NEW ISSUE

$196,205,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
CITY UNIVERSITY SYSTEM
CONSOLIDATED FIFTH GENERAL RESOLUTION
REVENUE BONDS, SERIES 2010A

Dated: Date of Delivery **Due: July 1, as shown on the inside cover**

Payment and Security: The City University System Consolidated Fifth General Resolution Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), are special obligations of the Dormitory Authority of the State of New York (the "Authority"). The principal and Redemption Price of and interest on the Series 2010A Bonds are expected to be paid from the Annual Payments to be made by the City University Construction Fund (the "Fund") under the 2003 Agreement among the Authority, the Fund and the City University of New York (the "City University"). As described in more detail herein, subject to annual appropriation, amounts equal to the Annual Payments are expected to be paid to the Fund by the State of New York (the "State") and The City of New York (the "City").

The Series 2010A Bonds will not be a debt of the State or the City; nor will the State or the City be liable thereon. The Authority has no taxing power.

The Series 2010A Bonds are being issued to refund certain outstanding bonds previously issued under the Authority's City University bond resolutions, as described in more detail herein.

Description: The Series 2010A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Interest on the Series 2010A Bonds will be due January 1, 2011 and each January 1 and July 1 thereafter. The Series 2010A Bonds will bear interest from the date of delivery at the rates shown on the inside cover.

Redemption or Purchase: The Series 2010A Bonds are subject to redemption or purchase by the Authority prior to maturity as more fully described herein.

Tax Exemption: In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Authority and the City University described herein, interest on the Series 2010A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2010A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is further of the opinion that interest on the Series 2010A Bonds is, by virtue of the Act, exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York. See "PART 12 - TAX MATTERS" herein regarding certain other tax considerations.

The Series 2010A Bonds are offered when, as and if issued and received by the Underwriters. The offer of the Series 2010A Bonds may be subject to prior sale, or may be withdrawn or modified at any time without notice. The offer is subject to the approval of legality by Nixon Peabody LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., New York, New York. The Authority expects to deliver the Series 2010A Bonds in New York, New York, on or about September 30, 2010.

Citi **J.P. Morgan**

Barclays Capital	**Fidelity Capital Markets Services**	**Jefferies & Company**
Oppenheimer & Co.	**Prager, Sealy & Co., LLC**	**Ramirez & Co., Inc.**
Rice Financial Products Company	**Southwest Securities, Inc.**	**Sterne, Agee & Leach, Inc.**
	Wells Fargo Securities	

September 22, 2010

$196,205,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
CITY UNIVERSITY SYSTEM
CONSOLIDATED FIFTH GENERAL RESOLUTION
REVENUE BONDS, SERIES 2010A

Due July 1	Principal Amount	Interest Rate	Yield	CUSIP Numbers**
2011	$26,640,000	2.00%	0.34%	64990HEH9
2012	12,440,000	2.00	0.70	64990HEJ5
2012	11,840,000	3.00	0.70	64990HEZ9
2013	4,160,000	2.00	0.91	64990HEK2
2014	2,950,000	3.00	1.23	64990HEL0
2014	5,395,000	4.00	1.23	64990HFC9
2015	6,250,000	3.00	1.63	64990HEM8
2015	9,425,000	4.00	1.63	64990HFA3
2015	15,210,000	5.00	1.63	64990HFB1
2016	9,015,000	4.00	1.98	64990HEN6
2017	75,000	3.00	2.27	64990HEP1
2018	2,325,000	3.00	2.56	64990HEQ9
2019	4,700,000	5.00	2.80	64990HER7
2020	7,795,000	5.00	3.00	64990HES5
2021	15,860,000	5.00	3.16*	64990HET3
2022	10,680,000	5.00	3.28*	64990HEU0
2023	6,620,000	5.00	3.36*	64990HEV8
2024	15,785,000	5.00	3.44*	64990HEW6
2025	19,205,000	5.00	3.51*	64990HEX4
2026	830,000	4.00	3.59*	64990HEY2
2026	9,005,000	5.00	3.59*	64990HFD7

* Priced at the stated yield to the July 1, 2020 optional redemption date at a redemption price of 100%.

** CUSIP data herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2010A Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2010A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2010A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2010A Bonds.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City University, the Fund, the State, the City, or the Underwriters, to give any information or to make any representations with respect to the Series 2010A Bonds, other than those contained in this Official Statement. If given or made, such information or representations must not be relied upon as having been authorized by the Authority, the City University, the Fund, the State, the City, or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be a sale of the Series 2010A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information set forth or included by cross reference in this Official Statement has been supplied or authorized by the Fund, the City University and the State Division of the Budget, sources that the Authority believes are reliable. The Authority does not guarantee the accuracy or completeness of such information, however, and the information provided by such sources is not to be construed as a representation of the Authority. See "PART 20 – SOURCES OF INFORMATION AND CERTIFICATIONS" for a schedule indicating the information provided by the various sources.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

References in this Official Statement to the Act, the Fund Act, the First General Resolution, the Second General Resolution, the Third General Resolution, the Fourth General Resolution, the Fifth General Resolution, the 1986 Agreement, the 1990 Agreement, the 1994 Agreement, the 2000 Agreement and the 2003 Agreement do not purport to be complete. Refer to the Act, the Fund Act, the First General Resolution, the Second General Resolution, the Third General Resolution, the Fourth General Resolution, the Fifth General Resolution, the 1986 Agreement, the 1990 Agreement, the 1994 Agreement, the 2000 Agreement and the 2003 Agreement for full and complete details of their provisions. Copies of the Resolutions and the Agreements are on file with the Authority and the Trustee.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

Under no circumstances shall the delivery of this Official Statement or any sale made after its delivery create any implication that the affairs of the Authority, the City University, the Fund, the State, or the City, have remained unchanged after the date of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH SERIES 2010A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

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DORMITORY AUTHORITY - STATE OF NEW YORK **515 BROADWAY, ALBANY, N.Y. 12207**
PAUL T. WILLIAMS, JR. – PRESIDENT **ALFONSO L. CARNEY JR., ESQ. – CHAIR**

OFFICIAL STATEMENT RELATING TO

$196,205,000
DORMITORY AUTHORITY
OF THE STATE OF NEW YORK
CITY UNIVERSITY SYSTEM
CONSOLIDATED FIFTH GENERAL RESOLUTION
REVENUE BONDS, SERIES 2010A

PART 1 - INTRODUCTION

Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and appendices, is to provide information about the Authority, the Fund, the City University and the State, all in connection with the offering by the Authority of $196,205,000 aggregate principal amount of the Series 2010A Bonds issued under the Fifth General Resolution as described herein.

The following is a brief description of certain information concerning the Series 2010A Bonds, the Authority, the Fund and the City University. A more detailed description of such information and additional information that may affect decisions to purchase the Series 2010A Bonds is contained throughout this Official Statement, which should be read in its entirety. Certain terms used in this Official Statement are defined in Appendix A hereto.

Purpose of the Issue

The Series 2010A Bonds are being issued (i) to refund a portion of certain outstanding Obligations previously issued as fixed rate bonds under the Second General Resolution, the Third General Resolution and the Fourth General Resolution, as shown in Appendix F to this Official Statement (the "Refunded Bonds") and (ii) to pay a portion of the Costs of Issuance of the Series 2010A Bonds. See "PART 4 - THE PLAN OF FINANCE AND REFUNDING," and "PART 6 - ESTIMATED SOURCES AND USES OF FUNDS."

Authorization of Issuance

Certain Definitions. The First General Resolution, the Second General Resolution, the Third General Resolution, the Fourth General Resolution and the Fifth General Resolution are referred to collectively herein as the "Resolutions." References to a "Resolution" are to the applicable or related Resolution.

In connection with the adoption of each Resolution, the Authority, the Fund and the City University entered into five separate agreements as follows: the Agreement and Lease, dated July 15, 1986, was entered into in connection with the First General Resolution (as supplemented and amended, the "1986 Agreement"); the Agreement and Lease, dated January 31, 1990, was entered into in connection with the Second General Resolution (as supplemented and amended, the "1990 Agreement"); the Agreement and Lease, dated May 25, 1994, was entered into in connection with the Third General Resolution (as supplemented and amended, the "1994 Agreement"); the Agreement and Lease, dated August 16, 2000, was entered into in connection with the Fourth General Resolution (as supplemented and amended, the "2000 Agreement"); and the Agreement and Lease, dated January 22, 2003, was entered into in connection with the Fifth General Resolution (as supplemented and amended, the "2003 Agreement").

The 1986 Agreement, 1990 Agreement, 1994 Agreement, 2000 Agreement, and the 2003 Agreement are referred to collectively herein as the "Agreements." References to an "Agreement" are to the applicable or related Agreement.

The 1986 Agreement and the 1990 Agreement use the defined term "Annual Rentals." The 1994 Agreement, the 2000 Agreement and the 2003 Agreement use the defined term "Annual Payments." As used in this Official Statement, the term "Annual Rentals/Payments" refers to either or both terms, as applicable. The First General Resolution and Second General Resolution each authorizes the issuance of bonds and notes which are collectively defined therein as "Obligations." The Third General Resolution, the Fourth General Resolution and the Fifth General Resolution are limited to the issuance of "Bonds," as defined therein. When the term "Obligations" is used herein, it is intended to mean, respectively, bonds and notes (in the case of the First General Resolution and the Second General Resolution) or bonds (in the case of the Third General Resolution, the Fourth General Resolution and the Fifth General Resolution) authorized under each respective Resolution, unless the context otherwise clearly requires.

The Series 2010A Bonds will be issued pursuant to the Fifth General Resolution, the City University System Consolidated Fifth General Resolution Series 2010 Resolution Authorizing City University System Consolidated Fifth General Resolution Revenue Bonds and the Act. The Obligations permitted under the Resolutions include Capital Appreciation Obligations, Deferred Income Obligations, Option Obligations and Variable Interest Rate Obligations.

All Obligations issued under a particular Resolution will rank on a parity with and will be secured equally and ratably with all other Obligations issued thereunder. After the issuance of the Series 2010A Bonds and giving effect to the refunding of the Refunded Bonds, there will be approximately $2.1 billion aggregate principal amount of Obligations outstanding under the Resolutions, comprised of approximately $279 million under the First General Resolution, approximately $204 million under the Second General Resolution, approximately $64 million under the Third General Resolution, approximately $38 million under the Fourth General Resolution and approximately $1.5 billion under the Fifth General Resolution.

Payment of the Series 2010A Bonds

The principal and Redemption Price of and interest on the Series 2010A Bonds are payable primarily from the Annual Payments to be paid by the Fund under the 2003 Agreement. The Annual Payments are expected to be paid in full from appropriations to be made by the State and the City to the Fund pursuant to the Fund Act. The amounts paid to the Fund by the State and the City on account of the Annual Payments to be made by the Fund constitute the Fund Resources under the 2003 Agreement. The Fund Resources under the 2003 Agreement do not include any amounts paid by the State or the City to the Fund on account of payments due under any other agreement heretofore or hereafter entered into by the Authority and the Fund. The Fund's obligation to pay the Annual Payments is a general and unconditional obligation of the Fund payable from any moneys legally available to make such payments. However, the Fund has no significant sources of moneys, other than the Fund Resources, that are available for such payments. See "PART 2 - SOURCES OF PAYMENT AND SECURITY - Payment of the Series 2010A Bonds - *Fund Resources*."

State and City Appropriations

The Fund Act provides that the State is annually to appropriate and pay to the Fund the full amount of Annual Rentals/Payments payable in connection with Senior College Facilities and one-half of the amount of Annual Rentals/Payments payable in connection with Community College Facilities. The Fund Act also provides that the City is annually to appropriate and pay to the Fund one-half of the amount of Annual Rentals/Payments payable in connection with Community College Facilities.

In the event the State fails to pay to the Fund when due all or any part of the amount to be appropriated by the State, the Fund Act directs the State Comptroller to make such payment from moneys appropriated by the State for or on account of the operating expenses of the Senior Colleges and Community Colleges. In the event the City fails to pay to the Fund when due all or any part of the amount to be appropriated by the City, the State Comptroller is directed to make such payment, first, from moneys appropriated as Per Capita State Aid to the City, subject to certain limitations thereon described herein, and, then, from moneys appropriated by the State for or on account of the operating expenses of the Senior Colleges and Community Colleges.

Neither the State nor the City is legally required to make such appropriations, and neither the State nor the City may make any payment except pursuant to an appropriation. If, however, appropriations are made that have not lapsed or been repealed and moneys are available therefor, the State Comptroller and other appropriate officials of the State and the City are legally obligated to make the above-described payments to the Fund.

Since 1967 the Authority has issued its Obligations to finance facilities for the City University payable from moneys appropriated to the Fund by the State and the City. Appropriations necessary for the Fund's payments to the Authority have always been made by the State and the City and debt service on such Obligations has always been paid in full and on time.

For a discussion relating to the State, see "Appendix B - INFORMATION CONCERNING THE STATE OF NEW YORK."

Security for the Series 2010A Bonds

The Series 2010A Bonds are secured by the Authority's pledge of the Revenues under the Fifth General Resolution, which include the Annual Payments under the 2003 Agreement, the proceeds of all Bonds issued under the Fifth General Resolution, including the Series 2010A Bonds, until applied for the purpose for which they were raised, and all funds and accounts established by the Fifth General Resolution, other than the Arbitrage Rebate Fund and any fund or account established to pay the purchase price of Option Bonds tendered for purchase or redemption. See "PART 2 - SOURCES OF PAYMENT AND SECURITY - Other Claims on State and City Appropriations."

Obligations Separately Secured

The Authority, from time to time, has issued Obligations under the First General Resolution, the Second General Resolution, the Third General Resolution, the Fourth General Resolution and the Fifth General Resolution to finance or refinance facilities for Senior Colleges and Community Colleges, which Obligations are payable from and secured by payments to be made by the Fund under the applicable Agreement with the Authority. The moneys paid by the Fund pursuant to a particular Agreement with the Authority are pledged by the Authority for the payment of only the Obligations issued under the related Resolution and are not available for the payment of Obligations issued under any other Resolution. However, if payments to the Fund were not sufficient to enable the Fund to pay the Annual Rentals/Payments due, and if neither the appropriation nor the amount paid were clearly designated to have been made on account of particular Annual Rentals/Payments, the Fund is to apportion pro rata the amount received among the rentals and payments to be made pursuant to each Agreement. See "PART 2 - SOURCES OF PAYMENT AND SECURITY - Other Claims on State and City Appropriations."

The City University

The City University is a public institution of higher learning composed of Senior Colleges and Community Colleges located throughout the five boroughs of the City. The City University is governed and administered by the Board of Trustees of the City University. The number of full-time and part-time students enrolled during the Spring 2010 semester at the Senior Colleges and Community Colleges was approximately 258,029. See "PART 7 - THE CITY UNIVERSITY OF NEW YORK."

The Fund

The Fund is a public benefit corporation of the State and is authorized to provide facilities for the City University and to support the educational purposes of the City University. From time to time, the City University requests the Fund to provide, through financing arrangements with the Authority, buildings and other facilities for the City University. The Authority may acquire, construct or otherwise provide such facilities and finance them through the sale of its bonds and notes. See "PART 8 - CITY UNIVERSITY CONSTRUCTION FUND."

The Authority

The Authority is a public benefit corporation of the State, created for the purpose of financing and constructing a variety of public-purpose facilities for certain educational and not-for-profit institutions. See "PART 9 - THE AUTHORITY."

The Plan of Finance

A portion of the proceeds of the Series 2010A Bonds will be used to provide for the refunding of a portion of the Refunded Bonds previously issued by the Authority under the Second General Resolution, the Third General Resolution and the Fourth General Resolution on behalf of the City University. See "PART 4 - THE PLAN OF FINANCE AND REFUNDING" and "Appendix F - INFORMATION RELATING TO THE REFUNDED BONDS."

PART 2 - SOURCES OF PAYMENT AND SECURITY

Set forth below is a narrative description of certain contractual and legislative provisions relating to the sources of payment and security for the Series 2010A Bonds and for the Annual Payments. These provisions have been summarized and this description does not purport to be complete. Reference should be made to the Act, the Fund Act, the Fifth General Resolution and the 2003 Agreement for a more detailed description of such provisions. Copies of the Fifth General Resolution and the 2003 Agreement are on file with the Authority and the Trustee. See "Appendix C - SUMMARY OF CERTAIN PROVISIONS OF THE 2003 AGREEMENT" and "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH GENERAL RESOLUTION," for a more detailed statement of the rights, duties and obligations of the parties thereto.

Payment of the Series 2010A Bonds

Special Obligations. The Series 2010A Bonds are special obligations of the Authority payable solely from the Revenues pledged to their payment pursuant to the Fifth General Resolution. The Revenues under the Fifth General Resolution consist of the Annual Payments to be paid by the Fund pursuant to the 2003 Agreement directly to the Trustee and any other moneys derived by, or for the account of, the Authority from the Leased Facilities identified in the 2003 Agreement, exclusive of the Annual Expenditures.

The Authority has no taxing power. The Series 2010A Bonds are not a debt of the State or the City and neither the State nor the City is liable on them.

Payment of the Annual Payments. The Annual Payments payable under the 2003 Agreement are expected to be paid in full from the Fund Resources thereunder, which substantially consist of moneys appropriated and paid to the Fund by the State and City. Although the obligation to pay the Annual Payments is a general and unconditional obligation of the Fund, the Fund has no significant sources of moneys, other than Fund Resources, which are available for the payment of Annual Payments.

The Annual Payments include, among other amounts, amounts sufficient to pay debt service on Outstanding Bonds as it becomes due, the Annual Expenditures of the Authority and to maintain the Building and Equipment Reserve Fund at its requirement, if any.

The Annual Payments, other than the Annual Expenditures, are to be paid directly to the Trustee in two installments on December 10 and June 10 of each Bond Year. Each installment must at least equal the sum of (A) the interest payable on the next succeeding interest payment date on Outstanding Bonds on which interest is due on each January 1 and July 1, less any amount available therefor in the Debt Service Fund, (B) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the later of the next succeeding January 1 or July 1 and (C) the amount, if any, necessary to maintain the Building and Equipment Reserve Fund at its requirement. In addition, pursuant to the 2003 Agreement, the interest estimated by an Authorized Officer of the Authority to be payable during the next succeeding calendar month on Outstanding Variable Interest Rate Bonds is to be paid to the Trustee on the 10th day of each month.

Fund Resources

The Fund is expected to make the Annual Payments payable under the 2003 Agreement from the sources of moneys described below, which constitute the Fund Resources thereunder. The Fund Resources under the 2003 Agreement include only those payments to the Fund made by the State and the City by reason of the Fund's obligations thereunder and do not include any amounts paid by the State or the City to the Fund on account of rentals or payments due under any other agreement heretofore or hereafter entered into by the Authority and the Fund. However, if State or City payments to the Fund were not sufficient to enable the Fund to pay the Annual Rentals/Payments due under all of the Agreements, and if neither the appropriation pursuant to which the payments were made nor the amount paid by the State or the City were clearly designated to have been made on account of particular Annual Rentals/Payments, the Fund is to apportion the amount received among the rentals and payments to be made pursuant to each Agreement. The amount would be apportioned pro rata based upon the Annual Rentals/Payments remaining to be paid during the Bond Year during which such payments were made by the State or the City. For a discussion of various limitations on the State and City appropriations, see "Limitations on Appropriations" below.

The sources of moneys constituting the Fund Resources under the 2003 Agreement are the following:

State Appropriations – The Fund Act requires the State annually to appropriate and pay to the Fund, in addition to any other aid appropriated for the City University, the full amount of Annual Payments payable by the Fund on account of debt service on Bonds issued to finance Senior College Facilities and one-half of the Annual Payments payable on account of debt service on Bonds issued to finance Community College Facilities. The term "Community College Facilities" includes facilities for Medgar Evers College, and the State's obligation in connection with Annual Payments related to debt service on obligations issued for Community College Facilities includes Bonds issued for Medgar Evers College even though for certain other purposes Medgar Evers College is considered to be a Senior College. In accordance with the Fund Act, the State is to make its payments to the Fund relating to debt service on such Bonds, including the Series 2010A Bonds, on or before each November 15 in an amount equal to the amount payable from the Fund Resources on the next succeeding December 10 and on each May 15 in an amount equal to the amount payable from the Fund Resources on the next succeeding June 10. Consistent with the 2003 Agreement, the State will make monthly payments to the Fund for the interest estimated by an Authorized Officer of the Authority to be payable by the Authority during the next succeeding calendar month on Outstanding Variable Interest Rate Bonds. See " – *Payment of the Annual Payments*" above.

City Appropriations – The Fund Act also requires the City annually to appropriate and pay to the Fund, in addition to any other aid appropriated for the City University, one-half of the amount of Annual Payments payable by the Fund on account of debt service on Bonds issued to finance Community College Facilities, including Medgar Evers College. The City payments to the Fund are to be made at the same times as the State payments.

State and City Appropriations Backup – In the event the State fails to pay to the Fund when due all or any part of the amount to be appropriated and paid by the State, the Fund Act directs the State Comptroller to make such payment from moneys appropriated by the State for or on account of the operating expenses of the Senior Colleges and Community Colleges. In the event the City fails to pay to the Fund when due all or any part of the amount to be appropriated by the City, the State Comptroller is directed to make such payment, first, from moneys appropriated as Per Capita State Aid to the City, up to a limit of $65 million in any Bond Year, and, then, from moneys appropriated by the State for or on account of the operating expenses of Senior Colleges and Community Colleges. The State Comptroller is to make such payments upon receipt of a certificate of the Fund setting forth the amounts to have been paid by the State or the City which remain unpaid. Prior to making any payment required as a result of the City's failure to pay, the State Comptroller is to give written notice to the City's Director of the Office of Management and Budget that payment is required to be made by the State Comptroller. The Fund Act requires the State Comptroller to pay to the Fund any moneys appropriated by the State in lieu of or in addition to the moneys appropriated, if any, pursuant to the currently existing statutory provisions for the appropriation and payment of State operating aid for Senior Colleges and Community Colleges.

For more information with respect to other claims on appropriations and payments made by the State and the City pursuant to the same provisions of the Fund Act under which the State and City appropriations and payments described above are made, see "Other Claims on State and City Appropriations" below.

Under the 2003 Agreement, the Fund has established the 2003 Payment Pledge Account, which is held by the Comptroller of the City as agent for the Fund. During each Bond Year the Fund is to pay into such account, as received, the Fund Resources until the Fund's obligation to pay the Annual Payments for such Bond Year has been met or until moneys have accumulated therein in an amount sufficient to pay the Annual Payments then remaining to be paid during such Bond Year. Under the 2003 Agreement, the Fund Resources received during a Bond Year are required to at least equal the Annual Payments to be paid during such Bond Year thereunder. Moneys in the 2003 Payment Pledge Account are to be held by the City Comptroller separate and apart from all other funds and moneys held by the City Comptroller.

City University Operating Aid - The following is a discussion of the nature and historical amounts of operating aid for the City University and Per Capita State Aid apportioned to the City which are available to be paid to the Fund in the event the State or the City fails to make its required payments to the Fund on account of the Annual Payments.

The net operating expenses of the Senior Colleges are the gross operating expenses of approved programs and services less (a) all tuition and instructional and non-instructional fees attributable to the Senior Colleges and received from the Fund, (b) miscellaneous revenue and fees and (c) an appropriate share of the operating costs of those activities within central administration and university-wide programs which relate jointly to the Senior Colleges and Community Colleges and support for associate degree programs at the Senior Colleges. The net operating expenses of the Community Colleges are the gross operating expenses of approved programs and services less actual offsetting operating revenues, including Federal aid and actual operating expenditures not allowable for State aid. In accordance with State Education Law, the State reimburses the City for 100% of the Senior Colleges' net operating expenses and for a portion (determined by formula) of the Community College's net operating expenses. The State's total share of the Community College's operating expenses is the lowest of 40% of total net operating expenses for all Community Colleges, 40% of the net operating budgets for all Community Colleges or the amount determined under a formula based on student enrollment plus one-half of rental costs for physical space. In the City University's fiscal year ending June 30, 2009, the State's share of the Community College budget was 28%.

The table below presents the amount of State aid appropriated for Senior Colleges' and Community Colleges' operating expenses during the most recent six City University's Fiscal Years.

State Operating Aid Appropriations
on behalf of City University
Senior Colleges and Community Colleges
2006-2011
(Dollars in millions)

Fiscal Year	Senior Colleges	Community Colleges	Total
2006	745.3	151.9	897.2
2007	867.1	163.7	1,030.8
2008	1,006.5	172.9	1,179.4
2009	1,141.1	177.1	1,318.2
2010	1,096.5	192.1	1,288.6
2011	1,066.9	185.4[1]	1,252.3

Source: The City University of New York

[1] The 2010-11 Enacted Budget included a plan that provided for automatic reductions to most local assistance payments to cover any shortfall in Federal Medical Assistance Percentage (FMAP) funding. Community College State Operating Aid is subject to a reduction, which is estimated at approximately 1 to 2 percent at this time.

Per Capita State Aid - As described above, the State Comptroller, upon receipt of a certification from the Fund that the City has failed to pay to the Fund when due all or any part of the amount to be appropriated and paid by the City, is required to pay the certified amount to the Fund from moneys appropriated by the State as Per Capita State Aid to the City, up to a limit of $65 million in any Bond Year. For a discussion of other claims on the Per Capita State Aid and the limitations on the Per Capita State Aid available to meet the City's obligation, see "Other Claims on State and City Appropriations" and "Limitations on Appropriations" below.

Per Capita State Aid to the City consists of the City's share of the State's general revenue sharing program for localities throughout the State. The State, although not obligated to do so, has appropriated moneys which have been apportioned among local governmental entities in each year since 1946, and the State has provided some measure of assistance to local governments since 1800. Both the determination of the amount of statewide general revenue sharing, if any, and the apportionment of such revenue sharing among localities are legislative acts, which are customarily enacted on a year-to-year basis. The State Legislature may amend or repeal the statutes relating to statewide general revenue sharing which could result in an increase or decrease in the amounts available for the payment of debt service on the Series 2010A Bonds. In addition, the State Legislature is not bound or obligated to continue to appropriate amounts constituting such general revenue sharing from year-to-year and may increase or decrease general revenue sharing during a State fiscal year.

The apportionment of general revenue sharing among localities was originally based on a statutory formula taking into account the distribution of the State's population, the total assessed valuation of real property taxable within the State, personal income and other factors. In recent years both the total amount appropriated and the amounts apportioned to the City have been determined by the State Legislature rather than as a function of the statutory formulae. The 2010-11 Enacted Budget appropriated $0 in Per Capita Aid to the City for the 2010-11 State Fiscal Year as shown in the table below.

The following table shows the history of Per Capita State Aid that was apportioned to the City from State fiscal years 2000-01 through 2010-11.

Per Capita State Aid to the City
State Fiscal Years 2000-01 through 2010-11

State Fiscal Year	Per Capita State Aid
2000-01 to 2006-07.......	$327,889,668
2007-08.........................	20,000,000
2008-09.........................	245,944,834
2009-10.........................	301,658,495
2010-11.........................	0

Other Claims on State and City Appropriations

In July 1986, January 1990, May 1994, August 2000 and January 2003, the Authority adopted the First General Resolution, the Second General Resolution, the Third General Resolution, the Fourth General Resolution and the Fifth General Resolution, respectively, which authorize the Authority to issue obligations to finance facilities for the Senior Colleges and the Community Colleges. The Authority and the Fund also entered into the Agreements which require the Fund to pay to the Authority amounts sufficient to pay, among other things, debt service on the obligations issued under the First General Resolution, the Second General Resolution, the Third General Resolution, the Fourth General Resolution and the Fifth General Resolution, respectively, as such debt service becomes due. The aggregate principal amount of Obligations which will be outstanding under the Resolutions, after giving effect to the issuance of the Series 2010A Bonds and the refunding of the Refunded Bonds, is approximately $2.1 billion. The Authority may issue additional obligations under any of the Resolutions or under other resolutions it may adopt in the future.

Under the Fund Act, the State is to appropriate and pay to the Fund 100% of the Annual Rentals/Payments payable under each of the Agreements in connection with Senior College Facilities, and 50% of the Annual

Rentals/Payments payable under each of the Agreements in connection with Community College Facilities. The Fund Act also requires the City to appropriate and pay to the Fund 50% of the Annual Rentals/Payments payable under each of the Agreements in connection with Community College Facilities. The State and City are to make their respective payments related to debt service on Obligations issued under the Resolutions in two installments on or before November 15 and May 15 of each year. Regarding Outstanding Variable Interest Rate Bonds, the State and City will make monthly payments to the Fund for the interest estimated by an Authorized Officer of the Authority to be payable by the Authority during the next succeeding calendar month.

The Fund Resources relating to each Agreement include only those payments made by the State and the City by reason of any liability or obligation incurred by the Fund to make payments pursuant to such Agreement. The Fund Resources do not include any amounts paid by the State or the City on account of rentals or payments due under any other Agreements or any future agreement. Accordingly, any payments made by the State and the City pursuant to a particular Agreement are not required to be deposited into the account under any other Agreement, and neither the Trustee nor the Holders of the Obligations shall have a pledge of, lien on or security interest in any amounts so paid by the State and the City.

The State and, in the circumstances described above, the City will be appropriating and making payments to the Fund on account of Annual Rentals/Payments due under all Agreements simultaneously. In the event the State or City were to make payments to the Fund pursuant to the Fund Act which were not sufficient to enable the Fund to pay the Annual Rentals/Payments then due under each Agreement and if neither the appropriation pursuant to which the rentals or payments were made nor the amounts paid by the State or the City were clearly designated to have been made on account of the Annual Rentals/Payments payable under any particular Agreement, the Fund is expected to apportion such amounts among the payments to be made pursuant to each Agreement. The amounts would be apportioned pro rata based upon the Annual Rentals/Payments remaining to be paid during the Bond Year during which such payments were made by the State or the City.

If the Authority and the Fund enter into any future agreement with respect to facilities for Senior Colleges or Community Colleges, any amounts appropriated and paid by the State and the City on account of the Annual Rentals/Payments due under each Agreement will not constitute Fund Resources under such future agreement and will not be available to pay rentals or payments due under such future agreements.

Swaps and Pro Rata Application of Payment Deficiency

Regularly scheduled payments and termination payments to be made by the Authority under interest rate exchange agreements related to bonds issued by the Authority for the City University are part of the Annual Expenditures included in the Annual Payments to be made by the Fund under the 2003 Agreement. The 2003 Agreement provides that, in the event the money received by the Fund from the State or the City is not sufficient to meet all of its payment obligations under the Agreements and the amount received is to be apportioned among the Agreements as described above, the portion of the Annual Payments due under the 2003 Agreement on account of payments required to be made by the Authority to a counterparty under an interest rate exchange agreement will not be included in calculating the amounts to be apportioned to the payments to be made by the Fund under each of the Agreements. Any money remaining after the money is apportioned without regard to such payment will then be apportioned to such payments.

Security for the Series 2010A Bonds

The Series 2010A Bonds are secured by a first lien created by the Fifth General Resolution on the Revenues, the proceeds of the Series 2010A Bonds until applied for the purposes for which they were raised, and by the funds and accounts established under the Fifth General Resolution, other than the Arbitrage Rebate Fund or any fund or account established for the payment of the purchase price of Option Bonds tendered for purchase. The Authority has pledged to the Trustee its right to receive the Annual Payments. The Fund is to make such payments directly to the Trustee. Notwithstanding anything to the contrary contained in the Fifth General Resolution, the Authority may incur obligations and indebtedness to any person providing a Credit Facility or Liquidity Facility which are payable from the Revenues on a parity with the Series 2010A Bonds and which are secured by a lien and pledge of the Revenues equal to the pledge and lien of the Fifth General Resolution, without preference, priority or distinction over the rights of the Bondholders.

The Authority has covenanted in the Fifth General Resolution for the benefit of the Bondholders that, except as described below, it will not create or cause to be created any lien or charge upon the Revenues under the Fifth General Resolution, the proceeds of the Series 2010A Bonds, or the funds or accounts established under and pledged by the Fifth General Resolution which is prior or equal to the pledge made by the Fifth General Resolution. The Authority, however, has reserved the right to pledge and create liens upon the Revenues to secure any obligation or indebtedness of the Authority to the issuer of a Credit Facility, a Reserve Fund Facility, or a Liquidity Facility. Such pledges or liens may be of equal priority with the pledge and lien created by the Fifth General Resolution.

No Debt Service Reserve Fund

No Debt Service Reserve Fund is established under the Fifth General Resolution.

Building and Equipment Reserve Fund

The Fifth General Resolution establishes a Building and Equipment Reserve Fund. The Building and Equipment Reserve Fund Requirement thereunder is established by the Authority from time to time by Series Resolution or Bond Series Certificate. The Fifth General Resolution does not prescribe a minimum amount for the Building and Equipment Reserve Fund Requirement and the requirement established by the Authority under the Resolution may be changed at any time. The current Building and Equipment Reserve Fund Requirement under the Fifth General Resolution is $0.

Limitation on Additional Obligations

Pursuant to the Act, the Authority is authorized to issue bonds and notes for City University facilities pursuant to each Resolution or other resolutions in an aggregate principal amount not exceeding $6.843 billion, exclusive of bonds and notes issued to refund outstanding bonds and notes. The Series 2010A Bonds are refunding bonds and will not be included in the calculation of this limitation. The State has enacted legislation that authorizes the Authority to issue bonds to finance and refinance capital improvements for the City University that are payable out of direct State payments to the Authority from the State's personal income tax receipts instead of from payments made to the Authority by the Fund under the Agreements. The legislation provides that the principal amount of bonds issued by the Authority pursuant to this authorization is to be included in the calculation of bonds issued for purposes of the limitation. For purposes of this limitation, the Authority has issued approximately $4.584 billion.

Additional Bonds may be issued under the Fifth General Resolution which will be on a parity with other Bonds issued under the Fifth General Resolution. The Bonds which may be issued thereunder include Capital Appreciation Bonds, Deferred Income Bonds, Option Bonds and Variable Interest Rate Bonds.

Limitations on Appropriations

General

Under the State Constitution, moneys may be paid to the Fund by the State and the City only after appropriations for such purposes are made by the State or the City, as the case may be. Accordingly, the provisions of the Fund Act which require the State or the City to appropriate moneys to the Fund for the Annual Rentals/Payments do not constitute legally enforceable obligations of either the State or the City. If, however, appropriations are made in sufficient amounts (and such appropriations have not lapsed or been repealed) and moneys are available therefor, the State Comptroller and other appropriate officials of the State and the City are legally obligated to make the payments to the Fund required by the Fund Act.

Per Capita State Aid

The determination of the actual amount of Per Capita State Aid appropriated and apportioned to the City are legislative acts. The statutes relating to Per Capita State Aid have been amended or modified and could be repealed. The State is not required to maintain any particular level of aid or to continue to provide such aid. Amendments or other modifications to the applicable statutes may increase or decrease the amount of Per Capita State Aid paid to the City or available to be paid by the State Comptroller to the Fund for payments or Annual Rentals/Payments from such Per Capita State Aid or as operating aid for the City University. Amendment, modification or repeal of the applicable statutes does not constitute an event of default under the Resolutions or the Agreements.

The amount of State operating aid for Senior Colleges and Community Colleges which may be paid to the Fund by the State Comptroller is limited by the amount appropriated. The amount of Per Capita State Aid to the City which may be paid to the Fund by the State Comptroller is limited not only by the amount appropriated and apportioned to the City, but also by the Fund Act to $65 million. The City's share of such rentals may include the principal amount due upon acceleration of Obligations issued by the Authority in connection with such agreements, which share currently would exceed $65 million.

If the City failed to pay its share of Annual Rentals/Payments under each of the Agreements, the total maximum annual debt service on Obligations for which the Fund might claim Per Capita State Aid subject to the $65 million limitation is, after issuing the Series 2010A Bonds and giving effect to the refunding of the Refunded Bonds, approximately $45.4 million, assuming no acceleration has occurred. The City's obligation with respect to such debt service, which is the amount to which a claim on Per Capita State Aid is limited, is 50% of that amount or approximately $22.7 million. However, if the Fund's annual debt service claims on Per Capita State Aid for the City University were at any time to exceed $65 million or if Per Capita State Aid were insufficient for such purpose, State operating aid appropriations would then be available to pay Fund claims under each of the Agreements. The City University's tuition and fee collections for fiscal years 2008-09 and 2009-10 were $840.2 million and $1,005.9 million, respectively, and for fiscal year 2010-11 are projected to be $1,039.7 million. State operating aid appropriations for the City University in the City Fiscal Year ending June 30, 2010 total $1,288.6 million.

The amount of Annual Rentals/Payments payable by the Fund under each Agreement and the amount of the City's payments for such Annual Rentals/Payments will increase if the Authority in the future issues additional Obligations for Community College Facilities purposes under any of the Resolutions. If the Annual Rentals/Payments increase, the amount of potential claims against Per Capita State Aid to the City on account of the City's share of the Annual Rentals/Payments will increase.

While other entities also have a claim on payments of Per Capita State Aid to the City, the State Finance Law gives the Fund first claim to the amount of such aid payable to it under the Fund Act.

PART 3 - THE SERIES 2010A BONDS

General Description

The Series 2010A Bonds will be issued as fully registered bonds in denominations of $5,000 or any integral multiple thereof and will be exchangeable for other fully registered Series 2010A Bonds in authorized denominations of the same maturity. The Trustee may impose a charge sufficient to reimburse the Authority or such Trustee for any tax, fee or other governmental charge required to be paid with respect to such exchange or any transfer of a Series 2010A Bond. The cost, if any, of preparing each new Series 2010A Bond issued upon such exchange or transfer, and any other expenses of the Authority or the Trustee incurred in connection therewith, will be paid by the person requesting such exchange or transfer.

The Series 2010A Bonds will be registered in the name of Cede & Co., as nominee of DTC pursuant to DTC's Book-Entry Only System. Purchases of beneficial interests in the Series 2010A Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued, the Series 2010A Bonds will be exchangeable for other fully registered certificated Series 2010A Bonds in any authorized denominations of the same maturity. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2010A Bonds, payments of the principal and Redemption Price of and interest on the Series 2010A Bonds will be made by the Trustee directly to Cede & Co. Disbursement of such payments to the DTC Participants (as hereinafter defined) is the responsibility of DTC and disbursement of such payments to the owners of beneficial interests in the Series 2010A Bonds is the responsibility of the DTC Participants and the Indirect Participants (as hereinafter defined). See "Book-Entry Only System" below.

In addition to the Series 2010A Bonds, the Fifth General Resolution authorizes the issuance of other Series of Bonds for specified limited purposes, including to refund all or a portion of the Outstanding Bonds. All Bonds issued under the Fifth General Resolution will rank on a parity and will be secured equally and ratably with all other Bonds issued thereunder. For a more detailed description of the Series 2010A Bonds, see "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH GENERAL RESOLUTION."

The Series 2010A Bonds will be dated their date of delivery, will bear interest from such date at the rates, and will mature at the times, set forth on the inside cover page of this Official Statement. Interest on the Series 2010A Bonds will be due January 1, 2011 and each January 1 and July 1 thereafter.

Interest on the Series 2010A Bonds will be payable at the close of business on the Record Date which is the fifteenth day of the month next preceding the interest payment date.

The Trustee of the Series 2010A Bonds is The Bank of New York Mellon, New York, New York. The Bank of New York Mellon has the duties, responsibilities and rights provided for in the Fifth General Resolution.

Redemption Provisions

Optional Redemption

The Series 2010A Bonds maturing on or after July 1, 2021 are subject to redemption prior to maturity, at the election or direction of the Authority, on or after July 1, 2020, in any order, in whole or in part at any time, at a Redemption Price of 100% of the principal amount of Series 2010A Bonds to be redeemed plus accrued interest to the redemption date.

Notice of Redemption

Notice of the redemption of the Series 2010A Bonds will be given in the name of the Authority to the registered owners of the Series 2010A Bonds to be redeemed by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the redemption date specified in such notice. The failure of any registered owner of a Series 2010A Bond to be redeemed to receive such notice will not affect the validity of the proceeding for the redemption of the Series 2010A Bonds. For a more complete description of the redemption and other provisions relating to the Series 2010A Bonds, see "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH GENERAL RESOLUTION."

Purchase in Lieu of Optional Redemption

The Series 2010A Bonds maturing on or after July 1, 2021 are also subject to purchase prior to maturity, at the election of the Authority, on or after July 1, 2020, in any order, in whole or in part at any time, at a purchase price of 100% of the principal amount of Series 2010A Bonds to be purchased (the "Purchase Price"), plus accrued interest to the date set for purchase (the "Purchase Date").

Notice of Purchase and its Effect

Notice of the purchase of Series 2010A Bonds will be given in the name of the Authority to the registered owners of the Series 2010A Bonds to be purchased by first-class mail, postage prepaid, not less than 30 days nor more than 60 days prior to the Purchase Date specified in such notice. The Series 2010A Bonds to be purchased are required to be tendered on the Purchase Date to the Trustee. Series 2010A Bonds to be purchased that are not so tendered will be deemed to have been properly tendered for purchase. Such purchase shall not operate to extinguish the indebtedness of the Authority evidenced thereby or modify the terms of the Series 2010A Bonds and such Series 2010A Bonds need not be cancelled, but shall remain Outstanding under the Resolution and in such case shall continue to bear interest.

The Authority's obligation to purchase a Series 2010A Bond or cause it to be purchased is conditioned upon the availability of sufficient money to pay the Purchase Price for all of the Series 2010A Bonds to be purchased on the Purchase Date. If sufficient money is available on the Purchase Date to pay the Purchase Price of the Series 2010A Bonds to be purchased, the former registered owners of such Series 2010A Bonds will have no claim thereunder or under the Fifth General Resolution or otherwise for payment of any amount other than the Purchase Price. If sufficient money is not available on the Purchase Date for payment of the Purchase Price, the Series 2010A Bonds tendered or deemed tendered for purchase will continue to be registered in the name of the registered owners on the Purchase Date, who will be entitled to the payment of the principal of and interest on such Series 2010A Bonds in accordance with their respective terms.

In the event not all of the Outstanding Series 2010A Bonds of a maturity within a Series are to be purchased, the Series 2010A Bonds of such maturity to be purchased will be selected by lot in the same manner as Series 2010A Bonds of a maturity to be redeemed in part are to be selected.

For a more detailed description of the provisions relating to the Series 2010A Bonds, see "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH GENERAL RESOLUTION."

Book-Entry Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2010A Bonds. The Series 2010A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010A Bond certificate will be issued for each maturity of the Series 2010A Bonds, totaling in the aggregate the principal amount of the Series 2010A Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2010A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2010A Bonds, except in the event that use of the book-entry system for such Series 2010A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2010A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2010A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2010A Bond documents. For example, Beneficial Owners of the Series 2010A Bonds may wish to ascertain that the nominee holding the Series 2010A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010A Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2010A Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Underwriters, the Trustee, the University or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates are required to be printed and delivered.

DTC may discontinue providing its services as securities depository with respect to the Series 2010A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the Series 2010A Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority, the Trustee and the Underwriters take no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE ACT AND THE FIFTH GENERAL RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the Series 2010A Bonds, as nominee for DTC, references herein to the Bondholders, Holders, or registered owners of the Series 2010A Bonds (other than under the captions "PART 12 - TAX MATTERS" and "PART 17 - CONTINUING DISCLOSURE") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2010A Bonds.

PART 4 - THE PLAN OF FINANCE AND REFUNDING

A portion of the proceeds of the Series 2010A Bonds and certain other available moneys will be used to provide for the payment of the Refunded Bonds. Such proceeds will be used to purchase direct non-callable obligations of the United Sates of America (the "Defeasance Securities"), the principal and interest on which will be sufficient, together with any uninvested cash, to pay the redemption price of the Refunded Bonds on their respective redemption dates, and the interest coming due on the Refunded Bonds on and prior to their redemption dates. Upon issuance of the Series 2010A Bonds, the Defeasance Securities and other available money will be deposited with the respective trustees under the Second General Resolution, the Third General Resolution, and the Fourth General Resolution, as applicable, in an escrow account to be held in trust solely for payment of the redemption price of and interest on the Refunded Bonds. The Refunded Bonds will be redeemed on the respective redemption dates and at the respective redemption prices shown in Appendix F to this Official Statement. Upon deposit of the Defeasance Securities and other money with the appropriate trustees, the Refunded Bonds will be considered to be no longer outstanding under the applicable bond resolution.

PART 5 - DEBT SERVICE REQUIREMENTS

The following table sets forth the amounts required to be paid by the Fund during each 12-month period ending June 30 of the years shown for the payment of the:

(i) Estimated aggregate debt service on Outstanding Obligations under the Resolutions, prior to the issuance of the Series 2010A Bonds;

(ii) Estimated debt service on the refunded portion of the Outstanding Obligations from (i) above;

(iii) Debt service on the Series 2010A Bonds; and

(iv) Estimated aggregate debt service on Outstanding Obligations under the Resolutions, after the issuance of the Series 2010A Bonds.

Year Ending June 30	Estimated Aggregate Debt Service Prior to Refunding[(1)]	Debt Service on Refunded Bonds	Debt Service on the Series 2010A Bonds	Estimated Aggregate Debt Service After Refunding[(2)]
2011	$302,064,011	$47,984,943	$32,509,860	$286,588,928
2012	244,841,174	48,994,956	31,544,800	227,391,018
2013	275,333,425	42,114,494	10,820,800	244,039,731
2014	217,574,311	8,074,900	14,922,600	224,422,011
2015	271,369,662	50,094,900	37,158,300	258,433,062
2016	243,167,161	22,913,750	13,963,300	234,216,711
2017	185,712,183	4,666,588	4,662,700	185,708,296
2018	148,710,691	4,666,588	6,910,450	150,954,554
2019	133,600,872	9,101,588	9,215,700	133,714,985
2020	200,065,032	9,103,750	12,075,700	203,036,982
2021	103,309,168	14,663,575	19,750,950	108,396,543
2022	96,991,307	24,058,638	13,777,950	86,710,620
2023	55,762,211	2,966,588	9,183,950	61,979,574
2024	96,499,768	15,080,588	18,017,950	99,437,131
2025	103,666,596	20,182,500	20,648,700	104,132,796
2026	98,663,479	20,165,250	10,318,450	88,816,679
2027	73,650,833			73,650,833
2028	32,675,782			32,675,782
2029	21,047,857			21,047,857
2030	26,001,168			26,001,168
2031	16,776,713			16,776,713
Total	$2,947,483,404	$344,833,593	$265,482,160	$2,868,131,971

1 Includes an assumed variable interest rate of 3.36% per annum for the $337,475,000 aggregate principal amount of City University System Consolidated Fifth General Resolution Revenue Bonds, Series 2008C and $150,100,000 aggregate principal amount of City University System Consolidated Fifth General Resolution Revenue Bonds, Series 2008D. The assumed variable interest rate of 3.36% per annum reflects the payments due by the Authority under the applicable swap agreements related to $337,475,000 aggregate principal amount of City University System Consolidated Fifth General Resolution Revenue Bonds, Series 2008C and $125,678,121 aggregate principal amount of City University System Consolidated Fifth General Resolution Revenue Bonds, Series 2008D.

2 Principal and interest on all bonds is assumed to be paid on each January 1 and July 1, as applicable.

PART 6 - ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds, including the proceeds to be received from the sale of the Series 2010A Bonds, are expected to be as follows:

Sources:	
Par Amount of Series 2010A Bonds	$196,205,000.00
Net Original Issue Premium	19,139,896.05
Other Available Moneys	45,356,687.50
Total Sources	$260,701,583.55
Uses:	
Deposit to the Refunding Escrow Funds	$258,032,524.19
Underwriters' Discount	776,245.38
Costs of Issuance*	1,892,813.98
Total Uses	$260,701,583.55

* Includes State Bond Issuance Charge.

PART 7 - THE CITY UNIVERSITY OF NEW YORK

The City University's mission is to maintain and expand its commitment to academic excellence and to the provision of equal access and opportunity for students, faculty and staff from all ethnic and racial groups and from both sexes. The City University comprises thirteen senior colleges (including The City University School of Law at Queens College and The Graduate School and University Center) and six community colleges. The City University also includes The Sophie Davis School of Biomedical Education, The School of Professional Studies and The Graduate School of Journalism.* The City University served 258,029 degree-credit students in Spring 2010 and 257,819 adult, continuing and professional education students in academic programs in 2009-2010. In addition, College Now, the City University's academic enrichment program for approximately 28,000 high school students is offered at City University campuses and more than approximately 350 high schools throughout the five boroughs of the City.

The City University was established in 1961 by combining existing educational institutions into one university. The oldest unit of the City University is The City College, which was founded in 1847. Each of the senior colleges is accredited by the Middle States Association of Colleges and Secondary Schools, and all programs offered are authorized by the Regents of the University of the State of New York and are registered with the New York State Education Department. In addition, many of the individual colleges, schools and programs in the City University are accredited by other appropriate professional, educational and institutional associations.

Governance

The City University, prior to July l, 1979, was governed by the Board of Higher Education in the City of New York (the "Board of Higher Education"). Pursuant to legislation adopted in 1979, the Board of Higher Education was continued as a corporate entity, but was restructured and renamed The City University of New York to be governed and administered by the Board of Trustees.

The Board of Trustees is composed of seventeen trustees, ten of whom are appointed by the Governor and five of whom are appointed by the Mayor of the City, all with the advice and consent of the State Senate. The chairperson of the student senate of the City University is an *ex officio* voting trustee and the chairperson of the faculty senate of the City University is an *ex officio* non-voting trustee. The term of office of each of the appointed trustees is seven years,

* For State law purposes, The Sophie Davis School of Biomedical Education, The School of Professional Studies and The Graduate School of Journalism are also part of the senior colleges. Student enrollment figures for The Sophie Davis School of Biomedical Education and The School of Professional Studies are included in the figures for the City College of New York and the Graduate School, respectively, in the table on the following page.

and the terms are staggered. By law, trustees whose term of office has expired continue to serve until a successor is chosen and qualified.

Under the general direction of the Board, the administration and academic programs of the City University are carried out by the Chancellor and officers of the City University and by the presidents of the various colleges of the City University**.**

Student Enrollment

Listed below is the total head count enrollment for each of the City University colleges as reported in the Spring of 2010:

Senior Colleges:	Students
Bernard M. Baruch College	16,695
Brooklyn College	16,497
The City College	15,243
Hunter College	21,987
John Jay College of Criminal Justice	14,915
Herbert H. Lehman College	12,475
Medgar Evers College	7,005
New York City College of Technology	14,379
Queens College	20,581
The College of Staten Island	13,581
York College	7,621
The Graduate School and University Center	4,438
The City University School of Law at Queens College	399
Journalism	83
School of Professional Studies	1,702
Total Senior	**167,601**
Community Colleges:	
Borough of Manhattan Community College	22,911
Bronx Community College	11,058
Eugenio Maria de Hostos Community College	6,530
Kingsborough Community College	18,531*
Fiorello H. LaGuardia Community College	16,482*
Queensborough Community College	14,916
Total Community	**90,428**
Total University	**258,029**

*Kingsborough and LaGuardia enrollment based on estimates due to a standard extended term enrollment period.

The following table indicates FTE (full-time equivalent) enrollment (averages of fall and spring semesters) for the 2004-05 through 2009-10 fiscal years at the City University.

Annual FTEs*	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2009-10**
Senior Colleges						
Undergraduate	83,140	89,682	91,692	94,781	98,874	104,365
Graduate	17,227	17,665	17,503	17,944	18,919	20,525
Total Senior	100,367	107,347	109,195	112,725	117,793	124,890
Community Colleges	50,194	51,848	51,031	53,728	58,601	65,742
Total University	**150,561**	**159,195**	**160,225**	**166,453**	**176,394**	**190,632**

* These figures and all other statistics on student enrollment exclude non-credit continuing education students who numbered an estimated 257,819 in the 2009-10 academic year.

Faculty and Staff of the City University

As of Fall 2009, approximately 7,190 full-time and approximately 10,320 part-time teachers and approximately 4,590 full-time non-teaching professionals were employed on the instructional staff at the City University. In addition, as of Fall 2009, approximately 5,900 full-time and approximately 6,030 part-time persons were employed on the non-instructional staff at the City University.

The City University is empowered to negotiate with and enter into written agreements with certified or recognized employee organizations representing instructional and classified civil service staff. In conducting such negotiations, the City University consults with and seeks assistance from the State Office of Employee Relations and the New York City Office of Municipal Labor Relations.

The City University and its various unions representing the City University's blue and white collar classified staff employees have agreements in place for the periods 7/1/06 through 7/31/09, 10/1/06 through 10/31/09, and 8/16/07 through 9/15/10 on salary and other issues covered by collective bargaining. The City University and the union representing its instructional staff has a collective bargaining agreement in place for the period 9/20/07 through 10/19/10. These agreements where ratified by the union rank and file membership and adopted by the City University's Board of Trustees.

Revenues and Expenses of the City University

The State and City budgets for the City University totaled approximately $2,579.7 million for the fiscal year ended June 30, 2010. The City University operating budget consists of State and City appropriations and tuition and fees, but does not take into account reductions in appropriations or increases in fees during the fiscal year. Historically, the City University has had additional revenue from grants, contracts, endowments, sales and services and other sources. Estimated tuition and fee revenues comprise approximately 34.6% of total revenues for fiscal year 2010.

The operating budgets for the City University Senior and Community Colleges for fiscal years ending 2005 through 2010, in the aggregate, are presented in the following table.

City University Operating Budgets*
(in millions of dollars)

Fiscal Year	Senior Colleges	Community Colleges	Total
2009-10	$1,893.5	$686.2	$2,579.7
2008-09	1,822.4	602.6	2,425.0
2007-08	1,628.0	570.6	2,198.6
2006-07	1,488.6	529.8	2,018.4
2005-06	1,361.1	489.9	1,851.0
2004-05	1,245.6	473.5	1,719.1

* The figures in the above table for the Senior Colleges exclude income fund reimbursables. The budget figures represent approved budget amounts except for 2009-10 which represent a request and do not correspond to similar categories in the financial statements of the City University which contain actual figures and additional revenue sources such as Federal funds and gifts.

The appropriations made by the State for the operating expenses of the City University are to be paid by the State Comptroller to the Fund if, and to the extent that, the State or the City fails to appropriate and pay to the Fund an amount equal to the Annual Payments and rentals to be paid by the Fund under the Agreements. If moneys appropriated by the State for the City University's operating expenses are instead paid to the Fund, the City University's ability to meet its operating expenses may be impaired which could result in a decrease in enrollment at the City University and in the instructional and non-instructional fees.

To obtain a copy of the City University's audited financial statements contact the University Controller at (212) 397-5600.

PART 8 - CITY UNIVERSITY CONSTRUCTION FUND

The Fund is empowered to cause facilities to be designed, constructed, acquired, reconstructed, rehabilitated, equipped, improved, furnished, made secure and operated and maintained for the City University. All Facilities financed by the Obligations have received all required approvals. The Fund may engage the services of construction, engineering, architectural, legal and financial consultants, surveyors and appraisers, on a contract basis or as employees, for professional services and technical assistance and advice. The Fund may accept jurisdiction over, hold, use and improve real property and may acquire personal and real property and make available any real or personal property to the City University and to the Authority. It is empowered to lease the Project from the Authority. The Fund Act also provides that the Fund may receive, accept, invest, administer, expend and disburse moneys from whatever sources derived, including moneys received from the United States of America, the State or the City, and may pledge such moneys received to the Annual Payments due to the Authority.

The Fund is authorized by Section 6278(d) of the Fund Act to invest funds not needed for immediate use, including Fund Resources pledged as described herein, in specified obligations, including obligations of or guaranteed by the United States of America and of an agency, corporation or other instrumentality thereof, as well as of the State or of the City ("Qualified Obligations"). Under the Fund's current investment policies, the City Comptroller, as agent of the Fund, purchases Qualified Obligations that mature on or slightly prior to the dates on which the Fund is required to have cash on deposit in order to pay rentals and Annual Payments to the Authority. In accordance with Section 2925 of the Public Authorities Law, the Fund has adopted investment guidelines detailing the objectives to be carried out by the Fund and its agents with respect to the investment of funds of the Fund and establishing reporting and other procedures to enable the officers and trustees of the Fund to monitor compliance with the guidelines. The Fund has transmitted copies of its investment guidelines to the City Comptroller.

The Fund is administered by seven trustees, of whom the Director of the Budget of the State (or his or her designee) and the Chairperson of the Board of Trustees of the City University are *ex officio* trustees. Two other trustees are appointed by the Governor, one of whom must be a trustee of the City University and the other of whom is subject to confirmation by the State Senate. The Mayor of the City appoints one trustee, subject to confirmation by the State Senate. Finally, the Temporary President of the State Senate and the Speaker of the State Assembly each appoint one trustee. Each trustee, except *ex officio* trustees, serves for a term expiring at the end of the term of the officer making the appointment. The trustees receive no compensation, but may be reimbursed for expenses.

The Fund's financial statements are audited by independent certified public accountants. The Fund's financial statements for its fiscal year ended June 30, 2009 are available by contacting the Fund at (212) 541-0190.

PART 9 - THE AUTHORITY

Background, Purposes and Powers

The Authority is a body corporate and politic constituting a public benefit corporation. The Authority was created by the Act for the purpose of financing and constructing a variety of facilities for certain independent colleges and universities and private hospitals, certain not-for-profit institutions, public educational institutions including The State University of New York, The City University of New York and Boards of Cooperative Educational Services ("BOCES"), certain school districts in the State, facilities for the Departments of Health and Education of the State, the Office of General Services, the Office of General Services of the State on behalf of the Department of Audit and Control, facilities for the aged and certain judicial facilities for cities and counties. The Authority is also authorized to make and purchase certain loans in connection with its student loan program. To carry out this purpose, the Authority was given the authority, among other things, to issue and sell negotiable bonds and notes to finance the construction of facilities of such institutions, to issue bonds or notes to refund outstanding bonds or notes and to lend funds to such institutions.

On September 1, 1995, the Authority through State legislation (the "Consolidation Act") succeeded to the powers, duties and functions of the New York State Medical Care Facilities Finance Agency (the "Agency") and the Facilities Development Corporation (the "Corporation"), each of which will continue its corporate existence in and through the Authority. Under the Consolidation Act, the Authority has also acquired by operation of law all assets and property, and has assumed all the liabilities and obligations, of the Agency and the Corporation, including, without limitation, the obligation of the Agency to make payments on its outstanding bonds, and notes or other obligations. Under the Consolidation Act, as successor to the powers, duties and functions of the Agency, the Authority is authorized to issue and sell negotiable bonds and notes to finance and refinance mental health services facilities for use directly by the New York State Department of Mental Hygiene and by certain voluntary agencies. As such successor to the Agency, the Authority has acquired additional authorization to issue bonds and notes to provide certain types of financing for certain facilities for the Department of Health, not-for-profit corporations providing hospital, medical and residential health care facilities and services, county and municipal hospitals and nursing homes, not-for-profit and limited profit nursing home companies, qualified health maintenance organizations and health facilities for municipalities constituting social services districts. As successor to the Corporation, the Authority is authorized, among other things, to assume exclusive possession, jurisdiction, control and supervision over all State mental hygiene facilities and to make them available to the Department of Mental Hygiene, to provide for construction and modernization of municipal hospitals, to provide health facilities for municipalities, to provide health facilities for voluntary non-profit corporations, to make its services available to the State Department of Correctional Services, to make its services available to municipalities to provide for the design and construction of local correctional facilities, to provide services for the design and construction of municipal buildings, and to make loans to certain voluntary agencies with respect to mental hygiene facilities owned or leased by such agencies.

The Authority has the general power to acquire real and personal property, give mortgages, make contracts, operate dormitories and other facilities and fix and collect rentals or other charges for their use, contract with the holders of its bonds and notes as to such rentals and charges, make reasonable rules and regulations to assure the maximum use of facilities, borrow money, issue negotiable bonds or notes and provide for the rights of their holders and adopt a program of self-insurance.

In addition to providing financing, the Authority offers a variety of services to certain educational, governmental and not-for-profit institutions, including advising in the areas of project planning, design and construction, monitoring project construction, purchasing of furnishings and equipment for projects, designing interiors of projects and designing and managing projects to rehabilitate older facilities. In succeeding to the powers, duties and functions of the Corporation as described above, the scope of design and construction services afforded by the Authority has been expanded.

Outstanding Indebtedness of the Authority (Other than Indebtedness Assumed by the Authority)

At June 30, 2010, the Authority had approximately $42.7 billion aggregate principal amount of bonds and notes outstanding, excluding indebtedness of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act. The debt service on each such issue of the Authority's bonds and notes is paid from moneys received by the Authority or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue or from borrowers in connection with its student loan program.

The Authority's bonds and notes include both special obligations and general obligations of the Authority. The Authority's special obligations are payable solely from payments required to be made by or for the account of the institution for which the particular special obligations were issued or from borrowers in connection with its student loan program. Such payments are pledged or assigned to the trustees for the holders of respective special obligations. The Authority has no obligation to pay its special obligations other than from such payments. The Authority's general obligations are payable from any moneys of the Authority legally available for the payment of such obligations. However, the payments required to be made by or for the account of the institution for which general obligations were issued generally have been pledged or assigned by the Authority to trustees for the holders of such general obligations. The Authority has always paid the principal of and interest on its special and general obligations on time and in full.

The total amounts of the Authority bonds and notes (excluding debt of the Agency assumed by the Authority on September 1, 1995 pursuant to the Consolidation Act) outstanding at June 30, 2010 were as follows:

Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
State University of New York Dormitory Facilities	$ 2,350,316,000	$ 1,043,710,000	$ 0	$ 1,043,710,000
State University of New York Educational and Athletic Facilities	14,043,272,999	6,283,774,856	0	6,283,774,856
Upstate Community Colleges of the State University of New York	1,590,645,000	662,375,000	0	662,375,000
Senior Colleges of the City University of New York	10,262,671,762	3,346,519,213	0	3,346,519,213
Community Colleges of the City University of New York	2,444,968,350	542,365,787	0	542,365,787
BOCES and School Districts	2,771,681,208	2,168,100,000	0	2,168,100,000
Judicial Facilities	2,161,277,717	704,492,717	0	704,492,717
New York State Departments of Health and Education and Other	6,138,795,000	4,184,350,000	0	4,184,350,000
Mental Health Services Facilities	8,032,895,000	3,881,765,000	0	3,881,765,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	1,116,660,000	761,120,000	0	761,120,000
Totals Public Programs	$51,686,658,036	$23,578,572,573	$ 0	$23,578,572,573

Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**	**Notes Outstanding**	**Bonds and Notes Outstanding**
Independent Colleges, Universities and Other Institutions	$19,251,245,259	$10,186,626,435	$30,730,000	$10,217,356,435
Voluntary Non-Profit Hospitals	14,434,254,309	8,005,120,000	0	8,005,120,000
Facilities for the Aged	2,010,975,000	873,025,000	0	873,025,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$35,791,474,568	$19,064,771,435	$30,730,000	$19,095,501,435
Grand Totals Bonds and Notes	$87,478,132,604	$42,643,344,008	$30,730,000	$42,674,074,008

Outstanding Indebtedness of the Agency Assumed by the Authority

At June 30, 2010, the Agency had approximately $324.9 million aggregate principal amount of bonds outstanding, the obligations as to all of which have been assumed by the Authority. The debt service on each such issue of bonds is paid from moneys received by the Authority (as successor to the Agency) or the trustee from or on behalf of the entity having facilities financed with the proceeds from such issue.

The total amounts of the Agency's bonds (which indebtedness was assumed by the Authority on September 1, 1995) outstanding at June 30, 2010 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding
Mental Health Services Improvement Facilities	$3,817,230,725	$ 0
Non-Public Programs	**Bonds Issued**	**Bonds Outstanding**
Hospital and Nursing Home Project Bond Program....	$ 226,230,000	$ 2,880,000
Insured Mortgage Programs	6,625,079,927	314,970,000
Revenue Bonds, Secured Loan and Other Programs...	2,414,240,000	7,045,000
Total Non-Public Programs..	$ 9,265,549,927	$324,895,000
Total MCFFA Outstanding Debt................................	$13,082,780,652	$324,895,000

Governance

The Authority carries out its programs through an eleven-member board, a full-time staff of approximately 660 persons, independent bond counsel and other outside advisors. Board members include the Commissioner of Education of the State, the Commissioner of Health of the State, the State Comptroller or one member appointed by him or her who serves until his or her successor is appointed, the Director of the Budget of the State, one member appointed by the Temporary President of the State Senate, one member appointed by the Speaker of the State Assembly and five members appointed by the Governor, with the advice and consent of the Senate, for terms of three years. The Commissioner of Education of the State, the Commissioner of Health of the State and the Director of the Budget of the State each may appoint a representative to attend and vote at Authority meetings. The members of the Authority serve without compensation, but are entitled to reimbursement of expenses incurred in the performance of their duties.

The Governor of the State appoints a Chair from the members appointed by him or her and the members of the Authority annually choose the following officers, of which the first two must be members of the Authority: Vice-Chair, Secretary, Treasurer, Assistant Secretaries and Assistant Treasurers.

The current members of the Authority are as follows:

ALFONSO L. CARNEY, JR., *Chair*, New York.

Alfonso L. Carney, Jr. was appointed as a Member of the Authority by the Governor on May 20, 2009. Mr. Carney is a principal of Rockwood Partners, LLC, which provides medical and legal consulting services in New York City. Consulting for the firm in 2005, he served as Acting Chief Operating Officer and Corporate Secretary for the Goldman Sachs Foundation in New York where, working with the President of the Foundation, he directed overall staff management of the foundation, and provided strategic oversight of the administration, communications and legal affairs teams, and developed selected foundation program initiatives. Prior to this, Mr. Carney held several positions with Altria Corporate Services, Inc., most recently as Vice President and Associate General Counsel for Corporate and Government Affairs. Prior to that, Mr. Carney served as Assistant Secretary of Philip Morris Companies Inc. and Corporate Secretary of Philip Morris Management Corp. For eight years, Mr. Carney was Senior International Counsel first for General Foods Corporation and later for Kraft Foods, Inc. and previously served as Trade Regulation Counsel, Assistant Litigation Counsel and Federal Government Relations Counsel for General Foods, where he began his legal career in 1975 as a Division Attorney. Mr. Carney is a trustee of Trinity College, the University of Virginia Law School Foundation, the Riverdale Country School and the Virginia Museum of Fine Arts in Richmond. In addition, he is a trustee of the Burke Rehabilitation Hospital in White Plains. Mr. Carney holds a Bachelors degree in

Philosophy from Trinity College and a Juris Doctor degree from the University of Virginia School of Law. His current term expires on March 31, 2013.

JOHN B. JOHNSON, JR., *Vice-Chair,* Watertown.

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on June 20, 2007. Mr. Johnson is Chairman of the Board and Chief Executive Officer of the Johnson Newspaper Corporation, which publishes the Watertown Daily Times, Batavia Daily News, Malone Telegram, Catskill Daily Mail, Hudson Register Star, Ogdensburg Journal, Massena-Potsdam Courier Observer, seven weekly newspapers and three shopping newspapers. He is director of the New York Newspapers Foundation, a member of the Development Authority of the North Country and the Fort Drum Regional Liaison Committee, a trustee of Clarkson University and president of the Bugbee Housing Development Corporation. Mr. Johnson has been a member of the American Society of Newspaper Editors since 1978, and was a Pulitzer Prize juror in 1978, 1979, 2001 and 2002. He holds a Bachelor's degree from Vanderbilt University, and Master's degrees in Journalism and Business Administration from the Columbia University Graduate School of Journalism and Business. Mr. Johnson was awarded an Honorary Doctor of Science degree from Clarkson University. Mr. Johnson's term expires on March 31, 2013.

JACQUES JIHA, Ph.D., *Secretary*, Woodbury.

Jacques Jiha was appointed as a Member of the Authority by the Governor on December 15, 2008. Mr. Jiha is the Executive Vice President / Chief Operating Officer & Chief Financial Officer of Black Enterprise, a multi-media company with properties in print, digital media, television, events and the internet. He is a member of the Investment Advisory Committee of the New York Common Retirement Fund. Previously, Mr. Jiha served as Deputy Comptroller for Pension Investment and Public Finance in the Office of the New York State Comptroller. As the state's chief investment officer, he managed assets valued at $120 billion and was also in charge of all activities related to the issuance of New York State general obligation bonds, bond anticipation notes, tax and revenue anticipation notes, and certificates of participation. Mr. Jiha was the Co-Executive Director of the New York State Local Government Assistance Corporation (LGAC) in charge of the sale of refunding bonds, the ratification of swap agreements, and the selection of financial advisors and underwriters. Prior thereto, Mr. Jiha was Nassau County Deputy Comptroller for Audits and Finances. He also worked for the New York City Office of the Comptroller in increasingly responsible positions: first as Chief Economist and later as Deputy Comptroller for Budget. Earlier, Mr. Jiha served as Executive Director of the New York State Legislative Tax Study Commission and as Principal Economist for the New York State Assembly Committee on Ways and Means. He holds a Ph.D. and a Master's degree in Economics from the New School University and a Bachelor's degree in Economics from Fordham University. His current term expires on March 31, 2011.

CHARLES G. MOERDLER, Esq., New York.

Charles Moerdler was appointed as a Member of the Authority by the Governor on March 16, 2010. Mr. Moerdler is a founding partner in the Litigation Practice of the law firm Stroock & Stroock & Lavan LLP. His areas of practice include defamation, antitrust, securities, real estate, class actions, health care, international law, labor law, administrative law and zoning. Mr. Moerdler also specializes in State and Federal appellate practice. He served as Commissioner of Housing and Buildings of the City of New York, as a real estate and development consultant to New York City Mayor John Lindsay, as a member of the City's Air Pollution Control Board, and as Chairman and Commissioner of the New York State Insurance Fund. Mr. Moerdler currently serves on the Board of Directors of the New York City Housing Development Corporation and as a member of the New York City Board of Collective Bargaining. He holds a Bachelors of Arts degree from Long Island University and a Juris Doctor degree from Fordham University. His current term expires on March 31, 2012.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on December 15, 2008. A certified public accountant with more than 37 years of experience, Mr. Martino is a retired partner of the Buffalo CPA firm Lumsden & McCormick, LLP. He began his career at Price Waterhouse where he worked in the firm's Buffalo and Washington, DC, offices. Mr. Martino is a member of the American Institute of CPAs and the New York State Society of CPAs. Long involved in community organizations, he serves on the boards of the Buffalo Niagara Medical Campus as Vice Chairman, Mount Calvary Cemetery as Chair of the Investment Committee, Cradle Beach

Camp of which he is a former Chair, the Kelly for Kids Foundation and Key Bank. Mr. Martino received a Bachelor of Science degree in accounting from the University at Buffalo. Mr. Martino's term expired on August 31, 2010 and by law he continues to serve until a successor shall be chosen and qualified.

SANDRA M. SHAPARD, Delmar.

Ms. Shapard was appointed as a Member of the Authority by the State Comptroller on January 21, 2003. Ms. Shapard served as Deputy Comptroller for the Office of the State Comptroller from January, 1995 until her retirement in 2001, during which time she headed the Office of Fiscal Research and Policy Analysis and twice served as Acting First Deputy Comptroller. Previously, Ms. Shapard held the positions of Deputy Director and First Deputy Director for the New York State Division of Budget, from 1991 to 1994, and Deputy Assistant Commissioner for Transit for the State Department of Transportation, from 1988 to 1991. She began her career in New York State government with the Assembly in 1975 where, over a thirteen year period, she held the positions of Staff Director of the Office of Counsel to the Majority, Special Assistant to the Speaker, and Deputy Director of Budget Studies for the Committee on Ways and Means. Ms. Shapard also served as Assistant to the County Executive in Dutchess County. A graduate of Mississippi University for Women, Ms. Shapard received a Masters of Public Administration from Harvard University, John F. Kennedy School of Government, where she has served as visiting lecturer, and has completed graduate work at Vanderbilt University.

GERARD ROMSKI, Esq., Mount Kisco.

Mr. Romski was appointed as a Member of the Authority by the Temporary President of the State Senate on June 8, 2009. He is Counsel and Project Executive for "Arverne By The Sea," where he is responsible for advancing and overseeing all facets of "Arverne by the Sea," one of New York City's largest mixed-use developments located in Queens, NY. Mr. Romski is also of counsel to the New York City law firm of Bauman, Katz and Grill LLP. He formerly was a partner in the law firm of Ross & Cohen, LLP (now merged with Duane Morris, LLP) for twelve years, handling all aspects of real estate and construction law for various clients. He previously served as Assistant Division Chief for the New York City Law Department's Real Estate Litigation Division where he managed all aspects of litigation arising from real property owned by The City of New York. Mr. Romski is a member of the Urban Land Institute, Council of Development Finance Agencies, the New York State Bar Association, American Bar Association and New York City Bar Association. He previously served as a member of the New York City Congestion Mitigation Commission and the Board of Directors for the Bronx Red Cross. Mr. Romski holds a Bachelor of Arts degree from the New York Institute of Technology and a Juris Doctor degree from Brooklyn Law School.

ROMAN B. HEDGES, Ph.D., Delmar.

Dr. Hedges was appointed as a Member of the Authority by the Speaker of the State Assembly on February 24, 2003. Dr. Hedges serves on the Legislative Advisory Task Force on Demographic Research and Reapportionment. He is the former Deputy Secretary of the New York State Assembly Committee on Ways and Means. Dr. Hedges previously served as the Director of Fiscal Studies of the Assembly Committee on Ways and Means. He was an Associate Professor of Political Science and Public Policy at the State University of New York at Albany where he taught graduate and undergraduate courses in American politics, research methodology, and public policy. Dr. Hedges holds a Doctor of Philosophy and a Master of Arts degree from the University of Rochester and a Bachelor of Arts degree from Knox College.

DAVID M. STEINER, Ph.D., *Commissioner of Education of the State of New York,* Albany; *ex-officio.*

David M. Steiner was appointed by the Board of Regents as President of the University of the State of New York and Commissioner of Education on October 1, 2009. Prior to his appointment, Dr. Steiner served as the Klara and Larry Silverstein Dean of the School of Education at Hunter College CUNY. Prior to his time with Hunter College, Dr. Steiner served as Director of Arts Education at the National Endowment for the Arts and Chairman of the Department of Education Policy at Boston University. As Commissioner of Education, Dr. Steiner serves as chief executive officer of the Board of Regents, which has jurisdiction over the State's entire educational system, which includes public and non-public elementary, middle and secondary education; public and independent colleges and universities; museums, libraries and historical societies and archives; the vocational rehabilitation system; and responsibility for licensing, practice and oversight of numerous professions. He holds a Doctor of Philosophy in political science from Harvard University and a Bachelor of Arts and Master of Arts degree in philosophy, politics and economics from Balliol College at Oxford University.

RICHARD F. DAINES, M.D., *Commissioner of Health*, Albany; *ex-officio*.

Richard F. Daines, M.D., became Commissioner of Health on March 21, 2007. Prior to his appointment he served as President and CEO at St. Luke's-Roosevelt Hospital Center since 2002. Before joining St. Luke's-Roosevelt Hospital Center as Medical Director in 2000, Dr. Daines served as Senior Vice President for Professional Affairs of St. Barnabas Hospital in the Bronx, New York since 1994 and as Medical Director from 1987 to 1999. Dr. Daines received a Bachelor of History degree from Utah State University in 1974 and served as a missionary for the Church of Jesus Christ of Latter-day Saints in Bolivia, 1970-1972. He received his medical degree from Cornell University Medical College in 1978. He served a residency in internal medicine at New York Hospital and is Board Certified in Internal Medicine and Critical Care Medicine.

ROBERT L. MEGNA, *Budget Director of the State of New York,* Albany*; ex-officio.*

Mr. Megna was appointed Budget Director on June 15, 2009. He is responsible for the overall development and management of the State's fiscal policy, including overseeing the preparation of budget recommendations for all State agencies and programs, economic and revenue forecasting, tax policy, fiscal planning, capital financing and management of the State's debt portfolio, as well as pensions and employee benefits. Mr. Megna previously served as Commissioner of the New York State Department of Taxation and Finance, responsible for overseeing the collection and accounting of more than $90 billion in State and local taxes, the administration of State and local taxes, including New York City and the City of Yonkers income taxes and the processing of tax returns, registrations and associated documents. Prior to this he served as head of the Economic and Revenue Unit of the New York State Division of the Budget where he was responsible for State Budget revenue projections and the development and monitoring of the State Financial Plan. Mr. Megna was Assistant Commissioner for Tax Policy for the Commonwealth of Virginia. He also served as Director of Tax Studies for the New York State Department of Taxation and Finance and as Deputy Director of Fiscal Studies for the Ways and Means Committee of the New York State Assembly. Mr. Megna was also an economist for AT&T. He holds Masters degrees in Public Policy from Fordham University and Economics from the London School of Economics.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the President and chief executive officer of the Authority. Mr. Williams is responsible for the overall management of the Authority's administration and operations. He most recently served as Senior Counsel in the law firm of Nixon Peabody LLP. Prior to working at Nixon Peabody, Mr. Williams helped to establish a boutique Wall Street investment banking company. Prior thereto, Mr. Williams was a partner in, and then of counsel to, the law firm of Bryan Cave LLP. He was a founding partner in the law firm of Wood, Williams, Rafalsky & Harris, which included a practice in public finance and served there from 1984-1998. Mr. Williams began his career as an associate at the law firm of Walker & Bailey in 1977 and thereafter served as a counsel to the New York State Assembly. Mr. Williams is licensed to practice law in the State of New York and holds professional licenses in the securities industry. He holds a Bachelor's degree from Yale University and a Juris Doctor degree from Columbia University School of Law.

MICHAEL T. CORRIGAN is the Vice President of the Authority, and assists the President in the administration and operation of the Authority. Mr. Corrigan came to the Authority in 1995 as Budget Director, and served as Deputy Chief Financial Officer from 2000 until 2003. He began his government service career in 1983 as a budget analyst for Rensselaer County, and served as the County's Budget Director from 1986 to 1995. Immediately before coming to the Authority, he served as the appointed Rensselaer County Executive for a short period. Mr. Corrigan holds a Bachelor's degree in Economics from the State University of New York at Plattsburgh and a Master's degree in Business Administration from the University of Massachusetts.

PORTIA LEE is the Managing Director of Public Finance and Portfolio Monitoring. She is responsible for supervising and directing Authority bond issuance in the capital markets, through financial feasibility analysis and financing structure determination for Authority clients; as well as implementing and overseeing financing programs, including interest rate exchange and similar agreements; overseeing the Authority's compliance with continuing disclosure requirements and monitoring the financial condition of existing Authority clients. Ms. Lee previously served as Senior Investment Officer at the New York State Comptroller's Office where she was responsible for assisting in the administration of the long-term fixed income portfolio of the New York State Common Retirement Fund, as well as the short-term portfolio, and the Securities Lending Program. From 1995 to 2005, Ms. Lee worked at Moody's Investors Service where she most recently served as Vice President and Senior Credit Officer in the Public Finance Housing Group. In addition, Ms. Lee has extensive public service experience working for over 10 years in various positions in the Governor's Office, NYS Department of Social Services, as well as the New York State Assembly. She holds a Bachelor's degree from the State University of New York at Albany.

PAUL W. KUTEY is the Chief Financial Officer of the Authority. Mr. Kutey oversees and directs the activities of the Office of Finance and Information Services. He is responsible for supervising the Authority's investment program, accounting functions, operation, maintenance and development of computer hardware, software and communications infrastructure; as well as the development and implementation of financial policies, financial management systems and internal controls for financial reporting. Previously, Mr. Kutey was Senior Vice President of Finance and Operations for AYCO Company, L.P., a Goldman Sachs Company, where his responsibilities included finance, operations and facilities management. Prior to joining AYCO Company, he served as Corporate Controller and Acting Chief Financial Officer for First Albany Companies, Inc. From 1982 until 2001, Mr. Kutey held increasingly responsible positions with PricewaterhouseCoopers, LLP, becoming Partner in 1993. He is a Certified Public Accountant and holds a Bachelor of Business Administration degree from Siena College.

JEFFREY M. POHL is General Counsel to the Authority. Mr. Pohl is responsible for all legal services including legislation, litigation, contract matters and the legal aspects of all Authority financings. He is a member of the New York State Bar, and most recently served as a counsel in the public finance group of a large New York law firm. Mr. Pohl had previously served in various capacities in State government with the Office of the State Comptroller and the New York State Senate. He holds a Bachelor's degree from Franklin and Marshall College and a Juris Doctor degree from Albany Law School of Union University.

STEPHEN D. CURRO, P.E. is the Managing Director of Construction. In that capacity, he is responsible for the Authority's construction groups, including design, project management, purchasing, contract administration, interior design, and engineering and other technology services. Mr. Curro joined the Authority in 2001 as Director of Technical Services, and most recently served as Director of Construction Support Services. He is a registered Professional Engineer in New York and Rhode Island and has worked in the construction industry for over 20 years as a consulting structural engineer and a technology solutions provider. Mr. Curro is also an Adjunct Professor at Hudson Valley Community College and Bryant & Stratton College. He holds a Bachelor of Science in Civil Engineering from the University of Rhode Island, a Master of Engineering in Structural Engineering from Rensselaer Polytechnic Institute and a Master of Business Administration from Rensselaer Polytechnic Institute's Lally School of Management.

CARRA WALLACE is the Managing Director of the Office of Executive Initiatives (OEI). In that capacity, she oversees the Authority's Communications and Marketing, Opportunity Programs, Environmental Initiatives, Client Outreach, Training, Executive Projects, and Legislative Affairs units. Ms. Wallace is responsible for strategic efforts in developing programs, maximizing the utilization of Minority and Women Owned Businesses, and communicating with Authority clients, the public and governmental officials. She possesses more than twenty years of senior leadership experience in diverse private sector businesses and civic organizations. Ms. Wallace most recently served as Executive Vice President at Telwares, a major telecommunications service firm. Prior to her service at Telwares, Ms. Wallace served as Executive Vice President of External Affairs at the NYC Leadership Academy. She holds a Bachelor of Science degree in management from the Pepperdine University Graziadio School of Business and Management.

Claims and Litigation

Although certain claims and litigation have been asserted or commenced against the Authority, the Authority believes that these claims and litigation are covered by the Authority's insurance or by bonds filed with the Authority should the Authority be held liable in any of such matters, or that the Authority has sufficient funds available or the legal power and ability to seek sufficient funds to meet any such claims or judgments resulting from such litigation.

Other Matters

New York State Public Authorities Control Board

The New York State Public Authorities Control Board (the "PACB") has authority to approve the financing and construction of any new or reactivated projects proposed by the Authority and certain other public authorities of the State. The PACB approves the proposed new projects only upon its determination that there are commitments of funds sufficient to finance the acquisition and construction of the projects. The Authority has obtained the approval of the PACB for the issuance of the Series 2010A Bonds.

Legislation

From time to time, bills are introduced into the State Legislature which, if enacted into law, would affect the Authority and its operations. The Authority is not able to represent whether such bills will be introduced or become law in the future. In addition, the State undertakes periodic studies of public authorities in the State (including the Authority) and their financing programs. Any of such periodic studies could result in proposed legislation which, if adopted, would affect the Authority and its operations.

Environmental Quality Review

The Authority complies with the New York State Environmental Quality Review Act and with the New York State Historic Preservation Act of 1980, and the respective regulations promulgated thereunder respecting the Project to the extent such acts and regulations are applicable.

Independent Auditors

The accounting firm of KPMG LLP audited the financial statements of the Authority for the fiscal year ended March 31, 2010. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 10 - LEGALITY OF THE SERIES 2010A BONDS FOR INVESTMENT AND DEPOSIT

Under State law, the Series 2010A Bonds are securities in which all public officers and bodies of the State and all municipalities and municipal subdivisions, all insurance companies and associations, all savings banks and savings institutions, including savings and loan associations, administrators, guardians, executors, trustees, committees, conservators and other fiduciaries in the State may properly and legally invest funds in their control.

The Series 2010A Bonds may be deposited with the State Comptroller to secure deposits of State moneys in banks, trust companies and industrial banks.

PART 11 - NEGOTIABLE INSTRUMENTS

The Series 2010A Bonds are negotiable instruments as provided in the Act, subject to the provisions for registration and transfer contained in the Fifth General Resolution and in the Series 2010A Bonds.

PART 12 - TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2010A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2010A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2010A Bonds. Pursuant to the Resolution and the Tax Certificate, the Authority and the City

University have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2010A Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority and the City University have made certain representations and certifications in the Resolution and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the Authority and the City University described above, interest on the Series 2010A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2010A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

State Taxes

Bond Counsel is also of the opinion that interest on the Series 2010A Bonds is, by virtue of the Act, exempt from personal income taxes imposed by the State of New York or any political subdivision of the State of New York. Bond counsel expresses no opinion as to other state or local tax consequences arising with respect to the Series 2010A Bonds nor as to the taxability of the Series 2010A Bonds or the income therefrom under the laws of any state other than New York.

Original Issue Premium

The Series 2010A Bonds are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Series 2010A Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Series 2010A Bond based on the purchaser's yield to maturity (or, in the case of Series 2010A Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Series 2010A Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Series 2010A Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Series 2010A Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Series 2010A Bonds.

Ancillary Tax Matters

Ownership of the Series 2010A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2010A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2010A Bonds; for certain bonds issued during 2009 and 2010, the American Recovery and Reinvestment Act of 2009 modifies the application of those rules as they apply to financial institutions. Prospective investors are advised to consult their own tax advisors regarding these rules.

Commencing with interest paid in 2006, interest paid on tax-exempt obligations such as the Series 2010A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2010A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any Federal tax matters other than those described in the opinions attached as Appendix E. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2010A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2010A Bonds for Federal or state income tax purposes, and thus on the value or marketability of the Series 2010A Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2010A Bonds from gross income for Federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the Series 2010A Bonds may occur. Prospective purchasers of the Series 2010A Bonds should consult their own tax advisers regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2010A Bonds may affect the tax status of interest on the Series 2010A Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the Series 2010A Bonds, or the interest thereon, if any action is taken with respect to the Series 2010A Bonds or the proceeds thereof upon the advice or approval of other counsel.

PART 13 - STATE AND CITY NOT LIABLE ON THE SERIES 2010A BONDS

The Series 2010A Bonds will not be a debt of the State or the City, neither the State nor the City will be liable on them and the Series 2010A Bonds are not payable out of any funds other than those of the Authority specifically pledged therefor.

PART 14 - COVENANT BY THE STATE

The Act states that the State pledges and agrees with the holders of the Authority's notes and bonds that the State will not limit or alter the rights vested in the Authority to provide projects, to establish and collect rentals therefrom and to fulfill agreements with the holders of the Authority's notes and bonds or in any way impair the rights and remedies of the holders of such notes or bonds until such notes or bonds and interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of the holders of such notes and bonds are fully met and discharged. Notwithstanding the State's pledges and agreements contained in the Act, the State may, in the exercise of its sovereign power, enact or amend its laws which, if determined to be both reasonable and necessary to serve an important public purpose, could have the effect of impairing these pledges and agreements with the Authority and with the holders of the Authority's notes or bonds.

This pledge and agreement by the State does not, among other things, bind or obligate the State to appropriate funds for the payment of the principal and Sinking Fund Installments of and interest on the Series 2010A Bonds or for the payment of the operating expenses of the City University. See "PART 2 - SOURCES OF PAYMENT AND SECURITY."

PART 15 - LEGAL MATTERS

Certain legal matters incidental to the authorization and issuance of the Series 2010A Bonds are subject to the approval of Nixon Peabody LLP, New York, New York, Bond Counsel to the Authority, whose approving opinion will be delivered with the Series 2010A Bonds. Certain legal matters will be passed upon for the Underwriters by Fulbright & Jaworski L.L.P., New York, New York.

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2010A Bonds or questioning or affecting the validity of the Series 2010A Bonds or the proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Authority to issue the Series 2010A Bonds in accordance with the provisions of the Act, the Fund Act, the Fifth General Resolution and the 2003 Agreement.

PART 16 - UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2010A Bonds from the Authority at an aggregate purchase price of $214,568,650.67 and to make a public offering of such Series 2010A Bonds at prices that are not in excess of the public offering prices stated on the inside cover page of this Official Statement plus accrued interest. The Underwriters will be obligated to purchase all such Series 2010A Bonds if any are purchased.

The Series 2010A Bonds may be sold to certain dealers (including the Underwriters) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of UBS Financial Services Inc. ("UBSFS") and Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings, including the Series 2010A Bonds, at the original issue prices. Pursuant to each Dealer Agreement, each of UBSFS and CS&Co. will purchase the Series 2010A Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2010A Bonds that such firm sells.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association.

PART 17 – VERIFICATION OF MATHEMATICAL COMPUTATIONS

Causey Demgen & Moore Inc., a firm of independent public accountants, will deliver to the Authority its report indicating that it has verified the mathematical accuracy of the computations in the schedules provided by the Authority and its representatives. Included in the scope of its verification report will be a verification of the mathematical accuracy of (a) the computations of the adequacy of the cash, the maturing principal amounts and the interest on the Defeasance Securities deposited with the trustees to pay the interest and Redemption Price coming due on the Refunded Bonds on and prior to their respective redemption dates as described in “PART 4 – THE PLAN OF FINANCE AND REFUNDING,” and (b) the computations supporting the conclusion of Bond Counsel that the Series 2010A Bonds are not “arbitrage bonds” under the Code and the regulations promulgated thereunder.

PART 18 - CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 (“Rule 15c2-12”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Authority, the State and the Trustee will enter into a written agreement to provide continuing disclosure (the “Continuing Disclosure Agreement”) for the benefit of the holders of the Series 2010A Bonds. The

State will undertake for the benefit of the holders of the Series 2010A Bonds to provide in electronic form to the Electronic Municipal Market Access ("EMMA") maintained by the Municipal Securities Rulemaking Board ("MSRB"), as the sole repository for the central filing of electronic disclosure pursuant to Rules 15c2-12, on an annual basis on or before 120 days after the end of each fiscal year of the State, commencing with the fiscal year ending March 31, 2011, financial information and operating data (referred to herein as the "Annual Information" and described in more detail below) of the type included in the Annual Information Statement of the State set forth in Appendix B. The State Comptroller is required by existing law to issue audited annual financial statements of the State, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), 120 days after the close of the State fiscal year, and the State will undertake to provide in electronic form the State's annual financial statements prepared in accordance with GAAP and audited by an independent firm of certified public accountants in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, to the MSRB, if and when such statements are available. In addition, the Authority will undertake, for the benefit of the holders of the Series 2010A Bonds, to provide , in electronic form, to the MSRB, in a timely manner, the notices described below (the "Notices").

The Annual Information shall consist of (a) financial information and operating data of the type included in the Annual Information Statement of the State under the headings or sub-headings "Prior Fiscal Years," "Debt and Other Financing Activities," "State Government Employment," "State Retirement Systems," and "Authorities and Localities," including, more specifically, information consisting of (1) for prior fiscal years, an analysis of cash-basis results for the State's three most recent fiscal years, and a presentation of the State's results in accordance with GAAP for at least the two most recent fiscal years for which that information is then-currently available; (2) for debt and other financing activities, a description of the types of financings the State is authorized to undertake, a presentation of the outstanding debt issued by the State and certain public authorities, as well as information concerning debt service requirements on that debt; (3) for authorities and localities, information on certain public authorities and local entities whose financial status may have a material impact on the financial status of the State; and (4) material information regarding State government employment and retirement systems; together with (b) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the State.

The Notices include notices of any of the following events with respect to the Series 2010A Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the security; (7) modifications to rights of security holders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the securities; and (11) rating changes. In addition, the Authority will undertake, for the benefit of the Holders of the Series 2010A Bonds, to provide, in electronic form, to the MSRB, in a timely manner, notice of any failure by the State to electronically file the Annual Information and annual financial statements by the date required in the State's undertaking described above.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the Authority, and no person, including any Holder of the Series 2010A Bonds, may recover monetary damages thereunder under any circumstances. The Authority or the State may be compelled to comply with their respective obligations under the Continuing Disclosure Agreement (i) in the case of enforcement of their obligations to provide information required thereunder, by any Holder of Outstanding Series 2010A Bonds or by a Trustee on behalf of the Holders of Outstanding Series 2010A Bonds or (ii) in the case of challenges to the adequacy of the information provided, by a Trustee on behalf of the Holders of Outstanding Series 2010A Bonds; provided, however, that a Trustee may not be required to take any enforcement action except at the direction of the Holders of not less than 25% in aggregate principal amount of Outstanding Series 2010A Bonds. A breach or default under the Continuing Disclosure Agreement shall not constitute an Event of Default under the Fifth General Resolution. In addition, if all or any part of Rule 15c2-12 ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the providing of such information, shall no longer be required to be provided.

The State has not in the previous five years failed to comply, in all material respects, with any previous undertakings pursuant to Rule 15c2-12. The foregoing undertakings are intended to set forth a general description of the type of financial information and operating data that will be provided; the descriptions are not intended to state more than general categories of financial information and operating data; and where an undertaking calls for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. The Continuing Disclosure Agreement, however, may be amended or modified without the consent of Holders of the Series 2010A Bonds under certain circumstances set forth therein. Copies of the Continuing Disclosure Agreement when executed by the parties thereto upon the delivery of the Series 2010A Bonds will be on file at the principal office of the Authority.

PART 19 – RATINGS

Fitch Ratings has assigned a rating of "AA-" to the Series 2010A Bonds and Standard & Poor's Rating Services has assigned a rating of "AA-" to the Series 2010A Bonds.

Each such rating reflects only the rating agency issuing such rating and is not a recommendation by such rating agency to purchase, sell or hold the obligations rated or as to the market price or suitability of such obligations for a particular investor. Generally, a rating agency bases its rating and outlook, if any, on the information and material furnished to it and on investigations, studies and assumptions of its own. An explanation of the significance of any rating may be obtained only from the rating agency furnishing such rating. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised upward or downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all of them, circumstances so warrant. Any such downward revision or withdrawal of such rating or ratings may have an adverse effect on the market price or marketability of the Series 2010A Bonds.

PART 20 - SOURCES OF INFORMATION AND CERTIFICATIONS

Certain information concerning the Fund, the City University, the State and the City included in or appended to this Official Statement has been furnished or reviewed and authorized for use by the Authority by such sources as described below. While the Authority believes that these sources are reliable, the Authority has not independently verified this information and does not guarantee the accuracy or completeness of the information furnished by the respective sources. The Authority is relying on certificates from each source, to be delivered at or prior to the time of delivery of the Series 2010A Bonds, as to the accuracy of such information provided or authorized by it.

The State. The Director of the Budget of the State of New York, as a condition to issuance of the Series 2010A Bonds, will certify to the Authority that the information contained in the Annual Information Statement of the State of New York, including any updates or supplements, is true, correct and complete in all material respects, and no facts have come to his attention that would lead him to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided, however, that while the statements and information contained in the Annual Information Statement which were obtained from sources other than the State are not certified as to truth, correctness or completeness, such statements and information have been obtained from sources that he believes to be reliable and he has no reason to believe that such statements and information contain any untrue statement of a material fact or omit to state any material fact necessary in order to make such statements and information, in light of the circumstances under which they were made, not misleading; provided further, however, that with regard to the statements and information in such Annual Information Statement under the caption "Litigation" such statements and information as to legal matters are given to the best of his information and belief, having made such inquiries as he deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation.

The State Department of Audit and Control has informed the Authority that it has reviewed the historical and financial information with respect to the State contained in Appendix B hereto, but since bonds of the Authority are not a direct obligation of the State, the State Comptroller, the chief auditor and fiscal officer of the State, will not certify to such information.

The Authority. The Authority provided the balance of the information in or appended to this Official Statement, except as otherwise specifically noted herein.

The Authority, as a condition to issuance of the Series 2010A Bonds, will certify that, both as of the date of this Official Statement and on the date of delivery of the Series 2010A Bonds, the information contained in this Official Statement is and will be fairly presented in all material respects, and that this Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading (it being understood that the Authority has relied upon and has not undertaken independently to verify the information contained in this Official Statement relating to the Fund, the City University or the State, but which information the Authority has no reason to believe is untrue or incomplete in any material respect).

The City University. The City University provided certain of the information contained in this Official Statement, including the information relating to the City University (the "City University Information") in "PART 7 - THE CITY UNIVERSITY OF NEW YORK."

Certain officers of the City University have been authorized by the City University to include the City University information in this Official Statement and, as a condition to issuance of the Series 2010A Bonds, will certify to the Authority that the statements of material fact contained in the City University Information provided to the Authority as of the date of this Official Statement and of delivery of the Series 2010A Bonds are true and correct and do not fail to state any material fact necessary in order to make the statements of fact made therein, in the light of the circumstances under which they were made, not misleading.

The Fund. The Fund provided certain of the information contained in this Official Statement including the information relating to the Fund in "PART 8 - CITY UNIVERSITY CONSTRUCTION FUND" (the "Fund Information").

Certain officers of the Fund have been authorized by the Fund to include the Fund Information in this Official Statement and, as a condition to issuance of the Series 2010A Bonds, will certify to the Authority that the statements of material fact concerning the Fund and the Fund Resources contained in the Fund Information provided to the Authority as of the date of this Official Statement and of delivery of the Series 2010A Bonds are true and correct and do not fail to state any material fact necessary in order to make the statements of fact made therein, in the light of the circumstances under which they were made, not misleading.

DTC. Certain of the information regarding DTC and DTC's book-entry system has been furnished by DTC. The Authority believes that this information is reliable, but the Authority makes no representation or warranties whatsoever as to the accuracy or completeness of this information.

"Appendix A - DEFINITIONS," "Appendix C - SUMMARY OF CERTAIN PROVISIONS OF THE 2003 AGREEMENT," "Appendix D - SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH GENERAL RESOLUTION" and "Appendix E - FORM OF APPROVING OPINION OF BOND COUNSEL" have been prepared by Nixon Peabody LLP, New York, New York, Bond Counsel.

The references herein to the Act, the Fund Act, other laws of the State, the Resolutions and the Agreements are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference should be made to each for a full and complete statement of its provisions. The agreements of the Authority with the registered owners of the Series 2010A Bonds are fully set forth in the Fifth General Resolution (including any Supplemental Resolutions thereto), and neither any advertisement of the Series 2010A Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2010A Bonds. So far as any statements are made in this Official Statement involving matters of opinion or an estimate, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority and the Trustee.

The execution and delivery of this Official Statement by an Authorized Officer have been duly authorized by the Authority.

DORMITORY AUTHORITY OF THE
STATE OF NEW YORK

By: /s/ Paul T. Williams, Jr.
Authorized Officer

DEFINITIONS

The following are definitions of certain of the terms defined or used in the Fifth General Resolution or the 2003 Agreement, and used in this Official Statement.

"Accreted Value" means with respect to any Capital Appreciation Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Capital Appreciation Bond or the Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Accreted Values for such Valuation Dates;

"Act" means the Dormitory Authority Act, being and constituting Title 4 of Article 8 of the Public Authorities Law of the State, as amended;

"Agreements" means, collectively, the 1986 Agreement, the 1990 Agreement, the 1994 Agreement, the 2000 Agreement and the 2003 Agreement;

"Annual Expenditures" means certain expenditures incurred by the Authority which are items of Annual Rentals and Annual Payments enumerated in the Agreement;

"Annual Payments" means the payments due and payable by the Fund to the Authority during a Bond Year, as provided for and computed in accordance with the provisions of the 2003 Agreement;

"Appreciated Value" means with respect to any Deferred Income Bond (i) as of any Valuation Date, the amount set forth for such date in the Series Resolution authorizing such Deferred Income Bond or in the Series Certificate relating to such Bond and (ii) as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, calculated based on the assumption that Appreciated Value accrues during any semi-annual period in equal daily amounts on the basis of a year of twelve (12) thirty-day months, and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date;

"Arbitrage Rebate Fund" means the fund so designated, created and established pursuant to the Resolution;

"Authority" means the Dormitory Authority of the State of New York, a body corporate and politic constituting a public benefit corporation of the State created by the Act, or any body, agency or instrumentality of the State which succeeds to the rights, powers, duties and functions of the Authority;

"Authorized Newspaper" means *The Bond Buyer* or any other newspaper of general circulation printed in the English language and customarily published at least once a day for at least five days (other than legal holidays) in each calendar week in the Borough of Manhattan, City and State of New York, designated by the Authority;

"Authorized Officer" means (i) in the case of the Authority, the Chair, the Vice Chair, the Treasurer, an Assistant Treasurer, the Secretary, an Assistance Secretary, the Executive Director, the General Counsel, the Deputy Executive Director, the Chief Financial Officer, the Managing Director of Construction, the Managing Director of Public Finance and the Managing Director of Policy and Program Development, and when used with reference to any act or document also means any other person authorized by a resolution or the by-laws of the

Authority to perform such act or execute such document; (ii) in the case of the Fund, the Chairperson, the Vice-Chairperson or the Executive Director, and when used with reference to any act or document also means any other person authorized by resolution or by-laws of the Fund to perform such act or execute such document; (iii) in the case of the City University, the Chairperson, the Vice-Chairperson, the Chancellor, the Executive Vice Chancellor, the Senior Vice Chancellor or any Vice Chancellor of the City University, and when used with reference to any act or document also means any other person authorized by resolution or by-laws of the City University to perform such act or execute such document; and (iv) in the case of the Trustee, the President, a Vice President, a Corporate Trust Officer, an Assistant Corporate Trust Officer, a Trust Officer or an Assistant Trust Officer of the Trustee, and when used with reference to any act or document also means any other person authorized to perform any act or sign any document by or pursuant to a resolution of the Board of Directors of the Trustee or the by-laws of the Trustee;

"Bonds" means any bond or bonds, as the case may be, authorized and issued under the Resolution;

"Bond Year" means a period of twelve (12) consecutive months beginning January 1 in any calendar year and ending on December 31 of the succeeding calendar year;

"Bondholder, Holder of Bonds or Holder" or any similar term, when used with reference to a Bond, means the registered owner of any Bond;

"Building and Equipment Reserve Fund" means the fund so designated, created and established pursuant to the Resolution;

"Building and Equipment Reserve Fund Requirement" means, with respect to the Resolution, as of any particular date of computation, the amount set forth in a Series Resolution, or a Series Certificate for such date of computation, as the same may be increased or decreased in accordance with a Series Resolution or Supplemental Resolution, a Series Certificate or other certificate of an Authorized Officer of the Authority delivered to the Trustee; provided, however, that such amount shall be reduced by the total of any amounts withdrawn from such Building and Equipment Reserve Fund and increased by the amount of each such withdrawal then required pursuant to the Agreements to have been repaid; provided, further, that the Building and Equipment Reserve Fund Requirement shall not exceed five percent (5%) of the Costs of the Facilities;

"Business Day" means, unless with respect to any Bonds the applicable Series Resolution or Series Certificate otherwise provides, any day which is not a Saturday, Sunday or a legal holiday in the State or a day on which banking institutions chartered by the State or the United States of America are legally authorized to close in The City of New York; provided, however, that, with respect to Option Bonds or Variable Interest Rate Bonds of a Series, such term means any day which is not a Saturday, Sunday or a day on which the New York Stock Exchange, banking institutions chartered by the State or the United States of America, the Trustee or the Provider of a Credit Facility or Liquidity Facility for such Bonds are legally authorized to close in The City of New York;

"Capital Appreciation Bond" means any Bond as to which interest is compounded on each Valuation Date therefor and is payable only at the maturity or prior redemption thereof;

"City" means The City of New York;

"City University" or *"the City University"* means the City University of New York, a separate and distinct body corporate duly existing under the laws of the State, located in the City and State of New York, being the legal successor to the Board of Higher Education in The City of New York, or any body, agency or instrumentality of the State which succeeds to the rights, powers, duties and functions of the City University;

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder;

"Community College" means an institution of higher education in The City of New York which is governed and administered as such by the City University, or that part thereof, whose primary purpose is providing certificate and associate degree post secondary programs in general and technical educational subjects, and is receiving financial assistance from the State as a community college;

"Community College Facility" means a Facility which at the time Bonds are issued in connection therewith or at the time moneys in the Community College Facilities Account are expended therefor, is or is to be acquired, designed, constructed, reconstructed, rehabilitated or improved or otherwise provided and furnished and equipped for a Community College, unless such facility is designated as a senior college facility by the Education Law of the State or other provision of law;

"Community College Facilities Account" means the account so designated, created and established in the Construction Fund pursuant to the Resolution;

"Construction Fund" means the fund so designated, created and established pursuant to the Resolution;

"Cost" or *"Costs"* means, when used in connection with the Project or a Facility, the costs of acquiring, designing, constructing, reconstructing, rehabilitating, improving or otherwise providing and furnishing and equipping the Project or a Facility, including, without limiting the generality of the foregoing, the following items: (i) interest on the Bonds prior to, during and for a reasonable period after completion of the acquisition, construction, reconstruction, rehabilitation, repair, improvement or equipping of a Facility; (ii) principal of and interest on bonds (other than Bonds), notes or other obligations issued to finance the Costs of any Facility or to refund or provide for the payment of any such bonds, notes or other obligations; (iii) costs of providing indemnity and surety bonds and insurance against risks during the period of construction if not provided by the contractor; (iv) costs of the Authority incurred for architectural, engineering, designing, accounting, legal, financial, labor and materials, payments to contractors, builders and materialmen, and any other necessary services in connection with the acquiring, designing, constructing, reconstructing, rehabilitating, improving or otherwise providing and furnishing and equipping the Project or a Facility; (v) costs of the Authority incurred for administrative, accounting, legal and financial services and other expenses incidental to the construction or financing of the Facilities; (vi) the repayment to the United States of America or to the State of New York of moneys advanced or paid to the Authority pursuant to the provisions of an agreement relating to the Project or a Facility between the United States of America or the State of New York and the Authority; (vii) all other costs which are approved by an Authorized Officer of the Authority and which the Authority, the Fund or the City University are required to pay in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement, equipping or financing of a Facility, including any payments required to be made to a Counterparty as a result of the termination of an Interest Rate Exchange Agreement; (viii) costs and expenses required for the acquisition and installation of equipment or machinery; and (ix) reimbursement of the Authority, the Fund or the City University, as the case may be, for expenditures made for any items of Cost incurred or approved by the Authority, including any fees, expenses and liabilities of the Authority, the Fund or the City University incurred in connection with the Project or a Facility or pursuant to the Agreements or the Resolutions; provided, however, that Costs shall not include any of the foregoing to the extent the same has been included as part of the Annual Expenditures;

"Cost" or *"Costs of Issuance"* means the items of expense incurred in connection with the authorization, sale and issuance of the Bonds, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Depository, legal fees and charges, professional consultants' fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for insurance on Bonds, commitment fees or similar charges of a Remarketing Agent or relating to a Credit Facility, a Liquidity Facility or an Interest Rate Exchange Agreement, costs and expenses of refunding Bonds and other costs, charges and fees, including those of the Authority, in connection with the foregoing;

"Counterparty" means any person with which the Authority has entered into an Interest Rate Exchange Agreement; provided that, at the time the Interest Rate Exchange Agreement is executed, the senior or

uncollateralized long–term debt obligations of such person, or of any person that has guaranteed for the term of the Interest Rate Exchange Agreement the obligations of such person thereunder, are rated, without regard to qualification of such rating by symbols such as "+" or "–" or numerical notation, by at least two nationally recognized statistical rating services, not lower than in the third highest rating category;

"Credit Facility" means an irrevocable letter of credit, surety bond, loan agreement, financial guaranty insurance policy, or other agreement, facility or insurance or guaranty arrangement issued or extended by any of (i) a bank, (ii) a trust company, (iii) a national banking association, (iv) an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, (v) a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, (vi) a savings bank, (vii) a savings and loan association, (viii) an insurance company or association chartered or organized under the laws of any state of the United States of America, (ix) the Government National Mortgage Association or any successor thereto, (x) the Federal National Mortgage Association or any successor thereto, or (xi) any other federal agency or instrumentality approved by the Authority, in each case pursuant to which the Authority is entitled to obtain moneys to pay the principal or Redemption Price of Outstanding Bonds due either at maturity or upon redemption through mandatory Sinking Fund Installments, plus accrued interest thereon to the date of payment or redemption thereof in accordance with the Fifth General Resolution and with the Series Resolution authorizing such Bonds or a Series Certificate, whether or not the Authority is in default under the Fifth General Resolution or the Fund is in default under the 2003 Agreement;

"Credit Facility Provider" means the Provider of a Credit Facility;

"Debt Service Fund" means the fund so designated, created and established pursuant to the Resolution;

"Defeasance Security" means any of the following: (a) a Government Obligation of the type described in clauses (i), (ii), (iii) or (iv) of the definition of Government Obligations; (b) a Federal Agency Obligation described in clauses (i) or (ii) of the definition of Federal Agency Obligations; and (c) an Exempt Obligation, provided such Exempt Obligation (i) is not subject to redemption prior to maturity other than at the option of the holder thereof or as to which irrevocable instructions have been given to the trustee of such Exempt Obligation by the obligor thereof to give due notice of redemption and to call such Exempt Obligation for redemption on the date or dates specified in such instructions and such Exempt Obligation is not otherwise subject to redemption prior to such specified date other than at the option of the holder thereof, (ii) is secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date thereof or the redemption date specified in the irrevocable instructions referred to in clause (i) above, (iii) as to which the principal of and interest on the direct obligations of the United States of America which have been deposited in such fund, along with any cash on deposit in such fund, are sufficient to pay the principal of and interest and redemption premium, if any, on such Exempt Obligation on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (i) above, and (iv) is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least two nationally recognized statistical rating services in the highest rating category; *provided, however,* that (1) such term shall not include any interest in a unit investment trust or mutual fund or (2) any obligation that is subject to redemption prior to maturity other than at the option of the holder thereof;

"*Deferred Income Bond*" means any Bond as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is compounded on each Valuation Date for such Deferred Income Bond, and as to which interest accruing after the Interest Commencement Date is payable semi-annually on January l and July l of each Bond Year;

"Exempt Obligation" means the following: (i) an obligation of any state or territory of the United States of America, any political subdivision of any state or territory of the United States of America, or any agency, authority, public benefit corporation or instrumentality of such state, territory or political subdivision, the interest

on which is excludable from gross income under Section 103 of the Code, which is not a "specified private activity bond" within the meaning of Section 57(a)(5) of the Code and which, at the time an investment therein is made or such obligation is deposited in any fund or account under the Resolution, is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least two nationally recognized statistical rating services not lower than the second highest rating category for such obligation; (ii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iii) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

"*Facility*" means a Senior College Facility or a Community College Facility;

"Federal Agency Obligation" means any of the following: (i) an obligation issued by any federal agency or instrumentality approved by the Authority; (ii) an obligation the principal of and interest on which are fully insured or guaranteed as to payment by a federal agency approved by the Authority; (iii) a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing; and (iv) a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

"Fifth General Resolution" means the "City University System Consolidated Fifth General Revenue Bond Resolution" of the Authority, adopted January 22, 2003, as from time to time amended or supplemented;

"First General Resolution" means the "City University System Consolidated Revenue Obligation Resolution" of the Authority, adopted July 15, 1986, as from time to time amended or supplemented;

"Fourth General Resolution" means the "City University System Consolidated Fourth General Revenue Bond Resolution" of the Authority, adopted August 16, 2000, as from time to time amended or supplemented;

"Fund" means the City University Construction Fund, a corporate governmental agency constituting a public benefit corporation created pursuant to the Fund Act, or any body, agency or instrumentality of the State which succeeds to the rights, powers, duties and functions of the Fund;

"Fund Act" means the City University Construction Fund Act, being and constituting Article 125-B of the Education Law of the State, as amended;

"Fund Resources" has the meaning given to such term in the Agreement;

"Government Obligation" means a direct obligation of the United States of America, an obligation the principal of, and interest on, which are fully insured or guaranteed as to payment of principal and interest by the United States of America, an obligation to which the full faith and credit of the United States of America are pledged, a certificate or other instrument which evidences the beneficial ownership of, or the right to receive all or a portion of the payment of the principal of or interest on any of the foregoing or a share or interest in a mutual fund, partnership or other fund wholly comprised of any of the foregoing obligations;

"Interest Commencement Date" means, with respect to any particular Deferred Income Bond, the date prior to the maturity date thereof specified in the Series Resolution authorizing such Bond or in the Series Certificate relating to such Bond, after which interest accruing on such Bond shall be payable on the interest payment date immediately succeeding such Interest Commencement Date and semi-annually thereafter on January 1 and July 1 of each Bond Year;

"Interest Rate Exchange Agreement" means an agreement entered into by the Authority which relates to Bonds of one or more Series or other bonds, notes or other obligations issued by the Authority in connection with Facilities, which provides that the Authority is to pay to the Counterparty an amount based on the interest accruing at a fixed or variable rate per annum on a stated principal amount and that the Counterparty is to pay to the

Authority an amount based on the interest accruing on the same principal amount at a fixed or variable rate per annum, in each case computed according to a formula set forth in such agreement, or that one shall pay to the other any net amount due under such agreement;

"Investment Agreement" means an agreement for the investment of moneys with a Qualified Financial Institution;

"Leased Facilities" means the Community College Facilities and Senior College Facilities so designated by the 2003 Agreement which are not leased under any other agreement between the Authority, the Fund and the City University;

"Liquidity Facility" means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, an organization subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a savings bank, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized under the laws of any state or territory of the United States of America, a savings and loan association, an insurance company or association chartered or organized under the laws of any state of the United States of America, the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority, in each case pursuant to which the Authority is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Outstanding Option Bonds tendered for purchase or redemption in accordance with the terms of the Resolution and of the Series Resolution authorizing such Option Bonds or the applicable Series Certificate;

"Maximum Interest Rate" means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Series Certificate relating to such Bond, that shall be the maximum rate at which such Bond may bear interest at any time;

"Minimum Interest Rate" means, with respect to any particular Variable Interest Rate Bond, a numerical rate of interest, if any, set forth in the Series Resolution authorizing such Bond or in the Series Certificate relating to such Bond, that shall be the minimum rate at which such Bond may bear interest at any time;

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, or its successors and assigns;

"1986 Agreement" means the Agreement and Lease, dated as of July 15, 1986, by and among the Authority, the Fund and the City University, as amended and supplemented;

"1990 Agreement" means the Agreement and Lease, dated as of January 31, 1990, by and among the Authority, the Fund and the City University, as amended and supplemented;

"1994 Agreement" means the Agreement and Lease, dated as of May 25, 1994, by and among the Authority, the Fund and the City University, as amended and supplemented;

"2000 Agreement" means the Agreement and Lease, dated as of August 16, 2000, by and among the Authority, the Fund and the City University, as amended and supplemented;

"2003 Agreement" means the Agreement and Lease, dated as of January 22, 2003, by and among the Authority, the Fund and the City University, as amended and supplemented;

"2003 Payment Pledge Account" means the account so designated, created and established in accordance with the terms and provisions of the 2003 Agreement;

"Option Bond" means any Bond which by its terms may be tendered by and at the option of the Holder thereof for redemption by the Authority prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Holder thereof in accordance with the Series Resolution authorizing such Bond or the Series Certificate related to such Bond;

"Outstanding", when used in reference to Bonds, means, as of a particular date, all Bonds authenticated and delivered under the Resolution and under any applicable Series Resolution except: (i) any Bond cancelled by the Trustee at or before such date; (ii) any Bond deemed to have been paid in accordance with the Resolution; (iii) any Bond in lieu of or in substitution for which another Bond shall have been authenticated and delivered pursuant to the Resolution; and (iv) any Option Bond tendered or deemed tendered in accordance with the provisions of the Series Resolution authorizing such Bond or the Series Certificate relating to such Bond on the applicable adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payment as provided in the Resolution and in the Series Resolution authorizing such Bonds or the Series Certificate relating to such Bond;

"Parity Reimbursement Obligation" means an obligation of the Authority to directly reimburse the Provider of a Credit Facility or Liquidity Facility for Provider Payments made pursuant to the Credit Facility or Liquidity Facility issued by it, including interest thereon, whether or not such obligation is evidenced by a promissory note or other similar obligation, which is secured by a pledge of or lien upon the Revenues and the Funds and Accounts that is on a parity with the lien thereon created by the Fifth General Resolution;

"Paying Agent" means, with respect to the Bonds of any Series, the Trustee and any other bank or trust company and its successor or successors, appointed pursuant to the provisions of the Resolution or of a Series Resolution, a Series Certificate or any other resolution of the Authority adopted prior to authentication and delivery of the Series of Bonds for which such Paying Agent or Paying Agents shall be so appointed;

"Permitted Collateral" means any of the following: (i) Government Obligations described in clauses (i), (ii) or (iii) of the definition of Government Obligations; (ii) Federal Agency Obligations described in clauses (i) or (ii) of the definition of Federal Agency Obligations; (iii) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category; and (iv) financial guaranty agreements, surety or other similar bonds or other instruments of an insurance company that has an equity capital of at least $125,000,000 and is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by Bests Insurance Guide or a nationally recognized statistical rating service in the highest rating category;

"Permitted Investments" means any of the following: (i) Government Obligations; (ii) Federal Agency Obligations; (iii) Exempt Obligations; (iv) Uncollateralized certificates of deposit that are fully insured by the Federal Deposit Insurance Corporation and issued by a banking organization authorized to do business in the State; (v) collateralized certificates of deposit that are (a) issued by a banking organization authorized to do business in the State that has an equity capital of not less than $125,000,000, whose unsecured senior debt, or debt obligations fully secured by a letter of credit, contract, agreement or surety bond issued by it, are rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, and (b) are fully collateralized by Permitted Collateral; (vi) commercial paper that (a) matures within two hundred seventy (270) days after its date of issuance, (b) is rated in the highest short term rating category by at least one nationally recognized statistical rating service and (c) is issued by a domestic corporation whose unsecured senior debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical

rating service not lower than in the second highest rating category; and (vii) Investment Agreements that are fully collateralized by Permitted Collateral;

"Project" means all of the Facilities;

"Provider" means each of the issuer of a Credit Facility or a Liquidity Facility and the Counterparty under an Interest Rate Exchange Agreement;

"Provider Default" means, with respect to the Provider of a Credit Facility or Liquidity Facility, any of the following: (i) there shall occur a failure of the Provider to make payment under its Credit Facility or Liquidity Facility; (ii) the applicable Credit Facility or Liquidity Facility shall have been declared null and void or unenforceable in a final determination by a court of law; (iii) a proceeding shall have been instituted in a court having jurisdiction seeking a decree or order for relief in respect of an applicable Provider in an involuntary case under the applicable bankruptcy, insolvency or other similar law now or hereafter in effect or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) of an applicable Provider or for any substantial part of its property or for the winding–up or liquidation of its affairs and such proceeding shall remain undismissed or unstayed and in effect for a period of thirty (30) consecutive days or such court shall enter a decree or order granting the relief sought in such proceeding; or (iv) an applicable Provider shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the applicable Provider or for any substantial part of its property, or shall make a general assignment for the benefit of creditors;

"Provider Payments" means the amount payable to a Provider pursuant to a Credit Facility, a Liquidity Facility, a Reserve Fund Facility or an Interest Rate Exchange Agreement;

"*Qualified Financial Institution*" means any of the following entities that has an equity capital of at least $125,000,000 or whose obligations are unconditionally guaranteed by an affiliate or parent having an equity capital of at least $125,000,000: (i) a securities dealer, the liquidation of which is subject to the Securities Investors Protection Corporation or other similar corporation, and (a) that is on the Federal Reserve Bank of New York list of primary government securities dealers and (b) whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; *provided, however,* that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service; (ii) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, an insurance company or association chartered or organized under the laws of the United States of America, any state of the United States of America or any foreign nation, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; *provided, however,* that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service; (iii) a corporation affiliated with or which is a subsidiary of any entity described in (i) or (ii) above or which is affiliated with or a subsidiary of a corporation which controls or wholly owns any such entity, whose senior unsecured long term debt is at the time an investment with it is made is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the second highest rating category, or, in the absence of a rating on long term debt, whose short term debt is rated, without regard to qualification by symbols such as "+" or "–" or numerical notation, by at least one nationally recognized statistical rating service not lower than in the highest rating category; *provided, however,* that no short term rating may be utilized to determine whether an entity qualifies under this paragraph as a Qualified Financial Institution if the same would be inconsistent with the rating criteria of any Rating Service; (iv) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality approved by the Authority; or (v) a corporation whose obligations, including any investments of any moneys held under the Fifth General Resolution purchased from such corporation, are insured by an insurer that meet the applicable rating requirements set forth above;

"Rating Service" means each of Fitch, Inc., Moody's Investors Service, Inc. and Standard & Poor's Rating Services, in each case, which has assigned a rating to Outstanding Bonds at the request of the Authority, or their respective successors and assigns;

"Record Date" means, unless the Series Resolution authorizing Variable Interest Rate Bonds or Option Bonds or the Series Certificate relating thereto provides otherwise with respect to such Variable Rate Bonds or Option Bonds, the fifteenth (15th) day (whether or not a Business Day) of the calendar month next preceding an interest payment date;

"Redemption Price" when used with respect to a Bond, means the principal amount of such Bond plus the applicable premium, if any, payable upon redemption prior to maturity thereof pursuant to the Resolution or to the applicable Series Resolution or Series Certificate;

"Refunding Bonds" means all Bonds issued to refund Outstanding Bonds, whether issued in one or more Series of Bonds, authenticated and delivered on original issuance pursuant to the Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution;

"Resolution" means the First General Resolution, the Second General Resolution, the Third General Resolution, the Fourth General Resolution or the Fifth General Resolution, as applicable;

"Resolutions" means the First General Resolution, the Second General Resolution, the Third General Resolution, the Fourth General Resolution and the Fifth General Resolution, collectively;

"Revenues" means (i) all Annual Payments made pursuant to the 2003 Agreement, (ii) all other rents, fees or charges and other income and receipts, in each case derived by or for the account of the Authority, from any lease, sublease, use or operation of a Leased Facility to or by a person other than the Fund or the City University, and (iii) the right to receive the same and the proceeds thereof and of such right;

"Second General Resolution" means the City University System Consolidated Second General Revenue Obligation Resolution of the Authority, adopted January 31, 1990, as from time to time amended or supplemented;

"Senior College" means an institution of higher education in The City of New York which is governed and administered by the City University, or the part thereof, which is not a Community College;

"Senior College Facility" means a Facility which at the time Bonds are issued in connection therewith or at the time moneys in the Senior College Facilities Account are expended therefor is or is to be acquired, designed, constructed, reconstructed, rehabilitated or improved or otherwise provided and furnished and equipped for a Senior College;

"Senior College Facilities Account" means the account so designated, created and established in the Construction Fund pursuant to the Resolution;

"Serial Bonds" mean the Bonds so designated in a Series Resolution or a Series Certificate;

"Series" means all of the Bonds authenticated and delivered on original issuance pursuant to a particular Resolution and to the Series Resolution authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to such Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions;

"Series Certificate" means the certificate of an Authorized Officer of the Authority fixing terms, conditions and other details of Bonds of a Series in accordance with the delegation of power to do so under the Resolution or under the Series Resolution authorizing the issuance of such Bonds;

"Series Resolution" means a resolution of the Authority authorizing the issuance of a Series of Bonds adopted by the Authority pursuant to the Resolution;

"Sinking Fund Installment" means, as of any date of calculation, so long as any Bonds of the Series, Subseries and maturity entitled to Sinking Fund Installments are Outstanding, the amount of money required by the Series Resolution pursuant to which such Bonds were issued or by the Series Certificate relating thereto to be paid on a single future date for the retirement of any Outstanding Bonds of said Series which mature after said future date, but does not include any amount payable by the Authority by reason only of the maturity of a Bond, and said future date is deemed to be the date when a Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Option Bonds or Variable Interest Rate Bonds of such Series are deemed to be Bonds entitled to such Sinking Fund Installment; *provided, however,* that no Sinking Fund Installment on a Bond, other than Variable Interest Rate Bonds or Option Bonds, shall be payable on a date that is not January 1 or July 1 of any year in which a Sinking Fund Installment is scheduled to be due;

"Standby Purchase Agreement" means an agreement by and between the Authority and a Provider pursuant to which such Provider is obligated to purchase an Option Bond tendered for purchase;

"State" means the State of New York;

"Subseries" means the grouping of Bonds of a Series established by the Authority pursuant to the Series Resolution authorizing issuance of the Bonds of such Series or the applicable Series Certificate;

"Supplemental Resolution" means any resolution of the Authority amending or supplementing the Resolution, any Series Resolution or any Supplemental Resolution adopted and becoming effective in accordance with the terms and provisions of the Resolution;

"Term Bonds" means the Bonds so designated in a Series Resolution or a Series Certificate and payable from Sinking Fund Installments;

"Third General Resolution" means the City University System Consolidated Third General Revenue Bond Resolution of the Authority, adopted May 25, 1994, as from time to time amended or supplemented;

"Trustee" means the bank or trust company appointed as Trustee for Bonds pursuant to the Resolution and having the duties, responsibilities and rights provided for in such Resolution, and its successor or successors and any other bank or trust company which may at any time be substituted in its place pursuant to the Resolution;

"Valuation Date" means (i) with respect to any Capital Appreciation Bond, the date or dates set forth in the Series Resolution authorizing such Bond or in the Series Certificate relating to such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bond, and (ii) with respect to any Deferred Income

Bond, the date or dates prior to the Interest Commencement Date and the Interest Commencement Date set forth in the Series Resolution authorizing such Bond or in the Series Certificate relating to such Bond on which specific Appreciated Values are assigned to such Deferred Income Bond;

"Variable Interest Rate" means the rate or rates of interest to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds which is or may be varied from time to time in accordance with the method of computing such interest rate or rates specified in the Series Resolution authorizing such Bonds or the Series Certificate relating to such Bonds, which shall be based on (i) a percentage or percentages or other function of an objectively determinable interest rate or rates (e.g., a prime lending rate) which may be in effect from time to time or at a particular time or times or (ii) a stated interest rate that may be changed from time to time as provided in the Series Resolution authorizing such Bonds or the Series Certificate relating to such Bond; provided, however, that such variable interest rate may be subject to a Maximum Interest Rate and a Minimum Interest Rate and that there may be an initial rate specified, in each case as provided in such Series Resolution or a Series Certificate; provided, further, that such Series Resolution or Series Certificate shall also specify either (x) the particular period or periods of time or manner of determining such period or periods of time for which each variable interest rate shall remain in effect or (y) the time or times at which any change in such variable interest rate shall become effective or the manner of determining such time or times;

"Variable Interest Rate Bond" means any Bond which bears a Variable Interest Rate; provided, however, that any Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be a Variable Interest Rate Bond;

"Verification Agent" means a firm of independent certified public accounts or other firm selected by the Authority that is regularly engaged in verifying the accuracy of the arithmetical computations that establish the adequacy of the deposit of moneys and securities, and the payments of the principal of and interest on such securities, to pay when due the principal of and interest and premium on refunded notes, bonds and other indebtedness;

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INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX B

INFORMATION CONCERNING THE STATE OF NEW YORK

The State Legislature is not legally obligated to appropriate amounts for the payment of principal of, sinking fund installments, if any, or interest on the obligations to which this Official Statement relates. For information about the sources of payment of such obligations, the foregoing Official Statement to which this Appendix B is attached should be read in its entirety. The continued willingness and ability of the State, however, to make the appropriations and otherwise provide for the payments contemplated in the foregoing Official Statement, and the market for and market prices of the obligations, may depend in part upon the financial condition of the State.

Appendix B contains the Annual Information Statement of the State of New York ("Annual Information Statement" or "AIS"), as updated or supplemented to the date specified therein. The State intends to update and supplement that Annual Information Statement as described therein. It has been supplied by the State to provide information about the financial condition of the State in the Official Statements of all issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payment of their respective bonds, notes or other obligations.

The AIS set forth in this Appendix B is dated September 7, 2010. The AIS was filed with the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. An electronic copy of this AIS can be accessed through the EMMA system at www.emma.msrb.org. An official copy of the AIS may be obtained by contacting the Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705. An informational copy of the AIS is available on the Internet at http://www.budget.state.ny.us.

The Basic Financial Statements and Other Supplementary Information for the State fiscal year ended March 31, 2010 were prepared by the State Comptroller in accordance with accounting principles generally accepted in the United States of America and independently audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The Basic Financial Statements and Other Supplementary Information were issued on July 29, 2010 and have been referred to or set forth thereafter in appendices of information concerning the State in Preliminary Official Statements and Official Statements of the State and certain of its public authorities. The Basic Financial Statements and Other Supplementary Information, which are included in the Comprehensive Annual Financial Report, may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 Tel: (518) 474-4015.

The Annual Information Statement of the State of New York (including any and all updates and supplements thereto) may not be included in an Official Statement or included by reference in an Official Statement without the express written authorization of the State of New York, Division of the Budget, State Capitol, Albany, NY 12224.

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Annual Information Statement

State of New York

September 7, 2010

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Annual Information Statement
State of New York
Dated: September 7, 2010

Table of Contents

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Annual Information Statement
of the State of New York

Introduction

This Annual Information Statement ("AIS") is dated September 7, 2010 and contains information only through that date. This AIS constitutes the official disclosure information regarding the financial condition of the State of New York (the "State") and replaces the Annual Information Statement dated May 15, 2009 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in November 2010 and February 2011) and may be supplemented from time to time as developments may warrant. This AIS, including the Exhibits attached hereto, should be read in its entirety, together with any current updates and supplements that may be issued during the fiscal year.

In this AIS, readers will find:

1. A section entitled the "Current Fiscal Year" that contains (a) extracts from the 2010-11 Enacted Budget Financial Plan, dated August 20, 2010 (the "Updated Financial Plan"), prepared by the Division of the Budget ("DOB"), including the State's official Financial Plan projections, and (b) a discussion of potential risks that may affect the Financial Plan during the State's current fiscal year under the heading "Special Considerations." The first part of the section entitled "Current Fiscal Year" summarizes the major components of the 2010-11 Enacted Budget and the projected impact on operations, annual spending growth, and the magnitude of future potential budget gaps; the second part provides detailed information on projected total receipts and disbursements in the State's governmental funds in 2010-11.

2. Information on other subjects relevant to the State's fiscal condition, including: (a) operating results for the three prior fiscal years, (b) the State's revised economic forecast and a profile of the State economy, (c) debt and other financing activities, (d) selected State government summary, and (e) activities of public authorities and localities.

3. The status of significant litigation and arbitration that has the potential to adversely affect the State's finances.

DOB is responsible for preparing the State's Financial Plan and presenting the information that appears in this AIS on behalf of the State. In preparing this AIS, DOB has utilized significant portions of the Updated Financial Plan, but has also relied on information drawn from other sources, including the Office of the State Comptroller ("OSC"), that DOB believes to be reliable. Information contained in the section entitled "State Retirement Systems" is furnished by the Office of the State Comptroller. Information relating to matters described in the section entitled "Litigation and Arbitration" is furnished by the State Office of the Attorney General.

During the fiscal year, the Governor, the State Comptroller, State legislators, and others may issue statements or reports that contain predictions, projections or other information relating to the State's financial condition, including potential operating results for the current fiscal year and projected baseline gaps for future fiscal years, that may vary materially from the information provided in this AIS, as updated or supplemented. Investors and other market participants should, however, refer to this AIS, as updated or supplemented, for the most current official information regarding the financial condition of the State.

The economic and financial condition of the State may be affected by various financial, social, economic, environmental, and political factors. These factors can be very complex, may vary from fiscal year to fiscal year, and are frequently the result of actions taken or not taken, not only by the State and its agencies and instrumentalities, but also by entities, such as the federal government or other nations, that are not under the control of the State. Because of the uncertainty and unpredictability of these factors, their impact cannot, as a practical matter, be quantified or incorporated into the assumptions underlying the State's projections.

This Annual Information Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the State's financial results could cause actual results to differ materially from those stated in the forward-looking statements.

The State may issue AIS supplements or other disclosure notices to this AIS as events warrant. The State intends to announce publicly whenever an update or a supplement is issued. The State may choose to incorporate by reference all or a portion of this AIS in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS with the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access ("EMMA") system. An electronic copy of this AIS can be accessed through the EMMA at www.emma.msrb.org. An official copy of this AIS may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-7705. OSC issued the Basic Financial Statements for the 2009-10 fiscal year in July 2010. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and are available on its website at www.osc.state.ny.us.

Usage Notice

The AIS has been supplied by the State pursuant to its contractual obligations under various continuing disclosure agreements (each, a "CDA") entered into by the State in connection with financings of certain issuers, including public authorities of the State, that may depend in whole or in part on State appropriations as sources of payments of their respective bonds, notes or other obligations.

The AIS is available in electronic form on the DOB website (www.budget.state.ny.us) and is being provided solely as a matter of convenience to readers and does not create any implication that there have been no changes in the financial condition of the State at any time subsequent to its release date. Maintenance of this AIS on the DOB website, or on the EMMA website, is not intended as a republication of the information therein on any date subsequent to its release date.

Neither this AIS nor any portion thereof may be (i) included in a Preliminary Official Statement, Official Statement, or other offering document, or incorporated by reference therein, unless DOB has expressly consented thereto following a written request to the State of New York, Division of the Budget, State Capitol, Albany, NY 12224 or (ii) considered to be continuing disclosure in connection with any offering unless a CDA relating to the series of bonds or notes has been executed by DOB. Any such use, or incorporation by reference, of this AIS or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing without such consent and agreement by DOB is unauthorized and the State expressly disclaims any responsibility with respect to the inclusion, intended use, and updating of this AIS if so misused.

Overview

The State Budget Process

The requirements of the State budget process are set forth in Article VII of the State Constitution and the State Finance Law. The process begins with the Governor's submission of the Executive Budget to the Legislature each January, in preparation for the start of the fiscal year on April 1. (The submission date is February 1 in years following a gubernatorial election.) The Executive Budget must contain a complete plan of estimated available receipts and projected disbursements for the ensuing fiscal year ("State Financial Plan"). The proposed State Financial Plan must be balanced on a cash basis and must be accompanied by bills that: (i) set forth all proposed appropriations and reappropriations, (ii) provide for any new or modified revenue measures, and (iii) make any other changes to existing law necessary to implement the budget recommended by the Governor.

In acting on the bills submitted by the Governor, the Legislature has certain powers to alter the recommended appropriations and proposed changes to existing law. The Legislature may strike out or reduce an item of appropriation recommended by the Governor. The Legislature may add items of appropriation, provided such additions are stated separately. These additional items are then subject to line-item veto by the Governor. If the Governor vetoes an appropriation or a bill (or a portion thereof) related to the budget, these items can be reconsidered in accordance with the rules of each house of the Legislature. If approved by two-thirds of the members of each house, such items will become law notwithstanding the Governor's veto.

Once the appropriation bills and other bills become law, DOB revises the State Financial Plan to reflect the Legislature's actions, and begins the process of implementing the budget. Throughout the fiscal year, DOB monitors actual receipts and disbursements, and may adjust the estimates in the State Financial Plan. Adjustments may also be made to the State Financial Plan to reflect changes in the economy, as well as new actions taken by the Governor or the Legislature. As required by the State Finance Law, the Governor updates the State Financial Plan within 30 days of the close of each quarter of the fiscal year, generally issuing reports by July 30, October 30, and in January as part of the Executive Budget. The Governor is required to submit these updates to the Legislature and explain any changes from the previous State Financial Plan.

Subject to approval by the Governor, the Legislature may enact additional appropriation bills or revenue measures (including tax reductions) during any regular session or, if called into session for that purpose, any special session. In the event additional appropriation bills or revenue measures are disapproved by the Governor, the Legislature has authority to override the Governor's veto upon the vote of two-thirds of the members of each house of the Legislature. The Governor may present deficiency appropriations to the Legislature near the end of any fiscal year to supplement inadequate appropriations or to provide new appropriations for purposes not covered by the regular and supplemental appropriations.

Recent budget process reforms passed by the Legislature accelerate consensus revenue forecasting, provide for the State Comptroller to issue binding revenue forecasts when the Executive and the Legislature cannot agree, require the use of budget conference committees, and require the adoption of a balanced budget by the Legislature.

During the 2010-11 budget process, the Governor introduced an Executive Budget Financial Plan to eliminate a budget gap for 2010-11 estimated at $7.4 billion, and in February 2010, revised the estimated budget gap upward to $8.2 billion based on an updated forecast of tax receipts and proposed additional gap-closing actions accordingly. In March 2010, the estimated budget gap for 2010-11 had increased to

$9.2 billion (requiring additional gap-closing actions) due to further downward revisions to tax receipts, combined with an expected budget shortfall from 2009-10 that would be carried into 2010-11. As the new fiscal year started on April 1, 2010, the State began enacting a series of interim appropriation bills to fund government operations on a short-term basis. While the State Legislature enacted the annual debt service appropriation bill for 2010-11 in March 2010, the Legislature did not complete action on all annual appropriation bills until late June 2010, and did not pass a revenue bill to complete the budget until August 3, 2010.

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The 2010-11 Enacted Budget Overview

The following table provides indicators and measures of the 2010-11 Enacted Budget Financial Plan relative to the prior year and relative to the base budget for 2010-11 (before enacted budget actions).

ENACTED BUDGET FINANCIAL PLAN AT-A-GLANCE: KEY MEASURES
(millions of dollars)

	2009-10 Adjusted [1,2,3]	2010-11 Adjusted [1,3] Before Actions	2010-11 Adjusted [1,3] Enacted Budget
State Operating Funds Budget			
Size of Budget	$78,934	$85,413	$78,998
Annual Growth	1.0%	8.2%	0.1%
Other Budget Measures (Annual Change)			
General Fund (with transfers)	$54,262	$60,152	$53,533
	-0.6%	10.9%	-1.3%
State Funds (Including Capital)	$84,094	$91,617	$85,073
	1.1%	8.9%	1.2%
Capital Budget (Federal and State)	$7,112	$8,568	$8,454
	4.1%	20.5%	18.9%
Federal Operating	$44,891	$45,739	$46,375
	22.7%	1.9%	3.3%
All Funds	$130,937	$139,720	$133,827
	7.7%	6.7%	2.2%
All Funds (Including "Off-Budget" Capital)	$132,614	$141,371	$135,478
	7.1%	6.6%	2.2%
Inflation (CPI) (Annual Change)	0.3%	1.1%	1.1%
Personal Income (Annual Change)	-0.4%	4.3%	4.3%
All Funds Receipts (Annual Change)			
Taxes	$57,668	$61,509	$61,796
	-4.4%	6.7%	7.2%
Miscellaneous Receipts	$23,557	$22,428	$23,014
	17.4%	-4.8%	-2.3%
Federal Grants	$47,523	$48,291	$49,486
	22.4%	1.6%	4.1%
Total Receipts	$128,748	$132,228	$134,296
	8.0%	2.7%	4.3%
Base Tax Growth/(Decline) [4]	-12.3%	2.2%	2.2%
General Fund/HCRA Outyear Gap Forecast			
2009-10 [5]	($1,654)	N/A	N/A
2010-11 [5]	N/A	($9,188)	$0
2011-12	N/A	($15,851)	($8,177)
2012-13	N/A	($19,650)	($13,461)
2013-14	N/A	($21,584)	($15,563)
Total General Fund Reserves	$2,302	N/A	$1,385
Rainy Day Reserves	$1,206	N/A	$1,206
Reserved for Deferred Payments[6]	$906	N/A	$0
All Other Reserves	$190	N/A	$179
State Workforce (Subject to Executive Control)	131,741	131,906	128,165
Debt			
State Related Debt Service as % of All Funds Receipts	4.4%	4.7%	4.5%
State Related Debt Outstanding	$54,694	$56,997	$56,877

[1] Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion) scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute. This was done to carry forward the 2009-10 budget shortfall into 2010-11. See Financial Plan tables for 2009-10 actual results and 2010-11 unadjusted estimates.

[2] 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under the American Recovery and Reinvestment Act ("ARRA"). This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. See Financial Plan tables for 2009-10 actual results.

[3] Beginning in 2009-10 the State began collecting the new Metropolitan Commuter Transportation taxes and fees on behalf of the MTA, which it then appropriates in its entirety to the MTA. This has added approximately $1.6 billion to special revenue fund receipts and disbursements.

[4] Reflects the estimated change in tax receipts excluding the impact of Tax Law changes since fiscal year 1986-87.

[5] The 2009-10 budget shortfall was carried forward into 2010-11 through the management of payments, including school aid and tax refunds, and addressed as part of the 2010-11 Enacted Budget.

[6] The State deferred more payments than were needed to carry forward the 2009-10 budget shortfall. This created a temporary increase in the year-end balance in 2009-10. The balance was used when the deferred payments were made in the first quarter of 2010-11.

2010-11 Enacted Budget Gap-Closing Plan

The following table provides information on how the State closed a $9.2 billion budget gap in 2010-11, and the impact these gap-closing actions are projected to have on the funding shortfall in upcoming fiscal years.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
CURRENT-SERVICES GAP ESTIMATES (BEFORE ANY ACTIONS)[1]	**(9,188)**	**(15,851)**	**(19,650)**	**(21,584)**
December 2009 Deficit Reduction Actions[2]	**692**	**811**	**876**	**854**
Total Enacted Budget Gap-Closing Actions	**8,496**	**6,863**	**5,313**	**5,167**
Spending Control	**5,627**	**3,972**	**3,432**	**3,542**
Local Assistance (After Vetoes)	**3,716**	**2,380**	**1,760**	**1,748**
School Aid/Lottery Aid	1,677	680	129	122
Health Care	779	925	893	893
School Tax Relief Program	121	200	210	223
Human Services/Labor/Housing	214	165	175	176
Higher Education	224	174	152	152
Mental Hygiene	61	74	47	38
Education/Special Education/Arts	142	13	13	11
Local Government Aid	325	30	29	19
All Other	173	119	112	114
State Agency Operations/Fringe Benefits/Other	**1,630**	**1,592**	**1,672**	**1,794**
Statewide Agency Operational Reductions	1,233	1,061	838	815
Fringe Benefits/Pension Amortization	287	472	728	853
Debt Management/Bonded Capital Savings	110	59	106	126
FMAP Local Assistance Contingency Reductions[3]	**281**	**0**	**0**	**0**
Revenue Actions	**1,034**	**1,867**	**1,460**	**1,204**
Tax Actions	893	1,736	1,364	1,133
Eliminate Clothing Exemption	330	210	0	0
Cigarette/Tobacco Products Tax	290	318	312	307
Temporarily Cap Business Related Tax Credit Claims	100	970	970	870
Charitable Contributions	100	135	160	160
Film Credit	0	0	(168)	(292)
Empire Zone Replacement Program	0	0	(50)	(100)
Other Tax Actions	73	103	140	188
Abandoned Property	100	95	60	50
Civil Court Filing Fees	19	34	34	34
All Other Revenue Actions	22	2	2	(13)
Tax Audits/Recoveries/Enforcement	**371**	**421**	**421**	**421**
Non-Recurring Resources	**660**	**0**	**0**	**0**
Federal TANF Resources	261	0	0	0
Physician Excess Medical Malpractice Payment Timing	127	0	0	0
Available Fund Balances/Resources	121	0	0	0
Additional New York City District Attorney Recoveries	50	0	0	0
Additional Department of Law Recoveries	35	0	0	0
School Aid Overpayment Recoveries	32	0	0	0
All Other	34	0	0	0
Extension of Federal Aid	**804**	**603**	**0**	**0**
Enhanced Federal FMAP [4]	785	603	0	0
Medicare Part D Federal Relief	19	0	0	0
2010-11 ENACTED BUDGET SURPLUS/(GAP) ESTIMATE	**0**	**(8,177)**	**(13,461)**	**(15,563)**

[1] Includes the carry-forward of the 2009-10 budget shortfall of $1.6 billion into 2010-11.

[2] Recurring value of administrative and legislative actions approved in December 2009.

[3] State law provides for the uniform reduction of local assistance payments to cover the difference between the $1.085 billion in savings assumed in the gap-closing plan from the extension of enhanced FMAP and the $804 million in savings now expected under the legislation approved by the Federal Government.

[4] Estimate of State Financial Plan benefit of the six-month extension of FMAP (January 1, 2011 through June 30, 2011) approved by Congress and signed by the President in August 2010.

Current Fiscal Year

The 2010-11 Enacted Budget Financial Plan, extracts of which are set forth below, was prepared by the DOB and reflects the actions of the Legislature and Governor. The Updated Financial Plan contains estimates for the 2010-11 fiscal year and projections for the 2011-12 through 2013-14 fiscal years. As such, it contains estimates and projections of future results that should be construed as forward-looking statements and expectations, not statements of fact. These estimates and projections are based upon assumptions that may be affected by numerous factors, including future economic conditions in the State and the nation, and potential litigation. There can be no assurance that actual results will not differ materially and adversely from the estimates and projections contained in the Updated Financial Plan.

The State Constitution requires the Governor to submit an Executive Budget that is balanced on a cash basis in the General Fund — the fund that receives the majority of State taxes, and all income not earmarked for a particular program or activity. Since this is the fund that is required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

The State accounts for all of its spending and revenues by the fund in which the activity takes place (such as the General Fund), and the broad category or purpose of that activity (such as Grants to Local Governments). The Financial Plan tables sort all State projections and results by fund and category. The State also reports disbursements and receipts activity by other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes capital project funds and Federal Funds; and All Governmental Funds ("All Funds"), which includes both State and Federal Funds and provides the most comprehensive view of the financial operations of the State.

Fund types of the State include: the General Fund; State special revenue funds (SRFs), which receive certain dedicated taxes, fees and other revenues that are used for a specified purpose; Federal SRFs, which receive Federal grants; State and Federal Capital Projects Funds, which account for costs incurred in the construction and reconstruction of roads, bridges, prisons, and other infrastructure projects; and Debt Service Funds, which pay principal, interest and related expenses on long-term bonds issued by the State and its public authorities.

Please refer to the Glossary of Acronyms of this AIS for the definitions of acronyms, defined terms, and abbreviations that are used in this AIS.

Updated Financial Plan

Before enactment of the 2010-11 budget, the State faced a projected current-services budget gap of $9.2 billion for fiscal year 2010-11.[1] The gap included a budget shortfall of $1.65 billion from 2009-10 that was carried forward into 2010-11.[2] Over the course of the budget process, the estimated gap for 2010-11 increased from the level estimated in the Executive Budget Financial Plan, mainly due to downward revisions to projected tax receipts.[3] Over the four-year Financial Plan period (2010-11 through 2013-14), the current-service budget gaps totaled an estimated $66 billion.

DOB estimates that the Updated Financial Plan for 2010-11 is balanced on a budgetary (cash) basis of accounting. The budget gap for 2011-12 is projected at $8.2 billion, a decrease of $7.7 billion from the projected gap before enactment of the budget. The gaps for future years total $13.5 billion in 2012-13 and $15.6 billion in 2013-14. The total four-year gap has been reduced by $29 billion, reflecting recurring savings approved in the 2010-11 Enacted Budget. The table below summarizes the gap-closing plan for 2010-11 and the impact on future budget gaps.[4]

GENERAL FUND BUDGETARY BASIS SURPLUS/(GAP) PROJECTIONS
SUMMARY OF CHANGES FROM REVISED CURRENT-SERVICES THROUGH ENACTED BUDGET RECOMMENDATION
(millions of dollars)

	2010-11[1]	2011-12	2012-13	2013-14
Current Services Surplus/(Gap) Estimates	**(9,188)**	**(15,851)**	**(19,650)**	**(21,584)**
2010-11 Enacted Budget Actions	**9,188**	**7,674**	**6,189**	**6,021**
Spending Control	6,319	4,783	4,308	4,396
December 2009 Deficit Reduction Actions	692	811	876	854
Enacted Budget	4,813	4,526	4,192	4,095
Veto Benefit	533	(554)	(760)	(553)
FMAP Local Assistance Contingency	281	0	0	0
Revenue Actions	1,034	1,867	1,460	1,204
Tax Audits; Recoveries; Enforcement	371	421	421	421
Non-Recurring Actions	660	0	0	0
Extension of Enhanced FMAP	804	603	0	0
ENACTED BUDGET SURPLUS/(GAP) ESTIMATES	**0**	**(8,177)**	**(13,461)**	**(15,563)**
Four-Year Total Gap (2010-11 through 2013-14)				(37,201)

[1] Includes the carry-forward of the $1.65 billion budget shortfall from 2009-10.

[1] The current-services gap – the gap before reflecting the impact of the Enacted Budget gap-closing plan – represents (a) the difference between the projected level of General Fund disbursements, including transfers to other funds, needed to fund existing and scheduled commitments, adjusted for demand, and the level of resources available to pay for them, plus (b) the projected operating surplus or deficit in HCRA, which helps finance a number of State health care programs, including a share of the Medicaid program.

[2] In practice, the State carried forward the budget shortfall from 2009-10 by not making certain payments that were scheduled in 2009-10 but not due by law until 2010-11. The State did not make payments for school aid and tax refunds planned for the final quarter of 2009-10 until the first quarter of 2010-11.

[3] See "Summary of Changes to the Current-Services Gap" herein.

[4] The gap-closing plan includes the recurring value of the DRP approved in December 2009. For a summary of the DRP, see the Executive Budget Financial Plan dated February 9, 2010.

The Updated Financial Plan:

- Reduces spending from the current-services forecast by over $6.4 billion in 2010-11, in both the General Fund and in State Operating Funds;[5]
- Holds annual spending, as adjusted, at below the rate of inflation in both the General Fund (-1.3 percent) and State Operating Funds (0.1 percent)[6].Annual spending, as adjusted, for local assistance and agency operations[7] — the portion of the budget that can be controlled most effectively in the short-term — is reduced by a combined total of $1.1 billion;
- Mandates uniform reductions to remaining local assistance payments, with certain limited exceptions, to cover the estimated $280 million shortfall from the $1.1 billion in savings assumed in the gap-closing plan from enhanced FMAP; and
- Maintains the State's rainy day reserves at $1.2 billion.

The Updated Financial Plan does not include education aid authorized by the Federal government in August 2010, when the State was selected to receive approximately $700 million through Race to the Top grant awards and approximately $600 million from the Education Jobs Fund. The impact of this aid, which will pass through the State's budget, is expected to be reflected in the Mid-Year Update to the AIS. On September 2, 2010, OSC announced increases to the 2011-12 employer contribution rates for the New York State and Local Retirement System, and revised actuarial assumptions to be used in calculating employer contribution rates. The average contribution rate for the Employees' Retirement System will increase from 11.9 percent of salaries in 2010-11 to 16.3 percent in 2011-12, and the average contribution rate for the Police and Fire Retirement System will increase from 18.2 percent of salaries to 21.6 percent. The impact on official employer 2011-12 contribution rates will be reflected in the Mid-Year Update to the AIS.

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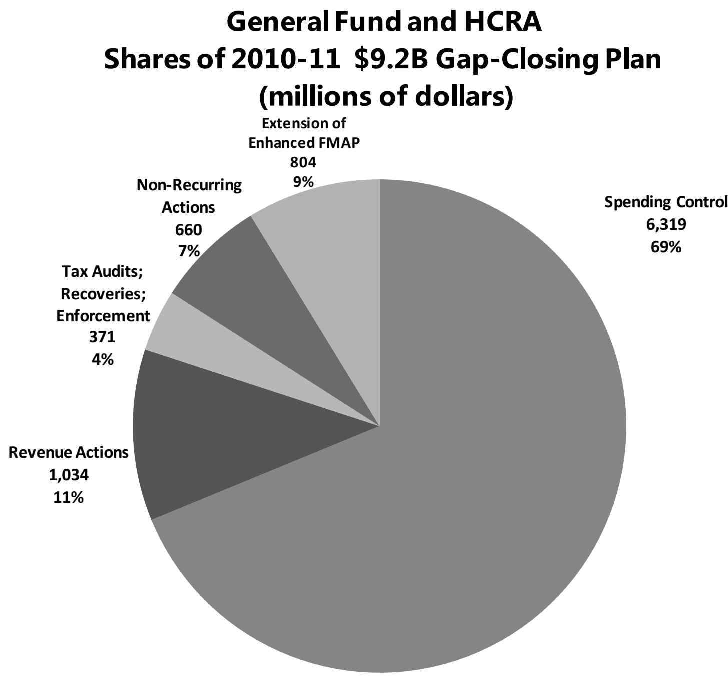
[5] State Operating Funds combines activity in the General Fund, State-financed special revenue funds, and debt service funds and is intended to measure the portion of the State budget that supports operations (as distinct from capital) and that is financed by State resources (as distinct from Federal aid).

[6] Unless otherwise noted, and except for the tables which appear on pages 61-76, all annual spending estimates have been adjusted to account for the impact of 2009-10 payment deferrals and, in the case of Federal Funds and All Funds, for the timing of ARRA pass-through funding. See "Impact on Spending" herein for a complete summary of the adjustments.

[7] Agency operations include fixed costs.

Composition of the Gap-Closing Plan

Under the approved plan, the combined four-year gap (2010-11 through 2013-14) is cut almost in half, declining from $66 billion to $37 billion. The chart below summarizes the shares of the gap-closing plan by broad category.



Reductions to current-services spending total over $6.4 billion[8] in State Operating Funds and $6.6 billion in the General Fund, constituting nearly 70 percent of the gap-closing plan. The proposed reductions in spending affect nearly every activity financed by State government, ranging from aid to public schools to agency operations to capital expenditures.

The gap-closing plan includes $1.0 billion in new revenue, including $925 million from tax and fee increases. These tax and fee increases include the temporary suspension of the State sales tax exemption on clothing and footwear priced at less than $110 ($330 million), a $1.60 per pack increase in the cigarette tax, the revenues of which are earmarked to help pay for existing health care expenses ($290 million), a temporary cap on the aggregate tax credit claims for business-related tax credits at $2.0 million per taxpayer annually ($100 million), and a decrease in the percentage of allowable remaining itemized deductions from 50 percent to 25 percent for taxpayers with New York adjusted gross income above $10 million ($100 million). In addition, audit, compliance, and enforcement activities are expected to increase the tax base by approximately $371 million annually. This includes $150 million in cigarette enforcement activities on Native American Reservations, which is subject to litigation. See the section entitled "Litigation and Arbitration" herein.

Non-recurring resources, which comprise 7 percent of the gap-closing actions approved in the Updated Financial Plan, total $660 million. (See "2010-11 Gap-Closing Plan - Non-Recurring Resources" herein.)

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[8] Includes value of the DRP. See "Explanation of the Deficit Reduction Plan" herein.

Impact on Spending

The projections for annual spending growth are affected by both the management of payments at the end of 2009-10 and, in the case of Federal Funds and All Funds spending, by the uncertainties concerning the timing of Federal pass-through aid. The latter consists of ARRA stimulus money for a wide range of purposes that provides no gap-closing benefit, but by law must pass through the State's Financial Plan before it reaches its beneficiary. To avoid the distorting effect of these factors, DOB has adjusted spending to (a) exclude the impact of the deferral of the $2.06 billion end-of-year school aid payment from 2009-10 into 2010-11 and (b) include $2.0 billion in Federal ARRA pass-through spending that was initially expected in 2009-10, but is now expected to occur in future years. The table below displays these adjustments. See the Financial Plan tables herein for 2009-10 actual results and 2010-11 unadjusted estimates.

TOTAL DISBURSEMENTS -- SUMMARY OF ADJUSTMENTS[1]
(millions of dollars)

	2009-10			2010-11		
	Actual Results	Adjustment	Results Adjusted	2010-11 Enacted	Adjustment	Enacted Adjusted
State Operating Funds	**76,874**	**2,060**	**78,934**	**81,058**	**(2,060)**	**78,998**
General Fund (Excludes Transfers)	46,415	2,060	48,475	49,661	(2,060)	47,601
Other State Funds	25,447	0	25,447	25,789	0	25,789
Debt Service Funds	5,012	0	5,012	5,608	0	5,608
All Funds	**126,877**	**4,060**	**130,937**	**135,887**	**(2,060)**	**133,827**
State Operating Funds	76,874	2,060	78,934	81,058	(2,060)	78,998
Capital Projects Funds	7,112	0	7,112	8,454	0	8,454
Federal Operating Funds	42,891	2,000	44,891	46,375	0	46,375
General Fund, including Transfers	**52,202**	**2,060**	**54,262**	**55,593**	**(2,060)**	**53,533**
State Funds	**82,034**	**2,060**	**84,094**	**87,133**	**(2,060)**	**85,073**

[1] Adjusted to (a) exclude the impact of paying the $2.06 billion end-of-year school aid payment, scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, as authorized in statute; and (b) include $2.0 billion in Federal ARRA pass-through aid in 2009-10. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

Adjusted State Operating Funds spending is projected to total $79 billion in 2010-11, an increase of $64 million (0.1 percent) over 2009-10 results. This increase in spending is approximately $1.6 billion below the level that would be permitted under the Governor's proposed spending cap. Compared to the current-services forecast, adjusted State Operating Funds spending is reduced by $6.4 billion.

TOTAL DISBURSEMENTS — ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH
(millions of dollars)

			Before Actions			After Actions	
	2009-10 Adjusted	2010-11 Base	Annual $ Change	Annual % Change	2010-11 Adjusted	Annual $ Change	Annual % Change
State Operating Funds	**78,934**	**85,413**	**6,479**	**8.2%**	**78,998**	**64**	**0.1%**
General Fund (Excludes Transfers)	48,475	54,094	5,619	11.6%	47,601	(874)	-1.8%
Other State Funds	25,447	25,612	165	0.6%	25,789	342	1.3%
Debt Service Funds	5,012	5,707	695	13.9%	5,608	596	11.9%
All Funds	**130,937**	**139,720**	**8,783**	**6.7%**	**133,827**	**2,890**	**2.2%**
State Operating Funds	78,934	85,413	6,479	8.2%	78,998	64	0.1%
Capital Projects Funds	7,112	8,568	1,456	20.5%	8,454	1,342	18.9%
Federal Operating Funds	44,891	45,739	848	1.9%	46,375	1,484	3.3%
General Fund, including Transfers	**54,262**	**60,152**	**5,890**	**10.9%**	**53,533**	**(729)**	**-1.3%**
State Funds	**84,094**	**91,617**	**7,523**	**8.9%**	**85,073**	**979**	**1.2%**

The annual spending growth in State Operating Funds is affected by the rapid annual increase in debt service and fringe benefits, which are difficult to control in the short-term due to existing constitutional, statutory, and contractual obligations. Together, these costs are projected to increase by a total of $1.2 billion in 2010-11.

Debt service on State-supported debt is projected to increase by $555 million (11.2 percent) in 2010-11, with approximately 35 percent of the growth due to the restructuring of certain transportation-related debt in 2005 that deferred substantial debt service costs until 2010-11. Overall spending from debt service funds, which includes certain non-personal service spending appropriated in the debt service budget is projected by DOB to increase by nearly $600 million.

Spending on fringe benefits is projected to increase by $603 million, an increase of 14.1 percent. Growth in fringe benefits is due principally to increases in the State's annual contribution to the New York State and Local Retirement System and the cost of providing health insurance for active and retired State employees. Pension costs are expected to increase by $312 million (27 percent) in 2010-11. This increase is net of $242 million in amortization savings scheduled for 2010-11. The following table summarizes the growth in these spending categories.

CAUSES OF ADJUSTED STATE OPERATING FUNDS SPENDING CHANGE [1]
(millions of dollars)

	2009-10	2010-11	Annual $ Change	Annual % Change
Total	**78,934**	**78,998**	**64**	**0.1%**
Debt Service	4,961	5,516	555	11.2%
Fringe Benefits	4,276	4,879	603	14.1%
Personal Service	10,874	10,307	(567)	-5.2%
Non-Personal Service/Fixed Costs	4,885	4,663	(222)	-4.5%
Local Assistance	53,938	53,633	(305)	-0.6%

1 Adjusted to exclude the impact of paying the $2.06 billion end-of-year school aid payment, scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, as authorized in statute.

In contrast, spending for local assistance and agency operations, two areas of the budget that are responsive to immediate cost reduction efforts, decline by $1.1 billion (-1.6 percent) from 2009-10 levels. Annual spending declines for personal service by $567 million (-5.2 percent), non-personal service by $222 million (-4.5 percent) and for local assistance by $305 million (-0.6 percent).

The following table summarizes the major sources of annual change.

ADJUSTED STATE SPENDING MEASURES: BEFORE AND AFTER BUDGET ACTIONS [1]
(millions of dollars)

	2009-10 Adjusted	2010-11 Current-Services[2]	Before Actions: Annual $ Change	Before Actions: Annual % Change	2010-11 Adjusted	After Actions: Annual $ Change	After Actions: Annual % Change
Local Assistance:	**53,938**	**58,580**	**4,642**	**8.6%**	**53,633**	**(305)**	**-0.6%**
School Aid [1,3]	20,373	21,471	1,098	5.4%	19,942	(431)	-2.1%
STAR	3,414	3,421	7	0.2%	3,300	(114)	-3.3%
Other Education Aid	1,534	1,646	112	7.3%	1,511	(23)	-1.5%
Medicaid (incl. administration) [4]	11,458	13,102	1,644	14.3%	11,629	171	1.5%
Public Health/Aging/Insurance	2,431	2,635	204	8.4%	2,314	(117)	-4.8%
Higher Education[5]	2,817	2,755	(62)	-2.2%	2,517	(300)	-10.6%
Mental Hygiene	3,199	3,537	338	10.6%	3,476	277	8.7%
Social Services	3,054	3,419	365	12.0%	3,018	(36)	-1.2%
Local Government Assistance	1,080	1,116	36	3.3%	791	(289)	-26.8%
Transportation	3,823	4,354	531	13.9%	4,304	481	12.6%
All Other	755	1,124	369	48.9%	831	76	10.1%
State Operations:	**20,035**	**21,218**	**1,183**	**5.9%**	**19,849**	**(186)**	**-0.9%**
Wages/Fringe Benefits	15,150	15,959	809	5.3%	15,186	36	0.2%
Personal Service:	10,874	10,733	(141)	-1.3%	10,307	(567)	-5.2%
Executive Agencies	5,357	5,276	(81)	-1.5%	4,997	(360)	-6.7%
Exec. Agencies - Retroactive Settlements [6]	320	22	(298)	-93.1%	22	(298)	-93.1%
SUNY	3,243	3,256	13	0.4%	3,124	(119)	-3.7%
Judiciary	1,537	1,547	10	0.7%	1,537	0	0.0%
Legislature	178	165	(13)	-7.3%	165	(13)	-7.3%
Department of Law	124	120	(4)	-3.2%	117	(7)	-5.6%
Audit & Control	115	118	3	2.6%	116	1	0.9%
Potential Labor Settlements (Pattern)	0	229	229	100.0%	229	229	100.0%
Fringe Benefits:	4,276	5,226	950	22.2%	4,879	603	14.1%
Pensions	1,155	1,707	552	47.8%	1,467	312	27.0%
Health Insurance	2,681	3,066	385	14.4%	3,021	340	12.7%
All Other Fringe Benefits	440	453	13	3.0%	391	(49)	-11.1%
Non-Personal Service/Fixed Costs	4,885	5,259	374	7.7%	4,663	(222)	-4.5%
Debt Service	**4,961**	**5,615**	**654**	**13.2%**	**5,516**	**555**	**11.2%**
TOTAL STATE OPERATING FUNDS	**78,934**	**85,413**	**6,479**	**8.2%**	**78,998**	**64**	**0.1%**
Capital Projects (State Funded)	**5,160**	**6,203**	**1,043**	**20.2%**	**6,075**	**915**	**17.7%**
TOTAL STATE FUNDS	**84,094**	**91,616**	**7,522**	**8.9%**	**85,073**	**979**	**1.2%**
Federal Aid (Including Capital Grants) [7]	**46,843**	**48,104**	**1,261**	**2.7%**	**48,754**	**1,911**	**4.1%**
TOTAL ALL FUNDS	**130,937**	**139,720**	**8,783**	**6.7%**	**133,827**	**2,890**	**2.2%**

1 Spending is adjusted to exclude the impact of paying the end-of-year school aid payment ($2.06 billion), scheduled for the last quarter of 2009-10, in the first quarter of 2010-11, which was done to carry forward the 2009-10 budget shortfall into 2010-11. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

2 Includes the value of recurring savings from the December 2009 Deficit Reduction Plan.

3 State fiscal year basis. ARRA funding temporarily reduces spending from State Operating Funds.

4 Department of Health Medicaid spending only, excludes other State agency spending. ARRA funding temporarily reduces spending from State Operating Funds.

5 2009-10 affected by $300 million payment deferral from 2008-09.

6 Retroactive payments for NYSCOPBA , PBA and BCI labor settlements ($258 million, $42 million and $20 million, respectively) for contract years 2007-08 and 2008-09, reflected in 2009-10 and retroactive payments for NYSCOBPA (Non-Arbitration) and Council 82 ($11 million each) for contract years 2007-08 and 2008-09.

7 2009-10 Federal and All Funds disbursements and receipts have been adjusted to include $2.0 billion in Federal aid that passes through the State's All Funds Financial Plan under ARRA. This "pass-through" money, which provides no gap-closing benefit and is subject to a range of factors that make the timing of disbursements highly uncertain, was expected to total approximately $4.4 billion in 2009-10. Actual disbursements, however, totaled only $2.4 billion. Thus, 2009-10 results have been adjusted for the difference. See Financial Plan tables for 2009-10 actual results.

EXPLANATION OF GAP-CLOSING PLAN

The gap-closing plan consists of two parts, the Enacted Budget actions and the recurring impact of the DRP. This section describes the Enacted Budget gap-closing actions.

2010-11 Enacted Budget Actions

The 2010-11 gap-closing actions are organized into three general categories: (a) actions that reduce current-services spending in the General Fund on a recurring basis ("Spending Control"); (b) actions that increase revenues on a recurring basis ("Revenue Actions"); and (c) transactions that increase revenues or lower spending in 2010-11, but that cannot be relied on in the future ("Non-Recurring Resources").

Spending Control

The Enacted Budget gap-closing plan for 2010-11 focuses foremost on actions that reduce the growth in State spending on a recurring basis. Actions to control spending account for nearly 70 percent of the gap-closing plan and will affect most activities funded by the State. The 2010-11 appropriation and Article VII "language" bills[9] passed by the Legislature, as well as the agency operating reductions, reduced spending by roughly $4.8 billion from current services levels. The Governor's vetoes further reduced General Fund spending in 2010-11 by $533 million.

In addition, the FMAP contingency bill is expected to reduce local assistance spending by approximately $280 million. This is equal to the difference between the benefit of enhanced FMAP assumed in the amended Executive Budget Financial Plan and the amount ultimately approved by Congress in August 2010. The following table summarizes the recurring spending actions in the General Fund by major function or activity.

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[9] Legislation, other than appropriation bills, submitted as part of the budget.

COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11
SPENDING CONTROL (AFTER VETO BENEFIT)
SAVINGS/(COSTS)
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Spending Control[1]	5,627	3,972	3,432	3,542
Local Assistance	**3,716**	**2,380**	**1,760**	**1,748**
School Aid/Lottery Aid	1,677	680	129	122
Gap Elimination Adjustment	1,497	642	0	0
Lottery Aid	180	136	136	136
Other	0	(98)	(7)	(14)
Health Care	779	925	893	893
Medicaid Fraud/Audit Recoveries	300	300	300	300
Eliminate Automatic Medicaid Rate Increases	99	120	120	120
Reduce Managed Care Premiums	61	75	75	75
Indigent Care Reduction	72	57	47	47
HCRA Financing	103	131	131	131
Public Health/Aging	29	54	55	55
Other	115	188	165	165
Higher Education	224	174	152	152
SUNY/CUNY Community College Base Aid	106	76	76	76
CUNY Senior College Operations	48	64	64	64
HESC (primarily TAP)	70	34	12	12
Local Government Aid	325	30	29	19
School Tax Relief Program	121	200	210	223
Human Services/Labor/Housing	214	165	175	176
Education/Special Education	142	13	13	11
Mental Hygiene	61	74	47	38
All Other Local Assistance	173	119	112	114
FMAP Contingency Spending Reductions	**281**	**0**	**0**	**0**
State Operations/Other	**1,520**	**1,533**	**1,566**	**1,668**
Statewide Agency Operational Reductions	1,233	1,061	838	815
Fringe Benefits/Pension Amortization	287	472	728	853
	110	**59**	**106**	**126**
Debt Management	100	25	34	36
Bonded Capital Spending Reductions[2]	10	34	72	90

[1] Excludes savings from December 2009 DRP. Net of new funding initiatives. Includes the impact of Governor's vetoes.

[2] Estimated debt service savings from reducing planned capital spending financed with debt.

Local Assistance

Local assistance spending includes financial aid to local governments and nonprofit organizations, as well as entitlement payments to individuals. State Operating Funds spending for local assistance is estimated at $53.6 billion in 2010-11, a decrease of $305 million (-0.6 percent) from the prior year. The most significant gap-closing actions in local assistance include the following (reductions from the current-services estimate are in parentheses):

- **School aid/lottery aid ($1.7 billion on a State fiscal year basis)** by imposing a one-time adjustment to formula-based school aid on a wealth-equalized basis ($1.5 billion); enhancing the operation of the State's lottery games and VLT facilities (including increased advertising, the extension of operating hours at VLT facilities and the enhancement of the Quick Draw game) to increase lottery revenues for financing school aid, and recognizing an additional $80 million franchise payment for VLT development rights at Aqueduct for a total of $380 million ($180 million).
- **Health Care ($779 million)** through cost-containment measures in Medicaid, including eliminating inflation-based adjustments to rates; decreasing managed care premiums; heightening anti-fraud and audit efforts; implementing prior-approval for insurance rate changes; and financing a greater share of Medicaid spending through HCRA.

In other public health activities, savings result from modifying the payment rates, eligibility standards, and operation of the EI program; eliminating reimbursement for certain optional services provided through the GPHW, and eliminating or reducing General Fund support for programs that are not related to DOH's core mission.

- **Higher Education ($224 million)** by reducing State support for SUNY and CUNY senior and community colleges (which will be partially mitigated by the use of ARRA funding) and reducing TAP program spending by changing eligibility standards and reducing overall grant awards.
- **Local Government Aid ($325 million)** by eliminating AIM funding for New York City (2010-11 only) and Erie County, and by reducing AIM funding to other municipalities by 2 or 5 percent, depending on local reliance on this revenue.
- **STAR ($121 million)** by reducing the benefit for New York City taxpayers with incomes above $500,000.
- **Human Services ($214 million)** by reducing State reimbursement to counties from 63.7 percent to 62 percent for Child Welfare services; reducing or eliminating spending in non-core mission programs; and rightsizing youth facilities.
- **Education/Special Education/Arts ($142 million)** by managing payments for summer school special education costs; using available ARRA funding to help support preschool special education; reducing funding for grants provided by the Council on the Arts; and other measures.
- **Mental Hygiene ($61 million)** by reducing Medicaid rates; improving audit and recovery efforts; restructuring service coordination; and delaying community bed development for certain programs.
- **All Other Local Assistance ($173 million)** by eliminating subsidies to businesses that provide mental health coverage under Timothy's Law ($69 million); reducing a planned deposit to the member items fund ($60 million); and a wide range of program reductions in other areas, including criminal justice and economic development.

Impact of Vetoes

DOB estimates the Governor's vetoes will save $533 million in 2010-11. The Governor's ability to veto changes in Article VII language bills is arguably limited, in most instances, to either approving or disapproving the entire bills. As a result, the veto of the entire Article VII language bill extended to provisions amending school aid funding formulas, school aid database updates, and higher education tuition assistance, which results in current-year savings, but additional potential costs in future years.

Specifically, the veto prevented the implementation of a 2010-11 Executive Budget recommendation to extend the foundation aid phase-in schedule from seven years to ten years. The Governor has submitted a bill to the Legislature that would restore the outyear savings in the original proposal. The following table summarizes the vetoes.

SUMMARY OF 2010-11 BUDGET VETOES
SAVINGS/(COSTS)
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Savings/(Costs) from Vetoes	**533**	**(554)**	**(760)**	**(553)**
School Aid	419	(652)	(833)	(625)
Legislative Restoration	419	170	0	0
Foundation Aid Phase-In Delay	0	(688)	(774)	(592)
All Other	0	(134)	(59)	(33)
Higher Education	107	89	64	63
SUNY/CUNY Community College Base Aid	56	76	76	76
HESC TAP Awards for Two-year Degree Programs	10	(5)	(13)	(13)
HESC TAP $75 Award Reduction	17	7	0	0
HESC TAP Academic Standards	6	2	0	0
HESC TAP for Non-SED Programs	13	18	18	18
HESC Scholarships and Loan Forgiveness	0	(5)	(8)	(9)
HESC TAP Award Schedules	5	(1)	(5)	(5)
HESC TAP Default Parity	0	(3)	(4)	(4)
Health Care	4	5	5	5
Arts	2	2	2	2
Housing	1	1	1	1
Capital Projects/Debt Service	0	1	1	1

FMAP Contingency Spending Reductions

The 2010-11 Enacted Budget mandates a uniform reduction to local assistance payments beginning September 16, 2010 in an amount up to the level of the shortfall between the actual amount of the six-month enhanced FMAP extension and the amount assumed in the Updated Financial Plan. Payments for public assistance, debt service, court judgments, and certain other purposes are exempt from the uniform reductions. The following table summarizes the change from the initial Financial Plan estimates of a six-month extension and the current estimate following the extension approved by Congress in August 2010.

FEDERAL ENHANCED FMAP 6-MONTH EXTENSION (STATE SHARE) SUMMARY OF ESTIMATED FINANCIAL PLAN IMPACT -- SAVINGS/(COSTS) (millions of dollars)	2010-11 Jan - Mar	2011-12 Apr - Jun	Two-Year Total
Estimated FMAP Extension (Apr 2010)	1,085	1,060	2,145
Approved Federal Extension (Aug 2010)	804	603	1,407
Difference	(281)	(457)	(738)
FMAP Local Assistance Contingency Reductions	281	0	281
IMPACT ON BUDGET SURPLUS/(GAPS)	**0**	**(457)**	**(457)**

The State continues to receive ARRA funds. This aid can be classified into two categories: (1) direct aid that provides a Financial Plan benefit by paying for costs that must otherwise be paid with State resources and (2) pass-through aid that funds specific initiatives and by law must pass through the State's Financial Plan. The following table summarizes total ARRA spending in the State Financial Plan from 2008-09 through 2011-12, the last fiscal year in which substantial ARRA funding is expected.

SUMMARY OF ESTIMATED FEDERAL ARRA SPENDING BY FISCAL YEAR (millions of dollars)	2008-09*	2009-10*	2010-11	2011-12
TOTAL DIRECT STATE AID	**1,299**	**4,227**	**5,908**	**712**
Enhanced Federal FMAP (State Benefit)	**1,299**	**3,572**	**4,054**	**203**
DOH Medicaid	1,092	3,040	3,425	107
Mental Hygiene Medicaid	207	532	629	96
State Fiscal Stabilization Relief		**655**	**1,854**	**509**
School Aid		546	1,331	509
Higher Education		103	166	0
Special/Other Education		6	335	0
All Other		0	22	0
TOTAL PASS-THROUGH AID	**440**	**2,291**	**4,647**	**2,332**
Enhanced FMAP (Local Share - Subject to reconcil.)	440	1,122	1,738	793
Education		334	860	879
Human Services		237	768	0
Transportation		205	450	320
Housing		61	131	120
Labor		121	111	0
Higher Education		91	102	0
Environment		39	209	200
Health Care		41	144	0
Criminal Justice/Public Safety		8	55	20
General Government/Other		32	79	0

*Estimated year-end results.

In 2010-11, DOB estimates that ARRA provides a direct benefit of approximately $4 billion through enhanced FMAP and $1.9 billion in aid for elementary and secondary, higher education and housing through SFSF, some of which applies to the 2009-10 school year, for expenses that would otherwise need to be paid for with State resources or eliminated.[10]

State Operations

The cost of operating State government includes (a) salaries, (b) pensions and other fringe benefits, and (c) non-personal service expenses, including utilities, rents, medical supplies, and other expenses.[11] State Operating Funds spending for these purposes is expected to total approximately $19.8 billion, a decrease of $186 million from 2009-10. After actions, personal service and non-personal service expenses are projected to decline by nearly $800 million. This is partially offset by growth in fringe benefit costs of $603 million.

The Enacted Budget includes $1.5 billion in savings from efficiency measures in State agencies, targeted workforce savings, and controls to slow the growth in fringe benefit costs.

- **Statewide Agency Operating Reductions ($1.2 billion):** Actions include across-the-board reductions in agency operating budgets, targeted personnel management initiatives, and statewide programs to leverage the State's purchasing power in energy, supplies, and materials. Personal service savings are expected from a combination of ERI savings, attrition and other measures. The Governor has rescinded, for the second consecutive year, the general salary increase for the State's non-unionized "management/confidential" employees ($28 million in 2010-11).
- **Pension Amortization/Fringe Benefits ($287 million):** Local governments and the State face substantial pension contribution increases over the next six years due to investment losses experienced by the Common Retirement Fund. The budget affords local governments and the State the option to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS, may be amortized. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of any amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. The assumed interest rate is 5 percent. For planning purposes, the Financial Plan assumes that the State will amortize pension costs, consistent with the provisions of the authorizing legislation. The amounts assumed to be amortized over the Financial Plan period total $242 million in 2010-11, $504 million in 2011-12, $825 million in 2012-13, $1.1 billion in 2013-14, and $1.2 billion in 2014-15. This amortization is expected to result in savings (compared to the unamortized costs), then result in substantially higher costs over the following 10 years as the amortized amounts are repaid. In addition, employees and retirees are now required to pay a portion of Medicare Part B health premiums and the State is authorized to self-insure all or parts of the New York State Health Insurance Plan.

As of March 31, 2010, the State had approximately 195,792 full-time equivalent annual salaried employees funded from all funds including some part-time and temporary employees but excluding seasonal, legislative and judicial employees. The workforce is now 15 percent smaller than it was 20 years ago, when it peaked at 230,600 positions. The State expects to end the 2010-11 fiscal year with a total 191,997 filled positions, after implementation of workforce savings initiatives, which include

[10] This is separate from, and should not be confused with, Federal pass-through spending under ARRA that provides no gap-closing benefit.

[11] The Financial Plan tables presentation includes three separate Financial Plan categories: Personal Service, Non-Personal Service and General State Charges (Fringe Benefits).

workforce changes of certain youth facilities, agency consolidations, early retirement incentives, and the continuation of statewide hiring controls. The State workforce subject to Executive control is expected to total 128,165 full time equivalent positions at the end of 2010-11, a reduction of approximately 3,576 from 2009-10 levels.

The gap-closing plan reduces planned capital projects spending financed with State-supported debt by $1.6 billion over a five-year period, beginning in 2010-11. The reductions are expected to provide over $130 million in annual debt service savings when fully implemented. The capital reductions will help the State maintain sufficient debt capacity.[12] The plan also includes $100 million in debt management savings from refundings and other measures.

Revenue Actions

The Updated Financial Plan includes $1.0 billion in revenue increases. Tax actions include an increase in the tax on cigarettes and tobacco products, a temporary elimination of the clothing exemption, a temporary cap on the aggregate tax credit claims for business related tax credits at $2 million per taxpayer per year, and a decrease in the percentage of allowable itemized deductions for taxpayers with income above $10 million. The following table summarizes the specific actions.

COMBINED GENERAL FUND AND HCRA GAP-CLOSING PLAN FOR 2010-11 - REVENUE ACTIONS SAVINGS/(COSTS) (millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Revenue Actions	**1,034**	**1,867**	**1,460**	**1,204**
Tax Actions	893	1,736	1,364	1,133
Eliminate Clothing Exemption	330	210	0	0
Cigarette/Tobacco Products Tax	290	318	312	307
Temporarily Cap Business Tax Credit Claims	100	970	970	870
Charitable Contributions	100	135	160	160
Sales Tax Vendor Credit	23	23	23	23
Private Label Credit Cards	17	23	23	23
Bank Bad Debt Deductions	15	15	15	15
Clarify Room Remarketers Must Collect Sales Tax	10	20	20	20
Sales Tax Add-back	0	20	20	20
Informational Returns for Credit/Debit Cards	0	0	35	83
Film Credit	0	0	(168)	(292)
Empire Zone Replacement Program	0	0	(50)	(100)
Other Tax Actions	8	2	4	4
Abandoned Property	100	95	60	50
Civil Court Filing Fees	19	34	34	34
All Other Revenue Actions	22	2	2	(13)
Tax Audits/Recoveries/Enforcement	**371**	**421**	**421**	**421**

Tax credits extended to the film industry and a restructured Empire Zone program result in additional costs to the Updated Financial Plan, beginning in 2012-13.

[12] Under the Debt Reform Act of 2000, State-supported debt outstanding issued after April 1, 2000 is limited to 4 percent of personal income, starting in 2010-11.

Non-Recurring Resources

The Enacted Budget relies on $660 million in non-recurring resources in 2010-11. The largest item in this category is the use of the TANF Emergency Contingency Fund to pay for expenses that would otherwise be incurred by the General Fund in 2010-11. The Emergency Contingency Fund is a one-time ARRA authorization. Accordingly, it is not expected to be available in future years. The following table itemizes the non-recurring actions.

COMBINED GENERAL FUND/HCRA GAP-CLOSING PLAN FOR 2010-11
NON-RECURRING RESOURCES SAVINGS/(COSTS)
(millions of dollars)

	2010-11
Non-Recurring Resources	**660**
Federal TANF Resources	261
Physician Excess Medical Malpractice Payment (Timing)	127
Additional New York County District Attorney Recoveries	50
Additional Department of Law Recoveries	35
School Aid Overpayment Recoveries	32
NYSHELPS Program Adjustment	19
Eliminate New Technology Seed Fund	15
Available Fund Balances/Resources	121

Other non-recurring resources include altering the timing of a planned payment under the Physician's Excess Medical Malpractice program; additional recoveries from both the New York County District Attorney and the Department of Law; and recovering excess aid payments made to school districts in prior years.

2009-10 Deficit Reduction Plan

DOB estimates that the DRP approved on December 2, 2009 will generate recurring savings in the range of $700 million to $875 million in fiscal years 2010-11 through 2013-14. The following table summarizes the DRP.

2009-10 DEFICIT REDUCTION PLAN SUMMARY
SAVINGS/(COSTS)
(millions of dollars)

	2010-11	2011-12	2012-13	2013-14
Total Deficit Reduction Plan Savings	**692**	**811**	**876**	**854**
Agency Operational Reductions	**360**	**385**	**385**	**385**
Legislative Actions [1]	**332**	**426**	**491**	**469**
Health Care	177	161	201	201
Mental Hygiene	57	55	53	32
Education/Arts	39	42	43	43
Higher Education Aid	36	36	36	36
Local Government Assistance	32	32	32	32
Tier V Pension	6	20	40	60
All Other	(15)	80	86	65

[1] Includes spending reductions in other State Funds that reduce General Fund costs through transfers from the accounts where savings are realized.

Projected Closing Balances

The State ended 2009-10 with a General Fund balance of $2.3 billion, including $1.2 billion in the rainy day reserves and $906 million resulting from the deferral of certain payments from 2009-10 into 2010-11. The latter amount was disbursed when the deferred payments were made in the first quarter of 2010-11.

After gap-closing actions, the year-end balance is expected to total $1.4 billion in 2010-11, an annual decrease of $917 million. The State's principal reserve funds are expected to remain unchanged, but the reserve created in 2009-10 would be utilized in its entirety. In addition, the balance in the Community Projects Fund, which finances discretionary ("member item") grants allocated by the Legislature and Governor is expected to decline by $11 million from 2009-10. This is the result of $154 million in deposits authorized in prior years and scheduled for 2010-11, offset by $165 million in projected spending in 2010-11. The estimate for spending from the Community Projects Fund is based on historical patterns and may be lower in 2010-11 as a result of the Governor's vetoes of member-item reappropriations. Lower than planned spending would increase the fund balance in the Community Projects Fund. The following table summarizes the projected balances in the General Fund.

GENERAL FUND CLOSING BALANCE
(millions of dollars)

	2009-10 Results	Planned Deposit	Planned Uses	2010-11 Estimated	Change
Projected Year-End Fund Balance	**2,302**	**154**	**(1,071)**	**1,385**	**(917)**
Tax Stabilization Reserve Fund	1,031	0	0	1,031	0
Rainy Day Reserve Fund	175	0	0	175	0
Contingency Reserve Fund	21	0	0	21	0
Community Projects Fund	96	154	(165)	85	(11)
Reserved for Debt Reduction	73	0	0	73	0
Reserved for Payment Deferrals	906	0	(906)	0	(906)

2010-11 Disbursements Forecast

The following table displays estimated annual spending growth from 2009-10 to 2010-11, on an adjusted basis. DOB has made adjustments to the actual and planned disbursements to account for the impact of (a) paying the $2.06 billion end-of-year school aid payment scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute and (b) the timing of $2.0 billion in Federal ARRA "pass through" spending expected in 2009-10. The latter has no impact on the State's efforts to balance the budget but instead represents Federal stimulus money that must pass through the State's Financial Plan. Approximately $2 billion in Federal pass-through funding that was initially expected to be disbursed in 2009-10, is now expected to be disbursed in future years. Examples of pass-through spending include Title 1 education grants to school districts, neighborhood stabilization grants, and transportation aid.

TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH (millions of dollars)							
			Before Actions			After Actions	
	2009-10 Adjusted	2010-11 Base	Annual $ Change	Annual % Change	2010-11 Adjusted	Annual $ Change	Annual % Change
State Operating Funds	**78,934**	**85,413**	**6,479**	**8.2%**	**78,998**	**64**	**0.1%**
General Fund (Excludes Transfers)	48,475	54,094	5,619	11.6%	47,601	(874)	-1.8%
Other State Funds	25,447	25,612	165	0.6%	25,789	342	1.3%
Debt Service Funds	5,012	5,707	695	13.9%	5,608	596	11.9%
All Funds	**130,937**	**139,720**	**8,783**	**6.7%**	**133,827**	**2,890**	**2.2%**
State Operating Funds	78,934	85,413	6,479	8.2%	78,998	64	0.1%
Capital Projects Funds	7,112	8,568	1,456	20.5%	8,454	1,342	18.9%
Federal Operating Funds	44,891	45,739	848	1.9%	46,375	1,484	3.3%
General Fund, including Transfers	**54,262**	**60,152**	**5,890**	**10.9%**	**53,533**	**(729)**	**-1.3%**
State Funds	**84,094**	**91,617**	**7,523**	**8.9%**	**85,073**	**979**	**1.2%**

Adjusted State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $79.0 billion in 2010-11. Adjusted All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total $133.8 billion in 2010-11. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agency) in Special Revenue Funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results.

ADJUSTED STATE OPERATING FUNDS [1] SPENDING PROJECTIONS MAJOR SOURCES OF ANNUAL CHANGE (millions of dollars)			
	2009-10	2010-11	Change
Major Functions (Annual Change)			
Health Care:			
Medicaid	11,479	11,675	196
Public Health	2,404	2,523	119
K-12 Education:			
School Aid (State Fiscal Year)	20,374	19,942	(432)
All Other Education Aid	1,693	1,663	(30)
STAR	3,414	3,300	(114)
Higher Education	8,447	8,092	(355)
Social Services:			
Temporary and Disability Assistance	1,360	1,222	(138)
Children and Family Services	2,006	2,148	142
Mental Hygiene	4,360	4,537	177
Transportation	3,941	4,433	492
General State Charges [2]	3,594	4,128	534
Debt Service	4,961	5,516	555
All Other (Annual Change)			
Local Government Aid	1,080	791	(289)
Department of Insurance	658	463	(195)
Statewide Agency Operating Reductions [3]	0	(500)	(500)
All Other	9,163	9,065	(98)
Total Adjusted State Operating Funds Spending	**78,934**	**78,998**	**64**

[1] Includes General Fund, State Special Revenue and Debt Service Funds.

[2] General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.

[3] Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

2010-11 Financial Plan and OutYear Projections

This section presents the State's multi-year projections for receipts and disbursements based on the 2010-11 Enacted Budget. State Law requires the Governor to submit a balanced plan of receipts and disbursements on a cash-basis for the General Fund. However, approximately 40 percent of total State spending for operating purposes is accounted for outside of the General Fund and is primarily concentrated in the areas of health care, school aid, higher education, transportation and mental hygiene. Thus, the multi-year projections and growth rates are presented on both a General Fund and State Operating Funds basis.

The multi-year forecast reflects the impact of the 2010-11 Enacted Budget and updated assumptions concerning economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities.

In evaluating the State's outyear operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal condition is likely to diminish as one moves further from the current year and budget year estimates. Accordingly, in terms of the outyear projections, 2011-12 is the most relevant from a planning perspective, since any gap in that year must be closed with the next budget and the variability of the estimates is likely to be less than in later years. DOB will provide quarterly revisions to its multi-year estimates, as required pursuant to State Finance Law.

Budget Gaps

In the General Fund, the projected budget gaps total approximately $8.2 billion in 2011-12, $13.5 billion in 2012-13, and $15.6 billion in 2013-14. The net operating deficits in State Operating Funds are projected at $8.2 billion in 2011-12, $13.1 billion in 2012-13, and $15.1 billion in 2013-14.

The imbalances projected for the General Fund and State Operating Funds in future years tend to be very similar. This is because the General Fund is typically the financing source of last resort for many State programs, and any imbalance in other funds that cannot be rectified by the use of existing balances is typically paid for by the General Fund.

The growth in the gaps between 2010-11 and 2011-12 is caused in large part by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately $5.1 billion in costs reverting to the General Fund, starting in 2011-12. The annual growth in the gap is also affected by the sunset, at the end of calendar year 2011, of the temporary PIT increase enacted in 2009-10, which is expected to reduce 2011-12 receipts by approximately $1 billion from 2010-11 levels.

Spending

General Fund spending is projected to grow at an average annual rate of 9.0 percent from 2009-10 through 2013-14 (as adjusted). Spending growth in the General Fund is projected to increase sharply in 2011-12, reflecting an expected return to a lower Federal matching rate for Medicaid expenditures after June 30, 2011 which will increase the share of Medicaid costs that must be financed by State resources, and the expected loss of temporary Federal aid for education. Excluding these stimulus-related effects, which temporarily suppress General Fund costs in 2010-11 and the first quarter of 2011-12, General Fund spending grows at approximately 6.8 percent on a compound annual basis.

State Operating Funds spending is projected to grow at an average annual rate of 7.0 percent through 2013-14 (as adjusted). For both the General Fund and State Operating Funds, spending growth is driven by Medicaid, education, pension costs, employee and retiree health benefits, and child welfare programs.

Outyear spending projections do not incorporate any estimate of potential new actions to control spending in future years; any potential continuation of Federal stimulus aid beyond the first quarter of 2011-12; and any costs for future collective bargaining agreements beyond the April 1, 2011 expiration of the current four-year contracts for most unions. In addition, the forecast does not include any additional health care costs or savings that may materialize from the implementation of national health care reform at the Federal level of government.

Receipts

General Fund receipts are projected to grow at an average annual rate of 3.8 percent from 2009-10 through 2013-14. Overall, State tax receipts growth in the three fiscal years following 2010-11 is expected to range from 1.7 percent to 6.2 percent. This is consistent with a projected return to modest economic growth in the New York economy in the second half of 2010. Receipts growth is affected by the tax changes approved in the Enacted Budget, as well as, in prior fiscal years, and tax compliance and anti-fraud efforts. These factors are expected to continue to enhance expected receipt growth through 2013-14. See "2010-11 All Funds Financial Plan" herein for a complete summary.

The following tables summarize the General Fund and State Operating Funds multi-year projections, adjusted for the school aid deferral from 2009-10 to 2010-11.

General Fund

OUTYEAR GENERAL FUND PROJECTIONS (ADJUSTED) (millions of dollars)	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual $ Change	Annual % Change	2013-14	Annual $ Change	Annual % Change
Receipts										
Taxes (After Debt Service)	50,329	53,488	3,159	6.3%	54,028	540	1.0%	56,962	2,934	5.4%
Personal Income Tax	32,168	34,492	2,324	7.2%	34,167	(325)	-0.9%	36,085	1,918	5.6%
User Taxes and Fees	11,128	11,318	190	1.7%	11,694	376	3.3%	12,277	583	5.0%
Business Taxes	5,714	6,335	621	10.9%	6,674	339	5.4%	6,977	303	4.5%
Other Taxes	1,319	1,343	24	1.8%	1,493	150	11.2%	1,623	130	8.7%
Miscellaneous Receipts/Federal Grants	2,957	2,919	(38)	-1.3%	2,884	(35)	-1.2%	2,832	(52)	-1.8%
Other Transfers	1,390	1,400	10	0.7%	1,137	(263)	-18.8%	1,146	9	0.8%
Total Receipts	**54,676**	**57,807**	**3,131**	**5.7%**	**58,049**	**242**	**0.4%**	**60,940**	**2,891**	**5.0%**
Disbursements										
Grants to Local Governments:	35,448	45,557	10,109	28.5%	50,003	4,446	9.8%	53,950	3,947	7.9%
School Aid	16,849	19,838	2,989	17.7%	22,186	2,348	11.8%	24,438	2,252	10.2%
Medicaid (incl. administration)	7,069	12,439	5,370	76.0%	13,805	1,366	11.0%	15,048	1,243	9.0%
Higher Education	2,495	2,760	265	10.6%	2,873	113	4.1%	2,961	88	3.1%
Mental Hygiene	2,233	2,375	142	6.4%	2,519	144	6.1%	2,658	139	5.5%
Children and Family Services	1,864	2,057	193	10.4%	2,262	205	10.0%	2,488	226	10.0%
Other Education Aid	1,496	1,840	344	23.0%	1,925	85	4.6%	1,977	52	2.7%
Temporary and Disability Assistance	1,153	1,505	352	30.5%	1,632	127	8.4%	1,682	50	3.1%
All Other	2,289	2,743	454	19.8%	2,801	58	2.1%	2,698	(103)	-3.7%
State Operations:	8,025	8,601	576	7.2%	8,886	285	3.3%	9,019	133	1.5%
Personal Service	6,285	6,692	407	6.5%	6,891	199	3.0%	6,904	13	0.2%
Non-Personal Service	1,740	1,909	169	9.7%	1,995	86	4.5%	2,115	120	6.0%
General State Charges	4,128	4,482	354	8.6%	4,687	205	4.6%	5,080	393	8.4%
Pensions	1,467	1,620	153	10.4%	1,842	222	13.7%	2,118	276	15.0%
Health Insurance (Active Employees)	1,826	1,992	166	9.1%	2,171	179	9.0%	2,119	(52)	-2.4%
Health Insurance (Retired Employees)	1,195	1,322	127	10.6%	1,422	100	7.6%	1,536	114	8.0%
Fringe Benefit Escrow	(2,319)	(2,534)	(215)	9.3%	(2,731)	(197)	7.8%	(2,817)	(86)	3.1%
All Other	1,959	2,082	123	6.3%	1,983	(99)	-4.8%	2,124	141	7.1%
Transfers to Other Funds:	5,932	7,392	1,460	24.6%	8,005	613	8.3%	8,479	474	5.9%
State Share Medicaid	2,450	3,022	572	23.3%	3,120	98	3.2%	3,083	(37)	-1.2%
Debt Service	1,642	1,766	124	7.6%	1,755	(11)	-0.6%	1,686	(69)	-3.9%
Capital Projects	1,096	1,368	272	24.8%	1,524	156	11.4%	1,687	163	10.7%
All Other	744	1,236	492	66.1%	1,606	370	29.9%	2,023	417	26.0%
Total Disbursements	**53,533**	**66,032**	**12,499**	**23.3%**	**71,581**	**5,549**	**8.4%**	**76,528**	**4,947**	**6.9%**
Change in Reserves	**(917)**	**(48)**			**(71)**			**(25)**		
School Aid Deferral	**(2,060)**	**0**			**0**			**0**		
Budget Surplus/(Gap) Estimate	**0**	**(8,177)**			**(13,461)**			**(15,563)**		

State Operating Funds

STATE OPERATING FUNDS PROJECTIONS (ADJUSTED)
(millions of dollars)

	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
Receipts:								
Taxes	60,484	64,231	3,747	6.2%	65,311	1.7%	68,698	5.2%
Personal Income Tax	36,897	39,579	2,682	7.3%	39,609	0.1%	41,827	5.6%
User Taxes and Fees	13,697	13,965	268	2.0%	14,369	2.9%	14,948	4.0%
Business Taxes	7,090	7,793	703	9.9%	8,209	5.3%	8,590	4.6%
Other Taxes	2,800	2,894	94	3.4%	3,124	7.9%	3,333	6.7%
Miscellaneous Receipts/Federal Grants	18,831	18,822	(9)	0.0%	19,237	2.2%	19,483	1.3%
Total Receipts	**79,315**	**83,053**	**3,738**	**4.7%**	**84,548**	**1.8%**	**88,181**	**4.3%**
Disbursements:								
Grants to Local Governments:	53,633	63,889	10,256	19.1%	69,264	8.4%	73,861	6.6%
School Aid	19,942	22,586	2,644	13.3%	25,144	11.3%	27,469	9.2%
Medicaid (incl. administration)	11,628	16,958	5,330	45.8%	18,612	9.8%	20,057	7.8%
STAR	3,300	3,418	118	3.6%	3,584	4.9%	3,772	5.2%
Higher Education	2,517	2,782	265	10.5%	2,895	4.1%	2,983	3.0%
Other Education Aid	1,511	1,854	343	22.7%	1,939	4.6%	1,990	2.6%
Mental Hygiene	3,474	3,757	283	8.1%	3,993	6.3%	4,234	6.0%
Public Health/Insurance/Aging	2,315	2,453	138	6.0%	2,580	5.2%	2,589	0.3%
Social Services	3,018	3,564	546	18.1%	3,895	9.3%	4,172	7.1%
Local Government Assistance	791	1,066	275	34.8%	1,077	1.0%	1,077	0.0%
All Other	5,137	5,451	314	6.1%	5,545	1.7%	5,518	-0.5%
State Operations:	14,642	15,697	1,055	7.2%	16,195	3.2%	16,355	1.0%
Personal Service	10,307	11,197	890	8.6%	11,488	2.6%	11,534	0.4%
Non-Personal Service	4,335	4,500	165	3.8%	4,707	4.6%	4,821	2.4%
General State Charges	5,205	5,759	554	10.6%	6,145	6.7%	6,616	**7.7%**
Pensions	1,467	1,620	153	10.4%	1,842	13.7%	2,118	15.0%
Health Insurance (Active Employees)	1,826	1,992	166	9.1%	2,171	9.0%	2,119	-2.4%
Health Insurance (Retired Employees)	1,195	1,322	127	10.6%	1,422	7.6%	1,536	8.0%
All Other	717	825	108	15.1%	710	-13.9%	843	18.7%
Debt Service	5,516	6,035	519	9.4%	6,357	5.3%	6,503	2.3%
Capital Projects	2	2	0	0.0%	2	0.0%	2	0.0%
Total Disbursements	**78,998**	**91,382**	**12,384**	**15.7%**	**97,963**	**7.2%**	**103,337**	**5.5%**
Net Other Financing Sources/(Uses)	**663**	**175**			**291**		**100**	
School Aid Deferral	**(2,060)**	**0**			**0**		**0**	
Net Operating Surplus/(Deficit)[1]	**(1,080)**	**(8,154)**			**(13,124)**		**(15,056)**	

[1] Financed with the use of existing fund balances in 2010-11. See Financial Plan Tables.

The annual spending changes are affected by the expiration of Federal stimulus funding for Medicaid and education, which is expected to result in approximately $5.2 billion in costs reverting to the State, starting in 2011-12. The 2010-11 disbursements for school aid are further affected by the deferral of $2.1 billion in planned spending for 2009-10 to 2010-11. The table below displays the impact of the direct Federal aid as it applies to major programs (by adjusting the State spending to show the current service annual change without the benefit of ARRA), which temporarily lowered State costs. All amounts are shown on a State fiscal year basis.

STATE OPERATING FUNDS SPENDING PROJECTIONS
MAJOR PROGRAM AREAS ADJUSTED FOR IMPACT OF ARRA DIRECT FEDERAL AID
(millions of dollars)

	2010-11	2011-12	Annual $ Change	Annual % Change
State Operating Funds (Adjusted):	84,884	92,094	7,210	8.5%
Reported State Operating Funds With ARRA	78,998	91,382	12,384	15.7%
Plus: Federal ARRA	5,886	712	(5,174)	-87.9%
School Aid (Adjusted)	21,273	23,095	1,822	8.6%
Reported School Aid With ARRA	19,942	22,586	2,644	13.3%
Plus: Federal ARRA (State Fiscal Stabilization)	1,331	509	(822)	-61.8%
DOH Medicaid (Adjusted)	15,053	17,065	2,012	13.4%
Reported Medicaid With ARRA	11,628	16,958	5,330	45.8%
Plus: Federal ARRA (Enhanced FMAP)	3,425	107	(3,318)	-96.9%
Higher Education (Adjusted)	2,683	2,782	99	3.7%
Reported Higher Education With ARRA	2,517	2,782	265	10.5%
Plus: Federal ARRA (State Fiscal Stabilization)	166	0	(166)	-100.0%
Other Education Aid (Adjusted)	1,846	1,854	8	0.4%
Reported Other Education Aid With ARRA	1,511	1,854	343	22.7%
Plus: Federal ARRA (State Fiscal Stabilization)	335	0	(335)	-100.0%
Personal Service (Adjusted)	10,936	11,293	357	3.3%
Personal Service With ARRA	10,307	11,197	890	8.6%
Plus: Federal ARRA (Enhanced FMAP - Mental Hygie	629	96	(533)	-84.7%

Grants to Local Governments

Medicaid (Department of Health)

The State's share of Medicaid is financed with a combination of General Fund and HCRA resources, as well as a share required by local governments. The Federal government is financing an additional share of Medicaid costs for October 2008 through June 30, 2011, which temporarily lowers the State's costs for the program.

MAJOR SOURCES OF ANNUAL CHANGE IN MEDICAID
(millions of dollars)

	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
State Operating Funds (Before FMAP)	**15,053**	**17,065**	**2,012**	**13.4%**	**18,358**	**7.6%**	**20,057**	**9.3%**
Enhanced FMAP -- State Share[1]	**(3,425)**	**(107)**	**3,318**	**-96.9%**	**254**	**0.0%**	**0**	**0.0%**
State Operating Funds (After FMAP)	**11,628**	**16,958**	**5,330**	**45.8%**	**18,612**	**9.8%**	**20,057**	**7.8%**
Other State Funds Support	**(4,559)**	**(4,519)**	**40**	**-0.9%**	**(4,807)**	**6.4%**	**(5,009)**	**4.2%**
HCRA Financing	(2,938)	(2,981)	(43)	1.5%	(3,269)	9.7%	(3,471)	6.2%
Provider Assessment Revenue	(750)	(750)	0	0.0%	(750)	0.0%	(750)	0.0%
Indigent Care Revenue	(871)	(788)	83	-9.5%	(788)	0.0%	(788)	0.0%
Total General Fund	**7,069**	**12,439**	**5,370**	**76.0%**	**13,805**	**11.0%**	**15,048**	**9.0%**

[1] Excludes Medicaid spending in other State agencies, including enhanced FMAP for other state agencies.

Medicaid growth over the plan period is affected by estimates of increasing Medicaid enrollment, rising costs of provider health care services, and higher levels of utilization, as well as the expiration of the temporarily enhanced levels of Federal aid. The average number of Medicaid recipients is expected to grow to 4.54 million in 2010-11, an increase of 10.3 percent from the estimated 2009-10 caseload of 4.12 million.

The expiration of the enhanced FMAP share substantially increases State-funded spending for Medicaid in 2011-12. However, even after adjusting for the impact of enhanced FMAP, State spending for Medicaid is expected to grow significantly over the multi-year Financial Plan, increasing at an average annual rate of 11.1 percent, from $15.1 billion in 2010-11 to $20.1 billion in 2013-14. Overall Medicaid growth results, in part, from the combination of projected increases in service utilization, and medical care cost inflation that affects nearly all categories of service (e.g., hospitals, nursing homes), as well as rising enrollment levels.

Other factors contributing to Medicaid spending growth include additional costs of approximately $331 million annually attributable to the State cap on local government Medicaid cost increases and the takeover of local FHP costs. Also, the payment of an extra weekly cycle to providers adds an estimated $400 million in 2011-12.

School Aid

School aid spending includes foundation aid; UPK expansion; and expense-based aids such as building aid, transportation aid, and special education. School aid spending is supported by the General Fund and lottery revenues (including VLTs). On a school-year basis, school aid is projected to grow from $20.6 billion in 2010-11 to $28.1 billion in 2013-14, an average annual rate of approximately 11 percent.

MULTI-YEAR SCHOOL AID PROJECTIONS - SCHOOL-YEAR BASIS
(millions of dollars)

	2010-11	2011-12	Annual $ Change	Annual % Change	2012-13	Annual % Change	2013-14	Annual % Change
Foundation Aid/Academic Achievement Grant	14,894	15,889	995	6.7%	17,390	9.4%	19,073	9.7%
Universal Pre-kindergarten	378	378	0	0.0%	462	22.2%	564	22.1%
Expense-Based Aids [1]	5,890	6,390	500	8.5%	6,940	8.6%	7,520	8.4%
Other Aid Categories/Initiatives	807	863	56	6.9%	908	5.2%	953	5.0%
Deficit Reduction Assessment	(1,412)	0	1,412	-100.0%	0	0.0%	0	0.0%
Total School Aid	**20,557**	**23,520**	**2,963**	**14.4%**	**25,700**	**9.3%**	**28,110**	**9.4%**

[1] Includes building, transportation, high cost and private special education, and BOCES.

Growth in 2011-12 is primarily due to increases in expense-based aid and the phase-in of foundation aid over a seven-year period. Growth in 2012-13 projected and beyond is primarily due to increases in foundation aid; UPK expansion; and contractual increases in expense-based aids such as building aid and transportation aid.

On a State fiscal-year basis, school aid spending is projected to grow by $2.6 billion in 2011-12, $2.6 billion in 2012-13, and $2.3 billion in 2013-14.

Over the multi-year Financial Plan period, revenues available to finance school aid from core lottery sales are expected to increase nominally. Revenues from VLTs are expected to grow, augmented by the anticipated opening of a VLT facility at Aqueduct by April 2012.

The Financial Plan currently assumes a one-time franchise payment of $380 million from the sale of VLT development rights at Aqueduct in 2010-11.

Mental Hygiene

Mental hygiene spending is projected to grow on average by $250 million annually to total $4.2 billion in 2013-14. Sources of growth include: increases in the projected State share of Medicaid costs; projected expansion of the various mental hygiene service systems, including increases primarily associated with the OPWDD NYS-CARES program; the New York/New York III Supportive Housing agreement and community beds that are currently under development in the OMH pipeline, as well as additional funds for supported housing beds and associated support services pursuant to a Federal district court decision; and several chemical dependence treatment and prevention initiatives in OASAS, including treatment costs associated with recent reforms to Rockefeller drug laws.

Social Services

Children and Family Services spending is expected to grow by approximately $200 million annually through 2013-14 primarily driven by growth in local claims-based programs, including child welfare. TADA spending is projected to increase by $529 million from $1.2 billion in 2010-11 to $1.7 billion by 2013-14, due to the loss of one-time TANF Emergency Contingency Fund grants that were used to support public assistance costs and the projected increase in the public assistance caseload. Based on the latest economic forecast and updated program data, the total public assistance caseload has increased in all years from 2010-11 to 2013-14 in the Enacted Budget compared to the Executive Budget.

State Operations

State Operations spending growth over the multi-year Financial Plan is concentrated in agencies with large operational facility-based budgets such as SUNY, Corrections, and the mental hygiene agencies, as well as the Judiciary. The main causes of growth include expiration of the enhanced FMAP that lowers State costs for portions of mental hygiene spending, inflationary increases in operating costs, and ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

STATE OPERATING FUNDS - STATE OPERATIONS
(millions of dollars)

	2010-11	2011-12	Annual $ Change	2012-13	Annual $ Change	2013-14	Annual $ Change
Personal Service	**10,307**	**11,197**	**890**	**11,488**	**291**	**11,534**	**46**
State University	3,124	3,155	31	3,189	34	3,214	25
Correctional Services	1,922	1,939	17	1,957	18	1,951	(6)
Judiciary	1,537	1,838	301	1,846	8	1,847	1
State Police	601	601	0	601	0	601	0
Mental Hygiene	548	993	445	1,062	69	1,072	10
Tax and Finance	349	349	0	350	1	353	3
Publich Health	261	264	3	266	2	267	1
Environmental Conservation	189	186	(3)	187	1	187	0
Children and Family Services	179	200	21	219	19	216	(3)
Legislature	165	168	3	172	4	175	3
Statewide Agency Operations Savings	(250)	(125)	125	0	125	0	0
All Other	1,682	1,629	(53)	1,639	10	1,651	12
Non-Personal Service	**4,335**	**4,500**	**165**	**4,707**	**207**	**4,821**	**114**
State University	1,693	1,687	(6)	1,740	53	1,795	55
Correctional Services	552	589	37	624	35	666	42
Judiciary	366	366	0	373	7	373	0
Publich Health	261	260	(1)	257	(3)	259	2
Mental Hygiene	217	243	26	293	50	302	9
Lottery	145	148	3	147	(1)	150	3
Children and Family Services	102	114	12	120	6	124	4
Tax and Finance	96	96	0	96	0	98	2
Debt Service	92	92	0	92	0	92	0
Insurance	82	87	5	87	0	87	0
Statewide Agency Operations Savings	(250)	(250)	0	(250)	0	(250)	0
All Other	979	1,068	89	1,128	60	1,125	(3)

Personal Service

Personal service spending includes wages and compensations for overtime, holiday and temporary services. It does not include fringe benefits that are accounted for under General State Charges. Personal service spending increases reflect the impact of settled labor contracts, salary adjustments for performance advances, longevity payments and promotions. Growth in personal service is affected by the expiration of enhanced FMAP, which temporarily reduced the State-share costs of operating the mental hygiene system.

Non-Personal Service

Non-personal service spending represents the costs of operations other than employee wages and benefits. It includes utilities, rent, equipment, supplies and materials, telecommunications, information technology, travel, training, medical supplies, prescription drugs, and certain contractual obligations. Spending is expected to grow by an average of 4 percent annually through 2013-14, and is concentrated in agencies with large operational facility-based budgets.

Significant cost increases are expected for food, prescription drugs, and energy costs in State facilities (including prisons, youth facilities, and mental hygiene facilities), costs reflected of developing the new Statewide Financial System and targeted initiatives, including increasing staff to youth ratios and improving mental health services for youth residing in State-operated juvenile justice facilities.

General State Charges

GSCs account for the costs of fringe benefits provided to State employee and retirees of the Executive, Legislative and Judicial branches, as well as for certain fixed costs. GSCs are projected to grow at an average annual rate of 8.3 percent from 2010-11 through 2013-14. The growth is mainly due to anticipated cost increases in pensions and health insurance for active and retired State employees.

The State's 2010-11 ERS pension contribution rate as a percentage of salary is expected to grow from 12.1 percent in 2010-11 to 23.5 percent in 2013-14. The Police and Fire Retirement System pension contribution rate is expected to be 18.3 percent in 2010-11, and is projected to grow to 31.4 percent by 2013-14. In addition to savings expected from the new tier of pension benefits enacted in December 2009, the Enacted Budget authorizes the State and local governments to amortize a portion of future costs. After these savings actions, pension costs grow from $1.6 billion in 2011-12 to $2.1 billion by 2013-14.

Spending for employee and retiree health insurance costs is expected to grow at a consistently high rate through 2013-14, with annual growth reflecting estimated annual premium increases of roughly 7 percent.

See discussion of the GASB Statement 45 later in this AIS for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds (General Fund Basis)

General Fund transfers help finance certain capital activities, the State's share of Medicaid costs for State-operated mental hygiene facilities, debt service for bonds that do not have dedicated revenues, and a range of other activities.

OUTYEAR DISBURSEMENT PROJECTIONS - GENERAL FUND TRANSFERS TO OTHER FUNDS (millions of dollars)	2010-11	2011-12	Annual Change	2012-13	Annual Change	2013-14	Annual Change
Transfers to Other Funds:	**5,932**	**7,392**	**1,460**	**8,005**	**613**	**8,479**	**474**
Medicaid State Share	2,450	3,022	572	3,120	98	3,083	(37)
Debt Service	1,642	1,766	124	1,755	(11)	1,686	(69)
Capital Projects	1,096	1,368	272	1,524	156	1,687	163
Dedicated Highway and Bridge Trust Fund	699	804	105	910	106	1,001	91
All Other Capital	397	564	167	614	50	686	72
All Other Transfers	744	1,236	492	1,606	370	2,023	417
Mental Hygiene	49	534	485	884	350	1,287	403
Medicaid Payments for State Facility Patients	216	216	0	216	0	216	0
Judiciary Funds	153	156	3	157	1	163	6
Banking Services	66	66	0	66	0	66	0
Indigent Legal Services	40	40	0	40	0	40	0
SUNY- Hospital Operations	33	0	(33)	0	0	0	0
Department of Transportation (MTA Tax)	24	25	1	25	0	25	0
Alcoholic Beverage Control	19	20	1	18	(2)	18	0
Mass Transportation Operating Assistance	19	19	0	19	0	19	0
Public Trans Systems	19	19	0	19	0	19	0
Correctional Industries	14	14	0	14	0	14	0
DCJS - Crimes Against Revenues Account	10	16	6	16	0	16	0
Statewide Financial System	9	45	36	55	10	60	5
All Other	73	66	(7)	77	11	80	3

Increases in all other transfers reflect the need to supplement resources available for the mental hygiene system and fund the development of the State's new financial management system.

Dedicated Highway and Bridge Trust Fund

A significant portion of the capital and operating expenses of DMV are funded from the DHBTF. The Fund receives dedicated tax and fee revenue from the Petroleum Business Tax, the Motor Fuel Tax, the Auto Rental Tax, highway use taxes, transmission taxes and motor vehicle fees administered by DMV. The Financial Plan includes transfers from the General Fund that effectively subsidize the expenses of the DHBTF. The subsidy is required because the cumulative expenses of the fund – capital and operating expenses of DOT and DMV, debt service on DHBTF bonds and transfers for debt service on bonds that fund CHIPs and local transportation programs – exceed current and projected revenue deposits and bond proceeds. The subsidy is projected at $804 million for 2011-12, $910 million for 2012-13, and $1.0 billion in 2013-14, with continued growth thereafter.

2010-11 All Funds Financial Plan Forecast

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2010-11 Enacted Budget. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The Updated Financial Plan spending projections summarize the annual growth in current-services spending and the impact of the 2010-11 Enacted Budget on the State's major areas of spending. Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, State Operating Funds, Capital Projects Funds, and Federal Operating Funds, thus providing the most comprehensive view of the financial operations of the State.

2010-11 Receipts Forecast

Financial Plan receipts comprise a variety of taxes, fees, charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB on a multi-year basis with the assistance of the Department of Taxation and Finance and other agencies responsible for the collection of State receipts.

Overview of the Revenue Situation

- The unsteady recovery of the national and New York State economies is expected to translate into receipts growth for the first time in two years. DOB anticipates that the wage growth that began early in 2010 coupled with positive corporate earnings and a projected rebound in employment later in the year should lead to positive receipts growth in 2010-11.

- After five consecutive years of growth averaging 9.5 percent per year, base receipts slipped by 3 percent in 2008-09 and plunged another 12.3 percent in 2009-10, as the result of the recession which began in 2008.

- The nascent recovery is expected to result in base receipts growth of 2.2 percent in 2010-11 and further improvement in 2011-12 after employment growth returns in earnest. The 2007-08 base receipts All Funds tax receipts peak is not expected to be reached again until 2011-12.

- The return of corporate profits in general, and the financial sector profits so vital to New York's economy in particular, are expected to result in both increases in finance and insurance sector bonuses and stepped up business tax receipts growth in 2010-11 and 2011-12.

- The forecast assumes a shift in taxable capital gains realizations from tax year 2011 into tax year 2010 (resulting in increased 2010-11 receipts) as a result of the expected sunset of preferential Federal tax rates on capital gains on December 31, 2010. If Federal action results in complete or partial continuation of lower rates for all or a portion of taxpayers, these gains will be realized over the long run, not in 2010-11.

- Absent the impact of high income provisions enacted in 2009 and 2010, estimated PIT liability plunged 16.6 percent in 2009 and is projected to increase 11.8 in 2010. The 2009 fall was the result of the continuing overall impact of the recession, and in particular, the impact on the real estate and financial sectors. The high growth rate in 2010 is due, in part, to the expected movement of wages and capital gains realizations from 2011 or later into 2010 to take advantage of expiring lower Federal tax rates. Positive wage and income growth that began in early 2010 and the employment growth anticipated to follow later in the year will also play a role.

- After a vigorous retreat during 2008-09 and 2009-10, consumer spending on taxable goods and services should improve somewhat during 2010-11, driven by increasing disposable income, employment, and a pickup in vehicle sales after a long drought. Despite this improvement, the pre-recession sales tax collections peak will not be reached until 2011-12.

- The bulk of the $4.1 billion (7.2 percent) increase in All Funds tax receipts from 2009-10 to 2010-11 is the result of the full-year impact of the 2009 and 2010 high income personal income tax provisions ($2.1 billion) and other actions taken in the 2010-11 Enacted Budget ($1.3 billion).

All Funds receipts are projected to total $134.3 billion, an increase of $7.5 billion over 2009-10 results. The table below summarizes the receipts projections for 2010-11 and 2011-12.

TOTAL RECEIPTS (millions of dollars)							
	2009-10 Results	2010-11 Estimated	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**52,556**	**54,676**	**2,120**	**4.0%**	**57,807**	**3,131**	**5.7%**
Taxes	36,997	39,931	2,934	7.9%	42,564	2,633	6.6%
Miscellaneous Receipts	3,888	2,897	(991)	-25.5%	2,859	(38)	-1.3%
Federal Grants	71	60	(11)	-15.5%	60	0	0.0%
Transfers	11,600	11,788	188	1.6%	12,324	536	4.5%
State Funds	**81,141**	**84,783**	**3,642**	**4.5%**	**88,784**	**4,001**	**4.7%**
Taxes	57,668	61,796	4,128	7.2%	65,573	3,777	6.1%
Miscellaneous Receipts	23,389	22,870	(519)	-2.2%	23,091	221	1.0%
Federal Grants	84	117	33	39.3%	120	3	2.6%
All Funds	**126,748**	**134,296**	**7,548**	**6.0%**	**133,706**	**(590)**	**-0.4%**
Taxes	57,668	61,796	4,128	7.2%	65,573	3,777	6.1%
Miscellaneous Receipts	23,557	23,014	(543)	-2.3%	23,229	215	0.9%
Federal Grants	45,523	49,486	3,963	8.7%	44,904	(4,582)	-9.3%

Base growth in tax receipts of 2.2 percent is estimated for fiscal year 2010-11, after adjusting for law changes, and should improve further in 2011-12. These projected increases in overall base growth in tax receipts are dependent on many factors:

- Anticipated improvements in overall economic activity, especially in New York City and surrounding counties;
- Improving profitability and compensation gains among financial services companies;
- Continued recovery in the overall real estate market, particularly the residential market; and
- Increases in consumer spending as a result of wage and employment gains.

Personal Income Tax

PERSONAL INCOME TAX (millions of dollars)	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund[1]	**22,654**	**24,373**	**1,719**	**7.6%**	**26,265**	**1,892**	**7.8%**
Gross Collections	41,393	45,086	3,693	8.9%	47,329	2,243	5.0%
Refunds/Offsets	(6,642)	(8,189)	(1,547)	23.3%	(7,752)	437	-5.3%
STAR	(3,409)	(3,299)	110	-3.2%	(3,417)	(118)	3.6%
RBTF	(8,688)	(9,225)	(537)	6.2%	(9,895)	(670)	7.3%
State/All Funds	**34,751**	**36,897**	**2,146**	**6.2%**	**39,577**	**2,680**	**7.3%**
Gross Collections	41,393	45,086	3,693	8.9%	47,329	2,243	5.0%
Refunds	(6,642)	(8,189)	(1,547)	23.3%	(7,752)	437	-5.3%

[1] Excludes Transfers.

All Funds PIT receipts, which reflect gross payments minus refunds, are estimated at $36.9 billion for 2010-11, a $2.1 billion or 6.2 percent increase from the prior year. This is primarily attributable to increases in withholding of $1.9 billion and current estimated payments of $1.3 billion. These increases are due to the gradual improvement in the economy and full-year compliance with the temporary rate increase enacted in 2009. The growth in the estimated tax is also partly driven by an expected "spin up" in capital gain realizations in 2010 in anticipation of higher Federal capital gains tax rates after tax year 2010. Receipts from delinquencies are projected to increase $61 million (5.5 percent) over the prior year and final returns are projected to increase by $151 million (8.3 percent). The increase in gross receipts is partially offset by higher refunds of $1.5 billion. This increase reflects the shift of $500 million in tax year 2009 refunds from the first calendar quarter of 2010 to April 2010 for cash management purposes, plus a one-time decline in 2009-10 refunds associated with an accounting adjustment to the State-city offset. Prior year refunds received in 2010-11 for tax year 2009, which increased by $516 million to $5,502 million as a result of the recent economic downturn, also contributed to higher refunds. The following table summarizes, by component, actual receipts for 2009-10 and forecast amounts through 2013-14.

User Taxes and Fees

USER TAXES AND FEES (millions of dollars)	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund[1,2]	**8,087**	**8,810**	**723**	**8.9%**	**8,975**	**165**	**1.9%**
Sales Tax	7,405	8,083	678	9.2%	8,220	137	1.7%
Cigarette and Tobacco Taxes	456	499	43	9.4%	522	23	4.6%
Alcoholic Beverage Taxes	226	228	2	0.9%	233	5	2.2%
State/All Funds	**12,852**	**14,285**	**1,433**	**11.2%**	**14,567**	**282**	**2.0%**
Sales Tax	10,529	11,475	946	9.0%	11,685	210	1.8%
Cigarette and Tobacco Taxes	1,364	1,765	401	29.4%	1,821	56	3.2%
Motor Fuel	507	503	(4)	-0.8%	505	2	0.4%
Highway Use Tax	137	134	(3)	-2.2%	140	6	4.5%
Alcoholic Beverage Taxes	226	228	2	0.9%	233	5	2.2%
Taxicab Surcharge	13	85	72	553.8%	85	0	0.0%
Auto Rental Tax	76	95	19	25.0%	98	3	3.2%

[1] Excludes Transfers.

[2] Receipts from motor vehicle fees and alcohol beverage control license fees are now reflected under miscellaneous receipts.

All Funds user taxes and fees receipts for 2010-11 are estimated to be approximately $14.3 billion, an increase of $1.4 billion or 11.2 percent from 2009-10. Sales tax receipts are expected to increase by $946 million from the prior year due to a base growth increase of 6.7 percent. Due to law changes, sales tax receipts are estimated to increase by $366 million. The vast majority of the revenue ($330 million) will come from the elimination of the clothing and footwear tax exemption in 2010-11. Non-sales tax user taxes and fees are estimated to increase by $487 million from 2009-10, mainly due to an increase in the cigarette tax by $1.60 and the full enactment of the taxicab surcharge.

General Fund user taxes and fees receipts are expected to total $8.8 billion in 2010-11, an increase of $723 million or 8.9 percent from 2009-10. The increase largely reflects an increase in sales tax receipts ($678 million) and cigarette tax collections ($43 million).

All Funds user taxes and fees receipts for 2011-12 are projected to be $14.6 billion, an increase of $282 million, or 2.0 percent from 2010-11. This increase largely reflects cigarette tax law changes. General Fund user taxes and fees receipts are projected to total $9.0 billion in 2011-12, an increase of $165 million, or 1.9 percent from 2010-11.

Business Taxes

BUSINESS TAXES
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**5,371**	**5,714**	**343**	**6.4%**	**6,335**	**621**	**10.9%**
Corporate Franchise Tax	2,145	2,886	741	34.5%	3,172	286	9.9%
Corporation & Utilities Tax	722	685	(37)	-5.1%	743	58	8.5%
Insurance Tax	1,331	1,278	(53)	-4.0%	1,335	57	4.5%
Bank Tax	1,173	865	(308)	-26.3%	1,085	220	25.4%
State/All Funds	**7,459**	**7,692**	**233**	**3.1%**	**8,414**	**722**	**9.4%**
Corporate Franchise Tax	2,511	3,307	796	31.7%	3,624	317	9.6%
Corporation & Utilities Tax	954	902	(52)	-5.5%	966	64	7.1%
Insurance Tax	1,491	1,410	(81)	-5.4%	1,470	60	4.3%
Bank Tax	1,399	1,023	(376)	-26.9%	1,269	246	24.0%
Petroleum Business Tax	1,104	1,050	(54)	-4.9%	1,085	35	3.3%

All Funds business tax receipts for 2010-11 are estimated at $7.7 billion, an increase of $233 million, or 3.1 percent from the prior year. The estimates reflect an increase of $109 million resulting from tax law changes. The deferral of certain tax credits ($100 million) and conforming the State bank tax's bad debt provisions to the Federal provisions ($15 million) are the major tax law changes. Absent these provisions, All Funds business tax receipts are expected to increase by $124 million or 1.7 percent.

The annual increase in the corporate franchise tax of $796 million is partially offset by year-to-year decreases in the other business taxes. U.S. corporate profits are expected to increase 24.5 percent in calendar year 2010, contributing to growth of 27.9 percent in year-over-year corporate franchise tax receipts, adjusted for tax law changes. Corporation and utilities and insurance tax receipts are expected to decline modestly as trend liability growth rates in these relatively stable taxes do not surpass the acceleration of cash payments on 2010 liability into the 2009-10 fiscal year that resulted from the increase in the mandatory pre-payment from 30 percent to 40 percent.

All Funds business tax receipts for 2011-12 of $8.4 billion are projected to increase $722 million, or 9.4 percent over the prior year reflecting rebound-induced growth rates of 9.6 percent and 24.0 percent in corporate franchise tax and bank tax receipts, respectively. Fiscal Year 2011-12 receipts include $423 million in tax law changes, virtually all attributable to the tax credit deferral provisions included in the Enacted Budget. Growth adjusted for tax law changes is estimated to be 5.4 percent.

General Fund business tax receipts for 2010-11 of $5.7 billion are estimated to increase by $343 million, or 6.4 percent above 2009-10 results. Business tax receipts deposited to the General Fund reflect the All Funds trends discussed above.

General Fund business tax receipts for 2011-12 of $6.3 billion are projected to increase $621 million, or 10.9 percent from the prior year. Corporate franchise tax and bank tax receipts are projected to increase 9.9 percent and 25.4 percent, respectively, as the income-based taxes continue to recover.

Other Taxes

OTHER TAXES
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund[1]	**885**	**1,034**	**149**	**16.8%**	**989**	**(45)**	**-4.4%**
Estate Tax	864	1,015	151	17.5%	970	(45)	-4.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	(1)	0	1	-100.0%	0	0	0.0%
Pari-Mutuel Taxes	19	18	(1)	-5.3%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**1,378**	**1,554**	**176**	**12.8%**	**1,570**	**16**	**1.0%**
Estate Tax	864	1,015	151	17.5%	970	(45)	-4.4%
Gift Tax	2	0	(2)	-100.0%	0	0	0.0%
Real Property Gains Tax	(1)	0	1	-100.0%	0	0	0.0%
Real Estate Transfer Tax	493	520	27	5.5%	581	61	11.7%
Pari-Mutuel Taxes	19	18	(1)	-5.3%	18	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

[1] Excludes Transfers.

All Funds other tax receipts for 2010-11 are estimated to be approximately $1.6 billion, up $176 million or 12.8 percent from 2009-10 receipts, reflecting growth of 5.5 percent in the real estate transfer tax receipts and 17.5 percent in the estate tax as a result of improved conditions in the equities, real estate and credit markets, combined with strong year-to-date payments from the settlement of large estates.

General Fund other tax receipts are expected to be slightly over $1.0 billion in fiscal year 2010-11, an increase of $149 million or 16.8 percent from 2009-10, due to the growth in the estate tax, partially offset by a 5.3 percent decline in the pari-mutuel tax due to the impact of reduced handle.

All Funds other tax receipts for 2011-12 are projected to be nearly $1.6 billion, up $16 million or 1.0 percent from 2010-11, reflecting modest growth in the real estate transfer tax, partially offset by a decline in estate tax receipts. General Fund other tax receipts are expected to total $989 million in fiscal year 2011-12, the result of a decrease of $45 million in estate tax receipts as increases in household net worth are more than offset by a return to a more normal level of settlements of large estates.

Miscellaneous Receipts and Federal Grants

MISCELLANEOUS RECEIPTS AND FEDERAL GRANTS (millions of dollars)	2009-10 Results	2010-11 Enacted	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**3,959**	**2,957**	**(1,002)**	**-25.3%**	**2,919**	**(38)**	**-1.3%**
Miscellaneous Receipts[1]	3,888	2,897	(991)	-25.5%	2,859	(38)	-1.3%
Federal Grants	71	60	(11)	-15.5%	60	0	0.0%
State Funds	**23,473**	**22,987**	**(486)**	**-2.1%**	**23,211**	**224**	**1.0%**
Miscellaneous Receipts[1]	23,389	22,870	(519)	-2.2%	23,091	221	1.0%
Federal Grants	84	117	33	39.3%	120	3	2.6%
All Funds	**69,080**	**72,500**	**3,420**	**5.0%**	**68,133**	**(4,367)**	**-6.0%**
Miscellaneous Receipts[1]	23,557	23,014	(543)	-2.3%	23,229	215	0.9%
Federal Grants	45,523	49,486	3,963	8.7%	44,904	(4,582)	-9.3%

[1] Includes receipts from motor vehicle fees and alcohol beverage control license fees, previously reflected as "user taxes and fees."

All Funds miscellaneous receipts include monies received from HCRA financing sources, SUNY tuition and patient income, lottery receipts for education, assessments on regulated industries, and a variety of fees and licenses. All Funds miscellaneous receipts are projected to total $23 billion in 2010-11, a decrease of $543 million from 2009-10 results, largely reflecting the impact of non-recurring and accelerated receipts to the State during 2009-10. Sources of receipts during 2009-10, which will not recur or will recur in lesser amounts, include 18-A public utility assessments ($653 million), New York Power Authority contributions ($158 million), Regional Greenhouse Gas Initiative proceeds ($90 million), and Battery Park City Authority resources ($68 million). The total annual decline in miscellaneous receipts also reflects lower bond proceeds available for mental hygiene facility capital improvement ($101 million), lower HCRA receipts ($123 million) and lower receipts from refunds, credits and reimbursements ($101 million). These annual declines were partly offset by growth in other areas, primarily to SUNY revenue growth from expansions at the three SUNY teaching hospitals, enrollment growth, and greater bond proceeds available for SUNY capital projects ($530 million), and increased lottery fund receipts ($380 million) which reflect the one-time receipt of the franchise fee for rights to develop a VLT facility at Aqueduct.

Federal grants help pay for State spending on Medicaid, temporary and disability assistance, mental hygiene, school aid, public health, and other activities. Annual changes to Federal grants generally correspond to changes in federally-reimbursed spending. Accordingly, DOB typically plans that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing is often unpredictable. All Funds Federal grants are projected to total $49.5 billion in 2010-11, an increase of $4.0 billion from 2009-10 results driven by receipt of Federal ARRA monies.

General Fund miscellaneous receipts collections are estimated to be nearly $3.0 billion, down just over $1.0 billion from 2009-10 results. This decrease is primarily due to the loss of a one-time payment from the Power for Jobs Program received in 2009-10 and the timing of an 18-A assessment payment.

All Funds miscellaneous receipts are projected to total $23.2 billion in 2011-12, an increase of $215 million from the current year, largely driven by growth in HCRA receipts ($296 million), growth in bond proceeds generated for mental hygiene facility capital improvements ($151 million) and growth in SUNY income from tuition, fees, patient revenues and other income ($88 million). The projected annual growth in these sources of miscellaneous receipts is partly offset by the non-recurrence of revenues received during 2010-11 for the VLT franchise fee payment ($380 million).

All Funds Federal grants are projected to total $44.9 billion in 2011-12, a decrease of $4.6 billion from the current year, reflecting a decrease in Federal ARRA funding.

General Fund miscellaneous receipts for 2011-12 are projected to decline by $38 million from the current year, and primarily reflect the loss of certain one-time sweeps and payments expected in 2010-11. These reductions are partially offset by an upward revision to abandoned property receipts.

Enacted Budget Revenue Actions

To preserve essential services while closing an $8.2 billion budget gap for the 2010-11 fiscal year, the Enacted Budget and separately enacted legislation authorize a number of revenue actions.

On a General Fund basis, actions in the Enacted Budget and separately enacted legislation will together increase tax or other revenue by a total of $937 million ($1.4 billion All Funds) in 2010-11.

Increased Taxes or Fee Liability

(General Fund: $562 million, All Funds: $835.1 million in 2010-11)

- **Tax Actions.** The Enacted Budget contains seven tax actions that will produce $747 million in 2010-11 All Funds revenue.
- **Loophole Closing Actions.** The Enacted Budget contains five actions that close loopholes and ensure that tax burdens are fairly distributed. These actions are expected to produce $44.0 million in additional revenue on an All Funds basis in the 2010-11 fiscal year.
- **New or Increased Fees.** The Enacted Budget contains new and increased legal fees as well as waste fees. These fees are expected to produce $44.1 million in revenue on an All Funds basis in the 2010-11 fiscal year.

Other Actions

(General Fund: $395 million, All Funds: $560 million in 2010-11)

- **Tax Enforcement Actions.** The Enacted Budget contains four actions that will improve tax audit and compliance activities. These actions are expected to produce $372 million in additional tax revenue on an All Funds basis in the 2010-11 fiscal year. A significant portion ($150 million) of this revenue will be generated by cigarette tax enforcement on sales by Native American tribes to non-tribal members.
- **Other Revenue Actions.** The Enacted Budget contains five other revenue actions, including expanding Quick Draw and video lottery terminal operations, and changing dormancy periods for certain types of abandoned property among other actions. These five actions are

expected to produce $152 million in revenue on a General Fund basis and $202 million on an All Funds basis in the 2010-11 fiscal year.

- **New or Expanded Tax Credits/Exemptions.** The Enacted Budget contains five new or expanded tax credits at a cost of $15 million on an All Funds basis in the 2010-11 fiscal year.

- **Technical Corrections and Extenders.** The Enacted Budget contains two extenders that will maintain both the pari-mutuel tax and major provisions of the bank tax, and temporary GLB provisions and five technical corrections that will amend previously enacted items. These five actions preserve current revenue or tax benefits.

- **New or Expanded Fines.** The Enacted Budget contains two fines that help protect the State's wetlands and mineral resources. These fines are expected to produce $1 million in revenue on an All Funds basis during the 2010-11 fiscal year.

Tax Actions

ENACTED BUDGET REVENUE ACTIONS/AGREEMENT
(millions of dollars)

	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
TAX ACTIONS				
Temporarily Reduce Sales Tax Clothing Exemption	330.0	330.0	210.0	210.0
Itemized Deduction Limitation	100.0	100.0	135.0	135.0
Other Tobacco Products Increase	30.0	30.0	48.0	48.0
Repeal Vendor Credit for Monthly Filers	17.0	17.0	23.0	23.0
Apply Sales Tax to Hotel Reseller Markup	10.0	10.0	20.0	20.0
Cigarette Tax Increase	-	260.0	-	272.0
Add Back Federal Sales Tax Deduction	-	-	20.0	20.0
TOTAL TAX AND ASSESSMENT ACTIONS	**487.0**	**747.0**	**456.0**	**728.0**

- Temporarily Reduce Sales Tax Clothing Exemption. Eliminates State sales and compensating use tax exemptions for clothing and footwear sold for less than $110 per item for the period October 1, 2010 through March 31, 2011; exempts clothing and footwear sold for less than $55 per item for the period April 1, 2011 through March 31, 2012; and restores the original exemption of $110 on April 1, 2012.

- Itemized Deduction Limitation. Decreases the percentage of allowable remaining itemized deductions from 50 percent to 25 percent for taxpayers with New York adjusted gross income of $10 million or more for tax years 2010 through 2012.

- Other Tobacco Products Increase. Increases the tobacco products tax to 75 percent of the wholesale price from 46 percent; increases the tax on snuff to $2.00 per ounce from $0.96 per ounce; and creates a new category under the tobacco products tax imposing a tax on "little cigars" at a rate equivalent to the cigarette tax rate.

- Repeal Vendor Credit for Monthly Filers. Repeals the vendor credit for monthly sales tax filers. Quarterly and annual filers will continue to receive the credit.

- Apply Sales Tax to Hotel Reseller Markup. Clarifies that room remarketers are required to collect sales and New York City occupancy taxes.

- Increase Cigarette Excise Tax by $1.60 per Pack. Increases the State cigarette excise tax from $2.75 per pack to $4.35 per pack.

- Add Back Federal Sales Tax Deduction. Requires itemizing taxpayers who elect to deduct sales tax instead of income tax for Federal purposes to reduce their New York itemized deductions by the amount of sales tax deducted for Federal purposes.

Loophole Closing Actions

LOOPHOLE CLOSING ACTIONS (millions of dollars)	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
S Corp Gains and Installment Inc. as Taxable for Non-Res.	29.0	29.0	14.0	14.0
Conform to Federal Bad Debt Provisions	15.0	15.0	15.0	15.0
Define Flow-Through Entities as Taxpayers for Certain Credits	-	-	12.0	12.0
Treat Compensation for Past Service as Taxable for Non-Res.	-	-	25.0	29.0
Make REITs/RICs Loophole Closer Permanent	-	-	-	-
TOTAL LOOPHOLE CLOSING ACTIONS	**44.0**	**44.0**	**66.0**	**70.0**

- **Treat S Corp Gains and Installment Income as Taxable for Non-Residents.** Eliminates three related tax loopholes that allow non-residents to avoid taxation by converting underlying S Corporation assets to stock or receiving installment income after termination of S Corporation nexus to New York. Previously, gains on stock and such installment income were considered intangible income and were therefore not subject to tax for non-residents.

- **Conform to Federal Bad Debt Provisions.** Conforms the State bank tax deduction for bad debts to the calculations provided for in the Internal Revenue Code for Federal tax purposes.

- **Define Flow-Through Entities as Taxpayers for QETC and Biofuel Credit Claims.** Eliminates the ability of individual shareholders in flow-through entities (i.e. partnerships, LLCs, and S Corporations) to each claim up to the statutory cap for a taxpayer when claiming the Biofuel and QETC facilities, operations and training credits. The cap will apply to the entity, just as it does for C Corporations.

- **Treat Compensation for Past Services as Taxable for Non-Residents.** Eliminates a tax loophole that permitted a non-resident to receive income – without paying New York taxes – for past services (e.g. termination pay) conducted during a period when their employer had a New York nexus. Such income had been nontaxable.

- **Make REITs/RICs Loophole Closer Permanent.** Makes permanent the provisions that address the closely-held Real Estate Investment trusts and Regulated Investment Companies loophole, which would have otherwise expired on December 31, 2010.

New or Increased Fees

NEW OR INCREASED FEES (millions of dollars)	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Increased Legal Fees	31.0	41.0	42.0	56.0
Hazardous Waste Fees	-	2.1	-	2.1
E-Waste Fee	-	1.0	-	0.5
TOTAL NEW OR INCREASED FEES	**31.0**	**44.1**	**42.0**	**58.6**

- **Legal Fees.** Establishes new and increased fees to fund civil legal services, indigent defense, and costs of court operations. A new $95 fee will be paid by plaintiffs (banks and credit card companies) in consumer credit cases. A new $500 “credentialing” fee will be paid by persons who sit for the bar examination and were educated outside the country. A new $190 fee will be charged at the time the index fee is paid in a foreclosure action. The criminal history search fee, which is paid when the Office of Court Administration performs background checks, will be raised from $55 to $65. The biennial bar registration fee will be raised from $350 to $375.

- **Hazardous Waste Fees.** Amends Environmental Conservation Law to consolidate two separate sliding-scale fees paid by hazardous waste generators into a single fee of $130 per ton.

- **E-Waste Fee.** Establishes a statewide electronic equipment reuse and recycling program. It will require manufacturers to accept for recycling or reuse electronic waste for which it is the manufacturer from consumers in the State and accept one piece of electronic waste if offered by a consumer, with the purchase of a piece of equipment of the same type beginning April 1, 2011. It will establish registration requirements for manufacturers of covered electronic equipment sold in the State, and require each manufacturer of covered electronic equipment to register with DEC by January 1, 2011, and pay a $5,000 registration fee; and require any person who becomes a manufacturer after January 1, 2011, to register with DEC before selling or offering for sale covered electronic equipment in the State.

Tax Enforcement Actions

ENFORCEMENT ACTIONS (millions of dollars)	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Improve Audit and Compliance	221.0	221.0	221.0	221.0
Native American Tax Enforcement	36.0	150.0	48.0	200.0
Require Informational Returns for Credit and Debit Cards	-	-	-	-
False Claims Act	1.0	1.0	2.0	2.0
TOTAL ENFORCEMENT ACTIONS	**258.0**	**372.0**	**271.0**	**423.0**

- **Improve Audit and Compliance.** The Commissioner of Taxation and Finance will increase compliance staff and re-direct department resources to generate $221 million in additional annual revenue.

- **Native American Tax Enforcement.** Requires all cigarettes sold to Native American nations or tribes and reservation cigarette sellers to bear a tax stamp and allows the governing body of a Native American nation or tribe two options for tax-exempt sales to its tribal members.

- Require **Informational Returns for Credit and Debit Cards.** Mirrors Federal requirements by requiring certain financial institutions to also file information returns with the State annually regarding amounts of credit/debit card settlements and third-party network transactions.

- **False Claims Act.** Removes the exemption for tax fraud from the State False Claims Act, allowing citizens to bring legal action against tax cheats and share in the proceeds of the case if the action is successful.

Other Revenue Actions

OTHER REVENUE ACTIONS
(millions of dollars)

	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Tax Credit Deferral	100.0	100.0	970.0	970.0
Change Abandoned Property Dormancy Periods	35.0	35.0	45.0	45.0
Repeal Private Label Credit Card Law	17.0	17.0	23.0	23.0
VLT Provisions	-	30.0	-	55.0
Quick Draw Provisions	-	20.0	-	31.0
TOTAL OTHER REVENUE ACTIONS	**152.0**	**202.0**	**1,038.0**	**1,124.0**

- **Tax Credit Deferral.** Allows $2 million in aggregate credit at the taxpayer level for tax years 2010, 2011, and 2012. The total amount of credits deferred under this proposal will be paid back to taxpayers over tax years 2013, 2014, and 2015. This provision affects personal income and corporate income taxpayers. The credits impacted are business-related credits. Personal income tax credits such as the child credit and EITC are excluded.

- **Change Abandoned Property Dormancy Periods.** Reduces the dormancy period for receipts from unclaimed goods from five to three years and non-bank money orders seven to five years.

- **Repeal Private Label Credit Card Law.** Repeals Tax Law §1132(e-1), which allowed private label credit card lenders, as well as vendors who use private label credit card lenders to finance their credit card sales, to claim a sales tax credit or refund on accounts financed by or assigned to the lender that are written or charged off as uncollectible.

- **Extend VLT Hours of Operation.** Increases the authorized hours of operation of VLTs from sixteen to 20 hours a day but no later than 4 AM, reduces the commission rate paid to vendor tracks by one percent, and eliminates the sunset of the VLT program.

- **Quick Draw Hours and Sunset.** Eliminates the restriction on the number of hours that the Division of the Lottery can operate the Quick Draw lottery game and makes the Lottery's authorization to operate the game permanent.

New or Expanded Tax Credits

NEW OR EXPANDED TAX CREDITS/EXEMPTIONS (millions of dollars)				
	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Narrow Affiliate Nexus Provisions	(5.0)	(5.0)	(5.0)	(5.0)
Expand the Low-Income Housing Tax Credit Program	(4.0)	(4.0)	(4.0)	(4.0)
Historic Properties Tax Credits	(3.0)	(3.0)	(5.0)	(5.0)
Livery Vehicle Sales Tax Exemption	(3.0)	(3.0)	(3.0)	(3.0)
Extend and Expand Film Tax Credit	-	-	-	-
Excelsior Jobs Program	-	-	-	-
TOTAL NEW OR EXPANDED TAX CREDITS/EXEMPTIONS	(15.0)	(15.0)	(17.0)	(17.0)

- **Narrow Affiliate Nexus Provision.** The affiliate nexus provision contained within the 2009-10 Enacted Budget is amended by narrowing the definition of a sales tax vendor by providing that certain in-State activities of an affiliate do not make the seller a vendor.

- **Expand the Low-Income Housing Tax Credit Program.** The Commissioner of the Division of Housing and Community Renewal is authorized to allocate an additional $4 million in aggregate credit awards to taxpayers that develop qualifying housing projects for low-income New Yorkers. Credits are given in equal installments for a ten-year period. As such, the total amount of credits that will be awarded from this new authorization will be $40 million.

- **Historic Properties Tax Credits.** Allows banks and insurance companies to claim the nonresidential tax credit and sunsets the higher residential and non-residential caps enacted in 2009 on December 31, 2014.

- **Livery Vehicle Sales Tax Exemption.** This provision exempts transportation delivered by livery vehicles that both originates and terminates in New York City from the State and New York City sales taxes.

- **Extend and Expand Film Tax Credit.** Provides an additional film tax credit allocation of $420 million per year for tax years 2010 through 2014, $7 million of which is dedicated to a new post-production credit. This measure also imposes various reforms to enhance the State's return on investment. They include requirements that the recipient: conduct at least 10 percent of shooting days at a qualified facility; include an end-credit acknowledging financial support from New York State or provide a New York promotional video as part of the film or DVD release in the secondary market; ensure only purchases of taxable property and services from registered sales tax vendors are eligible in the credit calculation; ensure at least 75 percent of post-production costs are incurred in New York in order to be considered a qualified cost.

- **Create Excelsior Jobs Program.** Establishes a new economic development program to provide incentives based on job creation, investment, and research and development expenditures in New York State. The new program maximizes the return on State investment by capping both total program and individual project costs, allowing only targeted industries to participate, and requiring substantial job and investment thresholds to be met and maintained prior to any project claiming benefits.

Technical Corrections and Extenders

These provisions have no fiscal impact over the Financial Plan period.

- **Extend Major Provisions of the Bank Tax and Temporary GLB Provisions.** Extends for one year bank tax reform provisions from 1985 and 1987, as well as provisions that were intended to temporarily address regulatory changes from the Federal Gramm-Leach-Bliley Act.
- **Extend the Pari-Mutuel Tax.** Extends lower Pari-Mutuel tax rates for one year. Also extends by one year the rules governing the simulcasting of out-of-state races and the authorization for account wagering.
- **Make Technical Corrections to the 2009-10 Enacted Budget Empire Zones Program Changes.** Clarifies that the Legislature intended to decertify certain businesses retroactively to the 2008 tax year, clarifies reporting provisions, and allows qualified investment projects to claim the investment tax credit and employee incentive tax credit after June 30, 2010.
- **Make Technical Corrections to the 2009-10 Enforcement Provisions.** Restores nonfiling as a class E felony, changes mail response requirements for taxpayer reconciliation conferences, corrects typographical error (changes "article one" to "one article"), defines contribution of aircraft from a nonresident to new subsidiary as a retail sale (and therefore taxable), and restores requirement that IDAs file a report when they appoint an agent to manage a project.
- **Amend the Tax on Medallion Taxicab Trip.** Amends the tax on medallion taxicab rides in MCTD by requiring the medallion owner to collect and remit the 50 cent per ride tax.
- **Real Estate Investment Trusts Technical Amendments.** Clarifies that certain publicly traded REITs with fractional ownership shares in non-related United States REITs are not subject to provisions relating to “closely-held” REITs that were enacted in 2008-09.
- **Estate Tax Unified Credit Technical Amendment.** Preserves the $1 million State unified credit for 2010 despite the expiration of the Federal estate tax.

New or Increased Fines

NEW OR INCREASED FINES (millions of dollars)

	2010-11		2011-12	
	General Fund	All Funds	General Fund	All Funds
Freshwater Wetlands Fines	-	0.7	-	0.7
Mineral Resources Fines	-	0.3	-	0.3
TOTAL NEW OR INCREASED FINES	-	**1.0**	-	**1.0**

- **Freshwater Wetlands Fines.** Makes modest increases in fines and penalties, both civil and criminal, for violations of law applicable to wetlands.
- **Mineral Resources Fines.** Makes modest increases in fines and penalties, both civil and criminal, for violations of law applicable to mineral resources.

2010-11 Financial Plan Disbursements Forecast

The table below displays estimated annual spending growth from 2009-10 to 2010-11, on an adjusted basis. DOB has made adjustments to the actual and planned disbursements to account for the impact of (a) paying the $2.06 billion end-of-year school aid payment scheduled for the last quarter of 2009-10 in the first quarter of 2010-11, as authorized in statute and (b) the timing of $2.0 billion in Federal ARRA "pass through" spending expected in 2009-10. The latter has no impact on the State's efforts to balance the budget but instead represents Federal stimulus money that must pass through the State's Financial Plan. Approximately $2 billion in pass-through funding, that was expected to be disbursed in 2009-10, is now expected to be disbursed in future years. See Financial Plan tables for 2009-10 actual results and 2010-11 estimates.

TOTAL DISBURSEMENTS - ADJUSTED FOR PAYMENT DEFERRALS AND ARRA PASS-THROUGH
(millions of dollars)

			Before Actions			After Actions	
	2009-10 Adjusted	2010-11 Base	Annual $ Change	Annual % Change	2010-11 Adjusted	Annual $ Change	Annual % Change
State Operating Funds	**78,934**	**85,413**	**6,479**	**8.2%**	**78,998**	**64**	**0.1%**
General Fund (Excludes Transfers)	48,475	54,094	5,619	11.6%	47,601	(874)	-1.8%
Other State Funds	25,447	25,612	165	0.6%	25,789	342	1.3%
Debt Service Funds	5,012	5,707	695	13.9%	5,608	596	11.9%
All Funds	**130,937**	**139,720**	**8,783**	**6.7%**	**133,827**	**2,890**	**2.2%**
State Operating Funds	78,934	85,413	6,479	8.2%	78,998	64	0.1%
Capital Projects Funds	7,112	8,568	1,456	20.5%	8,454	1,342	18.9%
Federal Operating Funds	44,891	45,739	848	1.9%	46,375	1,484	3.3%
General Fund, including Transfers	**54,262**	**60,152**	**5,890**	**10.9%**	**53,533**	**(729)**	**-1.3%**
State Funds	**84,094**	**91,617**	**7,523**	**8.9%**	**85,073**	**979**	**1.2%**

Adjusted State Operating Funds spending, which includes both the General Fund and spending from other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $79.0 billion in 2010-11. Adjusted All Funds spending, which includes capital spending and Federal aid in addition to State Operating Funds, is projected to total $133.8 billion in 2010-11. Consistent with past years, the aggregate spending projections (i.e., the sum of all projected spending by individual agency) in Special Revenue Funds have been adjusted downward in all fiscal years based on typical spending patterns and the observed variance between estimated and actual results.

ADJUSTED STATE OPERATING FUNDS [1] SPENDING PROJECTIONS
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

	2009-10	2010-11	Change
Major Functions (Annual Change)			
Health Care:			
Medicaid	11,479	11,675	196
Public Health	2,404	2,523	119
K-12 Education:			
School Aid (State Fiscal Year)	20,374	19,942	(432)
All Other Education Aid	1,693	1,663	(30)
STAR	3,414	3,300	(114)
Higher Education	8,447	8,092	(355)
Social Services:			
Temporary and Disability Assistance	1,360	1,222	(138)
Children and Family Services	2,006	2,148	142
Mental Hygiene	4,360	4,537	177
Transportation	3,941	4,433	492
General State Charges [2]	3,594	4,128	534
Debt Service	4,961	5,516	555
All Other (Annual Change)			
Local Government Aid	1,080	791	(289)
Department of Insurance	658	463	(195)
Statewide Agency Operating Reductions [3]	0	(500)	(500)
All Other	9,163	9,065	(65)
Total Adjusted State Operating Funds Spending	**78,934**	**78,998**	**97**

[1] Includes General Fund, State Special Revenue and Debt Service Funds.

[2] General Fund only. Fringe benefits are allocated to agency budgets outside of the General Fund.

[3] Reductions will be allocated by agency in the Mid-Year Financial Plan, following approval of early retirement and other savings plans.

Selected Program Measures and Assumptions

Projected current-services disbursements are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. All projections account for the timing of payments, since not all of the amounts appropriated in the Budget are disbursed in the same fiscal year. Selected assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the following tables.

FORECAST FOR SELECTED PROGRAM MEASURES AFFECTING OPERATING ACTIVITIES

	Results	Forecast			
	2009-10	2010-11	2011-12	2012-13	2013-14
Medicaid					
Medicaid Coverage	4,115,363	4,538,817	4,580,270	4,265,869	3,910,295
Family Health Plus Coverage	386,629	388,643	396,816	404,988	413,161
Child Health Plus Coverage	387,292	397,178	406,778	416,378	425,978
Medicaid Inflation	1.7%	0.9%	3.3%	3.1%	3.2%
Medicaid Utilization	2.5%	1.4%	4.9%	4.5%	4.7%
State Takeover of County/NYC Costs ($000)	$1,677	$2,039	$2,524	$3,006	$3,527
- Family Health Plus	$374	$405	$436	$467	$475
- Medicaid	$1,303	$1,634	$2,088	$2,539	$3,052
Education					
School Aid (School Year) ($000)	$21,687	$20,557	$23,520	$25,700	$28,110
K-12 Enrollment	2,730,000	2,730,000	2,730,000	2,730,000	2,730,000
Public Higher Education Enrollment (FTEs)	567,725	586,385	591,101	585,068	589,675
Tuition Assistance Program Recipients	318,455	322,632	323,632	324,132	324,132
Welfare					
Family Assistance Caseload	386,603	397,263	409,253	417,387	423,733
Single Adult/No Children Caseload	154,401	159,037	165,182	170,765	177,045
Mental Hygiene					
Total: Mental Hygiene Community Beds	82,629	85,334	87,106	89,295	91,328
- OMH Community Beds	34,262	35,780	36,610	37,889	38,952
- OPWDD Community Beds	35,859	36,840	37,747	38,521	39,357
- OASAS Community Beds	12,508	12,714	12,749	12,885	13,019
Prison Population (Corrections)	58,600	57,600	57,000	56,800	56,800

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING PERSONAL SERVICE AND FRINGE BENEFITS

	Results	Forecast			
	2009-10	2010-11	2011-12	2012-13	2013-14
Negotiated Salary Increases [1]	3.0%	4.0%	TBD	TBD	TBD
State Workforce [2]	131,741	128,165	128,749	TBD	TBD
ERS Pension Contribution Rate:[3]					
Before Amortization	7.5%	12.1%	16.1%	20.3%	23.5%
After Amortization	7.5%	9.5%	10.5%	11.5%	12.5%
PFRS Pension Contribution Rate:					
Before Amortization	15.3%	18.3%	23.4%	27.7%	31.4%
After Amortization	15.3%	17.5%	18.5%	19.5%	20.5%
Employee/Retiree Health Insurance Growth Rates	4.8%	4.6%	9.3%	9.2%	9.2%
PS/Fringe as % of Receipts (All Funds Basis)	14.8%	14.2%	15.0%	15.6%	15.4%

[1] Reflects current collective bargaining agreements with settled unions. The Governor withheld Management/Confidential salary increases in 2009-10 and 2010-11. Does not reflect potential impact of negotiated workforce savings.

[2] Subject to Executive Control.

[3] As Percent of Salary.

FORECAST OF SELECTED PROGRAM MEASURES AFFECTING DEBT

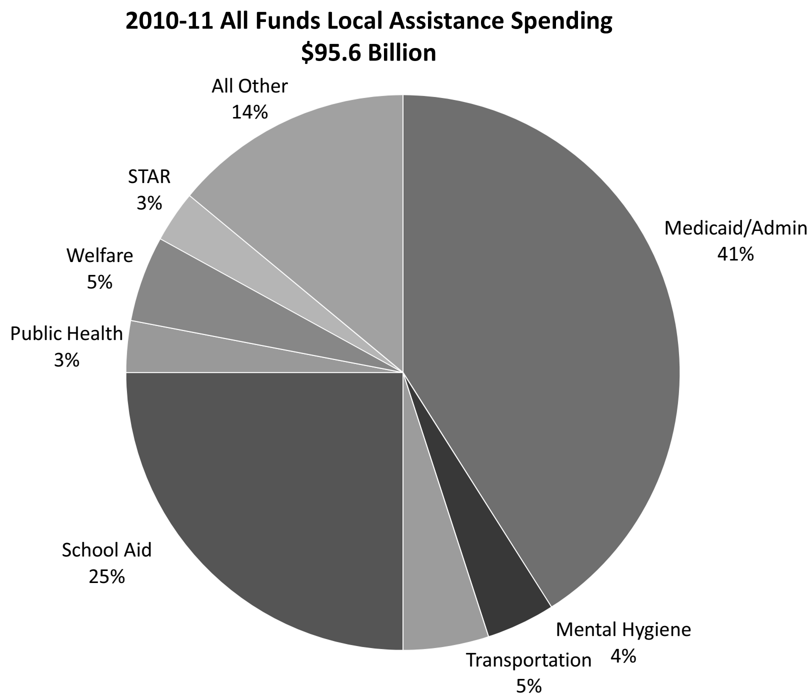
	Results	Forecast			
	2009-10	2010-11	2011-12	2012-13	2013-14
State Debt					
Debt Outstanding	$54,694	$56,877	$58,413	$58,751	$58,487
Debt Issuances	6,082	5,365	5,368	4,372	3,899
Debt Capacity under Debt Outstanding Cap	6,663	4,547	2,460	2,343	2,769
Debt Service as % of Receipts	4.4%	4.5%	5.0%	5.2%	5.1%
Interest on Variable Rate Debt	2.5%	2.3%	3.3%	3.4%	3.7%
Interest on Fixed Rate 30-Year Bonds	4.9%	5.3%	6.3%	6.3%	6.3%

The spending forecast for each of the State's Financial Plan categories follows.

Grants to Local Governments

Grants to Local Governments (Local Assistance) include payments to local governments, school districts, health care providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 72 percent of All Funds spending.

In 2010-11, adjusted All Funds spending for local assistance is proposed to total $95.6 billion. Total spending is comprised of State aid to medical assistance providers and public health programs ($42.4 billion); State aid for education, including school districts, universities, and tuition assistance ($33.2 billion); temporary and disability assistance ($4.7 billion); mental hygiene programs ($4.0 billion); transportation ($5.1 billion); children and family services ($3.0 billion); and local government assistance ($791 million). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality.



LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)
(millions of dollars)

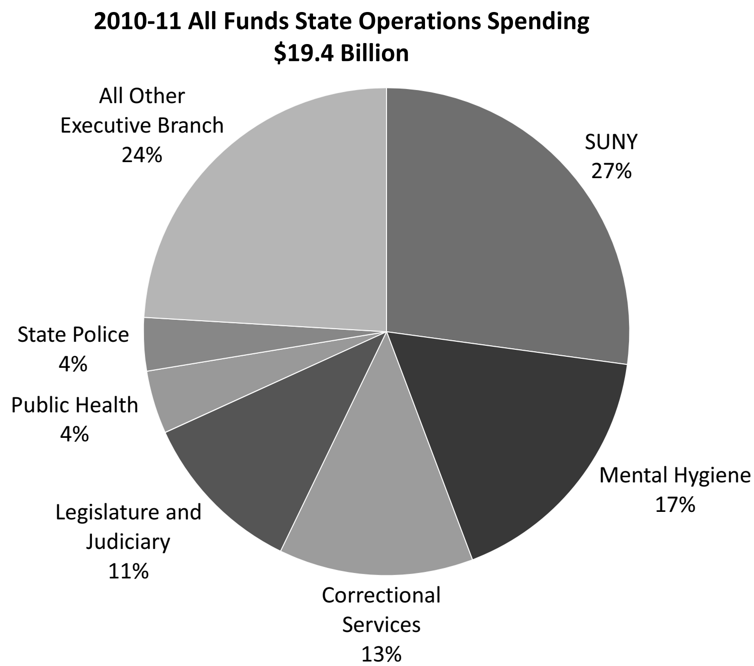
	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**36,294**	**35,448**	**(846)**	**-2.3%**
Other State Support	17,644	18,185	**541**	**3.1%**
State Operating Funds	**53,938**	**53,633**	**(305)**	**-0.6%**
Capital Projects Funds	1,440	1,292	**(148)**	**-10.3%**
Federal Operating Funds	37,750	40,699	**2,949**	**7.8%**
All Funds	**93,128**	**95,624**	**2,496**	**2.7%**

The table below highlights enacted local assistance annual spending changes from 2009-10 to 2010-11 by major program and/or agency.

LOCAL ASSISTANCE SPENDING PROJECTIONS (ADJUSTED)
MAJOR SOURCES OF ANNUAL CHANGE
(millions of dollars)

	General Fund	State Operating Funds	All Funds
2009-10 Results	**36,294**	**53,938**	**93,128**
School Aid	(699)	(432)	609
Medicaid (including Admin)	280	171	1,204
Transportation	36	480	642
Other Education Aid	(23)	(23)	600
Local Government Assistance	(289)	(289)	(289)
City University	(305)	(305)	(285)
Mental Hygiene	82	277	237
Insurance	(57)	(201)	(201)
Children and Families	116	116	191
Temporary and Disability Assistance	(151)	(151)	(181)
STAR	0	(114)	(114)
Public Health	98	82	(58)
All Other	66	84	141
2010-11 Enacted	**35,448**	**53,633**	**95,624**
Annual Dollar Change	(846)	(305)	2,496
Annual Percent Change	-2.3%	-0.6%	2.7%

State Operations



State Operations spending is for personal service and non-personal service costs. Personal service costs, which account for approximately two-thirds of State Operations spending, include salaries of State employees of the Executive, Legislative, and Judicial branches, as well as overtime payments and costs for temporary employees. The cost of fringe benefits (e.g., pensions, health insurance) for active and retired employees is accounted for separately in GSCs. Non-personal service costs, which account for the remaining one-third of State Operations, represent other operating costs of State agencies, including real estate rental, utilities, contractual payments (i.e., consultants, information technology, and professional business services), supplies and materials, equipment, telephone service and employee travel.

State Operations spending, which is projected to total $19.4 billion in 2010-11, finances the costs of Executive agencies ($17.2 billion) and the Legislature and Judiciary ($2.1 billion). The largest agencies in dollar terms and staffing levels include SUNY ($5.2 billion; 41,815 FTEs), Mental Hygiene ($3.3 billion; 39,036 FTEs), Correctional Services ($2.5 billion; 30,366 FTEs), DOH ($809 million; 5,476 FTEs), and State Police ($683 million; 5,530 FTEs).

Approximately 94 percent of the State workforce is unionized. The largest unions include CSEA, which primarily represents office support staff and administrative personnel, machine operators, skilled trade workers, and therapeutic and custodial care staff; PEF, which primarily represents professional and technical personnel (e.g., attorneys, nurses, accountants, engineers, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and NYSCOPBA, which represents security personnel (correction officers, safety and security officers).

The State workforce subject to Executive Control, which excludes the Legislature, Judiciary, Comptroller's Office, Law, SUNY, CUNY, SUNY Construction Fund, Roswell Park, State Insurance Fund, and the Foundation for Science, Technology, and Innovation, is projected to total 128,165 FTEs in 2010-11, a decrease of 3,576 from the actual 2009-10 levels. Statewide decreases are expected due to the retirement incentive program; individual agencies are further reducing workforce as follows: Transportation (353 FTEs) from attritions and reducing maintenance and snow/ice control workforce; State Police (174 FTEs) primarily due to attritions of civilians and troopers; Environmental Conservation as the result of hard hiring freeze and attritions (169 FTEs); and State Education attributable to attritions (61 FTEs). These decreases are offset by the increases in Tax and Finance (359 FTEs) due to the initiative of hiring more auditors to augment the State auditing and fraud reduction efforts and Mental

Hygiene (347 FTEs) primarily from increased staff needs as the result of the Deinstitutionalization Plan and related bed development.

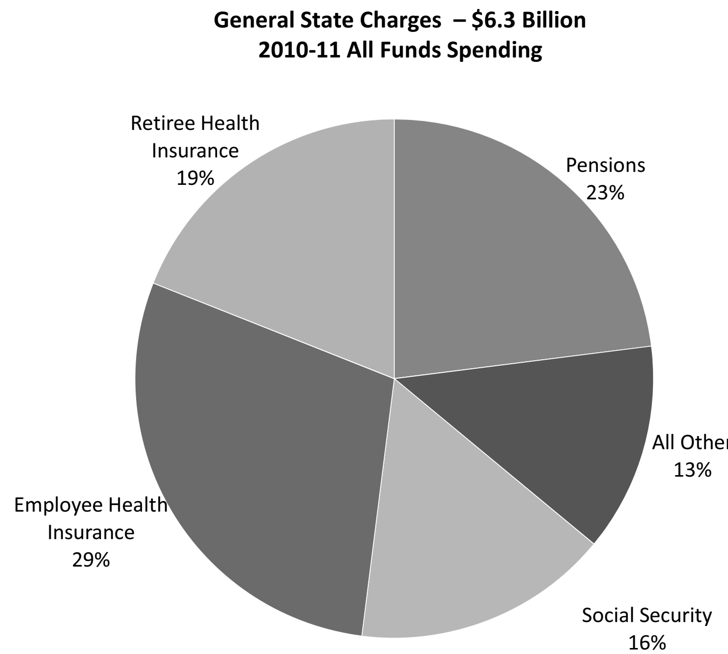
STATE OPERATIONS SPENDING PROJECTIONS (millions of dollars)				
	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**5,571**	**5,868**	**297**	**5.3%**
Other State Support	9,819	8,774	(1,045)	-10.6%
State Operating Funds	**15,390**	**14,642**	**(748)**	**-4.9%**
Capital Projects Funds	0	0	0	N/A
Federal Operating Funds	4,042	4,544	502	12.4%
Total All Funds	**19,432**	**19,186**	**(246)**	**-1.3%**

All Funds State Operations spending by category, based upon historical spending trends, is allocated among employee regular salaries (66 percent), overtime payments (2 percent), contractual services (21 percent), supplies and materials (5 percent), equipment (2 percent), employee travel (1 percent), and other operational costs (3 percent).

STATE OPERATIONS SPENDING PROJECTIONS MAJOR SOURCES OF ANNUAL CHANGE - STATE OPERATING FUNDS (millions of dollars)			
	Personal Service	Non-Personal Service	State Operations
2009-10 Results	**10,874**	**4,516**	**15,390**
Retroactive Salary Payments	(298)	0	(298)
Statewide Agency State Operations Savings	(250)	(250)	(500)
All Other	(19)	69	50
2010-11 Enacted	**10,307**	**4,335**	**14,642**
Annual Dollar Change	(567)	(181)	(748)
Annual Percent Change	-5.2%	-4.0%	-4.9%

The State Operating Funds spending decrease of $748 million (4.9 percent) is primarily driven by planned statewide reductions in agency operations through the use of an early retirement incentive, continuing hiring controls, abolition of vacant positions; efficiency from shared service and consolidation arrangements; contingency controls on non-personal spending; one-time retroactive salary payments associated with the NYSCOPBA, PBA, BCI and Council 82 contracts that were paid in 2009-10 ($320 million); workforce and reductions in mental hygiene ($114 million); potential spending for potential collective bargaining agreements with unsettled unions ($229 million) continues to be included in the spending forecast.

General State Charges



GSCs account for the costs of fringe benefits provided to State employees and retirees of the Executive, Legislative and Judicial branches, and certain fixed costs paid by the State. Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, Social Security, health insurance, workers' compensation and unemployment insurance. Fixed costs include State taxes paid to local governments for certain State-owned lands and payments related to lawsuits against the State and its public officers.

For most agencies, employee fringe benefit costs are paid centrally from appropriations made to GSCs. These centrally-paid fringe benefit costs represent the majority of GSCs spending. However, certain agencies, such as the Judiciary and SUNY, directly pay all or a portion of their employees' fringe benefit costs from their respective budgets. Employee fringe benefits paid through GSCs are paid from the General Fund in the first instance and then partially reimbursed by revenue collected from fringe benefit assessments on Federal funds and other special revenue accounts. Fixed costs are paid in full by General Fund revenues from GSCs.

GENERAL STATE CHARGES SPENDING PROJECTIONS
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	3,594	4,128	534	14.9%
Other State Support	1,040	1,077	37	3.6%
State Operating Funds	**4,634**	**5,205**	**571**	**12.3%**
Capital Projects Funds	0	0	0	0.0%
Federal Operating Funds	1,099	1,132	33	3.0%
Total All Funds	**5,733**	**6,337**	**604**	**10.5%**

All Funds spending on GSCs is expected to total $6.3 billion in 2010-11, and includes health insurance spending for employees ($1.8 billion) and retirees ($1.2 billion), pensions ($1.5 billion) and Social Security ($1 billion). The annual changes are described in more detail below.

Current-Services

GENERAL STATE CHARGES
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11
(millions of dollars)

	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2009-10 Results	**3,594**	**1,040**	**4,634**	**0**	**1,099**	**5,733**
Current Services:	**835**	**37**	**872**	**0**	**24**	**896**
Employee and Retiree Health Insurance	385	0	385	0	0	385
Pension Contribution	552	0	552	0	0	552
Employer Social Security	29	0	29	0	0	29
Workers' Compensation	16	0	16	0	0	16
Fringe Benefit Escrow Payments	(83)	0	(83)	0	24	(59)
Taxes on State Owned Land	(15)	0	(15)	0	0	(15)
All Other	(49)	37	(12)	0	0	(12)
Enacted Savings:	**(301)**	**0**	**(301)**	**0**	**9**	**(292)**
Amortize Pension Costs	(242)	0	(242)	0	0	(242)
Option to Self Insure NYSHIP	(15)	0	(15)	0	0	(15)
Medicare Part B Cost Sharing	(30)	0	(30)	0	0	(30)
Other	(14)	0	(14)	0	9	(5)
2010-11 Enacted	**4,128**	**1,077**	**5,205**	**0**	**1,132**	**6,337**
Annual Change	534	37	571	0	33	604

Employee and Retiree Health Insurance: Spending for employee and retiree health insurance is projected to increase by $385 million due to increase in premium charges.

Pension Contribution: As a result of the recent economic downturn and investment losses in 2008-09, pension costs in 2010-11 and beyond are expected to increase significantly. To mitigate long-term pension cost increases, legislation was enacted to create a new pension tier (Tier 5). Among other things, it requires newly hired employees to contribute 3 percent of their salary to the pension system for the duration of their employment. Previously this requirement was only in place for an employee's first ten years of service. More importantly, it raises the minimum age to retire without penalty to 62. New employees will also be required to work for ten years before becoming eligible to receive pension benefits upon retirement.

Employer Social Security: The employer contribution is expected to increase by $29 million in 2010-11, largely due to salary increases.

Workers' Compensation: The increase in expected spending is based on updated workers' compensation claims and utilization experience.

Fringe Benefit Escrow Payments: This reflects an anticipated increase in collections as a result of an increase in the fringe benefit rate.

Taxes on State Owned Lands: This decrease is caused by timing adjustments that artificially inflated 2009-10 costs.

All Other: Primarily attributable to the Judiciary's contribution to the Judicial Supplemental Support Fund, along with decreases for litigation, including judgments against the State.

2010-11 Enacted Savings

Amortize State Pension Costs: Local governments and the State face substantial pension contribution increases over the next six years due to investment losses experienced by the Common Retirement Fund. The budget affords local governments and the State the option to amortize a portion of their pension costs beginning in 2010-11. Specifically, pension contribution costs in excess of the amortization thresholds, which are 9.5 percent for ERS and 17.5 percent for PFRS, may be amortized. The authorizing legislation also permits amortization in all future years if the actuarial contribution rate is greater than the amortization threshold, which may increase or decrease by no more than one percentage point for each year. Repayment of the amortized amounts will be made over a ten-year period at an interest rate to be determined by the State Comptroller. For planning purposes, the Financial Plan assumes that the State will authorize pension costs consistent with the provisions of the authorizing legislation. In addition, employees and retirees are now required to pay a portion of Medicare Part B premiums and the State is authorized to self-insure all or parts of the New York State Health Insurance Plan.

Option to Self Insure NYSHIP: Savings generated by the State to self insure all or parts of NYSHIP. The elimination of insurance carrier risk charges, State and local taxes, and insurance assessments would produce savings for NYSHIP.

Medicare Part B Premiums: The state currently pays 100 percent of the Medicare Part B premium for employees and retirees. Savings would be generated by requiring employees and retirees to pay 10 percent of Medicare Part B premiums for individual coverage and 25 percent for dependent coverage. Currently, the monthly Medicare Part B base level premium is $96.

Debt Service

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (i.e., ESDC, DASNY, and the TA, subject to an appropriation). Depending on the credit structure, debt service is financed by transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

DEBT SERVICE SPENDING PROJECTIONS
(millions of dollars)

	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**1,844**	**1,642**	**(202)**	**-11.0%**
Other State Support	3,117	3,874	757	24.3%
State Operating Funds	**4,961**	**5,516**	**555**	**11.2%**
Total All Funds	**4,961**	**5,516**	**555**	**11.2%**

All Funds debt service is projected at $5.5 billion in 2010-11, of which $1.6 billion is paid from the General Fund through transfers and $3.9 billion from other State funds. The General Fund transfer primarily finances debt service payments on general obligation and service contract bonds. Debt service is paid directly from other State funds for the State's revenue bonds, including PIT bonds, DHBTF bonds, and mental health facilities bonds.

DEBT SERVICE
SOURCES OF ANNUAL SPENDING INCREASE/(DECREASE) FROM 2009-10 TO 2010-11
(millions of dollars)

	General Fund	Other State Funds	Total State Operating Funds	Capital Projects Funds	Total All Funds
2009-10 Results	**1,844**	**3,117**	**4,961**	**0**	**4,961**
Current Services:	(153)	769	616	0	616
Savings:	(49)	(12)	(61)	0	(61)
2010-11 Proposed	**1,642**	**3,874**	**5,516**	**0**	**5,516**
Annual Change	(202)	757	555	0	555

Current-Services

Growth in debt service primarily supports ongoing capital spending. The increased spending reflects additional bond issues to support ongoing capital commitments for transportation ($377 million), economic development and housing ($196 million), and other program areas ($139 million). The annual increase for transportation debt service includes the impact of a 2005 restructuring of Dedicated Highway and Bridge bonds, which provided short-term relief for program needs, with higher annual debt service costs thereafter, beginning in 2010-11. In addition, a $96 million decrease in education-related debt service reflects the prepayment of $155 million of certain debt service in 2009-10. Variable interest rates are projected at 2.3 percent for 2010-11.

2010-11 Savings

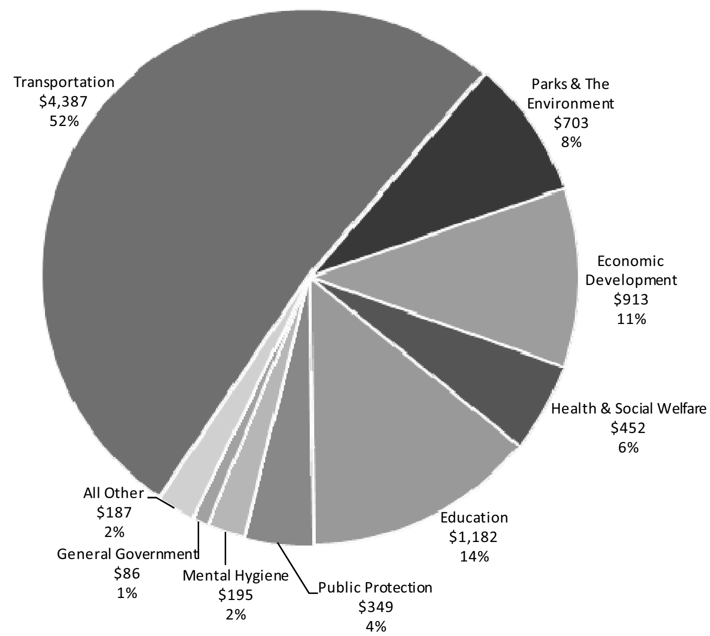
The 2010-11 Enacted Budget includes $100 million in additional debt service savings, of which approximately $40 million has been realized to date. Debt management actions may include, but are not limited to: maximizing refunding opportunities, including through consolidated service contract refundings; the continued use of Build America Bonds; further efficiencies from PIT issuer flexibility; and selling a minimum 25 percent of bonds on a competitive basis, market conditions permitting.

Capital Projects

The following section briefly summarizes activity in Capital Projects Funds. A complete explanation of the State's capital programs is contained in the "Five-Year Capital Program and Financing Plan."

Capital projects account for spending across all functional areas to finance costs related to the acquisition, construction, repair or renovation of fixed assets. Spending from appropriations made from over 30 capital projects funds is financed from four sources: annual State taxes or dedicated miscellaneous receipts, grants from the Federal government, the proceeds of notes or bonds issued pursuant to general obligation bond acts which are approved by the State voters, and the proceeds of notes or bonds issued by public authorities pursuant to legal authorization for State capital spending.

2010-11 All Funds Capital Spending by Function
(millions of dollars)



CAPITAL PROJECTS SPENDING PROJECTIONS (millions of dollars)	2009-10 Results	2010-11 Enacted	Annual Change	Percent Change
General Fund	**565**	**1,096**	**530**	**93.8%**
Other State Support	4,595	4,980	385	8.4%
State Funds	**5,160**	**6,075**	**915**	**17.7%**
Federal Funds	1,952	2,379	428	21.9%
All Funds	**7,112**	**8,455**	**1,343**	**18.9%**

All Funds capital spending is projected at $8.4 billion in 2010-11. Transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (52 percent) of this total. The balance of projected spending will support capital investments in the areas of education (14 percent), economic development (11 percent), parks and environment (8 percent), and mental hygiene and public protection (6 percent). The remainder of projected capital projects spending is spread across health and social welfare, general government and other areas (8 percent).

2010-11 Recommended Savings

The Capital Reduction Program included in the 2010-11 Enacted Budget will result in savings of $1.6 billion over five years. This initiative maintains investments in infrastructure while deferring or eliminating lower-priority projects. Savings in 2010-11 are projected to total $119 million.

Other Financing Sources/(Uses)

Every year, the State authorizes the transfer of resources among funds and accounts.

The most significant General Fund transfers to other funds in 2010-11 are for the State share of Medicaid ($2.5 billion), general debt service ($1.6 billion), and capital projects ($1.1 billion, including $392 million for PAYGO projects and a $699 million subsidy to the DHBTF). Judiciary funding includes moneys transferred to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data Processing Fund ($153 million). General Fund transfers to other funds payments for patients residing in State-operated health, mental hygiene and SUNY facilities ($216 million), SUNY hospital subsidy payments ($33 million), and supplemental resources for banking ($66 million).

In Special Revenue Funds, transfers to other funds are made to the Debt Service Funds representing the Federal share of Medicaid payments for patients residing in State-operated health and mental hygiene facilities and community homes, and patients at SUNY hospitals ($3.9 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL NY ($197 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements ($1.5 billion).

Capital Projects funds transfers are also made to the General Debt Service Fund from the DHBTF ($1.4 billion), and from the Hazardous Waste Remedial Fund ($27 million) to the General Fund.

Debt Service Fund transfers to the General Fund include tax receipts in excess of debt service requirements for general obligation, LGAC and PIT revenue bonds ($10.4 billion). Transfers to Special Revenue Funds represent receipts in excess of lease/purchase obligations that are used to finance a portion of the operating expenses for DOH, mental hygiene, and SUNY ($4.2 billion).

2010-11 Operating Results Through July 2010

GENERAL FUND PRELIMINARY RESULTS: APRIL THROUGH JULY 2010 (millions of dollars)		
	Preliminary Results	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2010)	**2,302**	**354**
Receipts	**16,110**	**362**
Personal Income Tax*	10,119	230
User Taxes and Fees*	3,615	219
Business Taxes	1,057	(218)
Other Taxes*	571	229
Non-Tax Revenue	748	(98)
Disbursements	**17,822**	**1,138**
School Aid	6,973	1,678
Medicaid (including admin)	2,903	783
All Other Education	72	(322)
Children and Family Services	105	(303)
All Other Local	2,065	(638)
Personal Service	2,267	(64)
Non-Personal Service	573	(139)
General State Charges	750	(129)
Transfers To Other Funds	2,114	272
Change in Operations	**(1,712)**	**(776)**
Closing Balance (July 31, 2010)	**590**	**(422)**

* Includes transfers from other funds after debt service.
Source: DOB.

Through July 2010, General Fund receipts, including transfer from other funds, were $362 million or 2.3 percent higher than the same period in 2009. Net tax collections are higher by $460 million. Non-tax revenue was lower primarily due to the timing of transfers from other funds as a result of the delay in enacting the 2010-11 budget.

Through July 2010, General Fund disbursements, including transfers to other funds, were $1.1 billion, or 6.7 percent higher than the 2009 period. The payment in June 2010 of $2.1 billion in school aid planned for March 2010 accounted for the increase. Excluding the impact of this cash management action, local assistance spending through July 2010 was down by over $1 billion. Higher Medicaid spending results from a decline in HCRA offsets and an additional weekly cycle for this period in 2010-11. This growth was offset by lower authorized spending in Higher Education, Special Education, Children and Family Services, and non-personal service during the period when interim appropriations were in place.

All Funds

PRELIMINARY SPENDING RESULTS: APRIL THROUGH JULY 2010 (millions of dollars)	Preliminary Results	Increase/ (Decrease) from Prior Year
State Operating Funds	**22,751**	**211**
General Fund (excl. transfers)	15,708	867
Other State Funds	5,944	(693)
Debt Service Funds	1,099	37
All Governmental Funds	**39,415**	**1,727**
State Operating Funds	22,751	211
Capital Projects Funds	2,154	29
Federal Operating Funds	14,510	1,487
Source: DOB.		

State Operating Funds spending was $22.8 billion, or $211 million higher than the same period last year. Besides the General Fund spending variances described above, decreased Other State Funds spending is primarily attributable to timing related changes in HCRA programs and lower STAR spending on New York City resident personal income tax relief.

The Federal Operating spending increases over the prior year are concentrated in Medicaid and education driven by Federal ARRA spending.

CASH FINANCIAL PLAN
GENERAL FUND
2009-2010 and 2010-2011
(millions of dollars)

	2009-2010 Year-End	2010-2011 Enacted	Annual $ Change	Annual % Change
Opening fund balance	1,948	2,302	354	18.2%
Receipts:				
Taxes:				
Personal income tax	22,655	24,373	1,718	7.6%
User taxes and fees	8,086	8,810	724	9.0%
Business taxes	5,371	5,714	343	6.4%
Other taxes	885	1,034	149	16.8%
Miscellaneous receipts	3,888	2,897	(991)	-25.5%
Federal grants	71	60	(11)	-15.5%
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,641	7,795	154	2.0%
Sales tax in excess of LGAC debt service	2,123	2,318	195	9.2%
Real estate taxes in excess of CW/CA debt service	182	285	103	56.6%
All other transfers	1,654	1,390	(264)	-16.0%
Total receipts	52,556	54,676	2,120	4.0%
Disbursements:				
Grants to local governments	34,234	37,508	3,274	9.6%
State operations:				
Personal service	6,610	6,285	(325)	-4.9%
Non-personal service	1,977	1,740	(237)	-12.0%
General State charges	3,594	4,128	534	14.9%
Transfers to other funds:				
Debt service	1,844	1,642	(202)	-11.0%
Capital projects	565	1,096	531	94.0%
State Share Medicaid	2,401	2,450	49	2.0%
Other purposes	977	744	(233)	-23.8%
Total disbursements	52,202	55,593	3,391	6.5%
Change in fund balance	354	(917)	(1,271)	-359.0%
Closing fund balance	2,302	1,385	(917)	-39.8%
Reserves				
Tax Stabilization Reserve Fund	1,031	1,031	0	
Rainy Day Reserve Fund	175	175	0	
Contingency Reserve Fund	21	21	0	
Community Projects Fund	96	85	(11)	
Reserved for Debt Reduction	73	73	0	
Reserve for Fiscal Uncertainties	906	0	(906)	

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2010-2011 through 2013-2014
(millions of dollars)

	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Receipts:				
Taxes:				
Personal income tax	24,373	26,265	26,106	27,581
User taxes and fees	8,810	8,975	9,255	9,687
Business taxes	5,714	6,335	6,674	6,977
Other taxes	1,034	989	1,029	1,084
Miscellaneous receipts	2,897	2,859	2,824	2,772
Federal grants	60	60	60	60
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	7,795	8,227	8,061	8,504
Sales tax in excess of LGAC debt service	2,318	2,343	2,439	2,590
Real estate taxes in excess of CW/CA debt service	285	354	464	539
All other transfers	1,390	1,400	1,137	1,146
Total receipts	54,676	57,807	58,049	60,940
Disbursements:				
Grants to local governments	37,508	45,557	50,003	53,950
State operations:				
Personal service	6,285	6,692	6,891	6,904
Non-personal service	1,740	1,909	1,995	2,115
General State charges	4,128	4,482	4,687	5,080
Transfers to other funds:				
Debt service	1,642	1,766	1,755	1,686
Capital projects	1,096	1,368	1,524	1,687
State Share Medicaid	2,450	3,022	3,120	3,083
Other purposes	744	1,236	1,606	2,023
Total disbursements	55,593	66,032	71,581	76,528
Deposit to/(use of) Community Projects Fund	(11)	(48)	(71)	(25)
Deposit to/(use of) Reserve for Fiscal Uncertainties	(906)	0	0	0
HCRA Operating Surplus/(Gap)	0	0	0	0
Cash Surplus/(Gap)	0	(8,177)	(13,461)	(15,563)

Source: NYS DOB

CASH RECEIPTS
CURRENT STATE RECEIPTS
GENERAL FUND
2010-2011 THROUGH 2013-2014
(millions of dollars)

	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Taxes:				
Withholdings	31,301	32,302	32,756	34,835
Estimated Payments	10,651	11,525	11,478	11,810
Final Payments	1,973	2,303	2,106	2,154
Other Payments	1,161	1,199	1,239	1,316
Gross Collections	45,086	47,329	47,579	50,115
State/City Offset	(298)	(298)	(298)	(298)
Refunds	(7,891)	(7,454)	(7,694)	(8,012)
Reported Tax Collections	36,897	39,577	39,587	41,805
STAR (dedicated deposits)	(3,299)	(3,417)	(3,584)	(3,772)
RBTF (dedicated transfers)	(9,225)	(9,895)	(9,897)	(10,452)
Personal income tax	24,373	26,265	26,106	27,581
Sales and use tax	10,775	10,960	11,336	11,916
Cigarette and tobacco taxes	499	522	515	508
Motor fuel tax	0	0	0	0
Alcoholic beverage control license fees	228	233	238	242
Highw ay Use tax	0	0	0	0
Auto rental tax	0	0	0	0
Taxicab Surcharge	0	0	0	0
Gross Utility Taxes and fees	11,502	11,715	12,089	12,666
LGAC Sales Tax (dedicated transfers)	(2,692)	(2,740)	(2,834)	(2,979)
User Taxes and fees	8,810	8,975	9,255	9,687
Corporation franchise tax	2,886	3,172	3,334	3,488
Corporation and utilities tax	685	743	766	790
Insurance taxes	1,278	1,335	1,393	1,454
Bank tax	865	1,085	1,181	1,245
Petroleum business tax	0	0	0	0
Business taxes	5,714	6,335	6,674	6,977
Estate tax	1,015	970	1,010	1,065
Real estate transfer tax	520	581	686	754
Gift tax	0	0	0	0
Real property gains tax	0	0	0	0
Pari-mutuel taxes	18	18	18	18
Other taxes	1	1	1	1
Gross Other taxes	1,554	1,570	1,715	1,838
Real estate transfer tax (dedicated)	(520)	(581)	(686)	(754)
Other taxes	1,034	989	1,029	1,084
Payroll tax	0	0	0	0
Total Taxes	39,931	42,564	43,064	45,329
Licenses, fees, etc.	667	587	583	569
Abandoned property	650	645	610	600
Motor vehicle fees	42	54	31	(41)
ABC License Fee	46	49	51	50
Reimbursements	222	222	222	222
Investment income	20	20	40	60
Other transactions	1,250	1,282	1,287	1,312
Miscellaneous receipts	2,897	2,859	2,824	2,772
Federal grants	60	60	60	60
Total	42,888	45,483	45,948	48,161

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2010-2011
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,302	1,957	410	4,669
Receipts:				
Taxes	39,931	8,233	12,320	60,484
Miscellaneous receipts	2,897	15,033	790	18,720
Federal grants	60	1	50	111
Total receipts	42,888	23,267	13,160	79,315
Disbursements:				
Grants to local governments	37,508	18,185	0	55,693
State operations:				
Personal service	6,285	4,022	0	10,307
Non-personal service	1,740	2,503	92	4,335
General State charges	4,128	1,077	0	5,205
Debt service	0	0	5,516	5,516
Capital projects	0	2	0	2
Total disbursements	49,661	25,789	5,608	81,058
Other financing sources (uses):				
Transfers from other funds	11,788	3,923	7,050	22,761
Transfers to other funds	(5,932)	(1,542)	(14,624)	(22,098)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	5,856	2,381	(7,574)	663
Change in fund balance	(917)	(141)	(22)	(1,080)
Closing fund balance	1,385	1,816	388	3,589

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,816	388	2,204
Receipts:				
Taxes	42,564	8,569	13,098	64,231
Miscellaneous receipts	2,859	15,039	809	18,707
Federal grants	60	1	54	115
Total receipts	45,483	23,609	13,961	83,053
Disbursements:				
Grants to local governments	45,557	18,332	0	63,889
State operations:				
Personal service	6,692	4,505	0	11,197
Non-personal service	1,909	2,499	92	4,500
General State charges	4,482	1,277	0	5,759
Debt service	0	0	6,035	6,035
Capital projects	0	2	0	2
Total disbursements	58,640	26,615	6,127	91,382
Other financing sources (uses):				
Transfers from other funds	12,324	4,633	6,734	23,691
Transfers to other funds	(7,392)	(1,540)	(14,584)	(23,516)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,932	3,093	(7,850)	175
Deposit to/(use of) Reserves	(48)	0	0	(48)
Change in fund balance	(8,177)	87	(16)	(8,106)
Closing fund balance	(8,177)	1,903	372	(5,902)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2012-2013
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	1,903	372	2,275
Receipts:				
Taxes	43,064	8,926	13,321	65,311
Miscellaneous receipts	2,824	15,465	833	19,122
Federal grants	60	1	54	115
Total receipts	45,948	24,392	14,208	84,548
Disbursements:				
Grants to local governments	50,003	19,261	0	69,264
State operations:				
Personal service	6,891	4,597	0	11,488
Non-personal service	1,995	2,620	92	4,707
General State charges	4,687	1,458	0	6,145
Debt service	0	0	6,357	6,357
Capital projects	0	2	0	2
Total disbursements	63,576	27,938	6,449	97,963
Other financing sources (uses):				
Transfers from other funds	12,101	4,987	6,706	23,794
Transfers to other funds	(8,005)	(987)	(14,511)	(23,503)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,096	4,000	(7,805)	291
Deposit to/(use of) Reserves	(71)	0	0	(71)
Change in fund balance	(13,461)	454	(46)	(13,053)
Closing fund balance	(13,461)	2,357	326	(10,778)

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2013-2014
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,357	326	2,683
Receipts:				
Taxes	45,329	9,281	14,088	68,698
Miscellaneous receipts	2,772	15,741	855	19,368
Federal grants	60	1	54	115
Total receipts	48,161	25,023	14,997	88,181
Disbursements:				
Grants to local governments	53,950	19,911	0	73,861
State operations:				
Personal service	6,904	4,630	0	11,534
Non-personal service	2,115	2,614	92	4,821
General State charges	5,080	1,536	0	6,616
Debt service	0	0	6,503	6,503
Capital projects	0	2	0	2
Total disbursements	68,049	28,693	6,595	103,337
Other financing sources (uses):				
Transfers from other funds	12,779	5,176	6,634	24,589
Transfers to other funds	(8,479)	(923)	(15,087)	(24,489)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,300	4,253	(8,453)	100
Deposit to/(use of) Community Projects Fund	(25)	0	0	(25)
Change in fund balance	(15,563)	583	(51)	(15,031)
Closing fund balance	(15,563)	2,940	275	(12,348)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2010-2011
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,302	2,400	(253)	410	4,859
Receipts:					
Taxes	39,931	8,233	1,312	12,320	61,796
Miscellaneous receipts	2,897	15,177	4,150	790	23,014
Federal grants	60	46,925	2,451	50	49,486
Total receipts	42,888	70,335	7,913	13,160	134,296
Disbursements:					
Grants to local governments	37,508	58,884	1,292	0	97,684
State operations:					
Personal service	6,285	6,762	0	0	13,047
Non-personal service	1,740	4,307	0	92	6,139
General State charges	4,128	2,209	0	0	6,337
Debt service	0	0	0	5,516	5,516
Capital projects	0	2	7,162	0	7,164
Total disbursements	49,661	72,164	8,454	5,608	135,887
Other financing sources (uses):					
Transfers from other funds	11,788	7,273	1,361	7,050	27,472
Transfers to other funds	(5,932)	(5,506)	(1,429)	(14,624)	(27,491)
Bond and note proceeds	0	0	578	0	578
Net other financing sources (uses	5,856	1,767	510	(7,574)	559
Change in fund balance	(917)	(62)	(31)	(22)	(1,032)
Closing fund balance	1,385	2,338	(284)	388	3,827

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2011-2012
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,338	(284)	388	2,442
Receipts:					
Taxes	42,564	8,569	1,342	13,098	65,573
Miscellaneous receipts	2,859	15,177	4,384	809	23,229
Federal grants	60	42,483	2,307	54	44,904
Total receipts	45,483	66,229	8,033	13,961	133,706
Disbursements:					
Grants to local governments	45,557	55,293	1,463	0	102,313
State operations:					
Personal service	6,692	6,803	0	0	13,495
Non-personal service	1,909	4,084	0	92	6,085
General State charges	4,482	2,382	0	0	6,864
Debt service	0	0	0	6,035	6,035
Capital projects	0	2	7,452	0	7,454
Total disbursements	58,640	68,564	8,915	6,127	142,246
Other financing sources (uses):					
Transfers from other funds	12,324	7,788	1,823	6,734	28,669
Transfers to other funds	(7,392)	(5,227)	(1,471)	(14,584)	(28,674)
Bond and note proceeds	0	0	488	0	488
Net other financing sources (	4,932	2,561	840	(7,850)	483
Deposit to/(use of) Reserves	(48)	0	0	0	(48)
Change in fund balance	(8,177)	226	(42)	(16)	(8,009)
Closing fund balance	(8,177)	2,564	(326)	372	(5,567)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2012-2013
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	2,564	(326)	372	2,610
Receipts:					
Taxes	43,064	8,926	1,353	13,321	66,664
Miscellaneous receipts	2,824	15,604	3,667	833	22,928
Federal grants	60	41,153	1,881	54	43,148
Total receipts	45,948	65,683	6,901	14,208	132,740
Disbursements:					
Grants to local governments	50,003	55,074	1,252	0	106,329
State operations:					
Personal service	6,891	6,847	0	0	13,738
Non-personal service	1,995	4,162	0	92	6,249
General State charges	4,687	2,658	0	0	7,345
Debt service	0	0	0	6,357	6,357
Capital projects	0	2	6,278	0	6,280
Total disbursements	63,576	68,743	7,530	6,449	146,298
Other financing sources (uses):					
Transfers from other funds	12,101	8,141	1,666	6,706	28,614
Transfers to other funds	(8,005)	(4,564)	(1,507)	(14,511)	(28,587)
Bond and note proceeds	0	0	425	0	425
Net other financing sources (uses)	4,096	3,577	584	(7,805)	452
Deposit to/(use of) Reserves	(71)	0	0	0	(71)
Change in fund balance	(13,461)	517	(45)	(46)	(13,035)
Closing fund balance	(13,461)	3,081	(371)	326	(10,425)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL FUNDS
2013-2014
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	n/ap	3,081	(371)	326	3,036
Receipts:					
Taxes	45,329	9,281	1,356	14,088	70,054
Miscellaneous receipts	2,772	15,878	3,450	855	22,955
Federal grants	60	42,827	1,864	54	44,805
Total receipts	48,161	67,986	6,670	14,997	137,814
Disbursements:					
Grants to local governments	53,950	57,467	1,226	0	112,643
State operations:					
Personal service	6,904	6,883	0	0	13,787
Non-personal service	2,115	4,174	0	92	6,381
General State charges	5,080	2,819	0	0	7,899
Debt service	0	0	0	6,503	6,503
Capital projects	0	2	5,981	0	5,983
Total disbursements	68,049	71,345	7,207	6,595	153,196
Other financing sources (uses):					
Transfers from other funds	12,779	8,430	1,741	6,634	29,584
Transfers to other funds	(8,479)	(4,426)	(1,552)	(15,087)	(29,544)
Bond and note proceeds	0	0	341	0	341
Net other financing sources (uses)	4,300	4,004	530	(8,453)	381
Deposit to/(use of) Community Projects Fund	(25)	0	0	0	(25)
Change in fund balance	(15,563)	645	(7)	(51)	(14,976)
Closing fund balance	(15,563)	3,726	(378)	275	(11,940)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2010-2011
(dollars in millions)

	2010 April Acutals	May Actuals	June Actuals	July Actuals	August Projected	September Projected	October Projected	November Projected	December Projected	2011 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,302	4,274	1,648	(87)	590	(28)	2,476	1,888	1,442	1,197	6,220	6,851	2,302
RECEIPTS:													
Personal Income Tax	3,069	783	2,164	1,575	1,623	2,716	1,582	1,279	587	5,329	2,011	1,655	24,373
User Taxes and Fees	669	589	858	666	664	944	694	684	899	744	637	762	8,810
Business Taxes	60	2	915	80	102	1,153	104	95	1,297	65	115	1,726	5,714
Other Taxes	93	83	103	155	76	76	75	75	75	75	75	73	1,034
Total Taxes	3,891	1,457	4,040	2,476	2,465	4,889	2,455	2,133	2,858	6,213	2,838	4,216	39,931
Licenses, Fees, etc.	47	56	55	77	50	40	55	50	50	45	65	77	667
Abandoned Property	0	(4)	77	3	20	62	16	120	40	70	60	186	650
ABC License Fee	9	1	6	4	4	5	4	3	3	3	4	0	46
Motor vehicle fees	0	0	0	0	0	0	0	0	0	0	0	42	42
Reimbursements	7	13	35	13	13	33	10	11	36	6	11	34	222
Investment Income	1	0	0	1	(1)	4	(3)	5	1	2	4	6	20
Other Transactions	26	33	80	41	65	383	54	49	99	73	77	270	1,250
Total Miscellaneous Receipts	90	99	253	139	151	527	136	238	229	199	221	615	2,897
Federal Grants	1	13	0	0	0	14	0	0	14	0	(1)	19	60
PIT in Excess of Revenue Bond Debt Service	1,022	108	887	509	230	999	392	142	1,078	1,315	288	825	7,795
Sales Tax in Excess of LGAC Debt Service	180	100	350	202	299	226	209	203	270	224	3	52	2,318
Real Estate Taxes in Excess of CW/CA Debt Service	32	34	33	39	19	19	19	19	19	19	19	14	285
All Other	4	1	62	87	26	31	32	35	122	156	164	670	1,390
Total Transfers from Other Funds	1,238	243	1,332	837	574	1,275	652	399	1,489	1,714	474	1,561	11,788
TOTAL RECEIPTS	5,220	1,812	5,625	3,452	3,190	6,705	3,243	2,770	4,590	8,126	3,532	6,411	54,676
DISBURSEMENTS:													
School Aid	491	2,615	3,767	100	516	1,236	506	959	1,561	302	526	6,330	18,909
Higher Education	16	16	379	198	243	81	372	40	250	45	345	510	2,495
All Other Education	17	15	17	24	412	101	415	197	67	84	66	81	1,496
Medicaid - DOH	1,085	633	668	516	633	233	584	722	398	588	785	224	7,069
Public Health	40	30	122	16	91	133	27	39	125	28	25	113	789
Mental Hygiene	10	5	362	50	132	417	121	17	392	128	150	450	2,234
Children and Families	9	15	14	66	350	302	134	77	228	161	84	423	1,863
Temporary & Disability Assistance	61	140	61	62	135	134	86	87	122	87	28	151	1,154
Transportation	0	0	0	11	9	19	0	25	9	0	26	1	100
Unrestricted Aid	3	12	274	1	6	93	11	2	215	2	2	170	791
All Other	19	16	189	(27)	39	44	(50)	15	2	32	19	310	608
Total Local Assistance Grants	1,751	3,497	5,853	1,017	2,566	2,793	2,206	2,180	3,369	1,457	2,056	8,763	37,508
Personal Service	514	547	586	619	467	661	331	425	543	385	348	859	6,285
Non-Personal Service	143	108	151	171	197	171	138	131	147	159	109	115	1,740
Total State Operations	657	655	737	790	664	832	469	556	690	544	457	974	8,025
General State Charges	122	30	485	112	292	331	192	170	401	277	110	1,606	4,128
Debt Service	414	38	3	470	(4)	(122)	603	0	(1)	430	(15)	(174)	1,642
Capital Projects	14	21	4	121	48	116	12	77	47	117	97	422	1,096
State Share Medicaid	180	162	244	185	187	208	248	179	280	227	210	140	2,450
Other Purposes	110	35	34	80	55	43	101	54	49	51	(14)	146	744
Total Transfers to Other Funds	718	256	285	856	286	245	964	310	375	825	278	534	5,932
TOTAL DISBURSEMENTS	3,248	4,438	7,360	2,775	3,808	4,201	3,831	3,216	4,835	3,103	2,901	11,877	55,593
Excess/(Deficiency) of Receipts over Disbursements	1,972	(2,626)	(1,735)	677	(618)	2,504	(588)	(446)	(245)	5,023	631	(5,466)	(917)
CLOSING BALANCE	4,274	1,648	(87)	590	(28)	2,476	1,888	1,442	1,197	6,220	6,851	1,385	1,385

Source: NYS DOB

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT					
Agriculture and Markets, Department of	109,449	109,328	120,189	118,068	106,907
Alcoholic Beverage Control	17,012	19,892	20,776	20,294	20,911
Banking Department	87,166	87,865	87,211	89,047	89,647
Developmental Authority North	36	200	162	162	162
Consumer Protection Board	2,295	2,946	2,926	2,741	2,783
Economic Development Capital Programs	18,306	2,500	2,500	2,500	2,500
Economic Development, Department of	76,889	71,358	66,831	67,702	82,387
Energy Research and Development Authority	29,380	34,935	31,158	29,658	31,178
Insurance Department	657,937	463,437	481,233	486,080	486,080
Empire State Development Corporation	606,568	772,848	860,671	431,301	382,996
Olympic Regional Development Authority	7,966	5,064	5,274	5,274	5,401
Public Service, Department of	77,313	78,738	83,729	88,620	91,901
Racing and Wagering Board, State	22,575	21,833	22,044	23,007	23,453
Science, Technology and Innovation, Foundation for	29,083	31,376	29,181	26,796	23,356
Strategic Investment	8,827	10,000	4,000	5,000	5,000
Functional Total	1,750,802	1,712,320	1,817,885	1,396,250	1,354,662
PARKS AND THE ENVIRONMENT					
Adirondack Park Agency	5,292	5,470	5,019	5,021	5,021
Environmental Conservation, Department of	864,001	1,042,606	1,021,569	817,173	787,873
Environmental Facilities Corporation	10,025	9,370	9,552	9,736	9,736
Hudson River Park Trust	11,977	10,000	0	0	0
Parks, Recreation and Historic Preservation, Office of	305,485	240,442	227,951	229,618	229,594
Functional Total	1,196,780	1,307,888	1,264,091	1,061,548	1,032,224
TRANSPORTATION					
Motor Vehicles, Department of	320,230	336,621	347,882	360,754	367,603
Thruw ay Authority	1,403	1,800	1,800	1,800	1,800
Metropolitan Transportation Authority	184,681	217,100	194,500	183,600	183,600
Transportation, Department of	7,376,584	8,341,474	8,306,937	8,196,273	8,248,166
Functional Total	7,882,898	8,896,995	8,851,119	8,742,427	8,801,169
HEALTH					
Aging, Office for the	229,966	227,821	224,739	224,739	224,739
Health, Department of	42,156,549	43,728,010	47,352,064	49,027,667	52,109,920
Medical Assistance	37,025,209	38,091,219	41,341,155	43,229,713	46,375,013
Medicaid Administration	939,296	1,102,500	1,147,500	1,193,500	1,193,500
Public Health	4,192,044	4,534,291	4,863,409	4,604,454	4,541,407
Health - Medicaid Assistance	0	0	0	0	0
Medicaid Inspector General, Office of	64,868	76,563	91,660	93,500	94,430
Stem Cell and Innovation	17,676	52,616	73,071	123,149	63,673
Functional Total	42,469,059	44,085,010	47,741,534	49,469,055	52,492,762
SOCIAL WELFARE					
Children and Family Services, Office of	3,189,020	3,431,576	3,497,590	3,728,859	3,952,980
OCFS	3,139,542	3,298,033	3,364,133	3,591,504	3,811,720
OCFS - Medicaid	49,478	133,543	133,457	137,355	141,260
Human Rights, Division of	20,300	19,690	20,058	20,664	20,949
Labor, Department of	728,721	703,650	606,814	603,128	595,107
Housing and Community Renew al, Division of	417,003	464,833	405,261	275,451	292,533
National Commission Services	16,862	16,016	14,627	14,629	14,715
Prevention of Domestic Violence, Office for	2,167	2,076	2,088	2,109	2,109

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
Temporary and Disability Assistance, Office of	5,275,993	5,114,199	5,224,158	5,242,687	5,284,441
Welfare Assistance	3,857,439	3,702,854	3,820,732	3,821,396	3,859,652
Welfare Administration	51,263	0	0	0	0
All Other	1,367,291	1,411,345	1,403,426	1,421,291	1,424,789
Welfare Inspector General, Office of	727	1,432	1,456	1,472	1,492
Workers' Compensation Board	190,135	209,333	204,137	212,073	218,844
Functional Total	9,840,928	9,962,805	9,976,189	10,101,072	10,383,170
MENTAL HYGIENE					
Mental Health, Office of	3,121,486	3,432,824	3,720,387	3,952,381	4,128,403
OMH	1,423,971	1,582,848	1,736,557	1,859,680	1,958,324
OMH - Medicaid	1,697,515	1,849,976	1,983,830	2,092,701	2,170,079
Mental Hygiene, Department of	175	0	0	0	0
People w ith Developmental Disabilities, Office for	4,397,581	4,504,769	4,720,747	4,960,595	5,172,871
OPWDD	522,032	580,445	596,821	620,162	642,162
OPWDD - Medicaid	3,875,549	3,924,324	4,123,926	4,340,433	4,530,709
Alcoholism and Substance Abuse Services, Office of	550,090	595,301	733,836	775,610	790,368
OASAS	456,695	486,237	619,472	657,321	669,322
OASAS - Medicaid	93,395	109,064	114,364	118,289	121,046
Developmental Disabilities Planning Council	3,397	4,200	4,200	4,200	4,200
Quality of Care for the Mentally Disabled, Commission on	15,508	15,784	17,780	18,158	18,631
Functional Total	8,088,237	8,552,878	9,196,950	9,710,944	10,114,473
PUBLIC PROTECTION/CRIMINAL JUSTICE					
Capital Defenders Office	21	0	0	0	0
Correction, Commission of	2,628	2,893	2,932	2,984	3,016
Correctional Services, Department of	2,909,312	2,758,247	2,849,122	2,911,887	2,953,670
Criminal Justice Services, Division of	241,767	356,401	325,892	308,669	309,359
Office of Victim Services	67,342	67,830	65,394	65,749	65,935
Statew ide Financial System	0	31,930	41,359	50,943	51,043
Homeland Security and Emergency Services	296,589	325,709	610,532	617,974	580,503
Homeland Security	800	35,298	32,733	30,225	30,227
Office of Indigent Legal Services	0	75,000	80,000	80,000	80,000
Investigation, Temporary State Commission of	395	0	0	0	0
Judicial Commissions	5,145	5,492	5,595	5,669	5,749
Military and Naval Affairs, Division of	276,622	213,125	180,463	181,311	180,068
Parole, Division of	188,383	183,169	185,275	189,268	191,813
Probation and Correctional Alternatives, Division of	74,852	0	0	0	1,468
State Emergency Management Office	0	0	0	0	0
State Police, Division of	776,340	736,584	741,685	718,691	718,523
Wireless Netw ork	6,672	1,586	1,586	1,586	1,586
Functional Total	4,846,868	4,793,264	5,122,568	5,164,956	5,172,960

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
HIGHER EDUCATION					
City University of New York	1,655,773	1,397,211	1,470,906	1,564,361	1,654,997
Higher Education Services Corporation	1,022,235	980,520	965,861	993,866	995,691
Higher Education Capital Grants	37,320	28,000	48,000	29,000	0
Higher Education Miscellaneous	378	355	355	355	355
State University Construction Fund	18,595	25,678	26,388	27,830	28,906
State University of New York	6,989,582	7,295,555	7,261,632	7,301,717	7,380,758
Functional Total	9,723,883	9,727,319	9,773,142	9,917,129	10,060,707
LOWER EDUCATION (Pre-K through 12)					
Arts, Council on the	43,436	45,356	40,869	40,925	40,982
Education, Department of	27,725,560	33,001,293	32,969,960	34,559,952	37,184,929
School Aid	21,484,784	26,151,747	26,200,210	27,770,970	30,096,450
School Aid - Medicaid Assistance	63,757	125,820	0	0	0
STAR Property Tax Relief	3,413,542	3,299,570	3,417,620	3,584,167	3,772,475
Special Education Categorical Programs	1,680,004	2,309,388	2,287,745	2,139,936	2,244,916
All Other	1,083,473	1,114,768	1,064,385	1,064,879	1,071,088
Functional Total	27,768,996	33,046,649	33,010,829	34,600,877	37,225,911
GENERAL GOVERNMENT					
Budget, Division of the	40,775	42,502	44,117	45,191	46,121
Civil Service, Department of	21,384	19,164	19,426	19,697	19,989
Deferred Compensation	673	792	820	854	885
Elections, State Board of	50,405	104,148	6,197	36,339	6,464
Employee Relations, Office of	3,204	3,350	3,388	3,427	3,473
Financial Plan Control Board	2,630	3,190	3,392	3,595	3,727
General Services, Office of	197,766	204,400	207,765	221,400	224,166
Inspector General, Office of	6,079	6,178	6,341	6,426	6,513
Labor Management Committee	33,609	59,433	67,826	26,018	26,018
Lottery, Division of	185,777	176,892	180,969	181,459	185,723
Public Employment Relations Board	3,785	4,252	4,020	4,068	4,129
Public Integrity, Commission on	4,209	4,312	4,721	4,901	4,978
Real Property Services, Office of	42,806	0	0	0	0
Regulatory Reform, Governor's Office of	2,449	2,276	2,276	2,276	2,276
State, Department of	176,349	208,567	136,246	138,728	138,703
Tax Appeals, Division of	3,458	3,108	3,108	3,108	3,146
Taxation and Finance, Department of	417,898	477,182	477,991	480,947	487,713
Technology, Office for	23,549	70,166	57,857	85,076	44,599
Lobbying, Temporary State Commission on	0	0	0	0	0
Veterans' Affairs, Division of	16,072	17,487	17,188	17,198	17,331
Functional Total	1,232,877	1,407,399	1,243,648	1,280,708	1,225,954

CASH DISBURSEMENTS BY FUNCTION
ALL FUNDS
(thousands of dollars)

	2009-2010 Year-End	2010-2011 Enacted	2011-2012 Projected	2012-2013 Projected	2013-2014 Projected
ELECTED OFFICIALS					
Legislature	226,089	220,995	225,396	229,885	234,463
Judiciary	2,520,040	2,625,898	2,975,609	2,976,572	2,960,414
Audit and Control, Department of	242,702	182,135	185,420	189,979	192,289
Law , Department of	220,152	213,642	220,407	224,931	228,404
Executive Chamber	17,056	17,328	17,952	18,229	18,487
Lieutenant Governor, Office of the	0	658	1,193	1,208	1,208
Functional Total	3,226,039	3,260,656	3,625,977	3,640,804	3,635,265
LOCAL GOVERNMENT ASSISTANCE					
Aid and Incentives for Municipalities	1,039,488	751,538	1,027,357	1,037,229	1,044,566
Efficiency Incentive Grants Program	3,293	7,450	7,450	7,511	0
Miscellaneous Financial Assistance	8,920	3,920	3,920	3,920	3,920
Municipalities w ith VLT Facilities	26,489	25,801	25,801	25,801	25,801
Small Government Assistance	2,089	2,088	2,088	2,088	2,088
Functional Total	1,080,279	790,797	1,066,616	1,076,549	1,076,375
ALL OTHER CATEGORIES					
Long-Term Debt Service	5,012,102	5,607,388	6,127,092	6,448,886	6,595,358
Capital Projects	0	0	0	0	0
General State Charges	2,920,603	3,381,165	3,687,552	3,908,098	4,301,333
Miscellaneous	(162,872)	(642,815)	(258,161)	(222,965)	(278,170)
Functional Total	7,769,833	8,345,738	9,556,483	10,134,019	10,618,521
TOTAL ALL FUNDS SPENDING	126,877,479	135,889,718	142,247,031	146,296,338	153,194,153

GSC: Agency disbursements include grants to local governments, state operations and general state charges, which is a departure from prior Financial plan publications. In prior reports, general state charges were excluded from agency spending totals.

Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

The State Budget is required to be balanced on a cash basis, which is DOB's primary focus in preparing and implementing the State Financial Plan. State Finance Law also requires the Financial Plan be presented for informational purposes on a GAAP basis. The GAAP-basis plans model, to the extent practicable, the accounting principles applied by OSC in preparation of the annual Financial Statements. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this Financial Plan.

In 2009-10, the General Fund GAAP Financial Plan shows total revenues of $44.9 billion, total expenditures of $54.1 billion, and net other financing sources of $8.7 billion, resulting in an operating deficit of $594 million and an accumulated deficit of $3.5 billion. These results are due primarily to the cash deficit and the impact of economic conditions on revenue accruals, primarily PIT.

In 2010-11, the General Fund GAAP Financial Plan shows total revenues of $46.9 billion, total expenditures of $55.4 billion, and net other financing sources of $9.3 billion, resulting in an operating surplus of $774 million, which reduces the projected accumulated deficit to $2.8 billion. These results reflect the impact of the Enacted Budget gap-closing actions, and the carry-forward of the cash deficit into 2010-11.

The State has used an independent actuarial consulting firm to calculate retiree health care liabilities. The analysis calculated the present value of the actuarial accrued total liability for benefits as of March 31, 2010 at $55.9 billion ($46.3 billion for the State and $9.6 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method.

GASB rules indicate this liability may be amortized over a 30-year period; therefore, only the annual amortized liability above the current PAYGO costs is recognized in the financial statements. The 2009-10 liability totaled $3.3 billion ($2.7 billion for the State and $0.6 billion for SUNY) under the Frozen Entry Age actuarial cost method, amortized based on a level percent of salary. This was $2.1 billion ($1.7 billion for the State and $0.4 billion for SUNY) above the payments for retiree costs made by the State in 2009-10. This difference between the State's PAYGO costs and the actuarially determined required annual contribution under GASBS 45 reduced the State's currently positive net asset condition at the end of 2009-10 by $2.1 billion.

GASB does not require the additional costs to be funded on the State's budgetary basis, and no funding is assumed for this purpose in the Financial Plan. On a budgetary (cash) basis, the State continues to finance these costs, along with all other employee health care expenses, on a PAYGO basis. The table below summarizes the actual and budgeted payments for health insurance in the Updated Financial Plan.

FORECAST OF NEW YORK STATE EMPLOYEE HEALTH INSURANCE COSTS (millions of dollars)

	Health Insurance		
Year	Active Employees	Retirees	Total State
2007-08 (Actual)	1,390	1,182	2,572
2008-09 (Actual)	1,639	1,068	2,707
2009-10 (Actual)	1,542	1,139	2,681
2010-11 (Projected)	1,826	1,195	3,021
2011-12 (Projected)	1,992	1,322	3,314
2012-13 (Projected)	2,171	1,422	3,593
2013-14 (Projected)	2,119	1,536	3,655

As noted, there is no provision in the current Financial Plan to pre-fund the GASBS 45 liability. If such liability were pre-funded at this time, the additional cost above the PAYGO amounts would be lowered. The State's Health Insurance Council, which consists of GOER, Civil Service, and DOB, will continue to review this matter and seek input from the State Comptroller, the legislative fiscal committees and other outside parties. However, it is not expected that the State will alter its planned funding practices in light of existing fiscal conditions.

Special Considerations

Complex political, social, environmental and economic forces influence the State's economy and finances, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the national and State economies; the impact of continuing write-downs and other costs affecting the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; access to the capital markets in light of the disruption in the municipal bond market; litigation against the State, including challenges to certain tax actions and other actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year.

For example, the State Financial Plan is based upon forecasts of national and State economic activity developed through both internal analysis and review of national and State economic forecasts prepared by commercial forecasting services and other public and private forecasters. Economic forecasts have frequently failed to predict accurately the timing and magnitude of changes in the national and the State economies. Many uncertainties exist in forecasts of both the national and State economies, including consumer attitudes toward spending, the extent of corporate and governmental restructuring, the condition of the financial sector, federal fiscal and monetary policies, the level of interest rates, and the condition of the world economy, which could have an adverse effect on the State. There can be no assurance that the State economy will not experience results in the current fiscal year that are materially worse than predicted, with corresponding material and adverse effects on the State's projections of receipts and disbursements. For more information, see the section entitled "Economics and Demographics" in this AIS.

Projections of total State receipts in the Financial Plan are based on the State tax structure in effect during the fiscal year and on assumptions relating to basic economic factors and their historical relationships to State tax receipts. In preparing projections of State receipts, economic forecasts relating to personal income, wages, consumption, profits and employment have been particularly important. The projections of receipts from most tax or revenue sources is generally made by estimating the change in yield of such tax or revenue source from its estimated tax base.

Projections of total State disbursements are based on assumptions relating to economic and demographic factors, levels of disbursements for various services provided by local governments (where the cost is partially reimbursed by the State), and the results of various administrative and statutory mechanisms in controlling disbursements for State operations. Factors that may affect the level of disbursements in the fiscal year include uncertainties relating to the economy of the nation and the State, the policies of the federal government, and changes in the demand for the use of State services.

An additional risk to the State Financial Plan arises from the potential impact of certain litigation and of federal disallowances now pending against the State, which could adversely affect the State's projections of receipts and disbursements. The State Financial Plan assumes no significant litigation or

Federal disallowances or other federal actions that could affect State finances. For more information on litigation pending against the State, see the section entitled "Litigation and Arbitration" in this AIS.

DOB believes that its projections of receipts and disbursements relating to the Updated Financial Plan, and the assumptions on which they are based, are reasonable. Actual results, however, could differ materially and adversely from the projections set forth in this AIS. In the past, the State has taken management actions to address potential Financial Plan shortfalls, and DOB believes it could take similar actions should variances occur in its projections for the current fiscal year.

Actions affecting the level of receipts and disbursements, the relative strength of the State and regional economy, and actions by the Federal government have helped to create projected structural budget gaps for the State. These gaps result in a significant disparity between recurring revenues and the costs of maintaining or increasing the level of support for State programs. To address a potential imbalance in any given fiscal year, the State would be required to take actions to increase receipts and/or reduce disbursements as it enacts the budget for that year, and, under the State Constitution, the Governor is required to propose a balanced budget each year. There can be no assurance however, that the Legislature will enact the Governor's proposals or that the State's actions will be sufficient to preserve budgetary balance in a given fiscal year or to align recurring receipts and disbursements in future fiscal years.

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. Other risks and special considerations include the following:

State Cash Flow Projections

State Finance Law authorizes the General Fund to borrow resources temporarily from other available funds in the State's STIP for a period not to exceed four months or to the end of the fiscal year, whichever occurs first. The amount of resources that can be borrowed by the General Fund is limited to the available balances in STIP, as determined by the State Comptroller (available balances include money in the State's governmental funds, as well as certain other money).

Through the first four months of 2010-11, the General Fund used this authorization to meet payment obligations in May, June and July. It is expected that the General Fund will rely on this borrowing authority at times during the remainder of the fiscal year.

To date, the State has taken actions to maintain adequate operating margins, and expects to continue to do so as events warrant. The State continues to reserve money to make the debt service payments scheduled for each upcoming quarter that are financed with General Fund resources. Money to pay debt service on bonds secured by dedicated receipts, including PIT bonds, continues to be set aside as required by law and bond covenants.

With cash management actions, the General Fund ended June 2010 with a negative balance of $87 million. The funds on hand in All Governmental Funds at the end of the month totaled $3.6 billion. The actual and projected month-end balances for 2010-11 are shown in the table below. The cash-flow projections for receipts and disbursements take into account statutory payment dates, historical receipts and disbursement patterns, and other information. DOB believes the projections are based on reasonable and prudent assumptions, and the State's current cash position is sufficient to meet current liquidity needs. Cash balances are expected to continue to be relatively low, especially in September, November, and December 2010. It is expected that the General Fund on certain days will continue to borrow from STIP. DOB will continue to closely monitor and manage the General Fund cash flow during the fiscal year in an effort to maintain adequate operating balances.

ACTUAL/PROJECTED MONTHLY CASH FLOW BALANCES FISCAL YEAR 2010-11 (millions of dollars)	General Fund	Other Funds	All Funds
April*	4,274	3,048	7,322
May*	1,648	3,767	5,415
June *	(87)	3,719	3,632
July*	590	4,354	4,944
August	(28)	4,949	4,921
September	2,476	2,209	4,685
October	1,888	3,015	4,903
November	1,442	3,359	4,801
December	1,197	1,792	2,989
January	6,220	2,886	9,106
February	6,851	3,352	10,203
March	1,385	2,442	3,827

*Actual

Federal Funding

In enacting the budget, the State faced the risk that the Federal government would not approve an extension of enhanced FMAP funding, as counted on in the Financial Pan. Accordingly, it enacted a statute that provided for automatic reductions to most local assistance payments to cover any difference between the $1.1 billion in savings counted on in the Financial Plan from enhanced FMAP and the actual amount, if any, approved by the Federal government. After enactment of the statute, the Federal government approved an extension of enhanced FMAP, but at a level less than assumed in the Financial Plan. Accordingly, the payment reductions to local assistance spending will take effect, as provided by law.

The Financial Plan may be adversely affected by actions taken by the Federal government, including audits, disallowances, changes in aid levels, and changes to Medicaid rules. For example, all Medicaid claims are subject to audit and review by the Federal government. Most recently, the Federal CMS requested additional information pertaining to claims for services provided to individuals in developmental centers operated by the Office for People with Developmental Disabilities. Among other information, CMS requested that the State provide a detailed description of how these daily rates are developed as well as the current upper payment limit demonstration. Although no official audit has commenced and the State believes that the rates paid for these services are done in accordance with the approved state plan and all applicable Federal regulations, any adverse action by CMS relative to these claims could jeopardize a significant amount of Federal Medicaid participation in this program.

Labor Settlements

An additional risk is the cost of potential collective bargaining agreements and salary increases for judges (and possibly other elected officials) that may occur in 2010-11 and beyond for the period covering 2007-08 through 2010-11. The Financial Plan includes the costs of a pattern settlement for all unsettled unions, the largest of which represents costs for fiscal years 2009-10 and 2010-11 for NYSCOPBA. There can be no assurance that actual settlements will not exceed the amounts included in the Financial Plan. Furthermore, the current round of collective bargaining agreements expires at the end of 2010-11. The Financial Plan does not include any costs for potential wage increases beyond that point.

Personal Care Audits

The OIG of the United States Department of Health and Human Services released a June 2009 final audit with regard to Medicaid reimbursement for personal care services in New York City, and released a March 2010 draft audit with regard to Medicaid reimbursement for personal care services in upstate New York. The audits reviewed claims for the period of July 1, 2004 through December 31, 2006. Based upon its review, the OIG is calling for the State to repay an estimated $395 million in Federal Medicaid because payments were not supported with required medical exams and social and nursing assessments. The New York State Department of Health responded to audit findings on October 8, 2009 challenging the audit findings and the appropriateness of recouping Federal funding. The State's 2010-11 Enacted Budget also included a provision to mitigate the potential financial impact on the State by requiring local governments to contribute towards any repayment of such audits.

Other Financial Plan Risks

The Updated Financial Plan forecast also contains specific transaction risks and other uncertainties including, but not limited to, the receipt of certain payments from public authorities; the receipt of miscellaneous revenues at the levels expected in the Financial Plan; and the achievement of cost-saving measures including, but not limited to, administrative savings in State agencies, including workforce management initiatives, and the transfer of available fund balances to the General Fund at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Updated Financial Plan.

Finally, there can be no assurance that (1) receipts will not fall below current projections, requiring additional budget-balancing actions in the current year, and (2) the gaps projected for future years will not increase materially from the projections set forth in this AIS.

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SUMMARY OF CERTAIN PROVISIONS OF THE 2003 AGREEMENT

The following is a summary of certain provisions of the 2003 Agreement. Such summary does not purport to be complete and reference is made to the 2003 Agreement for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

GENERAL PROVISIONS

Covenants for Benefit of Holders of Bonds

The 2003 Agreement is executed in part to induce the purchase by others of the Bonds and accordingly all covenants and agreements on the part of the Fund, the City University and the Authority as set forth in the 2003 Agreement are declared to be for the benefit of the Holders from time to time of the Bonds.

(*Section 2.02*)

Covenant to Provide Facilities

The Authority agrees that, to the extent moneys are available to it under the 2003 Agreement and under the Fifth General Resolution, it shall (i) cause the Project or Facilities to be planned and designed and (ii) upon the vesting in the Authority of the title or other interest reasonably satisfactory to the Authority in or to any Real Property as may be required by the Authority as the site of each Facility, acquire, construct, reconstruct, rehabilitate, improve or otherwise provide and furnish and equip, as the case may be, such Facility in accordance with the plans and specifications therefor, which plans and specifications for each such Facility, including the location thereof, shall be approved by an Authorized Officer of each of the Authority, the Fund and the City University prior to the award of contracts therefor.

(*Section 2.06*)

Use of Project

Except for any Leased Facility or part thereof leased by the Authority pursuant to the 2003 Agreement, the Fund and the City University each agree that, unless in the opinion of Bond Counsel the use or occupancy of a Facility or part thereof other than as required by the 2003 Agreement would not adversely affect the exclusion of interest on any of the Bonds from gross income for purposes of Federal income taxation and is not prohibited by the Act, the Fund Act or other provision of law, each Facility shall be occupied or used only by the City University or in connection with related educational activities.

(*Section 2.07*)

Covenant as to Insurance

(a) The Authority shall, at the times specified in the following paragraphs, procure and maintain or cause to be procured and maintained to the extent reasonably obtainable from insurers acceptable to the Authority, the following insurance in the names of the Authority, the Fund and the City University:

(i) *Builders' Risk Property Insurance*. At all times until insurance is procured pursuant to subparagraph (ii) of this section, insurance against direct physical loss of or damage to any Facility by fire, lightning, the extended coverage perils and vandalism and malicious mischief. The amount of such insurance shall be on a one hundred per centum (100%) completed value basis on the insurable portion of such Facility.

(ii) *Property Insurance on Completed or Occupied Facilities*. Commencing at the time when title is taken by the Authority to an existing Facility or commencing with the date that any Facility is completed or occupied by the City University, whichever is sooner, insurance against direct physical loss or damage to such Facility by fire, lightning, the extended coverage perils and vandalism and malicious mischief on the plant, structure, machinery, equipment and apparatus comprising such Facility, in an amount not less than eighty per centum (80%) of the replacement value thereof (meaning replacement cost without allowance for depreciation), exclusive of excavations, foundations and similar property normally excluded under New York standard forms.

(iii) *Boiler and Machinery Insurance*. Commencing at the time when title is taken by the Authority to an existing Facility or commencing with the date that any Facility or part thereof is occupied by the City University, whichever is sooner, and, with respect to machinery, the date such machinery is accepted, insurance for boilers and machinery under the customary form of policy issued in the State in an amount deemed adequate by the Authority to protect the interest of all parties concerned as respects the particular Facility involved.

(iv) *Loss of Revenue Insurance on Completed Facilities*. Commencing with the date that the Authority shall re-enter a Leased Facility as provided for in the 2003 Agreement, insurance to the extent reasonably obtainable on such Facility covering the loss of revenues by reason of necessary interruption, total or partial, in the use of such Facility caused by direct physical loss or damage thereto from perils customarily insured. Such insurance shall be in an amount and of such character as will provide a recovery, in the event of the occurrence of any such loss or damage, equal to the amount of such loss of such revenues for not less than a period of two (2) years; provided, however, that such insurance may exclude the loss sustained during the first fourteen (14) days of total or partial interruption of use.

(v) *Liability Insurance - Construction*. At all times insurance to cover liability imposed by law or assumed under contract for damages resulting from bodily injury and damage to property, arising out of the operations of contractors and sub-contractors in connection with the construction of Facilities, with limits of not less than $20,000,000 per occurrence, inclusive of the limits of liability described under subparagraph (b) of this section, combined for personal injury and/or damage to property.

(b) The Authority shall, at all times procure and maintain or cause to be procured and maintained, to the extent reasonably obtainable from insurers acceptable to the Authority, insurance in the names of the Authority and the Fund as follows:

Liability Insurance - Ownership. Insurance to cover liability imposed by law or assumed under contract for damages resulting from bodily injury and damage to property, arising out of the existence or occupancy of the Leased Facilities, with limits of not less than $20,000,000 per occurrence, inclusive of the limits of liability described under subparagraph (v) of paragraph (a) of this section, combined for bodily injury and/or damage to property.

(c) Any insurance procured and maintained by the Authority, the Fund or the City University pursuant to the provisions of the 2003 Agreement described in this section, including any blanket insurance policy, may include reasonable deductible provisions satisfactory to the Authority. In determining whether or not any insurance required by the provisions of the 2003 Agreement described in this section is reasonably obtainable or if the deductible on any such insurance is a reasonable deductible, the Authority may rely solely and exclusively upon the advice and judgment of an insurance consultant chosen by or acceptable to an Authorized Officer of the Authority and any such decision by the Authority, based upon such advice and judgment, shall be conclusive.

(d) No provision of the 2003 Agreement described in this section shall be construed to prohibit the Authority, the Fund and the City University from self-insuring against any risk in relation to a Facility or the Project at the recommendation of an insurance consultant chosen by or acceptable to an Authorized Officer of the Authority; provided, however, that the Authority, the Fund or the City University, as the case may be, shall provide adequate funding of such self-insurance if and to the extent recommended by such insurance consultant and approved by an Authorized Officer of the Authority.

The Authority may in its sole discretion purchase insurance in relation to the Project or the undertaking thereof in addition to that required by the provisions of the 2003 Agreement described in this section for amounts considered adequate by the Authority.

(e) With respect to all proceeds from policies of insurance provided for in subparagraphs (ii) and (iii) of paragraph (a) of this section, losses shall be payable to the Authority, the Fund or the City University, as the case may be, as their interests may appear, and the Authority shall have the sole right to receive the proceeds of such policies affecting the Facility and receipt for claims thereunder.

Except to the extent the application of the proceeds of insurance required by this subdivision is inconsistent with the provisions of any resolution adopted by the Authority, or any 2003 Agreement by and among the Authority, the Fund and the City University entered into, prior to the date of the 2003 Agreement, the proceeds of any insurance obtained pursuant to the provisions of the 2003 Agreement described in paragraphs (i), (ii), (iii) and (iv) of paragraph (a) of this section shall be applied as follows:

(i) The proceeds of any "builders' risk property insurance" received in connection with a Community College Facility which is a Leased Facility shall be deposited to the credit of the Community College Facilities Account of the Construction Fund and the proceeds of any "builders' risk property insurance" received in connection with a Senior College Facility which is a Leased Facility shall be deposited to the credit of the Senior College Facilities Account of the Construction Fund;

(ii) The proceeds of any "property insurance" or "boiler and machinery insurance" shall be applied by the Authority in the same manner and order of priority as provided for the proceeds of the sale of a Leased Facility pursuant to the provisions of the 2003 Agreement described herein under the subheading "Withdrawal of Leased Facility; Reletting and Sale of Facilities"; and

(iii) The proceeds of any "loss of revenue insurance" shall be deposited by the Authority with the Trustee for application in accordance with the Resolution.

(f) Each insurance policy required by this section shall contain a provision that the insurance company issuing such policy shall give to the Authority, the Fund and the City University at least ten (10) days' notice in writing of the cancellation of any such policy.

(g) All insurance policies provided for or required by the provisions of the 2003 Agreement described in this section shall be available for inspection by the Trustee, the Authority, the Fund and the City University.

(*Section 2.08*)

Withdrawal of Leased Facility; Reletting and Sale of Facilities

Notwithstanding any other provisions of the 2003 Agreement, any Leased Facility or part thereof may be withdrawn from the Project upon delivery to the Authority and the Trustee of a certificate or certificates signed by an Authorized Officer of each of the Fund and the City University stating that such Facility or part thereof is no longer useful or necessary in the operation of the City University. The Real Property of a Facility or part thereof withdrawn from the Project either shall be sold, leased or otherwise alienated pursuant to the provisions of the 2003 Agreement described in this section or transferred pursuant to the 2003 Agreement.

Subject to any limitations contained in the Act, the Authority, upon the request of the Fund and the City University, and with the prior written approval of the Director of the Budget of the State and, with respect to a Community College Facility, the Director of the Office of Management and Budget of The City of New York, may: (a) lease, grant licenses, grant easements in or other rights with respect to, or make other arrangements with respect to the use or occupancy of, a Facility or part thereof owned by the Authority which is not a Leased Facility; or (b) sell a Facility owned by the Authority which is not a Leased Facility for such amount and upon such terms as the Authority, the Fund and the City University may agree; provided, however, that the Authority shall not lease, license, grant an easement or other right in, or sell, convey or otherwise dispose of a Facility unless in the opinion of Bond Counsel the same will not adversely affect the exclusion of interest on any of the Bonds or other notes, bonds or other obligations of the Authority issued in connection with the Facilities from gross income for purposes of Federal income taxation.

Moneys received by the Authority in connection with the lease, license, easement, right, arrangement, sale or disposition of a Facility, after deducting therefrom the costs incurred in connection therewith and the unpaid Costs, other expenses and liabilities of the Authority incurred in connection with such Facility for the payment of which moneys available in the Construction Fund are not sufficient, shall be applied in accordance with the applicable provisions of the Prior Agreements, or, if no provisions of a Prior 2003 Agreement are applicable thereto, shall, to the extent such moneys are Revenues, be paid to the Trustee for application in accordance with the Resolution, and, to the extent such moneys are not Revenues, shall be deposited in the Senior College Facilities Account or the Community College Facilities Account, or paid to the Trustee for deposit in the Debt Service Fund, in accordance with the written direction of an Authorized Officer of the Authority.

(*Section 2.11 and 2.12*)

Abandonment of a Facility

The design, acquisition, construction, reconstruction, rehabilitation or improvement of a Facility may be abandoned by the Authority at any time upon the written request of the Fund and the City University; provided, however, that, if the Authority shall have entered into any 2003 Agreement or arrangement or otherwise incurred any liabilities with respect to such Facility, the City University agrees (i) to hold the Authority harmless and to indemnify the Authority against any liability arising from any suits or actions brought against the Authority by reason such 2003 Agreement, arrangement or liability or by reason of the abandonment of such Facility, including the expenses of defending such suits or actions and (ii) deliver to the Authority such instrument or instruments of indemnification, in form satisfactory to the Authority, as may be necessary to more fully effect the provisions described in this section.

(*Section 2.13*)

Condemnation of a Facility

In the event that any Facility shall be condemned, the condemnation award shall, except as otherwise provided in the Prior Agreements relating to such Facility, be applied in the same manner and in the order of priority as provided for the proceeds of the sale of a Facility pursuant to the provisions of the 2003 Agreement described under the subheading "Withdrawal of Leased Facility; Reletting and Sale of Facilities."

(*Section 2.14*)

Re-entry Upon Default

The parties agree that, in the event of a default in the payment of the Annual Payments for any Bond Year for a period in excess of thirty (30) days, or the failure of the Fund or the City University to remedy or cause to be remedied or to take steps diligently to remedy or cause to be remedied any other default in the performance of its obligations under the 2003 Agreement within sixty (60) days after receipt of written notice from the Authority stating the default and requesting the Fund or the City University to remedy or cause the same to be remedied, the Authority shall have the right to and may re-enter the Leased Facilities or any Leased Facility without being liable for any prosecution or damages therefor, and may relet the same and receive the rent therefor upon such terms as shall be satisfactory to the Authority, and all rights of the Fund or the City University to repossess the same shall be forfeited; provided, however, that the foregoing shall not prohibit the Fund or the City University from repossessing any Leased Facility re-entered by the Authority which has not been sold or leased to or otherwise occupied by another person in the event any such default in the payment of the Annual Payments is cured or remedied. Such re-entry by the Authority shall not operate to release the Fund from the Annual Payments to be paid during the full term of the 2003 Agreement. For the purpose of reletting, the Authority shall be authorized to make such repairs or alterations in or to the Leased Facilities as may be necessary to place the same in good order and condition. The City University shall be liable to the Authority for the cost of such repairs or alterations and all expenses of such reletting. If the sum realized or to be realized from the reletting, if any, is insufficient to satisfy the Annual Payments, the Authority, at its option, may require the Fund to pay such deficiency month by month. Upon re-entering a Leased Facility the Authority shall, as soon as practicable, inspect the same and check any inventories of fixtures, furniture, equipment and effects therein. The Fund shall pay to the Authority, upon receipt of properly executed vouchers therefrom, all sums owing to the Authority by the Fund. Notwithstanding such re-entry by the Authority, the Fund and the City University agree that (i) all rights of way, easements or other rights in land provided in accordance with Article III of the 2003 Agreement shall be continued in full force and effect and (ii) any utility services furnished to such Leased Facilities prior to such re-entry shall continue to be furnished in the same manner at the expense of the Fund or the City University, as the case may be.

(*Section 2.15*)

ACQUISITION OF FACILITY SITES

Title to Leased Facility Sites

Title to or other interest satisfactory to the Authority in any Real Property deemed necessary by an Authorized Officer of the Authority for the site of each Leased Facility shall be in the Authority. Such title or other interest shall be obtained in the manner provided by this Article, and shall be free from encumbrances or commitments of any kind other than any such encumbrances or commitments acceptable to an Authorized Officer of the Authority; provided,

however, that such right, title and interest as the Authority shall have in or to such Real Property shall be subject to the right of transfer provided for in the Act.

(*Section 3.01*)

Conveyance of Certain Publicly Owned Property

The Fund or the City University, as the case may be, shall convey or cause to be conveyed to the Authority for the site of a Leased Facility any Real Property deemed necessary by an Authorized Officer of the Authority for such site, title to which is held by or the ownership of which is in the Fund, the City University, the State or The City of New York.

(*Section 3.02*)

Acquisition of Other Real Property

At the request of the Fund and the City University, the Authority shall acquire by purchase or condemnation any Real Property (other than Real Property described in the provisions of the 2003 Agreement described above under the subheading "Conveyance of Certain Publicly Owned Property" deemed necessary by an Authorized Officer of the Authority for the site of a Facility.

(*Section 3.03*)

Limitation on Purchase Price

The Authority shall not enter into any contract to purchase such Real Property without the prior written approval of the Fund and the City University of the purchase price therefor.

(Section 3.04)

Title a Condition Precedent

The Fund and the City University each agree that, notwithstanding any provisions described herein, the Authority shall not be required to award any contracts relating to a Facility, other than contracts for or in connection with the design or planning of such Facility or the appraisal of any Real Property required therefor, unless and until the Authority shall have title or other interest satisfactory to an Authorized Officer of the Authority in or to any Real Property deemed necessary by an Authorized Officer of the Authority for such Facility.

(Section 3.05)

FINANCING PROVISIONS

Issuance of Bonds

The Authority agrees to use its best efforts to authorize, issue, sell and deliver from time to time one or more Series of Bonds, in accordance with the provisions of the Resolution, in aggregate principal amounts which, together with other moneys available therefor, are sufficient to pay the Costs.

(*Section 4.01*)

ANNUAL PAYMENTS AND SECURITY

(a) The Fund shall pay to or upon the order of the Authority the following amounts in the manner and at the times set forth below:

(i) On December 10 of each Bond Year (A) the interest payable on the next succeeding January 1 on Outstanding Obligations on which interest is payable semiannually on each January 1 and July 1 and (B) the principal and Sinking Fund Installments of Outstanding Obligations payable prior to the next succeeding January 1;

(ii) On June 10 of each Bond Year (A) the interest payable on the next succeeding July 1 on Outstanding Obligations on which interest is payable semiannually on each January 1 and July 1 and (B) the principal and Sinking Fund Installments of Outstanding Obligations payable prior to the next succeeding January 1;

(iii) On the 10th day of each month the interest estimated by an Authorized Officer of the Authority to be payable during the next succeeding calendar month on outstanding Variable Interest Rate Bonds on which interest is payable more frequently than semiannually;

(iv) Not less than five (5) Business Days prior to the date the principal or a Sinking Fund Installment of or interest on Outstanding Bonds is payable, the amount by which the money available in the Debt Service Fund is insufficient to make such payment, as set forth in a written notice from the Authority given not less than ten days prior to such date;

(v) On December 10 and June 10 of each Bond Year, such amount, if any, as shall be necessary to provide for the repayment in accordance with the 2003 Agreement in the section entitled “Conveyance of Certain Publicly Owned Property” of amounts withdrawn from the Building and Equipment Reserve Fund;

(vi) On December 10 and June 10 of the Bond Year next succeeding receipt of a notice given by the Trustee pursuant to the of the Resolution, the amount set forth in such notice as necessary to restore the Building and Equipment Reserve Fund to the Building and Equipment Reserve Fund Requirement; and

(vii) On December 10 and June 10 of each Bond Year, the amount of Parity Reimbursement Obligations estimated by the Authority to be payable prior to July 1 and January 1 of the succeeding Bond Year, respectively.

The Fund shall receive a credit against the payments required to be made pursuant to (i) and (ii) of paragraph (a) in an amount equal to the amount by which the amount in the Debt Service Fund on the date any such payment is to be made exceeds the amount required pursuant to the provisions of the Resolution in the section entitled “Deposit of Revenues and Allocation Thereof” to be on deposit in such fund or required to pay the purchase price or Redemption Price, including accrued interest to the date of purchase or redemption, of Outstanding Obligations theretofore contracted to be purchased or called for redemption.

(b) Except as otherwise provided in clauses (iv) and (v) of this paragraph, in addition to the payments required by paragraph (a) of this section, the Fund shall pay to the Authority on August 1 and June 10 of each Bond Year, one–half (1/2) of the Annual Expenditures payable during such Bonds Year, which shall consist of the following:

(i) except to the extent of moneys available to the Authority from the proceeds of Bonds or other notes or bonds of the Authority or from moneys received from the Fund, the City University, the State or The City of New York, expenditures incurred by the Authority for acquiring, designing, constructing, reconstructing, rehabilitating, improving or otherwise providing and furnishing and equipping the Project or Facilities provided for the City University pursuant the 2003 Agreement, and by reason of its owning, leasing and financing of the Project or any Facilities;

(ii) expenditures relating to insurance for the Facilities, fees and expenses of auditing and expenses of the Trustee and paying agent in connection with the Project or the Bonds;

(iii) the amount, if any, certified by an Authorized Officer of the Authority as required to be rebated to the Department of the Treasury of the United States of America in excess of the amount available therefor in the Arbitrage Rebate Fund;

(iv) on the 10th day of each calendar month, the amount certified by the Authority as the estimated amount payable by the Authority (1) in connection with the purchase and remarketing of Option Bonds, (2) the adjustment of the rate at which a Variable Interest Rate Bonds bear interest, and (3) to the Providers of Credit Facilities and Liquidity Facilities that are not Parity Reimbursement Obligations, in each case that are payable during the next succeeding calendar month;

(v) on the 10th day of each calendar month, the amount certified by the Authority as the estimated amount payable by the Authority to the Counterparty to an Interest Rate Exchange Agreement during the next succeeding calendar month, respectively, including but not limited to any fees or charges in connection therewith;

(vi) expenditures to compel full and punctual performance of all the provisions hereof in accordance with the terms hereof; and

(vii) a share of the general overhead and administrative expenditures of the Authority allocated in accordance with a formula approved by the Comptroller of the State.

(c) To facilitate the operations of the Authority and the administration of the 2003 Payment Pledge Account by the Fund, the items of the Annual Payments comprising the Annual Expenditures shall be paid initially to the Authority in each Bond Year on an estimated basis. Such amount payable to the Authority on an estimated basis for the Annual Expenditures of the Authority for each Bond Year shall be the amount set forth in item (v) of the certificate provided for by this paragraph minus the surplus or plus the deficiency, as the case may be, stated in item (iv) of such certificate. On or before November 1 of each Bond Year, the Authority shall deliver to the Fund and the City University a certificate signed by an Authorized Officer of the Authority stating: (i) the amount, if any, of the Annual Expenditures of the Authority for the preceding Bond Year; (ii) the amount, if any, received by the Authority for such Annual Expenditures of the Authority for the preceding Bond Year; (iii) the amount, if any, received by the Authority pursuant to paragraph (d) of this section for such preceding Bond Year; (iv) the difference between item (i) and the sum of items (ii) and (iii) and whether such difference represents a surplus or a deficiency, as the case may be; and (v) the amount estimated by the Authority as necessary for the payment of the Annual Expenditures of the Authority for the Bond Year immediately succeeding such November 1. Such certificate may be revised from time to time as more current information as to the amounts of the various items comprising the Annual Expenditures shall become known to the Authority.

(d) If the Annual Expenditures of the Authority for a Bond Year shall be greater than the amount paid to the Authority as provided for by the certificate provided for in paragraph (c) of this section for the Annual Expenditures of the Authority for such Bond Year, the Authority may from time to time during such Bond Year deliver to the Fund and the City University further certificates signed by an Authorized Officer stating the amounts required to pay any such deficiency.

(e) For the purpose of enabling the Fund to make the payments required by this section of the 2003 Agreement in due time and manner, the Authority shall furnish the Fund on or before November 1 immediately preceding each Bond Year statements of the purposes and amounts of such payments. The failure to furnish such statements pursuant to this paragraph or certificates pursuant to paragraph (b) above shall not excuse non–payment of Annual Payments at the times and in the manner provided for by the 2003 Agreement; *provided, however,* that the Authority shall not declare an event of default hereunder for failure to make any payments required by paragraphs (a), (b), (c) and (d) of this section until a statement has been furnished to the Fund describing the amount which has not been paid and the date on which the same was payable and the Fund has failed to pay such amount fixed by such statement within five (5) days after the receipt of such statement. Notwithstanding any other provisions hereof, failure of the Authority to furnish such statements pursuant to this paragraph or certificates pursuant to paragraph (b) of this section shall not excuse non–payment of the amounts of such Annual Payments required for the payment of the principal and Sinking Fund Installment of and interest on Outstanding Bonds.

(f) Notwithstanding any provision hereof, the Fund may pay in advance a portion of the amount payable to the Authority for Annual Payments for such Bond Year. In the event of such prepayment, the amount of the payments of Annual Payments required to be paid during such Bond Year pursuant to paragraphs (a) and (b) of this section shall be reduced by the amount of such prepayment.

(g) The Authority agrees that moneys paid to it pursuant to the provisions of this section for Annual Expenditures of the Authority, other than moneys paid to it for Annual Expenditures of the Authority described in clause (iii) of the above paragraph (b) of this section, shall be, to the extent practicable, invested in accordance with the section of the Resolution entitled "Investment of Funds and Accounts". Interest earned, profits realized or losses suffered by reason of any such investment during any Bond Year shall be credited or debited, as the case may be, against the Annual Payments payable during the next succeeding Bond Year.

(h) As more current information as to the amounts of the various items comprising the Annual Payments shall become known to the Authority, the Authority may revise its estimate of the Annual Payments payable by the Fund hereunder. If so, the Authority shall deliver to the Fund and the City University a certificate signed by an Authorized Officer of the Authority indicating the revised amounts of Annual Payments, including without limitation Annual Expenditures. Consistent with such revised estimates of Annual Payments of the Authority, the Fund shall revise its report containing its estimate of the amount of Annual Payments to become due to the Authority hereunder for the next succeeding Bond Year and submit it in accordance with Section 6274 of the Fund Act.

(i) Pursuant to the 2003 Agreement, the Authority directs the Fund, and the Fund pursuant to the 2003 Agreement agrees, to make the payments required by paragraph (a) of this section directly to the Trustee for deposit and application in accordance with the provisions of the section of the Resolution entitled "Deposit of Revenues and Allocation Thereof" and the payments required by paragraph (b) of this section directly to the Authority. The Fund and the Authority agree that all payments made by the Fund pursuant to subparagraphs (a) and (b) of the section of the Resolution entitled "Deposit of Revenues and Allocation Thereof" shall first be applied against payments required to have been made by the Fund pursuant to the section of the Resolution entitled "Deposit of Revenues and Allocation Thereof" and the payments required by the above paragraph (b) of this section directly to the Authority.

(*Section 5.01*)

Obligation to Pay Annual Payments

The obligation of the Fund to pay the Annual Payments shall be complete and unconditional and the amount, manner and time of payment of the Annual Payments shall not be decreased, abated, postponed or delayed for any cause or by reason of the happening of any event. The Fund shall be obligated to pay the Annual Payments regardless of whether there are any Leased Facilities.

(*Section 5.02*)

Pledge of Fund Resources

The Fund pledges and assigns to the Authority the Fund Resources, the right to receive the same and the proceeds thereof and of such right, and the moneys and investments from time to time on deposit in the 2002 Payment Pledge Account in an amount equal to the amount required by the 2003 Agreement to be therein. As provided in the Fund Act, the pledge and assignment made by the 2003 Agreement is valid, binding and perfected from the time when such pledge and assignment attaches, without any physical delivery or further act; the lien of such pledge and assignment shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Fund irrespective of whether or not such parties have notice thereof; and no instrument by which such a pledge or assignment is created nor any financing statement need be recorded or filed.

(Section 5.03)

Payments to the 2002 Payment Pledge Account

The Fund agrees that it shall pay or cause to be paid into the 2002 Payment Pledge Account during each Bond Year from all Fund Resources an amount equal to the sum of (i) the payments required for such Bond Year by items (i) to (iii), both inclusive, of paragraph (a) of the provisions of the 2003 Agreement described under the subheading above entitled "Amount and Payment of Annual Payments", (ii) the payments required for such Bond Year by paragraph (b) of the provisions of the 2003 Agreement described under the subheading herein entitled "Amount and Payment of Annual Payments" and (iii) any further payments required to be deposited in the 2002 Payment Pledge Account for such Bond Year by any other agreements between the Fund and the Authority, less (iv) any prepayment for such Bond Year made pursuant to paragraph (h) of the provisions of the 2003 Agreement described under the subheading herein entitled "Amount and Payment of Annual Payments".

Except as otherwise provided in the 2003 Agreement, the Fund agrees that no Fund Resources shall be paid to or deposited in any other fund or account held by or for the Fund in any Bond Year until the requirements of the foregoing paragraph with respect to payments to the 2002 Payment Pledge Account for such Bond Year have been fully complied with and satisfied.

At any date in any Bond Year on which (i) all payments theretofore required to have been paid to the Authority as provided for by the provisions of the 2003 Agreement described under the subheading above entitled "Amount and Payment of Annual Payments" for such Bond Year shall have been paid in full and (ii) the moneys on deposit in and the investments constituting a part of the 2002 Payment Pledge Account are at least equal to the aggregate amount of any such payments required still to be paid to the Authority as provided for by the provisions of the 2003 Agreement described under the subheading above entitled "Amount and Payment of Annual Payments" for such Bond Year, then, upon the happening of both such events, any Fund Resources received after such date shall not be required to be paid into the 2002 Payment Pledge Account but shall be received, accepted, invested, administered, expended and disbursed by the Fund.

(*Section 5.05*)

Payments from the 2002 Payment Pledge Account

The Fund agrees that it shall pay or cause to be paid to the Authority from the 2002 Payment Pledge Account the Annual Payments and other payments required by the 2003 Agreement less any prepayment made pursuant to the provisions of the 2003 Agreement described in paragraph (h) of the section above entitled "Amount and Payment of Annual Payments", at the times and in the manner required by the 2003 Agreement and, if the moneys in the 2002 Payment Pledge Account are insufficient for such payments, then from any other moneys legally available to the Fund.

(*Section 5.06*)

LEASING PROVISIONS

Leasing of the Leased Facilities

The Authority leases the Leased Facilities for the use and occupancy of the City University and the Fund takes and hires the Leased Facilities from the Authority, for use and occupancy by the City University, at the respective Annual Rentals provided for in the 2003 Agreement. The obligations of the Fund as lessee shall be as stated in the 2003 Agreement. The City University agrees to do and perform all acts, duties and obligations of a lessee except those acts, duties and obligations specifically imposed upon the Fund by the 2003 Agreement.

(*Section 6.01*)

Possession and Occupancy

The City University may use and occupy each Leased Facility with the consent of the Authority and the Fund.

(*Section 6.02*)

Operation, Maintenance, Repair and Replacement

The City University, at its expense, shall hold, operate, maintain, repair and replace the Project and its equipment in a careful and prudent manner and keep the Project and its equipment in a clean and orderly fashion. In the event that the Authority shall re-enter a Leased Facility pursuant to the provisions of the 2003 Agreement described under the subheading "Re-entry Upon Default" above, such Leased Facility and its equipment shall be surrendered in proper condition, ordinary wear and tear excepted. The cost of operating and maintaining the Project shall include, but shall not be limited to, all expenses of furnishing steam, hot and cold water, electricity, gas, oil, coal or other fuel, sewage and all other utility services required for the Project, real property taxes and assessments and water and sewer rents on the Project, if any.

Except as otherwise provided for by the provisions of the 2003 Agreement described under the subheading entitled "Loss of Use of a Leased Facility" below, the Authority shall make available to pay the cost of repairs and replacements of the Project and its equipment (i) the proceeds of insurance, if any, received by the Authority by reason of the damage necessitating such repairs or replacements and (ii) to the extent permitted by the Resolution moneys available from the Building and Equipment Reserve Fund.

In the event that the City University, at its expense, shall fail to make all such repairs and replacements of the Project and its equipment promptly, the Authority may make such repairs and replacements of the Project and its equipment and pay the costs thereof from moneys available from insurance proceeds and moneys available from the Building and Equipment Reserve Fund as permitted by the Resolution. The Authority shall have the right to enter upon the Facilities for such purposes.

Moneys withdrawn from the Building and Equipment Reserve Fund pursuant to paragraph (b) of the section of the Resolution entitled "Building and Equipment Reserve Fund", other than moneys which were then in excess of the Building and Equipment Reserve Fund Requirement, shall be repaid by the Fund in six (6) equal semiannual payments payable on December 10 and June 10 in accordance with the provisions of the 2003 Agreement described in paragraph (a)(v) of the section above entitled "Amount and Payment of Annual Payments" commencing on the December 10 of the Bond Year immediately succeeding the Bond Year during which such withdrawal was made. Moneys withdrawn from the Building and Equipment Reserve Fund pursuant to paragraph (a) of the section of the Resolution entitled "Building and Equipment Reserve Fund," shall be repaid by the Fund in two (2) equal semiannual payments payable on December 10 and June 10 in accordance with the provisions of the 2003 Agreement described in paragraph (a)(v) of the section above entitled "Amount and Payment of Annual Payments" commencing on the December 10 of the Bond Year immediately succeeding the Bond Year during which such withdrawal was made.

(*Section 6.03*)

Alterations to Project

Except as otherwise provided by the provisions of the 2003 Agreement described in this section, neither the Fund nor the City University shall make any change or alteration of a Leased Facility of a structural nature or remove any fixtures, furnishings or equipment in or used in connection with a Leased Facility without the prior written consent of the Authority. The Fund or the City University may remove any fixtures, furnishings or equipment in or used in connection with a Leased Facility, provided that there is substituted therefor fixtures, furnishings or equipment of equal or greater value and utility.

(*Section 6.04*)

Loss of Use of a Leased Facility

In case a Leased Facility or part thereof is taken by eminent domain or condemnation, or damaged or destroyed, then and in such event:

(a) if, within one hundred twenty (120) days from the occurrence, the Fund, the City University and the Authority agree in writing to replace or restore such Leased Facility, the Authority shall proceed to replace or restore such Leased Facility, including all fixtures, furniture, equipment and effects, to its original condition insofar as possible. The moneys required for such replacement or restoration shall be paid from the proceeds of any condemnation award or insurance received by reason of such occurrence, and to the extent such proceeds are not sufficient, from the Building and Equipment Reserve Fund or from moneys to be provided by the Fund; or

(b) if no 2003 Agreement for the restoration or replacement of such Leased Facility shall be reached by the Fund, the City University and the Authority within the one hundred twenty (120) day period, the Authority in its discretion may determine that such Leased Facility has been abandoned pursuant to the applicable provisions of the 2003 Agreement described above under the subheading "Withdrawal of Leased Facility; Reletting and Sale of Facilities". In such event, the proceeds of any condemnation award or insurance received by the Authority by reason of such occurrence shall be applied and paid in the same manner and order of priority as provided for the proceeds of the sale of a Leased Facility pursuant to the provisions of the 2003 Agreement described above under the subheading "Withdrawal of Leased Facility; Reletting and Sale of Facilities".

(*Section 6.05*)

Right of Inspection

The Authority and the Fund shall have the right to enter upon, inspect and examine the Project at any reasonable time with or without notice to the City University.

(*Section 6.06*)

Compliance with Laws and Regulations

In the performance of their respective obligations under the 2003 Agreement, the Authority, the Fund and the City University, respectively, each shall comply with all applicable laws, regulations and rules of the Government of the United States of America, the State of New York, and The City of New York, the rules and regulations of the National Board of Fire Underwriters and any requirement of an insurance company so long as such company is writing insurance on the Project.

(*Section 6.07*)

Termination of the 2003 Agreement and Provisions Relating Thereto

The 2003 Agreement shall remain in full force and effect until the date on which (i) the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds shall have been fully paid and discharged or provision for the payment and discharge thereof shall have been made as provided by the Resolution and (ii) all other obligations, liabilities and expenses of the Authority required to be paid by the Authority in connection with such termination and the defeasance of the Resolution shall have been fully paid and discharged or provision satisfactory to the Authority for the payment and discharge thereof shall have been made.

(*Section 7.02*)

Amendments, etc.

The 2003 Agreement may be amended, changed or modified in any respect or any provision thereof may be waived; provided, however, that no such amendment, change, modification or waiver shall be made other than pursuant to a written instrument signed by the Authority, the Fund and the City University; provided, further, that any amendment contained in a Supplemental 2003 Agreement shall not become effective unless and until (i) if the consent of Holders of Outstanding Bonds is required by the Resolution, there shall have been filed with the Trustee the written consents of the Holders of the percentages of Outstanding Bonds specified in the Resolution, (ii) if the consent of the Trustee is required by the Resolution, the Trustee shall have consented thereto, and (iii) an executed copy of such Supplemental 2003 Agreement certified by an Authorized Officer of the Authority shall have been filed with the Trustee.

(*Section 7.04*)

Limitation of Liability

The State, The City of New York and the City University shall not be jointly or severally liable for any rentals payable by the Fund pursuant to the terms of the 2003 Agreement.

(*Section 7.09*)

Non-Assignability of 2003 Agreement

The 2003 Agreement may not be assigned, except to the Trustee, by any party without the prior consent in writing of each other party.

(*Section 7.10*)

Disclaimer of Personal Liability

No recourse shall be had against or liability incurred by any member of the Authority, any trustee of the Fund or the City University, or any officer or employee of any of them, or any person executing the 2003 Agreement for any covenants and provisions of the 2003 Agreement or for any claims based thereon.

(*Section 7.13*)

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SUMMARY OF CERTAIN PROVISIONS OF THE FIFTH GENERAL RESOLUTION

The following is a summary of certain provisions of the Fifth General Resolution. Such summary does not purport to be complete and reference is made to the Fifth General Resolution for full and complete statements of such and all provisions. Defined terms used herein shall have the meanings ascribed to them in Appendix A.

AUTHORIZATION AND ISSUANCE OF THE BONDS

Authorization of Bonds

The Fifth General Resolution authorizes the issuance of Bonds of the Authority to be designated as "City University System Consolidated Fifth General Resolution Revenue Bonds" it creates a continuing pledge and lien as provided by the Resolution to secure the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on all the Bonds. The Bonds shall be special obligations of the Authority payable and secured solely in the manner more particularly provided in the Fifth General Resolution. The aggregate principal amount of Bonds which may be executed, authenticated and delivered is not limited except as provided in the Fifth General Resolution.

(*Section 2.01*)

Issuance of Bonds

The issuance of Bonds shall be authorized by a Series Resolution or Series Resolutions. The Authority shall, in addition to other requirements, deliver to the Trustee an opinion of Bond Counsel concerning the validity of the Resolution, any applicable Series Resolution and the Bonds, a certificate of an Authorized Officer of the Authority stating that the Authority is not in default under the Resolution (except in the case of Refunding Bonds), and a certificate of an Authorized Officer of the Fund stating that the Fund is not in default under the 2003 Agreement (except in the case of Refunding Bonds).

The Authority reserves the right to issue bonds, notes or any other obligations or otherwise incur indebtedness pursuant to other and separate resolutions or agreements of the Authority, so long as such bonds, notes or other obligations are not, or such other indebtedness is not, except as provided in the Fifth General Resolution, entitled to a charge, lien or right prior or equal to the charge or lien created by the Fifth General Resolution, or prior or equal to the rights of the Authority and Bondholders provided by the Fifth General Resolution or with respect to the moneys pledged under the Fifth General Resolution. Nothing contained in the Fifth General Resolution shall limit the right of the Authority to issue additional obligations under the any Prior Resolution nor shall the foregoing limit any right which the Authority has thereunder.

(*Section 2.02 and 2.05*)

PLEDGE OF REVENUES; FUNDS AND ACCOUNTS; REVENUES AND APPLICATION THEREOF

Pledge of Revenues

The proceeds from the sale of any Bonds, the Revenues and, except as otherwise provided in the provisions of the Fifth General Resolution described under the subheading "Establishment of Funds and Accounts" below, all funds and accounts established by the Fifth General Resolution and by or pursuant to any Series Resolution, other than the Arbitrage Rebate Fund, are pledged to the Trustee as security for the payment of the principal, Sinking Fund Installments, if any, and Redemption Price of and interest on the Bonds and as security for the performance of any other obligation of the Authority under the Fifth General Resolution and under each Series Resolution all in accordance with the provisions thereof. Each pledge made by the Fifth General Resolution is valid, binding and perfected from the time when the pledge attaches and the proceeds from the sale of the any Bonds, the Revenues and all funds and accounts established and pledged by the Fifth General Resolution and by any Series Resolution shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid, binding and perfected as against all parties having claims of any kind in tort, contract or otherwise against the Authority irrespective of whether such parties have notice thereof. No instrument by which such pledge is created nor any financing statement need be recorded or filed. The Bonds shall be special obligations of the Authority payable solely from and secured by a pledge of the proceeds from the sale of the Bonds, the Revenues and all funds and accounts established and pledged by the Fifth General Resolution and by any Series Resolution, which pledge shall constitute a first lien thereon.

(*Section 5.01*)

Establishment of Funds and Accounts

The following funds and separate accounts within funds are established by the Fifth General Resolution and, except for the Construction Fund and the Operating Fund which shall be held and maintained by the Authority, shall be held and maintained by the Trustee:

Construction Fund:

Senior College Facilities Account

Community College Facilities Account;

Debt Service Fund;

Building and Equipment Reserve Fund;

Operating Fund; and

Arbitrage Rebate Fund.

(*Section 5.02*)

Application of Moneys in the Construction Fund

Upon the filing in the office of the Authority of such certificate, the moneys, if any, then remaining in the account within the Construction Fund established for the class of Facilities to which such certificate relates, after making provision for the payment of any Costs of Issuance and Costs of such class of Facilities then unpaid, shall be paid to the Trustee and deposited by the Trustee in the following order of priority:

First: To the Arbitrage Rebate Fund, the amount specified in the written direction of an Authorized Officer of the Authority;

Second: To the Building and Equipment Reserve Fund, such amount as shall be necessary to make the amount on deposit in such fund equal to the Building and Equipment Reserve Fund Requirement; and

Third: To the Debt Service Fund, any balance remaining.

(*Section 5.04*)

Deposit of Revenues and Allocation Thereof

The Revenues and other moneys, which, by any of the provisions of the 2003 Agreement, are paid to the Trustee shall upon receipt thereof be deposited or paid by the Trustee in the following order of priority:

First: To the credit of the Debt Service Fund

(i) in the case of Revenues received during the period from July 1 of a Bond Year until December 31 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (A) the interest payable on the next succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (B) the interest estimated by the Authority to be payable prior to the next succeeding July 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (C) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding July 1, (D) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the provisions of the Fifth General Resolution described below under the sub-heading “Debt Service Fund”, plus accrued interest thereon to the date of purchase or redemption and (E) the Parity Reimbursement Obligations estimated by the Authority to be payable prior to the next succeeding July 1; and

(ii) in the case of Revenues received during the period from January 1 of such Bond Year until June 30 thereof, the amount, if any, necessary to make the amount in the Debt Service Fund equal to (A) the interest payable on the next succeeding July 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (B) the interest estimated by the Authority to be payable prior to the succeeding January 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (C) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding January 1, (D) the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption pursuant to the section of the Fifth General Resolution entitled “Debt Service Fund”, plus accrued interest thereon to the date of purchase or redemption and (E) the Parity Reimbursement Obligations estimated by the Authority to be payable prior to the next succeeding January 1;

Second: To reimburse, pro rata, each Provider of a Credit Facility or a Liquidity Facility for Provider Payments which are then unpaid, in proportion to the respective Provider Payments then unpaid to such Provider;

Third: If the Authority shall have re–entered and is operating a Leased Facility as a result of a default under the 2003 Agreement, to the Authority, for deposit in the Operating Fund, (i) prior to adoption of a budget of Operating Expenses as required by the section of the Fifth General Resolution entitled “Budget of Operating Expenses”, the sum certified by an Authorized Officer of the Authority as necessary to pay Operating Expenses until the Authority shall have adopted a budget of Operating Expenses; or (ii) after adoption of a budget of Operating Expenses as required by the section of the Fifth General Resolution entitled “Budget of Operating Expenses”, the amount stated in such budget of Operating Expenses applicable to the month in which payment is made by the Trustee;

Fourth: To the Building and Equipment Reserve Fund, the amount, if any, necessary to make the amount on deposit therein equal to the Building and Equipment Reserve Fund Requirement; and

Fifth: To the Authority, such amounts as are then due and owing to the Authority pursuant to the 2003 Agreement, including for (i) any expenditures of the Authority for fees and expenses of auditing, and fees and expenses of the Trustee and Paying Agents, (ii) all other expenditures reasonably and necessarily incurred by the Authority in connection with the financing or construction of one or more Facilities, including expenses incurred by the Authority to compel full and punctual performance of all the provisions of the 2003 Agreement in accordance with the terms thereof and (iii) fees of the Authority; but only upon receipt by the Trustee of a certificate signed by an Authorized Officer of the Authority, stating in reasonable detail the amounts then due and owing to the Authority pursuant to the 2003 Agreement and payable pursuant to this paragraph Fifth.

(b) After making the payments required by paragraph (a) of this section, any Revenues remaining shall, upon the direction of an Authorized Officer of the Authority, be paid by the Trustee to the Authority for deposit to one or more accounts within the Construction Fund or deposited by the Trustee to the Arbitrage Rebate Fund or the Debt Service Fund for application in accordance with the section of the Fifth General Resolution entitled “Debt Service Fund”, in the respective amounts set forth in such direction. The Trustee shall notify the Authority and the Fund promptly after making the payments required by paragraph (a) of this section of any Revenues then remaining.

(*Section 5.05*)

Debt Service Fund

(a) The Trustee shall on or before the Business Day preceding each date on which the principal or Redemption Price of or interest on Outstanding Bonds is payable or a Parity Reimbursement Obligation is payable pay to itself and, in the case of Bonds, any other Paying Agent out of the Debt Service Fund:

(i) the interest due and payable on all Outstanding Bonds on such interest payment date;

(ii) the principal due and payable on all Outstanding Bonds on such interest payment date;

(iii) the Sinking Fund Installments or other amounts related to a mandatory redemption, if any, due and payable on all Outstanding Bonds on such interest payment date; and

(iv) the Parity Reimbursement Obligations then payable.

The amounts paid out pursuant to this section shall continue to be subject to the pledge made by the Fifth General Resolution and shall be held by the Trustee and Paying Agents subject to such pledge and applied to such payments.

(b) Notwithstanding the provisions of paragraph (a) above, the Authority may, at any time subsequent to the first day of any Bond Year immediately preceding a Bond Year during which a Sinking Fund Installment is payable, but in no event less than forty–five (45) days prior to the succeeding date on which such Sinking Fund Installment is scheduled to be due, direct the Trustee to purchase, with moneys on deposit in the Debt Service Fund, at a price not in excess of par plus interest accrued and unpaid to the date of such purchase, Term Bonds to be redeemed from such Sinking Fund Installment. Any Term Bond so purchased and any Term Bond otherwise purchased and delivered to the Trustee shall be canceled upon receipt thereof by the Trustee and evidence of such cancellation shall be given to the Authority. The principal amount of each Term Bond so canceled shall be credited against the Sinking Fund Installment due on such date; *provided, however,* that such Term Bond is canceled by the Trustee prior to the date on which notice of redemption is given.

(c) Moneys in the Debt Service Fund that:

(i) during the period from the beginning of each Bond Year until December 31 thereof, is in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding July 1, (ii) the interest payable on the next succeeding January 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (iii) the amount of interest estimated by the Authority to be payable prior to the next succeeding July 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (iv) the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, payable on or prior to the next succeeding July 1 of Outstanding Bonds theretofore contracted to be purchased or called for redemption, and (v) the Parity Reimbursement Obligations estimated by the Authority to be payable prior to the next succeeding July 1, or

(ii) during the period from January 1 until the end of the Bond Year, is in excess of the amount required to pay the sum of (i) the principal and Sinking Fund Installments of Outstanding Bonds payable prior to the next succeeding January 1, (ii) the interest payable on the next succeeding July 1 on Outstanding Bonds on which interest is payable semiannually on each January 1 and July 1, (iii) the amount of interest estimated to be payable prior to the next succeeding January 1 on Outstanding Bonds on which interest is payable more frequently than semiannually, (iv) the purchase price or Redemption Price, including accrued interest to the date of such purchase or redemption, payable on or prior to the next succeeding January 1 of Outstanding Bonds theretofore contracted to be purchased or called for redemption, and (v) the Parity Reimbursement Obligations estimated by the Authority to be payable prior to the next succeeding January 1,

shall in each case be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to the purchase of Outstanding Bonds of any Series at purchase prices not exceeding the Redemption Price applicable on the next interest payment date on which such Bonds are redeemable, plus accrued interest to such date, at such times, at such purchase prices and in such manner as an Authorized Officer of the Authority shall direct. If fifty (50) days prior to any interest payment date on which Bonds of any Series are subject to redemption the amount of such excess is fifty thousand dollars ($50,000.00) or more, the Trustee shall, to the extent such moneys are sufficient therefor, apply such moneys in accordance with the direction of an Authorized Officer of the Authority given pursuant to the Fifth General Resolution in the section entitled "Redemption at the Election or Direction of the Authority", to the redemption of Bonds as provided in the Fifth General Resolution, at the Redemption Prices specified in the applicable Series Resolution or Series Certificate.

(*Section 5.06*)

Building and Equipment Reserve Fund

(a) In the event that on the Business Day preceding any interest payment date, the amount in the Debt Service Fund is less than the amount required for payment of the interest on and the principal and Sinking Fund Installments of Outstanding Bonds due and payable on such interest payment date, together with the purchase price or Redemption Price of Outstanding Bonds theretofore contracted to be purchased or called for redemption, plus accrued interest thereon to the date of purchase or redemption, the Trustee shall withdraw from the Building and Equipment Reserve Fund and deposit to the Debt Service Fund such amount as will increase the amount therein to an amount sufficient to make such payments.

(b) The amount on deposit in the Building and Equipment Reserve Fund shall be applied to defray the costs, other than of ordinary maintenance and repair, of renewing, repairing, replacing, renovating and improving any Facility and its equipment and to the renewal, replacement and repair of damaged property of any Facility. Any payment from the Building and Equipment Reserve Fund to defray such costs shall be made by the Trustee upon receipt of a certificate of the Authority signed by an Authorized Officer, setting forth in reasonable detail the payments to be made and stating that such payments are properly payable from moneys held by the Trustee in the Building and Equipment Reserve Fund.

(c) Moneys and investments in the Building and Equipment Reserve Fund in excess of the Building and Equipment Reserve Fund Requirement shall be withdrawn by the Trustee and, upon direction of an Authorized Officer of the Authority, deposited in the Arbitrage Rebate Fund, the Debt Service Fund or the Construction Fund in accordance with such direction; provided, however, that after such withdrawal the amount remaining in the Building and Equipment Reserve Fund shall not be less than the Building and Equipment Reserve Fund Requirement.

(d) If on June 30 of a Bond Year the value of the moneys and investments held in the Building and Equipment Reserve Fund is less than the Building and Equipment Reserve Fund Requirement, the Trustee shall immediately notify the Authority. The amount of such deficiency shall be included in the Annual Payments payable during the next succeeding Bond Year.

(*Section 5.07*)

Application of Moneys in the Operating Fund

Moneys paid to the Authority for deposit in the Operating Fund shall be held separate and apart from all other moneys of the Authority in an account or accounts of which the Trustee shall be the depositary. Moneys in the Operating Fund shall be used only for the payment of the Operating Expenses of the Leased Facilities and shall be withdrawn by the Authority at such times and only in such amounts as are necessary to make such payments. Payments from the Operating Fund shall be made by the Authority pursuant to a requisition of the Authority, signed by an Authorized Officer, describing in reasonable detail the purposes for which such moneys are to be used and the amount thereof.

(*Section 5.08*)

Arbitrage Rebate Fund

The Trustee shall deposit to the Arbitrage Rebate Fund any moneys delivered to it by the Authority or the Fund for deposit therein and, notwithstanding any other provisions of the Fifth General Resolution, shall transfer to the Arbitrage Rebate Fund, in accordance with the directions of an Authorized Officer of the Authority, moneys on deposit in any other funds held by the Trustee under the Fifth General Resolution at such times and in such amounts as shall be set forth in such directions.

Moneys on deposit in the Arbitrage Rebate Fund shall be applied by the Trustee in accordance with the direction of an Authorized Officer of the Authority to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Authority shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America. Moneys which an Authorized Officer of the Authority determines to be in excess of the amount required to be so rebated shall be deposited to any fund or account established under the Fifth General Resolution in accordance with the written direction of such Authorized Officer.

The Authority shall periodically, at such times as may be required to comply with the Code, determine the amount required by the Code to be rebated to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (i) transfer or direct the Trustee to transfer from any other of the funds and accounts held under the Fifth General Resolution and deposit to the Arbitrage Rebate Fund, such amount as the Authority shall have determined to be necessary in order to enable it to comply with its obligation to rebate moneys to the Department of the Treasury of the United States of America with respect to each Series of Bonds and (ii) pay out of the Arbitrage Rebate Fund to the Department of the Treasury of the United States of America the amount, if any, required by the Code to be rebated thereto.

(*Section 5.09*)

Application of Moneys in Certain Funds for Retirement of Bonds

Notwithstanding any other provisions of the Fifth General Resolution, if at any time the amounts held in the Debt Service Fund are sufficient either to pay the principal or Redemption Price of all Outstanding Bonds and the interest accrued and to accrue on such Bonds to the next date on which all such Bonds are redeemable, or to make provision pursuant to the provisions of the Fifth General Resolution described below in subparagraph (b) of the heading entitled “DEFEASANCE” for the payment of the Outstanding Bonds at the maturity or redemption dates thereof, the Authority may (i) direct the Trustee to proceed to redeem the Outstanding Bonds in the manner provided for redemption of such Bonds by the Fifth General Resolution and by each Series Resolution as provided in the Fifth General Resolution, or (ii) give the Trustee irrevocable instructions in accordance with the provisions of the Fifth General Resolution described below in subparagraph (b) of the heading entitled “DEFEASANCE” and make provision for the payment of the Outstanding Bonds at the maturity or redemption dates thereof in accordance therewith.

(*Section 5.10*)

Transfer of Investments

Whenever moneys in any fund or account established under the Fifth General Resolution to be paid in accordance with the Fifth General Resolution to another such fund or account, such payment may be made, in whole or in part, by transferring to such other fund or account investments held as part of the fund or account from which such payment is to be made, whose value, together with the moneys, if any, to be transferred, is at least equal to the amount of the payment then to be made; provided, however, that no such transfer of investments would result in a violation of any investment standard or restriction applicable to such fund or account.

(*Section 5.11*)

Computation of Assets of Certain Funds

The Trustee, after the end of each calendar month, shall compute the value of the assets in the Building and Equipment Reserve Fund on the last day of each such month, and notify the Authority, the Fund and each Provider as to the results of such computation and the amount by which the value of the assets in the Building and Equipment Reserve Fund exceeds or is less than the Building and Equipment Reserve Fund Requirement.

(*Section 5.12*)

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Security for Deposits

All moneys held under the Fifth General Resolution by the Trustee shall be continuously and fully secured, for the benefit of the Authority and the Holders of the Bonds, by direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America of a market value equal at all times to the amount of the deposit so held by the Trustee; provided, however, (a) that if the securing of such moneys is not permitted by applicable law, then in such other manner as may then be required or permitted by applicable State or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds, and (b) that it shall not be necessary for the Trustee or any Paying Agent to give security for the deposit of any moneys with them pursuant to the Fifth General Resolution and held in trust for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of or interest on any Bonds, or for the Trustee to give security for any moneys which shall be represented by obligations purchased or other investments made under the provisions of the Fifth General Resolution as an investment of such moneys.

(*Section 6.01*)

Investment of Funds and Accounts

(a) Moneys held under the Fifth General Resolution in any fund or account established by the Fifth General Resolution or by or pursuant to a Series Resolution, if permitted by law, shall, as nearly as may be practicable, be invested in Government Obligations, Federal Agency Obligations, Exempt Obligations, and, if not inconsistent with the investment guidelines of a Rating Service applicable to funds held under the Fifth General Resolution, any other Permitted Investment; *provided, however,* that each such investment shall permit the moneys so deposited or invested to be available for use at the times at which the Authority reasonably believes such moneys will be required for the purposes of the Fifth General Resolution; *provided, further,* that (x) any Permitted Collateral required to secure any Permitted Investment shall have a market value, determined by the Trustee or its agent periodically, but no less frequently than weekly, at least equal to the amount deposited or invested including interest accrued thereon, (y) the Permitted Collateral shall be deposited with and held by the Trustee or an agent of the Trustee approved by an Authorized Officer of the Authority, and (z) the Permitted Collateral shall be free and clear of claims of any other person. Moneys held under the Fifth General Resolution by the Trustee shall be invested by the Trustee upon the direction of an Authorized Officer of the Authority given or confirmed in writing, which direction shall specify the amount to be so invested.

(b) Permitted Investments purchased or other investments made as an investment of moneys in any fund or account held under the provisions hereof shall be deemed at all times to be a part of such fund or account and the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged to, as the case may be, such fund or account.

(c) In computing the amount in any fund or account held by the Trustee under the provisions hereof, each Permitted Investment shall be valued at the market value thereof, plus accrued interest, whichever is lower, *except* that investments in the Building and Equipment Reserve Fund shall be valued at the lower of the cost of such investment or the par value thereof, plus accrued interest.

(d) Notwithstanding anything to the contrary herein, the Authority, in its discretion, may direct the Trustee to, and the Trustee shall, sell, present for redemption or exchange any investment held by the Trustee pursuant to the Fifth General Resolution and the proceeds thereof may be reinvested as provided in this section. Except as otherwise provided in the Fifth General Resolution, the Trustee shall sell at the best price obtainable, or present for redemption or exchange, any investment held by it pursuant to the Fifth General Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account in which such investment is held. The Trustee shall advise the Authority, in writing, on or before the fifteenth (15th) day of each calendar month, of the amounts required to be on deposit in each fund and account under the Fifth General Resolution and of the details of all investments held for the credit of each fund and account in its custody under the provisions of the Fifth General Resolution as of the end of the preceding month and as to whether such investments comply with the provisions of paragraphs (a) and (b) of this section. The details of such investments shall include the par value, if any, the cost and the current market value of such investments as of the end of the preceding month. The Trustee shall also describe all withdrawals, substitutions and other transactions occurring in each such fund and account in the previous month.

(e) No part of the proceeds of any Series of Bonds or any other moneys of the Authority shall be used directly or indirectly to acquire any securities or investments the acquisition of which would cause any Bonds to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(*Section 6.02*)

PARTICULAR COVENANTS OF THE AUTHORITY

Payment of Principal and Interest

The Authority shall pay or cause to be paid the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on every Bond of each Series on the date and at the places and in the manner provided in the Bonds, according to the true intent and meaning thereof.

(*Section 7.01*)

Accounts and Audits

The Authority shall keep proper books of records and accounts (separate from all other records and accounts), which may be kept on behalf of the Authority by the Trustee, in which complete and correct entries shall be made of its transactions relating to each Series of Bonds, which books and accounts, at reasonable hours and subject to the reasonable rules and regulations of the Authority, shall be subject to the inspection of the Fund, the Trustee or of any Holder of a Bond or his representative duly authorized in writing. The Trustee shall annually prepare a report which shall be furnished to the Authority, to each Provider and to the Fund. Such report shall include at least: a statement of all funds (including investments thereof) held by such Trustee and the Authority pursuant to the provisions of the Fifth General Resolution and of each Series Resolution; a statement of the Revenues collected in connection with the Fifth General Resolution and with each Series Resolution; and complete and correct entries of the Authority's transactions relating to each Series of Bonds. A copy of such report shall, upon receipt of a written request therefor, and payment of any reasonable fee or charge made in connection therewith, be furnished to the registered owner of a Bond or any beneficial owner of a Book Entry Bond requesting the same.

(*Section 7.05*)

Creation of Liens

Except as permitted by the Fifth General Resolution, the Authority shall not create or cause to be created any lien or charge prior or equal to that of the Bonds on the proceeds from the sale of any Bonds, the Revenues or the funds and accounts established by the Fifth General Resolution or by any Series Resolution which are pledged by the Fifth General Resolution; provided, however, that nothing contained in the Fifth General Resolution shall prevent the Authority from issuing (i) bonds, notes or other obligations under another and separate resolution so long as the charge or lien created by such resolution is not prior or equal to the charge or lien created by the Fifth General Resolution, and (ii) incurring obligations or indebtedness to a Provider of a Credit Facility or a Liquidity Facility, which are secured by a lien on and pledge of the Revenues which are equal to the lien and pledge thereon made by the Fifth General Resolution.

(*Section 7.06*)

Enforcement of Obligations of the Fund and the City University

The Authority shall take all legally available action to cause the Fund and the City University to perform fully all duties and acts and comply fully with the covenants of the Fund and the City University required by the 2003 Agreement in the manner and at the times provided in the 2003 Agreement; provided, however, that the Authority may delay or defer enforcement of one or more provisions of the 2003 Agreement (other than provisions requiring the payment of moneys to the Trustee for deposit to any fund or account established under the Fifth General Resolution) if the Authority determines such delay or deferment will not materially adversely affect the interests of the Holders of the Bonds.

(*Section 7.07*)

Deposit of Certain Moneys in the Construction Fund

In addition to the proceeds of Bonds to be deposited in the Construction Fund, any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation or improvement of any Facility, including the proceeds of any insurance or condemnation award to be so applied, or otherwise providing, furnishing and equipping of Senior College Facilities shall be deposited in the Senior College Facilities Account and any moneys paid to the Authority for the acquisition, construction, reconstruction, rehabilitation or improvement or otherwise providing, furnishing and equipping of Community College Facilities shall be deposited in the Community College Facilities Account.

(*Section 7.08*)

Offices for Payment and Registration of Obligations

The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for payment. The Authority may, pursuant to a Supplemental Resolution or a Series Resolution or pursuant to a resolution adopted in accordance with the Fifth General Resolution, designate an additional Paying Agent or Paying Agents where Bonds of the Series authorized thereby or referred to therein may be presented for payment. The Authority shall at all times maintain an office or agency in the State where Bonds may be presented for registration, transfer or exchange and the Trustee is appointed as its agent to maintain such office or agency for the registration, transfer or exchange of Bonds.

(*Section 7.09*)

Amendment, Change, Modification or Waiver of 2003 Agreement

(a) The 2003 Agreement may, without the consent of the Holders of Bonds, be amended, changed, modified or supplemented for any one or more of the following purposes:

(i) to add an additional covenant or agreement for the purpose of further securing the payment of the Fund's obligations under the 2003 Agreement that is not contrary to or inconsistent with the covenants and agreements of the Fund contained therein;

(ii) to surrender any right, power or privilege reserved to or conferred upon the Fund or the City University, if surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of Fund or the City University contained therein;

(iii) to make changes necessary or appropriate in connection with the acquisition, construction, reconstruction, rehabilitation and improvement, or otherwise providing, furnishing and equipping of any Facility, to amend the description of any Facility or to add or delete a Facility to or from Schedule A of the 2003 Agreement;

(iv) to establish, amend or modify any fees payable to the Authority by the Fund in connection with any Facility or Bonds; or

(v) with the prior written consent of the Trustee and each Credit Facility Provider, to cure any ambiguity, or to correct or supplement any provisions contained in the 2003 Agreement which may be defective or inconsistent with any other provisions contained in the Fifth General Resolution or in the 2003 Agreement or to amend, modify or waive any other provision of the 2003 Agreement provided that the same does not adversely affect the interests of the Holders of Outstanding Bonds in any material respect.

(b) Notwithstanding the provisions of paragraph (a) of this section, the 2003 Agreement may not be amended, changed, modified or terminated, nor may any provision thereof be waived, without the consent of the Holders of Outstanding Bonds as provided in this section, if such amendment, change, modification, termination or waiver (i) reduces the amount payable by the Fund under the 2003 Agreement on any date or delays the date on which payment is to be made, (ii) modifies the events which constitute events of default under the 2003 Agreement, (iii) diminishes, limits or conditions the rights or remedies of the Authority upon the occurrence of an event of default under 2003 Agreement, or (iv) adversely affects the rights of the Holders of Outstanding Bonds in any material respect.

No such amendment, change, modification, termination or waiver shall take effect unless the prior written consent of (a) the Holders of at least a majority in principal amount of the Bonds then Outstanding, or (b) in case less than all of the several Series of Bonds then Outstanding are affected by the amendment, change, modification, termination or waiver, the Holders of not less than a majority in principal amount of the Bonds of the Series so affected and then Outstanding; *provided, however,* that if such amendment, change, modification, termination or waiver will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section.

(c) No amendment, change, modification or termination of the 2003 Agreement, or waiver of a provision thereof shall be made other than pursuant to a written instrument signed by the parties thereto. No such amendment, change, modification or waiver shall become effective unless there has been delivered to the Trustee an opinion of Bond Counsel to the effect that the same is not inconsistent with the Fifth General Resolution and will not adversely affect the exclusion of interest on any Bonds from gross income for purposes of federal income taxation. A copy of each such amendment, change, modification, termination or waiver shall be filed with the Trustee and a copy thereof shall be sent to each Credit Facility Provider.

(d) For the purposes of this section, the purchasers of the Bonds of a Series, whether purchasing in connection with a primary offering or a reoffering of Bonds or as underwriters, for resale or otherwise, upon such purchase, may consent to an amendment, change, modification, alteration or termination permitted by this section in the manner provided in the Fifth General Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; *provided, however,* that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the amendment, change, modification, alteration or termination and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering or the reoffering of the Obligations of such Series.

For the purposes of this section, a Series shall be deemed to be adversely affected by an amendment, change, modification or alteration of the 2003 Agreement if the same adversely affects or diminishes the rights of the Holders of the Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the provisions of the Fifth General Resolution, Bonds of any particular Series would be adversely affected in any material respect by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the Fund, the Authority and all Holders of Bonds.

For all purposes of this section, the Trustee shall be entitled to rely upon an opinion of counsel, which counsel shall be satisfactory to the Trustee, with respect to whether any amendment, change, modification or alteration adversely affects the interests of any Holders of Bonds then Outstanding in any material respect.

(*Section 7.10*)

Notice as Default under 2003 Agreement

The Authority shall notify the Trustee that a default under the 2003 Agreement, as such term is defined in the 2003 Agreement, has occurred and is continuing, which notice shall be given within five (5) days after the Authority has obtained actual knowledge thereof.

(*Section 7.11*)

Annual Payments; Priority of Payment

The 2003 Agreement shall provide for the payment of Annual Payments which shall be sufficient at all times (i) to pay the principal and Sinking Fund Installments of and interest on Outstanding Bonds as the same become due and payable and (ii) to make the payments to the Building and Equipment Reserve Fund required by the Fifth General Resolution and by the 2003 Agreement. To the extent the Annual Payments made at any time by the Fund, pursuant to subsection (a) under the section of the 2003 Agreement entitled "Payments to the 2002 Payment Pledge Account", are not sufficient to make the payments required by subsection (a) under the section of the Fifth General Resolution entitled "Debt Service Fund", all moneys paid by the Fund pursuant to Section 5.01 of the 2003 Agreement at the same time or thereafter shall be paid by the Authority to the Trustee for application in accordance with subsection (a) under the section of the Fifth General Resolution entitled "Debt Service Fund" until moneys sufficient to make the payments required pursuant to subsection (a) under the section of the Fifth General Resolution entitled "Debt Service Fund" have been received by the Trustee.

(*Section 7.12*)

Project Income

In the event that for any reason the Authority shall reenter and, directly or indirectly, operate a Facility, the Authority shall, within ten (10) days thereafter, adopt, and from time to time thereafter revise, a schedule of charges or fees for the use or occupancy of the Facility which shall provide moneys sufficient at all times to pay (i) the Operating Expenses relating to such Facility and (ii) the principal and

Sinking Fund Installments of and interest on all Outstanding Bonds issued in connection with such Facility. The Authority shall take all actions necessary or appropriate to collect or to cause to be collected such charges and fees.

(*Section 7.13*)

Budget of Operating Expenses

In the event the Authority shall reenter a Leased Facility upon the happening of a default by the Fund or the City University under the 2003 Agreement, the Authority shall prepare, not later than sixty (60) days from the date of such entry, a budget of Operating Expenses, itemized by classification, made or to be made monthly for the balance of the Bond Year. At least sixty (60) days prior to the beginning of each Bond Year thereafter, the Authority shall prepare a budget of Operating Expenses, itemized by classification, made or to be made monthly for such Bond Year. Each such budget of the Operating Expenses shall be filed by the Authority with the Trustee accompanied by a certificate signed by an Authorized Officer of the Authority stating that such budget has been prepared and is filed in accordance with the provisions of the Fifth General Resolution.

(*Section 7.14*)

Payment of Lawful Charges

The Authority shall pay or take all legally available action to cause the Fund or the City University to pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed in respect of the Project or any part thereof or upon any Revenues, the Fund Resources or any fund or account created under the Fifth General Resolution or under any Series Resolution, when the same shall become due, and shall duly observe and comply with or cause the Fund and the City University to duly observe and comply with, all valid requirements of any municipal or governmental authority relative to any part of the Project. Except as otherwise provided by the Fifth General Resolution and by the 2003 Agreement, the Authority shall not create or suffer to be created any lien or charge upon the Revenues or any fund or account created and pledged under the Fifth General Resolution or under any Series Resolution, except the pledge and lien of the Fifth General Resolution and of the Bonds. The Authority shall pay or cause to be paid or cause to be discharged, or shall make adequate provisions to satisfy and discharge all lawful claims and demands for labor, materials, equipment, supplies or other objects which, if unpaid, might by law become a lien upon the Revenues; provided, however, that nothing in this section shall require the Authority to pay or cause to be paid or discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

(*Section 7.15*)

Withdrawal, Sale, Lease or Condemnation of a Facility

The Authority shall not permit the withdrawal of a Facility from the schedule of Leased Facilities annexed to the 2003 Agreement, or any sale, lease or other disposition of a Facility except in accordance with the provisions of the 2003 Agreement. The proceeds of any condemnation, sale, lease or other disposition of a Facility shall be applied by the Authority, the Fund and the City University in accordance with the 2003 Agreement.

(*Section 7.16*)

SERIES RESOLUTIONS AND SUPPLEMENTAL RESOLUTIONS

Modification and Amendment Without Consent

The Authority may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions: (a) To provide for the issuance of a Series of Bonds pursuant to the provisions of the Fifth General Resolution and to prescribe the terms and conditions pursuant to which such Bonds may be issued, paid or redeemed; (b) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Fifth General Resolution; (c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the Authority which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect; (d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Fifth General Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Fifth General Resolution; (e) To confirm, as further assurance, any pledge under the Fifth General Resolution, and the subjection to any lien, claim or pledge created or to be created by the provisions of the Fifth General Resolution, of the Revenues, or any pledge of any other moneys, investments thereof or funds; (f) To modify any of the provisions of the Fifth General Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Resolution or Series Resolution shall cease to be Outstanding, and all Bonds issued under such resolutions shall contain a specific reference to the modifications contained in such subsequent Resolutions; (g) To modify the provisions of subsection (a) under the heading "Investment of Funds and Accounts" in the Fifth General Resolution; (h) To establish or modify the Building and Equipment Reserve Fund Requirement; or (i) With the consent of the Trustee, to cure any ambiguity or defect or inconsistent provision in the Fifth General Resolution or to insert such provisions clarifying matters or questions arising under the Fifth General Resolution as are necessary or desirable if any such modifications are not contrary to or inconsistent with the Resolution as theretofore in effect, or to modify any of the provisions of the Fifth General Resolution or of any previously adopted Series Resolution or Supplemental Resolution in any other respect, provided that such modification shall not adversely affect the interests of the Bondholders in any material respect.

(*Section 9.01*)

Supplemental Resolutions Effective with Consent of Bondholders

The provisions of the Fifth General Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the provisions of the Fifth General Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the Authority. The Trustee shall transmit a copy of such Supplemental Resolution to the Fund and the City University upon its becoming effective.

(*Section 9.02*)

General Provisions Relating to Series Resolutions and Supplemental Resolutions

The Fifth General Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of the Fifth General Resolution. Nothing contained in the Fifth General Resolution shall affect or limit the rights or obligations of the Authority to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of the Fifth General Resolution or the right or obligation of the Authority to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere provided in the Fifth General Resolution or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Series Resolution and Supplemental Resolution adopted by the Authority, when filed with the Trustee, shall be accompanied by an opinion of Bond Counsel stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Fifth General Resolution, is authorized or permitted by the Fifth General Resolution and is valid and binding upon the Authority and enforceable in accordance with its terms. The Trustee shall transmit a copy of such Supplemental Resolution to the Fund, the City University and each Provider upon its becoming effective.

The Trustee is authorized to accept delivery of a certified copy of any Series Resolution or Supplemental Resolution permitted or authorized pursuant to the provisions of the Fifth General Resolution and to make all further agreements and stipulations which may be contained in the Fifth General Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Series Resolution or Supplemental Resolution is authorized or permitted by the provisions of the Fifth General Resolution.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee, a Paying Agent of a Provider of a Credit Facility or a Liquidity Facility shall become effective without the written consent of the Trustee, Paying Agent or Provider affected thereby.

(*Section 9.03*)

Powers of Amendment

Any modification or amendment of the Fifth General Resolution and of the rights and obligations of the Authority and of the Holders of the Bonds under the Fifth General Resolution, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the provisions of the Fifth General Resolution described below under the subheading "Consent of Bondholders", (i) of the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, or (ii) in case less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (iii) in case the modification or amendment changes the amount or date of any Sinking Fund Installment, of the Holders of at least a majority in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment, Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, maturity and tenor remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds as described under this section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this section, a Series shall be deemed to be affected by a modification or amendment of the Fifth General Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series in any material respect. The Trustee may in its discretion determine whether or not, in accordance with the foregoing provisions, the Bonds of any particular Series or maturity would be affected by any modification or amendment of the Fifth General Resolution and any such determination shall be binding and conclusive on the Authority and all Bondholders. The Trustee may receive an opinion of counsel, including an opinion of Bond Counsel, as conclusive evidence as to whether the Bonds of any particular Series or maturity would be so affected by any such modification or amendment of the Fifth General Resolution.

(*Section 10.01*)

Consent of Bondholders

The Authority may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions described in the immediately preceding paragraph to take effect when and as provided in this section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to the Bondholders for their consent thereto in form satisfactory to the Trustee, shall promptly after adoption be mailed by the Authority to the Bondholders (but failure to mail such copy and request to any particular Holder shall not affect the validity of the Supplemental Resolution when consented to as in this section provided). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consent of the Holders of the percentages of Outstanding Bonds specified in the immediately preceding paragraph and (b) an opinion of Bond Counsel stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Authority in accordance with the provisions of the Fifth General Resolution, is authorized or permitted by the Fifth General Resolution, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter in this section provided. Each such consent shall be effective only if accompanied by proof of the holding or owning at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Fifth General Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with the Fifth General Resolution shall be conclusive proof that the consents have been given by the Holders of the Bonds described in the certificate or certificates of the Trustee. Any consent given by a Bondholder shall be binding upon the Holder of Bonds giving such consent and, anything in the Fifth General Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this section provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Authority and the Trustee a written statement that such Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive evidence that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this section, shall be given to the Bondholders by the Authority by mailing such notice to the Bondholders and, at the discretion of the Authority, by publishing the same at least once not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this section provided). The Authority shall file with the Trustee proof of the mailing of such notice to the Bondholders, and, if the same shall have been published of the publication thereof. A transcript, consisting of the papers required or permitted by this section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Authority, the Trustee, each Paying Agent and the Holders of all Bonds upon the filing with the Trustee of proof of the mailing of such notice or at the expiration of thirty (30) days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, if such notice is published, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the Authority, the Trustee and any Paying Agent during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

The purchasers of the Bonds of a Series, whether purchasing in connection with a primary offering or a reoffering of Bonds or as underwriters, for resale or otherwise, upon such purchase from the Authority, may consent to a modification or amendment permitted by the Fifth General Resolution in the manner provided in the Fifth General Resolution, except that no proof of ownership shall be required, and with the same effect as a consent given by the Holder of such Bonds; provided, however, that, if such consent is given by a purchaser who is purchasing as an underwriter or for resale, the nature of the modification or amendment and the provisions for the purchaser consenting thereto shall be described in the official statement, prospectus, offering memorandum or other offering document prepared in connection with the primary offering of the Bonds of such Series by the Authority.

(*Section 10.02*)

Modifications by Unanimous Consent

The terms and provisions of the Fifth General Resolution and the rights and obligations of the Authority and of the Holders of the Bonds may be modified or amended in any respect upon the adoption and filing with the Trustee by the Authority of a copy of a Supplemental Resolution certified by an Authorized Officer of the Authority and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the immediately preceding section, except that no notice to Bondholders either by mailing or publication shall be required.

(Section 10.03)

DEFAULTS AND REMEDIES

Events of Default

Events of default under the Fifth General Resolution and under each Series Resolution include: failure to pay the principal, Sinking Fund Installments or Redemption Price of, or an installment of interest on, any Bond when the same shall become due and payable; with respect to the Bonds of any Series, the Authority shall default in the due and punctual performance of any covenants contained in the Series Resolution authorizing the issuance thereof to the effect that the Authority shall comply with the provisions of the Code applicable to such Bonds necessary to maintain the exclusion of interest therein from gross income under Section 103 of the Code and shall not take any action which would adversely affect the exclusion of interest on such Bonds from gross income under Section 103 of the Code and, as a result thereof, the interest on the Bonds of such Series shall no longer be excludable from gross income under Section 103 of the Code; or default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Fifth General Resolution or in the Bonds or in any Series Resolution on the part of the Authority to be performed and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Authority by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, unless, if such default is not capable of being cured within thirty (30) days, the Authority has commenced to cure such default within said thirty (30) days and diligently prosecutes the cure thereof.

(*Section 11.02*)

Acceleration of Maturity

Upon the happening and continuance of any event of default, other than a tax default, then and in every such case the Trustee may, and, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, shall, by a notice in writing to the Authority, declare the principal of all of the Outstanding Bonds to be due and payable. At the expiration of thirty (30) days after such notice is given, such principal shall become and be immediately due and payable. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Fifth General Resolution, the Trustee shall, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Bonds not then due by their terms and then Outstanding and by written notice to the Authority, annul such declaration and its consequences.

(*Section 11.03*)

Enforcement of Remedies

Upon the happening and continuance of any event of default, then and in every such case, the Trustee may proceed, and upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of a happening and continuance a tax default, upon the written request of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall proceed (upon receiving indemnity to its satisfaction), to protect and enforce its rights and the rights of the Bondholders or of such Provider under the Fifth General Resolution or under any Series Resolution or under the laws of the State by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained under the Fifth General Resolution or under any Series Resolution or in aid or execution of any power in the Fifth General Resolution or therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

(*Section 11.04*)

Limitation of Rights of Individual Bondholders

No Holder of any of the Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Fifth General Resolution, or for any other remedy under the Fifth

General Resolution unless such Holder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be instituted, and unless also the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, or, in the case of a tax default, the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the Series affected thereby, shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Fifth General Resolution or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

(*Section 11.08*)

DEFEASANCE

(a) If the Authority shall pay or cause to be paid to the Holders of Bonds of a Series the principal, Sinking Fund Installments, if any, or Redemption Price of and interest thereon, at the times and in the manner stipulated therein, in the Fifth General Resolution and in the applicable Series Resolution and Series Certificate, then the pledge of the Revenues or other moneys and securities pledged by the Fifth General Resolution to such Bonds and all other rights granted by the Fifth General Resolution to such Bonds shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the Authority, execute and deliver such documents to evidence such discharge and satisfaction as may be reasonably required by the Authority, and all moneys or investments thereof held by it pursuant to the Fifth General Resolution and to the applicable Series Resolution which are not required for the payment or redemption of Bonds of such Series shall be paid or delivered by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Provider the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; and, then, the balance thereof to the Authority. Such moneys or investments thereof so paid or delivered shall be released from any trust, pledge, lien, encumbrance or security interest created by the Fifth General Resolution.

(b) Bonds for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit of moneys for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above. All Outstanding Bonds of any Series or any Subseries or maturity within a Series or a portion of a maturity within a Series or Subseries shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (a) above if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee, in form satisfactory to it, irrevocable instructions to mail as provided in the Fifth General Resolution notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give, as soon as practicable, by first class mail, postage prepaid, to the Holders of said Bonds at their last known addresses appearing on the registration books, and, if directed by an Authorized Officer of the Authority, by publication, at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper a notice to the Holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds. The Authority shall give written notice to the Trustee of its selection of the Series, Subseries and maturity payment of which shall be made in accordance with this paragraph (b). The Trustee shall select the Bonds of like Series, Subseries, maturity and tenor payment of which shall be made in accordance with this section in the manner provided in the Fifth General Resolution.

Neither the Defeasance Securities nor moneys deposited with the Trustee pursuant to this section nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on said Bonds; *provided, however,* that any moneys received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be; *provided, further,* that Defeasance Securities may be withdrawn and used by the Authority for any purpose upon (i) the simultaneous substitution therefor of either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and interest on which when due will provide moneys which, together with the moneys, if any, held by or deposited with the Trustee at the same time, shall be sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (ii) receipt by the Trustee of a letter or other written report a Verification Agent verifying the accuracy of the arithmetical computations which establish the adequacy of such moneys and Defeasance Securities for such purpose. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, shall, to the extent certified by the Trustee to be in excess of the amounts required to pay the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be paid by the Trustee as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien, encumbrance or security interest created by the Fifth General Resolution.

(c) For purposes of determining whether Variable Interest Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Defeasance Securities and moneys, if any, in accordance with clause (ii) of the second sentence of paragraph (b) above, the interest to come due on such Variable Interest Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Variable Interest Rate Bonds having borne interest at less than such Maximum Interest Rate for any period, the total amount of moneys and Defeasance Securities on deposit with the Trustee for the payment of interest on such Variable Interest Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Variable Interest Rate Bonds in order to satisfy clause (ii) of the second sentence of paragraph (b) above, the Trustee shall pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released from any trust, pledge, lien, encumbrance or security interest created by the Fifth General Resolution.

(d) Option Bonds shall be deemed to have been paid in accordance with clause (ii) of the second sentence of paragraph (b) above only if, in addition to satisfying the requirements of clauses (i) and (iii) of such sentence, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the Trustee pursuant to clause (ii) of the second sentence of paragraph (b) above, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph (d). If any portion of the moneys deposited with the Trustee for the payment of the principal of and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall, if requested by the Authority, pay the amount of such excess as follows: first, to the Arbitrage Rebate Fund, the amount required to be deposited therein in accordance with the direction of an Authorized Officer of the Authority; second, to each Provider, the Provider Payments which have not been repaid, pro rata, based upon the respective Provider Payments then unpaid to each Provider; and, then, the balance thereof to the Authority. The moneys so paid by the Trustee shall be released of any trust, pledge, lien, encumbrance or security interest created by the Fifth General Resolution.

(e) Anything in the Fifth General Resolution to the contrary notwithstanding, any moneys held by the Trustee or a Paying Agent in trust for the payment and discharge of any of the Bonds of a Series or the interest thereon which remain unclaimed for one (1) year after the date when all of the Bonds of such Series have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or Paying Agent at such date, or for one (1) year after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after said date when all of the Bonds of such Series become due and payable, or one (1) year after the date when the principal or Redemption Price of or interest on the Bonds for which said moneys is held was due and payable, shall, at the written request of the Authority, be repaid by the Trustee or Paying Agent to the Authority as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Authority for the payment of such Bonds; provided, however, that, before being required to make any such payment to the Authority, the Trustee or Paying Agent may, at the expense of the Authority, cause to be published in an Authorized Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) nor more than sixty (60) days after the date of publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

(*Section 12.01*)

FORM OF APPROVING OPINION
OF BOND COUNSEL

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New York, New York 10022-7001
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September __, 2010

Dormitory Authority of the
State of New York
515 Broadway
Albany, New York 12207

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $196,205,000 aggregate principal amount of City University System Consolidated Fifth General Resolution Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), by the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic constituting a public benefit corporation of the State of New York, created and existing under and pursuant to the Constitution and statutes of the State of New York, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended to the date hereof, including, without limitation, by the Healthcare Financing Consolidation Act, being Title 4-B of the Public Authorities Law of the State of New York, as amended to the date hereof (the "Act").

The Series 2010A Bonds are issued under and pursuant to the Act and the City University System Consolidated Fifth General Revenue Bond Resolution of the Authority (the "Resolution") and the City University System Consolidated Fifth General Resolution Series 2010 Resolution Authorizing City University System Consolidated Fifth General Resolution Revenue Bonds, adopted February 24, 2010 (the "Series 2010 Resolution"). Said resolutions are herein collectively called the "Resolutions." Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Resolutions.

The Series 2010A Bonds are part of an issue of bonds of the Authority (the "Bonds") which the Authority has established and created under the terms of the Resolution and is authorized to issue from time to time for the purposes authorized by the Act and the Resolution, as then in effect, and without limitation as to amount, except as provided in the Resolutions or as may be limited by law. The Series 2010A Bonds are being issued for the purposes set forth in the Resolutions.

The Authority is authorized to issue Bonds, in addition to the Series 2010A Bonds, only upon the terms and conditions set forth in the Resolution and such Bonds, when issued, will with the Series 2010A Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution.

The Series 2010A Bonds are issuable in the form of fully registered Bonds in the denomination of $5,000 or integral multiples thereof. The Series 2010A Bonds are each numbered consecutively from one upward in order of issuance.

The Series 2010A Bonds are dated the date hereof and mature on July 1 and bear interest, payable January 1, 2011 and semiannually thereafter on January 1 and July 1, in each of the years and at the respective principal amounts and rates per annum set forth below:

Due July 1	Principal Amount	Interest Rate	Due July 1	Principal Amount	Interest Rate
2011	$26,640,000	2.00%	2018	$ 2,325,000	3.00%
2012	12,440,000	2.00	2019	4,700,000	5.00
2012	11,840,000	3.00	2020	7,795,000	5.00
2013	4,160,000	2.00	2021	15,860,000	5.00
2014	2,950,000	3.00	2022	10,680,000	5.00
2014	5,395,000	4.00	2023	6,620,000	5.00
2015	6,250,000	3.00	2024	15,785,000	5.00
2015	9,425,000	4.00	2025	19,205,000	5.00
2015	15,210,000	5.00	2026	830,000	4.00
2016	9,015,000	4.00	2026	9,005,000	5.00
2017	75,000	3.00			

The Series 2010A Bonds are subject to redemption and optional purchase prior to maturity as provided in the Resolutions.

The Authority, the City University Construction Fund (the “Fund”) and The City University of New York (the “City University”) have entered into an Agreement and Lease, dated as of January 22, 2003 (the “Agreement”), by which the principal and Sinking Fund Installments of and interest on the Bonds, as well as a part of the Authority’s annual administrative expenditures and costs, are to be paid by the Fund to the Authority as Annual Payments. All amounts payable under the Agreement which are required to be paid to The Bank of New York Mellon, New York, New York, as trustee under the Resolution, for payment of the principal or Redemption Price of or interest on the Bonds or the Building and Equipment Reserve Fund at its requirement have been pledged by the Authority for the benefit of the Holders of the Bonds.

We are of the opinion that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State of New York, with the right and lawful authority and power to adopt the Resolutions and to issue the Bonds thereunder, including the Series 2010A Bonds.

2. The Series 2010 Resolution has been duly adopted in accordance with the provisions of the Resolution and is authorized and permitted by the Resolution. The Resolutions have been duly and lawfully adopted by the Authority, are in full force and effect and are legal, valid and binding obligations of the Authority enforceable in accordance with their terms.

3. The Series 2010A Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State of New York, including the Act, and in accordance with the Resolutions. The Series 2010A Bonds are legal, valid and binding special obligations of the Authority payable as provided in the Resolutions, are enforceable in accordance with their terms and the terms of the Resolutions and are entitled, together with all other Bonds issued under the Resolutions, to the equal benefits of the Resolutions and the Act.

4. The Authority has the right and lawful authority and power to enter into the Agreement and the Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable in accordance with its terms.

5. The Internal Revenue Code of 1986 (the “Code”) sets forth certain requirements that must be met subsequent to the issuance and delivery of the Series 2010A Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2010A Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Series 2010A Bonds. Pursuant to the Series 2010 Resolution, the Agreement and the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code (the “Tax

Certificate"), the Authority, the City University and the Fund have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2010A Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Authority, the City University and the Fund have made certain representations and certifications in the Series 2010 Resolution, the Agreement and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with certain covenants described herein, and the accuracy of the aforementioned representations and certifications, interest on the Series 2010A Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2010A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

6. Interest on the Series 2010A Bonds is exempt, by virtue of the Act, from personal income taxes of the State of New York and its political subdivisions, including The City of New York and the City of Yonkers.

The opinions contained in paragraphs 2, 3 and 4 above are qualified to the extent that the enforceability of the Resolutions, the Series 2010A Bonds and the Agreement may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or as to the availability of any particular remedy.

Except as stated in paragraphs 5 and 6 above, we express no opinion as to any other federal or state tax consequences of the ownership or disposition of the Series 2010A Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Series 2010A Bonds, or the interest thereon, if any action is taken with respect to Series 2010A Bonds or the proceeds thereof upon the advice or approval of other counsel.

In connection with the delivery of this opinion, we are not passing upon the authorization, execution and delivery of the Agreement by the City University and the Fund. We have assumed the due authorization, execution and delivery of the Agreement by the City University and the Fund.

Very truly yours,

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INFORMATION RELATING TO THE REFUNDED BONDS

TABLE OF REFUNDED BONDS

Resolution	Series	Maturity Date	Interest Rate	Principal Outstanding	Principal Refunded	Redemption Date	Redemption Price
Second	2000A	7/1/2011	6.125%	$29,865,000	$29,865,000	11/1/2010	101.000%
General	2000A	7/1/2012	6.125%	32,850,000	32,850,000	11/1/2010	101.000%
Resolution	2000A	7/1/2013	6.125%	32,075,000	32,075,000	11/1/2010	101.000%
				$94,790,000	$94,790,000		
	2000B	7/1/2015	5.750%	$42,020,000	$42,020,000	11/1/2010	100.000%
	2000B	7/1/2016	5.750%	17,255,000	17,255,000	11/1/2010	100.000%
				$59,275,000	$59,275,000		
Third	1998 - 1	7/1/2025	5.250%	$57,935,000	$57,935,000 T	11/1/2010	100.000%
General	1998 - 1	7/1/2026	5.000%	32,500,000	32,500,000 T	11/1/2010	100.000%
Resolution				$90,435,000	$90,435,000		
Fourth	2000A	7/1/2011	4.900%	$1,520,000	$1,520,000	11/1/2010	100.000%
General	2000A	7/1/2011	5.250%	2,310,000	2,310,000	11/1/2010	100.000%
Resolution				$3,830,000	$3,830,000		
	2001A	7/1/2012	5.500%	$3,880,000	$3,880,000	7/1/2011	100.000%

T – Term bond, final maturity

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK • CITY UNIVERSITY SYSTEM CONSOLIDATED FIFTH GENERAL RESOLUTION REVENUE BONDS, SERIES 2010A

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