (including transfers from other funds) of $54.1 billion are $1.5 billion below Enacted Financial Plan projections but $578 million above Mid-Year Financial Plan projections, primarily due to fund sweeps expected to be enacted by the Legislature.

Projected General Fund spending of $55.4 billion is $985 million below Enacted Plan projections and $744 million below Mid-Year Financial Plan projections, but $1.2 billion over SFY 2007-08. Planned spending reductions enacted in the August Special Session include $427 million for local assistance payments. The Executive has also taken administrative actions to lower operational spending by $630 million.



Deficit Reduction Plan

To address the projected current year General Fund deficit of $1.7 billion (which includes $315 million associated with the Health Care Reform Act, or HCRA, shortfalls that are eliminated with General Fund resources), the Executive proposes a combination of legislative ($1.3 billion) and administrative ($373 million) actions. Most of the Deficit Reduction Plan is non-recurring in nature, although the $500 million in health care savings initiatives is expected to grow to $1.6 billion annually when fully implemented.

The largest part of the Plan comes from reductions and savings associated with various health care initiatives. However, as implementation of such changes may not take place until after the beginning of the new fiscal year, the Plan will delay certain payments to the City University of New York initially planned for the current fiscal year until June 2009 (the statutorily required payment date). That payment deferment is expected to provide approximately $429 million in current year savings. The cost in the next fiscal year is expected to be covered by savings associated with proposed health care actions. A similar deferral (one that is authorized in statute, at the discretion of the Director of the Division of the Budget) is planned for New York City's

December Middle Class School Tax Relief (STAR) Program payment of $93 million. This payment will be delayed until July 2009.

Proposed Deficit Reduction Plan
(in millions of dollars)

General Fund Gap (including HCRA shortfall)	**(1,707)**
Actions requiring Legislation	**1,334**
CUNY Deferral/ Medical Assistance Savings	500
NY Power Authority Revenue Transfer	306
Sweep of Earned Federal Funding for Child Support Administrator	100
Sweep of Attorney General Litigation Funds	91
Additional Sweep From Environmental Protection Fund	75
Higher Education Tuition Increase and Program Reduction	68
Sweep of Workers Compensation Board Surplus	50
Repeal Member Item Deposit	45
Other	99
Administrative Actions	**373**
Spending Controls Implemented in November	100
Additional Fund Sweeps	100
New York City STAR Payment Deferral	93
Sweep of Manhattan District Attorney Balance	75
Other	5
Remaining Gap	**0**

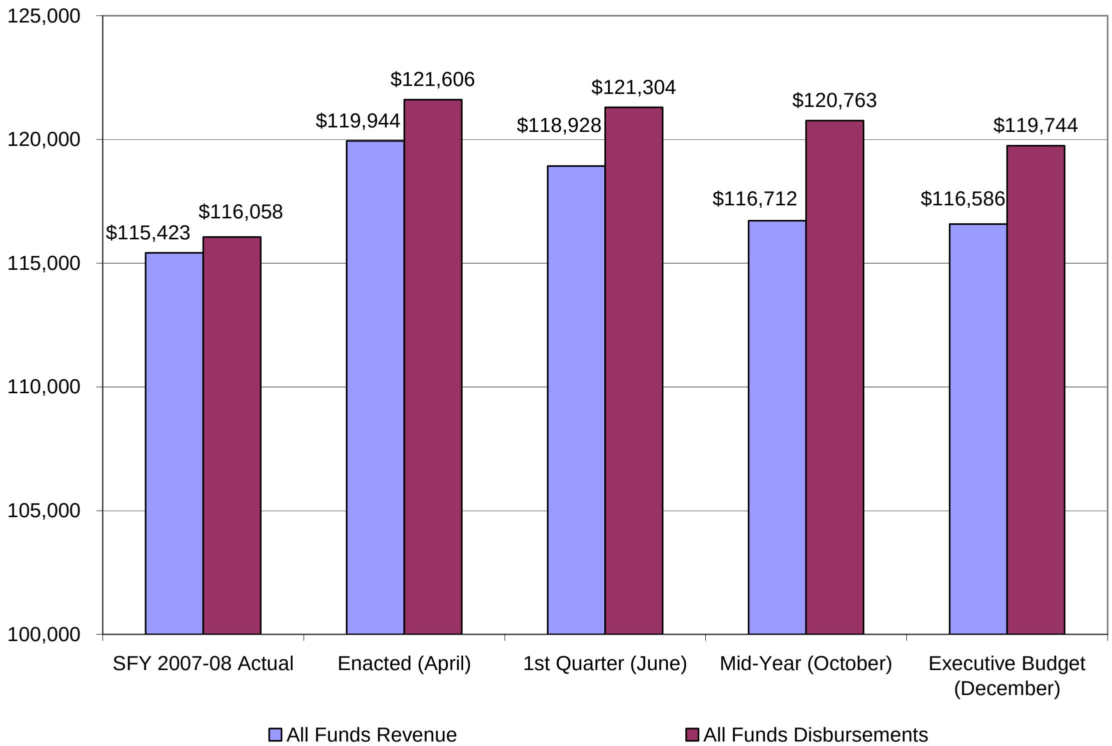
All Funds

Revenue collections and spending outlays in SFY 2008-09 have reflected the economy and budget actions taken throughout the year. Projected All Funds revenue collections of $116.6 billion are expected to be $3.4 billion below Enacted Financial Plan projections released in April and $126 million below the Mid-Year projections. Total revenue is expected to end the year approximately $1.2 billion, or 1.0 percent, over SFY 2007-08.

Tax collections are projected at approximately $3.1 billion below SFY 2008-09 Enacted Plan projections and $492 million below Mid-Year projections. Current projections for tax revenues are expected to be below SFY 2007-08 levels by approximately $75 million. The largest change in tax projections throughout the year comes from decreases in Personal Income Tax ($1.3 billion) and business tax collections ($1.1 billion).

All Funds spending for SFY 2008-09 of $119.8 billion is projected at $1.8 billion below Enacted Plan projections and $1.5 billion below Mid-Year projections. However, total spending is projected at $3.8 billion, or 3.3 percent, over SFY 2007-08. Spending is lower primarily in Local Assistance and Capital Projects.

Cash Financial Plan
All Funds
SFY 2008-09
(in millions of dollars)



Reserves

The General Fund is projected to end the current year with a closing balance of $1.5 billion, assuming the proposed Deficit Reduction Plan is adopted and implemented as planned. The closing balance is expected to be nearly $1.3 billion below the SFY 2007-08 year-end balance of $2.8 billion and $3.6 billion less than the highest recent year-end balance of $5.1 billion in SFY 1999-00. This $1.3 billion in reserves has been required in order to balance the SFY 2008-09 Financial Plan.

Of the $1.5 billion closing balance, $145 million in unrestricted reserves is projected to be available for use in SFY 2009-10. The Division of the Budget (DOB) has indicated that the funds will be used at that time for anticipated labor costs, although the funds can be used for any General Fund purpose. The $145 million is held over from surpluses from prior years. Those reserved surpluses have been as high as nearly $4 billion (SFY 1999-2000) and were available for use during the State's last economic downturn that began in SFY 2001-02. During that period, the reserved surplus declined to a low of $627 million in SFY 2002-03. After SFY 2009-10, that reserved surplus would be depleted and unavailable for future need.

General Fund Reserves
SFY 2007-08 through SFY 2008-09
(in millions of dollars)

	Actual SFY 2007-08	Executive Proposed SFY 2008-09	December SFY 2008-09	Dollar Change from SFY 2007-08 to SFY 2008-09	Dollar Change from Executive Proposal to Enacted
Tax Stabilization Reserve Fund	1,031	1,031	1,031	-	-
Rainy Day Reserve	175	175	175	-	-
Contingency Reserve Fund	21	21	21	-	-
Prior Year Surplus	1,187	445	145	(1,042)	(300)
Community Projects Fund	340	237	127	(213)	(110)
Debt Reduction Reserve Fund (1)	-	122	-	-	(122)
Total	**2,754**	**2,031**	**1,499**	**(1,255)**	**(532)**

(1) DOB included $122 million from the Prior Year Surplus in the Debt Reduction Reserve Fund in SFY 2007-08 although an actual transfer of funds had not yet taken place as of March 31.

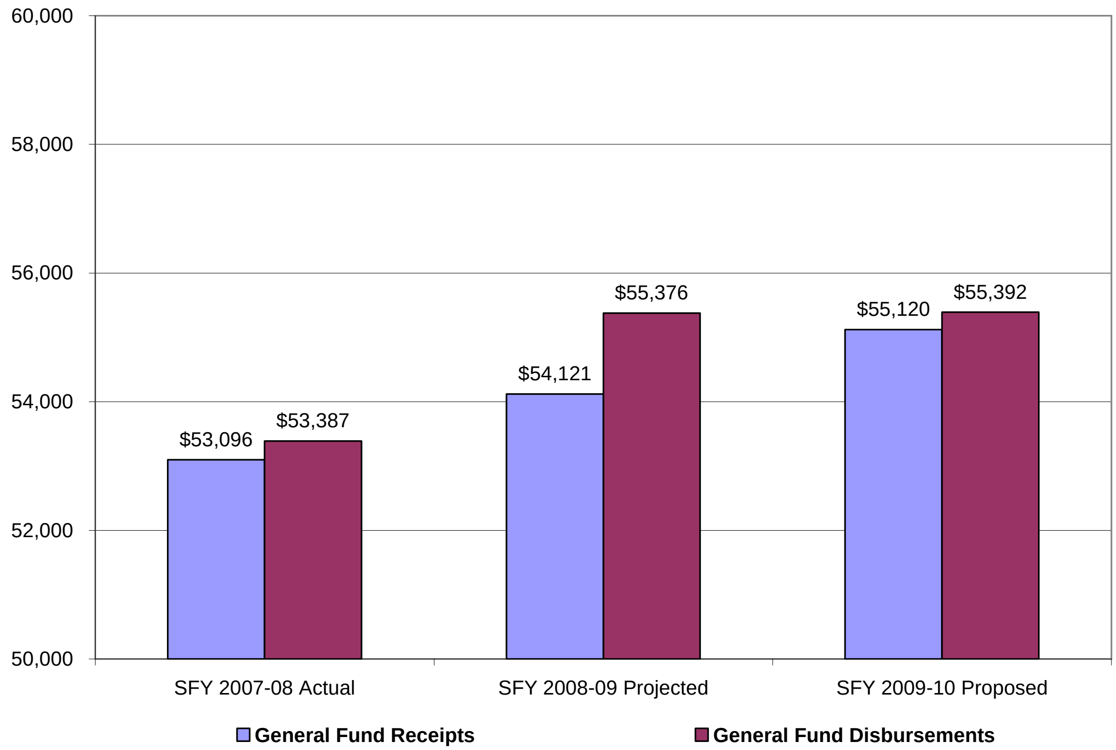
SFY 2009-10 – Proposed Budget Preliminary Analysis

General Fund

The SFY 2009-10 Executive Budget assumes the Deficit Reduction Plan for SFY 2008-09 will be enacted. Additional recurring actions before the end of the year alleviate the current year problem and reduce out-year gaps. The proposed Financial Plan projects General Fund receipts (including transfers) will grow nearly $1 billion, or 1.8 percent, in SFY 2009-10. The largest area of growth is projected to be user taxes and fees, projected to grow $1.3 billion, or 15 percent, primarily because of proposed fee and fee increases included in the budget, as well as a change to the clothing exemption on sales tax and additional Alcohol and Beverage Control license fees associated with wine sales in grocery stores. Business tax collections are projected to increase $439 million, or 7.8 percent, to nearly $6.1 billion, primarily from increased Corporate Franchise collections and Insurance Tax collections.

General Fund spending is projected to stay nearly flat, as a result of the various spending reductions across all program areas. The largest decline ($827 million or 2.2 percent) will come from local assistance payments. State Operations costs are projected to increase $219 million, or 2.6 percent, to $8.6 billion. The State Operations increase is significantly lower than projected in the Mid-Year update to the SFY 2008-09 Financial Plan (which projected an increase of $828 million, or nearly 10 percent), which reflects proposed actions from the Deficit Reduction Plan that will also reduce costs in subsequent years, as well as proposed reductions and actions included in the SFY 2009-10 proposal.

Actual and Projected General Fund Receipts and Disbursements (including transfers) SFY 2007-08 through SFY 2009-10
(in millions of dollars)



Gap Closing Plan

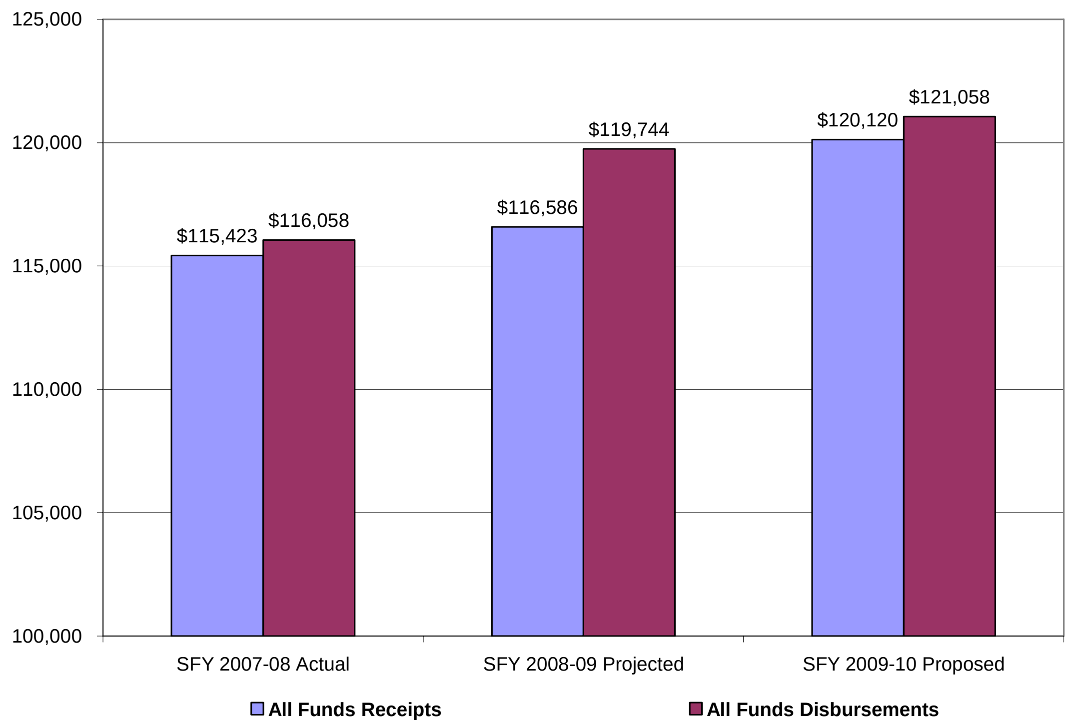
The Division of the Budget projects a current services General Fund gap of $13.7 billion for SFY 2009-10, which includes a $315 million projected HCRA shortfall. To address this shortfall, the Executive proposes approximately $9.2 billion in various spending reductions and other actions, $3.1 billion in various tax and fee actions, and an additional $1.1 billion in non-recurring actions. Other actions taken to produce savings or increase revenues within HCRA accounts (primarily a tax on non-diet soft drinks) result in an additional $315 million in savings for the General Fund.

All Funds

All Funds receipts are projected to increase $3.5 billion, or 3 percent, from revised SFY 2008-09 projections, primarily from Miscellaneous Receipts and projected increases in various fees, assessments, bottle deposits and HCRA receipts. Taxes are expected to increase $586 million, or only 1 percent, which is entirely driven by increases in various sales and use taxes and fees. Personal Income Tax is projected to decline 4.9 percent, or $1.8 billion, and other taxes are projected to decline $330 million, or 16.4 percent. Business taxes, as a result of projected increases in Corporate Franchise and Insurance taxes, are projected to increase to $418 million, or 5.4 percent. However, according to DOB, if proposed revenue actions are not implemented, business tax collections would decline approximately 2.8 percent.

All Funds spending is projected to increase $1.3 billion, or 1.1 percent, to $121.1 billion. Local assistance is projected to decline $931 million, or 1.1 percent. This decrease is offset by projected increases in State operations ($713 million, or 3.7 percent), debt service on State-Supported debt ($508 million, or 11 percent) and capital projects ($979 million, or 15.8 percent).

Actual and Projected All Funds Receipts and Disbursements
SFY 2007-08 through SFY 2009-10
(in millions of dollars)



Structural Imbalance – Out-Years

According to the proposed Financial Plan, out-year gaps would grow to nearly $20 billion in SFY 2012-13. If proposed revenue and spending actions are taken, DOB projects gaps will total $5.5 billion in SFY 2012-13, 8.1 percent of General Fund spending in that year. The following table details gap closing actions and the impacts for SFY 2009-10 through SFY 2012-13.

General Fund
Gap-Closing Plan
SFY 2009-10 through SFY 2012-13
(in millions of dollars)

	SFY 2009-10	SFY 2010-11	SFY 2011-12	SFY 2012-13
Current Services Gap Estimates	**(13,678)**	**(17,108)**	**(18,555)**	**(19,627)**
New Recurring Revenue	**3,076**	**3,630**	**3,503**	**3,024**
Increase Utility Assessment	652	652	652	273
Sales Tax Clothing Exemption	462	660	660	660
Reform Empire Zones	247	264	266	274
Enhanced Bottle Bill	207	207	207	207
Limit Itemized Deductions	140	200	150	150
Cable/Satellite Sales Tax	136	180	180	180
Limit Capital Improvement Exemptions	120	160	160	160
Permit Wine in Grocery Stores	105	54	3	3
Repeal Motor Fuel Sales Tax Cap	90	120	120	120
Enhance Audit and Compliance	85	85	85	85
Personal Care Sales Tax	78	104	104	104
Increase Beer and Wine Tax	63	63	63	63
Insurance Rate Restructure	62	50	50	50
Hedge Fund Management Fee Tax	60	60	60	60
Entertainment Sales Tax	53	70	70	70
Work Zone Cameras - Speed Enforcement	50	100	100	100
Non-LLC Partnership Fee	50	50	50	50
Transportation Sales Tax	45	60	60	60
All Other	371	491	463	355
Non-Recurring Actions	**1,137**	**361**	**(434)**	**(34)**
Delay Medicaid Cycles	400	-	(400)	-
Business Tax Prepayment	333	-	-	-
Battery Park Resources	270	-	-	-
New York Power Authority Resources	270	-	(25)	(25)
Equipment Bond Financing (formerly cash)	104	(4)	(4)	(4)
Belmont Franchise Fee	-	370	-	-
CUNY Payment (from Deficit Reduction Plan)	(429)	-	-	-
All Other	189	(5)	(5)	(5)
Spending Reductions	**9,150**	**11,166**	**11,416**	**11,142**
Medicaid and HCRA	2,626	2,506	2,624	2,678
School Aid and Other Education	2,118	3,531	3,662	3,430
STAR	1,688	2,160	2,222	2,290
Local Government Assistance	432	504	500	493
Mental Hygiene	423	451	450	416
Human Services/Labor/Housing	385	425	398	290
Higher Education	338	415	390	365
State Workforce	281	161	161	161
Repeal Planned Member Items (1)	196	-	-	-
Public Safety	191	247	223	231
Convert Capital to Pay-As-You-Go (PAYGO)	-	(100)	(200)	(300)
All other	472	866	986	1,088
Savings Accrued to HCRA	**315**	**117**	**25**	**(14)**
New Gap Projection	**-**	**(1,834)**	**(4,045)**	**(5,509)**

(1) These resources are non-recurring. Note: Negative numbers increase the gap whereas positive numbers decrease the gap.

The General Fund budget gap illustrates the fact that State spending growth exceeds State revenue growth, a long trend in New York State budgets. For SFY 2008-09, General Fund revenue is expected to grow by 1.9 percent over SFY 2007-08, while spending is projected to grow by nearly double that rate, or 3.7 percent in the same period.

Even considering all the actions taken thus far in SFY 2008-09, the proposed Deficit Reduction Plan and the significant revenue and spending actions proposed in the Executive's submission, General Fund spending is projected to grow an average of 5.4 percent through SFY 2012-13, compared to an average of only 3.8 percent for revenues.

On a percentage basis, the following table illustrates the structural imbalance between spending and receipts in both the General Fund and All Funds.

Projected Growth in General Fund Receipts And Disbursements SFY 2009-10 through SFY 2012-13

Percentage Growth	SFY 2008-09 Projected	SFY 2009-10 Proposed	SFY 2010-11 Projected	SFY 2011-12 Projected	SFY 2012-13 Projected	Total Growth SFY 2009-10 through SFY 2012-13	Average Annual Growth SFY 2009-10 through SFY 2012-13
General Fund Receipts	1.9%	1.8%	4.1%	4.4%	4.7%	15.9%	3.8%
General Fund Disbursements	3.7%	0.0%	6.9%	8.0%	6.7%	23.2%	5.4%
All Funds Receipts	1.0%	3.0%	4.4%	4.1%	2.1%	14.4%	3.4%
All Funds Disbursements	3.2%	1.1%	5.7%	5.7%	3.0%	16.4%	3.9%

Risks to the Financial Plan

The SFY 2009-10 Executive Budget is predicated on a number of actions that may not ultimately provide the actual level of receipts or savings anticipated. This includes billions of dollars in new or increased revenue proposals that may be challenging to enact, that have been proposed in the past but not enacted, or that may not produce the revenue at the projected levels. These actions also include expected savings from proposals that have been proposed in the past but have not been enacted, such as facility closures and programmatic reductions. In addition, an economic slowdown that is worse or longer than anticipated could have the significant effect of further increasing human services costs, while at the same time reducing revenues.

The General Fund Financial Plan depends on a number of actions in other funds (such as HCRA or the Dedicated Highway and Bridge Trust Fund) for balance. Historically and increasingly so, the General Fund has been called upon to fill gaps in these funds, in part because the non-General Fund revenue projections for these funds present some risk (such as health insurance conversion revenue in HCRA). The proposed budget includes actions that are meant to eliminate the dependence on the General Fund, but if those actions do not produce intended results, the dependence on the General Fund would actually increase.

After SFY 2009-10, the General Fund may have no unrestricted reserve funds to draw from if needed. While the two reserves designed to help with cash flow and year end deficits (Tax Stabilization Reserve Fund and the newly created Rainy Day Fund) total approximately $1.2 billion, it is an insufficient amount to deal with the large structural gap that has become commonplace with New York's budget.

Revenue

The Executive Budget includes revenue actions to generate an additional $5.2 billion in All Funds receipts for SFY 2009-10 and $5.6 billion when fully effective in SFY 2011-12.

Tax Reforms. Of the 24 proposals in this category valued at $1.4 billion for SFY 2009-10, the largest would:

- *Restructure the clothing exemption* – replace the current sales tax exemption on clothing under $110 with two, one-week exemptions for clothing under $500, providing $462 million.
- *Further limit itemized deduction for millionaires* – limit the remaining itemized deductions by an additional 50 percent although charitable contributions would be exempt, providing $140 million.
- *Extend the sales tax to cable and satellite television and radio* – tax cable and satellite transmission sales, providing $136 million.
- *Repeal the sales tax cap on fuel* – repeal the current $2 per gallon gasoline sales tax cap, providing $90 million.

Fees. The Executive Budget includes 90 new or increased fee proposals valued over $416 million in SFY 2009-10 and almost $640 million in SFY 2011-12. The revenue impact of the majority of the new fee proposals is less than $5 million. Those proposals generating significant revenue in SFY 2009-10 include:

- *Increase beer and wine tax rates* – generating $63 million.
- *Restructure clinical lab fees* – generating $36.5 million.
- *Increase passenger vehicle registration fee* – generating over $36 million.
- *Increase physician fees* – generating $16.4 million.
- *Increase real property transfer fee* – generating $14.3 million.
- *Renew motor vehicle license fee registrations* – generating $13.1 million.
- *Establish processing fee for paper tax returns* – generating $6.8 million.
- *Reissue license plates* – would not increase revenues in SFY 2009-10 but would generate $129 million in SFY 2011-12.

Charges and Assessments. The 13 proposals for charges and assessments for specific sectors with a revenue impact of $2.2 billion in SFY 2009-10 and $2.3 billion when fully effective include:

- *Increase utility assessment* – generating $651.6 million in SFY 2009-10.
- *Additional sales tax on soft drinks for health care programs* – generating $404 million in SFY 2009-10.
- *Reinstitute hospital assessment* – generating $316.4 million in SFY 1009-10.

- *Establish Timothy's law insurance assessment* –generating $179 million in SFY 2009-10.
- *Increase hospital surcharges* – generating $126 million in SFY 2009-10.

Fines. Of the nine new or increased fines valued at $78.5 million in SFY 2009-10 and $128.5 million in SFY 2011-12, the major proposal would:

- *Automate speed enforcement cameras* – generating $50 million in SFY 2009-10 and $100 million in SFY 2011-12.

Other Actions. The Executive Budget includes 14 proposals which are worth $1.1 billion in SFY 2009-10 and $720 million SFY 2011-12. Some of the major proposals in this category include:

- *Increase business tax first installment payment to 40 percent* – generating $351 million in SFY 2009-10.
- *Reform the Empire Zone Program* – generating $272 million in SFY 2009-10.
- *Expand the bottle bill* – generating $118 million in SFY 2009-10.
- *Allow the sale of wine in grocery stores* – generating $105 million in SFY 2009-10.
- *Eliminate Quick Draw restrictions and extend VLT hours of operations* – generating $95 million in SFY 2009-10.

	General Fund		All Funds	
	SFY 2009-10	**SFY 2010-11**	**SFY 2009-10**	**SFY 2010-11**
Tax Reforms	1,457,900	1,904,300	1,471,900	1,928,300
Fees	105,529	232,624	345,470	571,490
Charges and Assessments	651,600	651,600	2,246,400	2,310,700
Fines	78,451	128,482	78,451	128,482
Other Actions	814,000	461,000	1,083,000	1,124,000
Sub Total	**3,107,480**	**3,378,006**	**5,225,221**	**6,062,972**
New or Expanded Tax Credits	(4,000)	(24,000)	(4,000)	(24,000)
Total	**3,103,480**	**3,354,006**	**5,221,221**	**6,038,972**

Program Area Highlights

Education

The SFY 2009-10 Executive Budget would decrease school aid by $698 million, or 3.3 percent, to $20.7 billion in school year 2009-10. This includes a one-time $1.1 billion deficit reduction assessment against formula-based aids offset by a $462 million increase in scheduled expense-based aids. The reductions would be applied based on district wealth. On a State Fiscal Year basis, school aid for SFY 2009-10 would be nearly $20.8 billion, approximately the same as SFY 2008-09.

The Executive Budget proposes the elimination of the Middle Class School Tax Relief (STAR) Rebate program, which would result in estimated savings of $1.4 billion in SFY 2009-10 and $1.6 billion in SFY 2010-11. New York City STAR payment timing is proposed to change from December 2008 to June 2009. The payment would be moved to the next SFY but would remain within the current City fiscal year, saving $93 million in SFY 2008-09 and $20 million in SFY 2009-10.

The Executive Budget proposes holding funding for both Foundation Aid and Universal Prekindergarten (UPK) at the 2008-09 school year levels of $14.9 billion and $401 million respectively, for both 2009-10 and 2010-11. The planned phase-in period for both funding programs would be extended by four years.

The Executive also proposes to eliminate funding for several discretionary grant programs, such as the Full Day Kindergarten/UPK Planning Grants, Teacher Centers and Mathematic/Science Initiatives while reducing funding for Prior Year Claims, Public Libraries and Public Broadcasting.

Higher Education

The SFY 2009-10 Executive Budget recommends a 7 percent increase in SUNY resident graduate tuition in addition to the increases already approved by the Boards of Trustees. Resident tuition for SUNY/CUNY would increase $620 and $600 per year respectively, graduate tuition would increase by 14 percent annually and non-resident undergraduate and graduate tuition by 21 percent annually.

The Executive proposes that SUNY retain $7.6 million from the SFY 2008-09 spring semester increase. SUNY and CUNY would both retain 20 percent of the SFY 2009-10 full annual increases. The SUNY Board of Trustees would be authorized to establish differential tuition rates for non-resident students by individual campus and program and retain this revenue.

The Executive proposes to establish a New York Higher Education Loan Program funded through $350 million in new State of New York Mortgage Association

(SONYMA) bonds and provide up to $10,000 per borrower. The Executive estimates the loan interest rate at approximately 8 percent.

Based on a recommendation of the Commission on Higher Education, the Executive Budget proposes elimination of third party oversight for SUNY and CUNY, specifically the Comptroller's review of various purchasing and real estate transactions, as well as increased levels of discretion for allocation of appropriated amounts.

Other actions include reducing base aid to SUNY/CUNY Community Colleges by $65 million in SFY 2009-10 and SFY 2010-11.

Health

The Executive's proposed 2008-09 Deficit Reduction Plan for health care includes $500 million in savings actions, of which $429 million would result from deferral of scheduled payments to the City University of New York until SFY 2009-10 and $71 million would result from various health care actions such as reducing unspent graduate medical education spending. These actions increase to nearly $1.7 billion in SFY 2009-10, some of which will be used to offset the deferred CUNY payment.

For SFY 2009-10, State funded Medicaid spending would increase $587 million (3.8 percent) to $16 billion. Total Medicaid spending would increase $432 million (1 percent) to $45.4 billion.

The Executive proposes $3.5 billion in State Medicaid and health care savings and new revenue for SFY 2009-10, including $855 million in insurance industry assessments, $700 million in hospital actions, $420 million in nursing home savings, $189 million in home care savings and $111 million in pharmacy savings. The Executive Budget does not count on the State receiving any additional federal Medicaid funds from the stimulus package currently under consideration in Congress.

The Executive's HCRA Financial Plan proposes balanced revenues and disbursements from SFY 2008-09 through SFY 2012-13, achieved through reliance on potentially risky revenue actions that could cause the Plan to fall out of balance. These revenue actions, such as nearly $1.5 billion in proceeds from insurance company conversions over five years, $404 million in SFY 2009-10 from an additional sales tax on soft drinks and a $120 million annual increase in the covered lives assessment on insurance companies, have either been previously rejected or scaled back by the Legislature, or may not materialize as anticipated.

Mental Hygiene

The Executive's proposed SFY 2008-09 Deficit Reduction Plan includes approximately $10 million in Mental Hygiene General Fund savings, including a one percentage point reduction in a cost-of-living adjustment (COLA) for various human service providers.

The Executive Budget proposes All Funds SFY 2009-10 Mental Hygiene spending increases of $56 million (0.6 percent) to $8.7 billion. This includes savings actions of $427 million that would result in a net decrease of 42 full-time equivalent positions (FTEs). These savings actions include $179 million by maximizing federal revenue in programs operated by the Office of Mental Retardation and Developmental Disabilities (OMRDD), $93 million by eliminating the COLA for various human services programs, $6 million by eliminating 450 adult inpatient beds in Office of Mental Health (OMH) psychiatric centers and $5 million by closing one treatment center – The Manhattan Addiction Treatment Center operated by the Office of Alcoholism and Substance Abuse Services.

Human Services

The SFY 2009-10 Executive Budget proposes an overall funding decrease for human services programs totaling $38 million (0.5 percent) to nearly $8.49 billion. This reflects $385 million in savings actions, including a proposal to close six youth detention facilities operated by the Office of Children and Family Services (OCFS), downsize two others and close three evening reporting centers, saving $12 million. A total of 288 OCFS FTEs are targeted for reduction. Other savings proposals include:

- Reducing the Supplemental Security Income (SSI) State benefit, which is offset by a 5.8 percent cost of living increase to the federal benefit ($84 million),
- Increasing the child welfare offset ($67 million),
- Eliminating the SFY 2009-2010 human services COLA ($55 million), and
- Eliminating or reducing funding for various OCFS and Office of Temporary and Disability Assistance (OTDA) contracts and programs ($50 million).

The Executive proposes a 10 percent annual increase in the Basic Allowance portion of the public assistance grant over the next three years, which would start in January 2010 and cost $8 million in SFY 2009-10. The Executive projects Family Assistance caseloads and five-year family caseloads to increase less than 0.4 percent and caseloads of single adults/childless couples to increase 5.1 percent in SFY 2009-10.

Economic Development

The Executive proposes to consolidate the New York State Foundation for Science, Technology and Innovation (NYSTAR) and the Department of Economic Development (DED) into the Empire State Development Corporation (ESDC) to save $11.1 million in SFY 2009-10. ESDC, as a public benefit corporation, is not subject to the same level of oversight as State agencies, such as DED. The Executive Budget also proposes to transfer funds totaling $270 million from the Battery Park City Authority and $68 million from ESDC to the General Fund for budget relief.

The SFY 2009-10 Executive Budget proposes to save $272 million through reforms to the Empire Zone Program, which would be redirected to new initiatives. Beginning in SFY 2009-10, ESDC would require all program participants to re-apply for certification. A 20 to 1 match between actual investment and wages of participants and State investment would be required to remain in the program. Utility, retail and real estate sectors would be excluded from future participation.

The savings generated from reform of the Empire Zone Program would be redirected in three new initiatives: a new $50 million investment program targeted toward job creation in manufacturing, financial services, agri-business and high technology/biotechnology; a new $20 million research and development tax credit; and expansion of the existing State Research and Development credit.

Subject to an agreement between the Legislature and the Executive, $375 million in capital projects would be cancelled. A portion of these funds would be reallocated to support $200 million in new strategic investment by ESDC, $50 million for development of the IBM semiconductor packaging center and $25 million for the Albany Nanotech initiative.

Transportation

The SFY 2009-10 Executive Budget includes $177 million in General Fund savings related to transportation, including program reductions of $79.8 million and fee increases of $97.3 million. The Executive Budget would also decrease All Funds spending, including a $285 million decrease in mass transit aid. The Executive Budget proposes to eliminate $569 million in capital projects, bringing the total for the plan down to $17.95 billion from the $18.52 billion level established in the SFY 2008-09 Enacted Budget.

Disbursements from the principal fund for State Department of Transportation highway construction, the Dedicated Highway and Bridge Trust Fund (DHBTF), would decrease by $89.4 million from the disbursement levels established in the SFY 2008-09 Enacted Budget, to $2.2 billion.

Some of the savings would be used to reduce the growing General Fund subsidy for transportation capital, estimated at $308 million in SFY 2009-10, and reduce DHBTF debt service costs, which would amount to approximately $1 billion in SFY 2009-10. DOB estimates these changes would result in a $41 million debt service payment savings through SFY 2013-14. The General Fund subsidy for transportation capital is projected to total $3.65 billion through SFY 2013-14.

The Department of Motor Vehicles would be authorized to increase drivers' license and registration fees by 25 percent, producing $95 million, most of which would support the DHBTF. This increase would not be enough to eliminate the need for General Fund support for State transportation capital projects in the foreseeable future.

The Executive Budget also proposes to reduce funding for the Consolidated Highway Improvement Program (CHIPS) and Transit aid which will reduce aid to local governments by $69 million, impacting counties, towns and villages.

Agriculture/Environment/Housing

The Executive Budget for SFY 2009-10 proposes to raise $15 million through significant fee increases on recreational fishing licenses, water pollution permits and tuition at Department of Environmental Conservation (DEC) educational camps. The Executive Budget proposes to reduce DEC staffing by 40 FTEs and Environmental Protection Fund (EPF) spending from $287 million to $205 million, of which $118 million would come from a proposal to expand the bottle bill and recapture unclaimed container deposits. An EPF sweep of $95 million is also proposed, $50 million of which would be replaced with bond proceeds.

The Executive Budget proposes significant service reductions and fee increases for New York State parks and historic sites, including reduced hours, shortening of seasons, and reduced program and patron services. In addition, the Executive Budget discontinues the capital initiative included in the SFY 2008-09 Enacted Budget.

The Executive Budget proposes a significant increase in the New York State Department of Public Service (DPS) assessment on utilities. In addition to providing support to DPS and other State agencies, this assessment would raise $651.6 million in SFY 2009-10 for General Fund budget relief. Historically, the use of this assessment has been limited to agency expenses related to utility regulation.

The Executive Budget proposes significant reductions in Rural and Neighborhood Preservation Corporations housing programs and the closure of rental assistance offices in Nassau County, Rockland County and Staten Island.

The sale of carbon allowances authorized under the Regional Greenhouse Gas Initiative is projected to raise between $120 million and $200 million in SFY 2009-10. This funding would be administered off-budget by the New York State Energy Research and Development Authority.

Public Protection

The Executive proposes to save $197 million in SFY 2009-10 through accelerated closure of four prison camps (Pharsalia, Gabriels, Georgetown and Mt. McGregor) and certain annexes, delayed implementation of the Special Housing Unit Exclusion bill (deferring 388 additional Department of Correctional Services positions), discontinuation of prison farm operations, reform of sentencing and parole practices, elimination of prisoner board payments to local jails, reduction in aid to local criminal justice programs, offset of State Police General Fund costs with dedicated cell phone surcharge revenue and increased insurance policy assessments, expanded use of Criminal Justice Improvement Account, and other efficiencies. Savings actions throughout public protection would result in a net reduction of 1,328 FTEs.

Executive Budget appropriations for SFY 2009-10 from the enhanced wireless 911 emergency service (E911) surcharge revenues for Statewide Technology Program costs include $20.9 million for operating costs and $80 million in new capital funding. A $40 million reappropriation in capital funding is also included.

General Government

The SFY 2009-10 Executive Budget proposes $7.6 million for a new Office for Procurement Services to standardize the State's purchasing process for efficiency and effectiveness. This new office would be staffed with 103 employees transferred from the Office of General Services (OGS) Procurement Services Group.

A new $400 million appropriation would permit the consolidation of lease payments under OGS to produce $15 million in savings.

Local Governments

The SFY 2009-10 Executive Budget eliminates a scheduled increase in Aid and Incentives for Municipalities (AIM) funding of $61 million for municipalities outside New York City to maintain aid at current year levels and eliminates AIM for New York City for savings of $328 million. Cost savings proposals that affect local governments include reductions in education aid, funding for the Consolidated Highway Improvement Program (CHIPS) and transit aid, as well as the elimination of the STAR rebate program. Local incentive grants are also reduced, at a cost of $12.7 million to local governments.

The Executive Budget states that the negative impact on local governments from new actions is offset by positive benefits resulting from previous budget actions (Medicaid cap and the takeover of Family Health Plus), for an overall positive impact of $481.7 million. Without these previous actions, the impact on local governments results in an overall cost of $477.8 million in local fiscal years ending in 2010.

Of the net negative impact of $477.8 million, the largest impact would be felt by school districts and New York City due to proposed reductions in education aid and AIM funding. The Executive, however, claims a net positive impact for counties, cities other than New York City, towns and villages, largely due to proposed revenue enhancements.

Among the school district mandate relief provisions included in the Executive Budget are the five year Wicks Law exemption, bidding threshold increases, paperwork reductions and effective date delay of all new mandates to allow districts the opportunity to build the costs into their budgets. Other changes intended to help districts would allow them to access excess funds incorrectly deposited in reserve funds, remove pension enhancements and allow Contract for Excellence Schools to reduce effort on their programs by the amount of their aid cuts.

New York City

The SFY 2009-10 Executive Budget would impact State assistance to New York City by a net of nearly $1 billion over the remainder of the current City fiscal year and next fiscal year. If enacted as proposed, the proposals could hinder the City's efforts to balance its budget for next year.

Most of the adverse impact would come from reducing education aid for next year by $669 million, compared with the amount anticipated by the City in its financial plan. The Executive Budget proposal would reduce school aid to the City by $277 million, but the City had assumed an increase consistent with the resolution of the Campaign for Fiscal Equity (CFE) lawsuit. Despite the cutback, the Executive remains committed to increasing education aid to New York City as part of the CFE resolution, but it will now take longer to reach that goal given current economic conditions.

The Executive Budget also proposes eliminating State assistance to the City under the AIM program, including $328 million in AIM funding anticipated in the City's financial plan. If enacted, the cut would take effect in the City's current fiscal year because of the accounting treatment for this item. The Executive Budget also includes initiatives that would mitigate the impact on the City's budget, such as the proposed broadening of the sales tax and raising fines and fees. These actions would raise more than $400 million over the course of this year and next for the City. In addition, the Governor has proposed a number of initiatives that would provide mandate relief to the City, including raising the Wicks Law threshold from $3 million to $10 million, and enacting a less costly pension program for new uniformed and civilian employees.

The Executive Budget proposes to expand the borrowing authority of the New York City Transitional Finance Authority and allow New York City to issue bond anticipation notes with a longer maturity period. These actions are intended to offer New York City more flexibility in accessing capital markets.

Retirement

The SFY 2009-10 Executive Budget proposes the creation of a new retirement tier – Tier 5 – for all future members of the New York State and Local Retirement System (NYSLRS), the New York State Teachers Retirement System (NYSTRS), the New York City Employee Retirement System (NYCERS), the New York City Teachers Retirement System (NYCTRS), and the New York City Board of Education Retirement System (NYCBERS). It would not apply to the New York State and Local Police and Fire Retirement System (NYSLPFRS).

Among other changes, the proposal would require employees make 3 percent salary contributions to their retirement for the duration of their employment, move the minimum retirement age to 62 from 55, and exclude paid overtime from the calculation of final average salary. In addition, service credit needed to be vested with the retirement system would increase from 5 years to 10 years.

Another proposal, requested by the Office of the Mayor of New York, would establish a new Tier 3 for New York City uniformed employees, the police, fire fighters and uniformed sanitation workers.

State Workforce

The Executive Budget recommends reducing the State workforce by 3,108 FTEs during the 2009-10 SFY, bringing the total down to 196,292, a 1.6 percent reduction. The Executive's workforce proposals include 4,205 attritions (including an estimated 1,500 positions left unfilled due to the hiring freeze) and 521 job eliminations (lay-offs), offset by 1,618 new fills. The SFY 2008-09 Enacted Budget had estimated that it would end the fiscal year with 201,700 FTEs.

In addition to reducing the State workforce, the Executive Budget proposes a number of other cost savings measures, including: a 5-day salary deferral for all State employees, which would result in a $121 million General Fund savings and a $264 million savings in All Funds personal service costs, and the elimination of the 3 percent negotiated salary increase currently scheduled for SFY 2009-10. This would produce a $122 million General Fund savings and a $332 million All Funds savings. The Executive Budget also includes a number of measures that would require State employees and retirees to pay a greater share of health insurance costs.

Public Authorities

The SFY 2009-10 Executive Budget estimates that $4.9 billion in capital projects would be financed using public authority bond proceeds. In addition, public authority funds would be transferred to the General Fund for budget relief in both SFY 2008-09 and SFY 2009-10. A transfer of $361 million is proposed from the New York Power Authority (NYPA) in SFY 2008-09, $60 million more than originally anticipated. In SFY 2009-10, the NYPA transfer would increase from $35 million to $210 million. Additionally, $270 million is projected to be received from the Battery Park City Authority in SFY 2009-10.

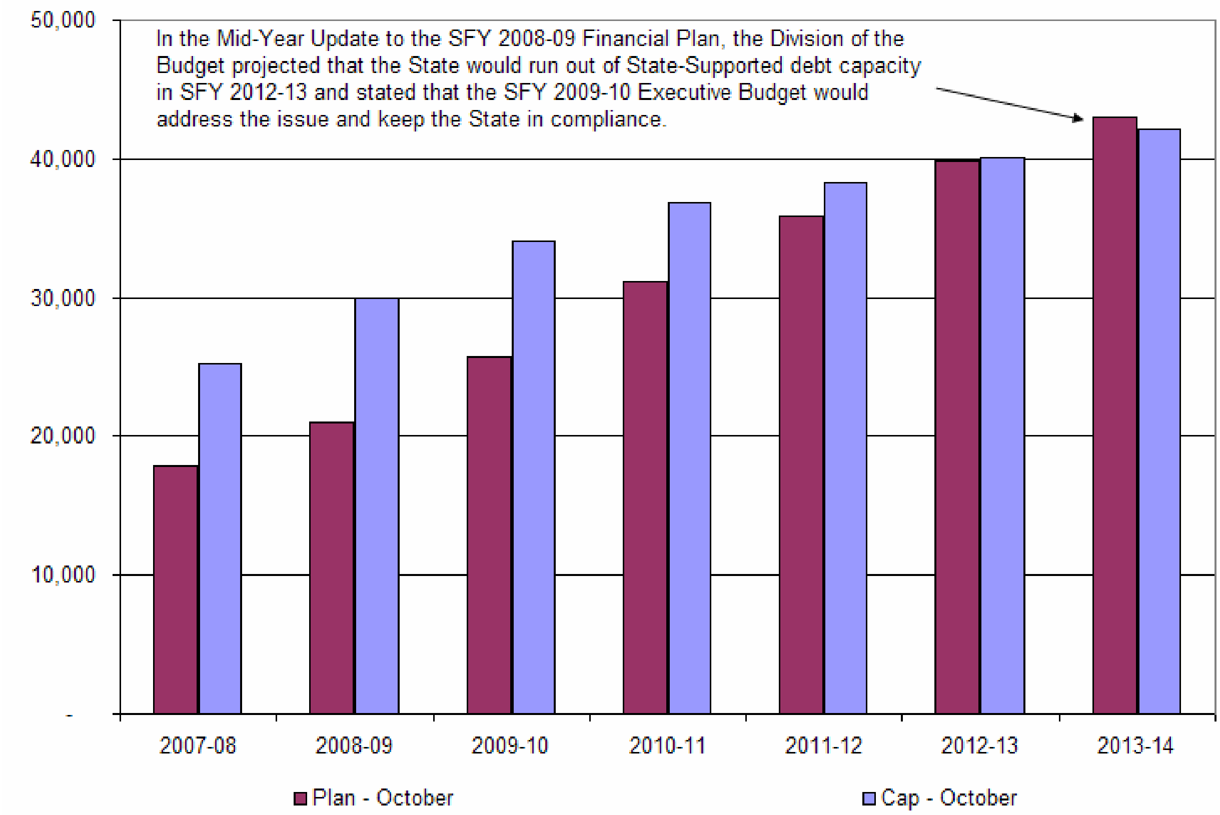
The Executive Budget includes increased bonding caps for 14 programs, offset by a bonding cap reduction in 1 program, for a net increase in bonding authorizations of $3.1 billion for public authorities. Although significant, this is considerably smaller than the SFY 2008-09 Enacted Budget increase of $6.1 billion.

Debt and Capital

Under existing law, outstanding State-Supported debt is capped at a percentage of personal income.[1] By the end of SFY 2008-09, the SFY 2009-10 Executive Budget projects that approximately $9 billion will be available under the existing cap.

In the SFY 2008-09 Mid-Year Financial Plan Update released October 28, 2008, DOB stated that in SFY 2012-13 the State would exceed the cap on outstanding State-Supported debt, largely due to declining economic conditions that lead to lower than anticipated projections for personal income. At that time, DOB stated that the Executive would propose actions to comply with statutory limitations.

Projected State-Supported Debt
Mid-Year Update to the SFY 2008-09 Financial Plan



While the proposed SFY 2009-10 Executive Budget Five-Year Capital Program and Financing Plan (Capital Plan) would reduce the State's reliance on debt to meet

[1] See Article 5-B of the State Finance Law. The statutory cap on State-Supported debt outstanding that was issued after April 1, 2000 is 4 percent of personal income. The cap was phased in over 10 years and becomes fully implemented in SFY 2010-11.

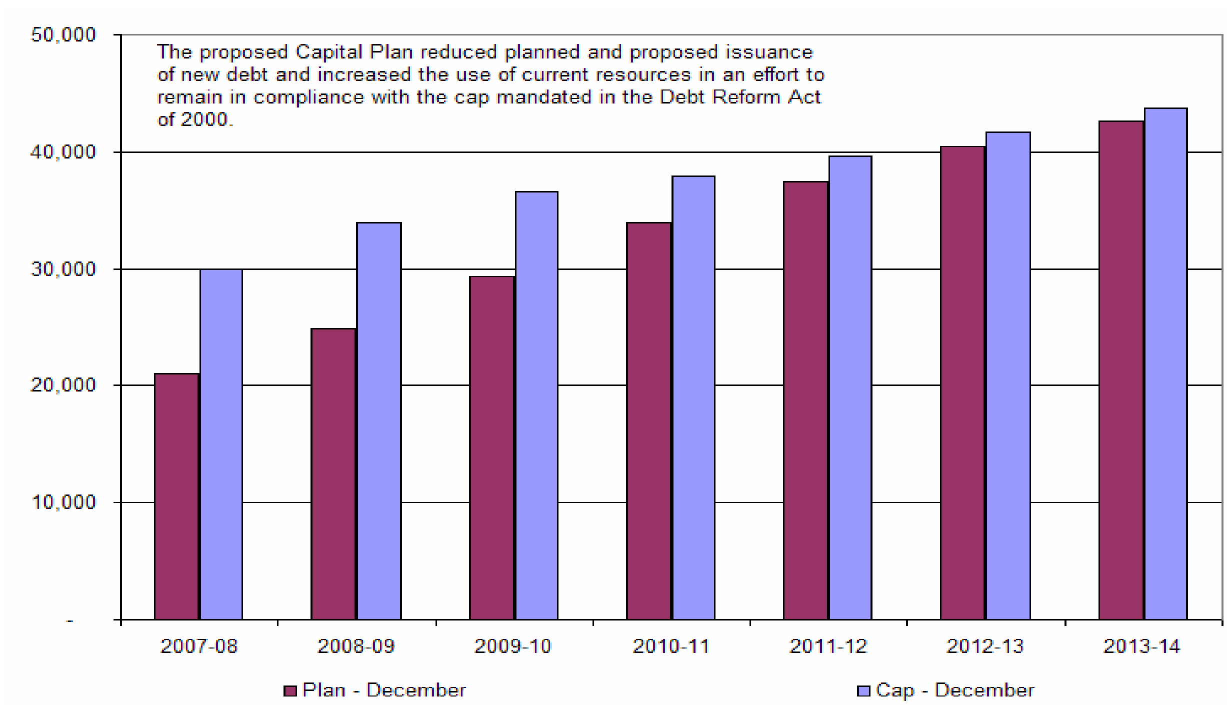
existing and new commitments and increase the use of existing State resources (pay-as-you-go – PAYGO) in the out-years, new debt issuances are still higher than in previous years.

State-Supported debt is projected to increase 21 percent over the next five years to $56.9 billion, which is significantly slower than projected in October, when DOB projected that State-supported debt would increase nearly 33 percent through SFY 2012-13.

The proposed Capital Plan projects an annual average of $5.3 billion in new State-Supported debt issuances over the next five years, down from the projected $5.9 billion annual average in the current Capital Plan, but higher than the annual average of $3.6 billion over the previous five years (SFY 2004-05 through SFY 2008-09).

Beginning in SFY 2010-11, the proposed Capital Plan increases the use of PAYGO and reduces planned debt issuance compared to the current Capital Plan primarily in the areas of transportation, economic development and housing. As a result, DOB now projects that the State will not exceed its statutory debt capacity and will have approximately $1.1 billion in unused capacity in SFY 2013-14. Considering that the State issues approximately $5 billion in debt annually, and given the current economic climate, this limited additional capacity could pose a challenge for the State in the future.

Projected State-Supported Debt
SFY 2009-10 Executive Budget



The following chart details the specific sources of financing proposed in the SFY 2009-10 Executive Budget Capital Program and Financing Plan.

SFY 2009-10 Executive Budget
Capital Program and Financing Plan: Financing Sources
(in millions of dollars)

	Estimated SFY 2008-09	SFY 2009-10	SFY 2010-11	SFY 2011-12	SFY 2012-13	SFY 2013-14	Average SFY 2009-10 through SFY 2013-14
State Pay-as-You-Go (PAYGO)	1,786	2,027	2,520	2,690	2,596	2,657	2,498
Federal PAYGO	1,885	1,844	1,721	1,752	1,797	1,825	1,788
General Obligation Bonds	349	531	596	452	380	322	456
Authority Bonds	5,207	5,176	5,220	5,093	4,506	4,142	4,827
Total Capital Funding	**9,227**	**9,578**	**10,057**	**9,987**	**9,279**	**8,946**	**9,569**
Less Federal Funding	(1,885)	(1,844)	(1,721)	(1,752)	(1,797)	(1,825)	(1,788)
State Capital Funding	**7,342**	**7,734**	**8,336**	**8,235**	**7,482**	**7,121**	**7,781**
State PAYGO as Percentage of State Funding	**24.3%**	**26.2%**	**30.2%**	**32.7%**	**34.7%**	**37.3%**	**32.2%**
GO as Percentage of State Funding	**4.8%**	**6.9%**	**7.1%**	**5.5%**	**5.1%**	**4.5%**	**8.6%**
Authority Bonds as Percentage of State Funding	**70.9%**	**66.9%**	**62.6%**	**61.8%**	**60.2%**	**58.2%**	**62.0%**

Note: The proposed SFY 2009-10 Capital Program and Financing Plan includes an annual $250 million “timing adjustment” that is intended to compensate for anticipated underspending in any given year. The timing adjustment is not included in the above figures. Totals may not add due to rounding.

The Office of the State Comptroller provides a more comprehensive accounting of the State’s debt burden. The measure developed by the Office of the State Comptroller, State-Funded debt, includes obligations that are not counted under the cap on State-Supported debt outstanding, such as bonds issued by the Sales Tax Asset Receivable Corporation on the Tobacco Settlement Financing Corp.[2]

Currently, over 94 percent of State-Funded debt outstanding was issued by public authorities and was not subject to voter approval. Over the life of the proposed Capital Plan, public authorities are projected to issue nearly $24 billion in debt as compared to projected issuances of $2.7 billion in General Obligation bonds. The proposed Capital Plan does not include any new initiatives to be financed with voter approved General Obligation bonds.

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[2] State-Funded debt was defined by the Office of the State Comptroller in the February 2005 report: *New York State’s Debt Policy, a Need for Change*. It represents a more comprehensive accounting of the State’s debt burden. Not all State-Funded debt appears in the Capital Program and Financing Plan and is, therefore, illustrated separately in the tables of this section.

State of New York Projected State-Funded Debt Outstanding SFY 2009-10 through SFY 2013-14
(in thousands of dollars)

			Proposed Capital Plan						
	SFY 2008 Actual	**Estimate SFY 2009**	**SFY 2010**	**SFY 2011**	**SFY 2012**	**SFY 2013**	**SFY 2104**	**Total Percent Change Cap Plan SFY 2009 end –SFY 2014 end**	**Total Percent Change Cap Plan SFY 2009 end – SFY 2014 end**
2009-10 Capital Plan (State-Supported)	44,404,299	46,883,372	49,864,385	53,005,805	55,049,491	56,319,583	56,914,241	21.40%	10,030,869
Total Other	8,040,730	9,728,780	9,890,015	9,390,955	8,846,180	8,265,451	7,642,194	-21.45%	(2,086,586)
Projected Outstanding (State-Funded)	**52,445,029**	**56,612,152**	**59,754,400**	**62,396,760**	**63,895,671**	**64,585,034**	**64,556,435**	**14.03%**	**7,944,283**

Under the proposed SFY 2009-10 Five-Year Capital Plan:

- State-Funded debt outstanding is projected to reach $64.6 billion by SFY 2013-14,
- State-Funded debt service is expected to reach approximately $7.6 billion by SFY 2013-14, and
- State-Funded debt service is anticipated to grow approximately 40.4 percent between SFY 2008-09 and SFY 2013-14, making it one of the fastest growing major categories of spending in the State budget.

State of New York Projected State Funded Debt Service 2008-09 through 2013-14
(in thousands of dollars)

		Proposed Capital Plan						Total Percent Change	Total Dollar Change
	SFY 2008 Actual	SFY 2009	SFY 2010	SFY 2011	SFY 2012	SFY 2013	SFY 2014	SFY 2010-2014	SFY 2010-2014
2009-10 Capital Plan (State-Supported)	4,104,001	4,634,494	5,141,591	5,740,579	6,147,818	6,471,657	6,623,150	42.91%	1,988,656
Total Other	721,383	806,455	899,071	975,057	998,979	1,005,582	1,017,148	26.13%	210,693
Projected Debt Service (State-Funded)	**4,825,384**	**5,440,949**	**6,040,662**	**6,715,636**	**7,146,797**	**7,477,239**	**7,640,298**	**40.42%**	**2,199,349**

By either measure, State-Supported or State-Funded Debt, the level of debt—and the associated debt service burden—continues to grow at a rate that cannot be sustained.

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