

## Debt Service

---

### Budget Highlights

#### *Introduction*

The FY 2025 recommended debt service appropriations meet all of the State's obligations to bondholders and reflect the maximum estimated debt service payments for outstanding bonds, including payments due on outstanding variable rate debt and new State-supported bond issuances. Appropriations are also included to support liquidity financings in FY 2025.

A broad overview of the State's debt management practices, debt affordability measures, and five-year information and trends on State debt levels and capital costs is available in the Five-Year Capital Program and Financing Plan released with the budget.

#### *Operating Highlights*

The State finances a substantial share of its capital program through the issuance of debt, providing funding for transportation, education, economic development, and other purposes. State-related debt – which includes debt issued by the State, by public authorities on behalf of the State, and other debt obligations for which the State is contractually required to make payments – is projected to grow from \$55.9 billion in FY 2024 to \$64.4 billion by the end of FY 2025. Debt service – the costs of repaying the principal and interest of debt obligations – is projected to increase from \$2.6 billion in FY 2024 to approximately \$3.0 billion by the end of FY 2025.

#### *Key Strategies*

The FY 2025 Executive Budget seeks to reduce the State's costs of borrowing through ongoing debt management efforts, including:

- Continuing to issue all debt through three highly-rated and established credits: State Personal Income Tax Revenue Bonds; State Sales Tax Revenue Bonds; and State General Obligation Bonds.
- Continuing to sell a minimum of 50 percent of State-supported debt issuances competitively, subject to market conditions. This provides the State with attractive pricing, as well as a benchmark to use for negotiated sales.
- Continuing to take advantage of market opportunities to refund higher cost debt, including refunding older bonds under consolidated and lower-cost financing structures.

#### *General Debt Service Fund*

The General Debt Service Fund pays for debt service and related expenses on fixed and variable rate General Obligation Bonds, Personal Income Tax Revenue Bonds, Sales Tax Revenue Bonds, and contractual obligation payments to public authorities. The General Debt Service Fund's moneys are provided from the General Fund, dedicated personal income and sales taxes, and other revenues. Total appropriations of \$11.7 billion are recommended from the General Debt Service Fund. The total appropriations include \$4 billion in liquidity financing for PIT Notes, which must be repaid in FY 2025, if used.

#### *General Obligation Bonds*

Appropriations from the General Debt Service Fund for General Obligation Bonds are recommended at \$505 million and reflect payments on outstanding General Obligation Bonds and estimated payments on new bonds anticipated to be issued.

#### *Revenue Bond Tax Fund*

The appropriations for FY 2025 reflect the continued use of the Personal Income Tax Revenue Bond program to reduce State borrowing costs. Appropriations of \$9 billion are recommended from the Revenue Bond Tax Fund, an account within the General Debt Service Fund that provides for the payment of Personal Income Tax Revenue Bonds and subordinate Personal Income Tax Notes. These bonds are secured by the dedication of payments from the Revenue Bond Tax Fund, which receives 50 percent of State personal income tax receipts, 50 percent of receipts from the Employer Compensation Expense Program, and 50 percent of Pass-Through Entity Tax receipts. Tax receipts in excess of debt service requirements are then transferred to the State's General Fund.

#### *Sales Tax Revenue Bond Tax Fund*

The appropriations for FY 2025 reflect the continued use of the Sales Tax Revenue Bond program to diversify

## NYS DOB | FY 2025 Executive Budget | Agency Appropriations

the State's bond offerings. Appropriations of \$2.0 billion are recommended from the Sales Tax Revenue Bond Tax Fund, an account within the General Debt Service Fund that provides for the payment of Sales Tax Revenue Bonds. These bonds are secured by the dedication of payments from the Sales Tax Revenue Bond Tax Fund, which receives two percent of the State's four percent sales tax receipts. Tax receipts in excess of debt service requirements are then transferred to the State's General Fund.

### ***Special Contractual Obligations***

Appropriations of \$150 million are recommended from the General Debt Service Fund to the following public authorities for special contractual obligations due on outstanding State appropriation-backed bonds:

- Dormitory Authority of the State of New York (DASNY) for service contract bonds for financing State University of New York educational facilities and upstate community colleges, and City University of New York senior and community colleges (\$90 million).
- Gateway Development Commission related to the Gateway Project (\$10 million).
- Related and capital expenses (\$50 million).

### ***Health Income Fund***

Department of Health (DOH) has entered into contractual agreements with DASNY to finance the construction and rehabilitation of State hospitals and veterans' homes. These agreements require DOH to make lease-purchase rental payments to DASNY. Such payments have first claim on revenues received in this Fund from patient care at the DOH facilities. Consistent with existing bonding pledges and statutory requirements, the Roswell Park Cancer Institute Corporation's moneys continue to flow into the Fund as security for payments to bondholders. As a result, the State's Financial Plan reflects the portion of the Corporation's receipts that are attributable to debt service. Lease-purchase obligations during FY 2025 require appropriations of \$36 million.

### ***School Capital Facilities Financing Reserve Fund***

An appropriation of \$17 million is recommended from the School Capital Facilities Financing Reserve Fund, a fiduciary fund, to pay debt service and related expenses on bonds issued by DASNY on behalf of special act and certain other authorized local school districts. The districts have assigned to DASNY their State local assistance payments, which are deposited into the Fund and used to make debt service payments on bonds issued to finance their respective facilities.

### ***Dedicated Highway and Bridge Trust Fund***

An appropriation of \$101 million is recommended to the Thruway Authority for FY 2025 debt service payments and related expenses on Dedicated Highway and Bridge Trust Fund bonds. Debt service payments for the highway program are supported by the statutory dedication of transportation-related taxes and fees to the Fund.

### ***Debt Reduction Reserve Fund***

An appropriation of \$500 million is recommended from the Debt Reduction Reserve Fund to allow the State flexibility to defease high-cost debt and/or pay hard dollar for capital projects that would otherwise be financed with debt. No disbursements are anticipated from this appropriation in FY 2025.

### ***Contingent and Other Appropriations***

Contingent and other appropriations are required pursuant to various bond financing agreements. Therefore, they supply appropriation authority in the event that the primary obligated parties cannot provide sufficient funds to meet their own debt service obligations, or to pay unforeseen additional expenses that may arise on State-related obligations. Appropriations of \$1.1 billion are recommended in this section of the debt service appropriation bill to provide for the State's contingent liabilities to make payments on certain other types of debt instruments. These include arbitrage rebate and defeasance obligations required by Federal tax code limitations, the maximum potential interest rate on variable rate bonds, or other payments on State-related debt obligations as shown below.

### ***General Fund – State Purposes Account***

An appropriation of \$20 million is recommended for the State's potential liability to rebate arbitrage earnings on General Obligation Bonds to the Federal government. In addition, a \$225 million appropriation is recommended for the redemption of General Obligation Bonds, should this become necessary to maintain the exemption from Federal taxation of the interest paid to General Obligation bondholders.

### ***All Funds***

An All Funds appropriation of \$851 million provides authority for a maximum interest rate of 18 percent on projected variable rate bonds outstanding and any accelerated principal retirements that may be required under

NYS DOB | FY2025 Executive Budget | Agency Appropriations

variable rate bond agreements. This appropriation is available to all issuers of State-related debt and provides assurances to bondholders and counterparties of interest rate exchange agreements that sufficient authorization is available to pay the maximum amounts which may become due on such variable rate bonds. In addition, it provides the State the flexibility needed to comprehensively manage such instruments and State-related obligations to effectively manage risks.

**ALL FUNDS  
APPROPRIATIONS  
(dollars)**

<u>Category</u>	Available FY 2024	Appropriations Recommended FY 2025	Change From FY 2024	Reappropriations Recommended FY 2025
Debt Service	15,568,500,000	13,458,000,000	(2,110,500,000)	0
<b>Total</b>	<b>15,568,500,000</b>	<b>13,458,000,000</b>	<b>(2,110,500,000)</b>	<b>0</b>

**ALL FUNDS FISCAL REQUIREMENTS  
DEBT SERVICE AND FINANCING AGREEMENT PAYMENTS  
(dollars)**

<u>Fund</u>	Available FY 2024	Recommended FY 2025	Change
General Fund			
State Operations Account			
Rebates to Federal Government	20,000,000	20,000,000	0
Redemption of General Obligation Bonds	225,000,000	225,000,000	0
Subtotal	<b>245,000,000</b>	<b>245,000,000</b>	<b>0</b>
Fiduciary			
School Capital Facilities Financing Reserve Fund			
Trust and Agency Financing	17,000,000	17,000,000	0
Subtotal	<b>17,000,000</b>	<b>17,000,000</b>	<b>0</b>
Debt Service Funds			
Debt Reduction Reserve Fund			
Debt Reduction	500,000,000	500,000,000	0
General Debt Service Fund			
Debt Service	2,086,000,000	15,000,000	(2,071,000,000)
Financing Agreements	173,000,000	135,000,000	(38,000,000)
General Obligation Bonds	502,500,000	505,000,000	2,500,000
Revenue Bond Payments	11,052,500,000	11,053,000,000	500,000
Housing Debt Fund			
General Obligation Bonds	5,000,000	0	(5,000,000)
Department of Health Income			
Financing Agreements	36,000,000	36,000,000	0
Subtotal	<b>14,355,000,000</b>	<b>12,244,000,000</b>	<b>(2,111,000,000)</b>
Capital Projects Funds - Other			
Dedicated Highway and Bridge Trust Fund			
Financing Agreements	100,500,000	101,000,000	500,000
Subtotal	<b>100,500,000</b>	<b>101,000,000</b>	<b>500,000</b>
Unspecified Funds			
All Funds			
Contingent Appropriation	851,000,000	851,000,000	0
<b>Total</b>	<b>15,568,500,000</b>	<b>13,458,000,000</b>	<b>(2,110,500,000)</b>

