NEW ISSUE – BOOK-ENTRY ONLY

$765,695,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK

$656,135,000
STATE PERSONAL INCOME TAX REVENUE BONDS
Series 2008B (Education)

$109,560,000
STATE PERSONAL INCOME TAX REVENUE REFUNDING BONDS

$58,965,000	$50,595,000
Series 2008C (Education)	**Series 2008C (Economic Development and Housing) (Federally Taxable)**

Dated: Date of Delivery **Due: As Shown on the Inside Cover**

The Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education), Series 2008B (the "Series 2008B Education Bonds"), the Dormitory Authority of the State of New York State Personal Income Tax Revenue Refunding Bonds (Education), Series 2008C (the "Series 2008C Education Bonds" and, together with the Series 2008B Education Bonds, the "Series 2008 Education Bonds") and the Dormitory Authority of the State of New York State Personal Income Tax Revenue Refunding Bonds (Economic Development and Housing), Series 2008C (Federally Taxable) (the "Series 2008C Economic Development and Housing Bonds" and, together with the Series 2008 Education Bonds, the "Series 2008 Bonds") are special obligations of the Dormitory Authority of the State of New York (the "Authority"). The Series 2008 Bonds are secured by a pledge of certain payments (the "Financing Agreement Payments") to be made to the Trustee on behalf of the Authority by the State of New York (the "State") under Financing Agreements between the Authority and the State. Financing Agreement Payments are payable from amounts legally required to be deposited into the Revenue Bond Tax Fund to provide for the payment of the Series 2008 Bonds and all other State Personal Income Tax Revenue Bonds (as hereinafter defined). The Revenue Bond Tax Fund receives a statutory allocation of 25 percent of State of New York personal income tax receipts imposed by Article 22 of the Tax Law (the "New York State Personal Income Tax Receipts") as more fully described herein.

The Authority is one of five Authorized Issuers (hereinafter defined) that can issue Personal Income Tax Revenue Bonds. All financing agreements entered into by the State to secure State Personal Income Tax Revenue Bonds shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund (as hereinafter defined). The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.

The Series 2008 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2008 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2008 Bonds. The Authority has no taxing power.

The Series 2008 Bonds will be issued as fixed rate obligations, fully registered, in denominations of $5,000 or any integral multiple thereof. The Series 2008 Bonds will bear interest at the rates and mature at the times shown on the inside cover page hereof. Interest on the Series 2008 Education Bonds is payable each March 15 and September 15, commencing March 15, 2009. Interest on the Series 2008C Economic Development and Housing Bonds is payable each June 15 and December 15, commencing June 15, 2009.

The Series 2008 Bonds will be initially issued under a book-entry only system and will be registered in the name of Cede & Co., as Bondholder and nominee of The Depository Trust Company, New York, New York. See "PART 8—BOOK-ENTRY ONLY SYSTEM" herein. Principal and premium, if any, and interest on the Series 2008 Bonds will be payable through Deutsche Bank Trust Company Americas, New York, New York, as Trustee and Paying Agent.

The Series 2008 Education Bonds are subject to redemption prior to maturity as more fully described herein. The Series 2008C Economic Development and Housing Bonds are not subject to redemption prior to maturity.

In the opinion of Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, interest on the Series 2008 Education Bonds is not includable in the gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, under existing law, interest on the Series 2008C Economic Development and Housing Bonds is included in gross income for federal income tax purposes. Bond Counsel is also of the opinion that under existing law, interest on the Series 2008 Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York and the City of Yonkers). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2008 Bonds. See "PART 13 – TAX MATTERS" herein.

The Series 2008 Bonds are offered, when, as and if issued and delivered to the Underwriters. The issuance of the Series 2008 Bonds is subject to approval of legality by Sidley Austin LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. Certain legal matters are subject to the approval of Edwards Angell Palmer & Dodge LLP, New York, New York, Counsel to the Underwriters. It is expected that the Series 2008 Bonds will be available for delivery to The Depository Trust Company in New York, New York on or about November 25, 2008.

Morgan Stanley

Ramirez & Co., Inc. **Siebert Brandford Shank & Co., LLC**

Banc of America Securities LLC **Citi** **Goldman, Sachs & Co.**

Janney Montgomery Scott LLC **J.P. Morgan** **Merrill Lynch**

Piper Jaffray & Co. **Raymond James & Associates, Inc.** **RBC Capital Markets**

Southwest Securities

November 14, 2008

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND YIELDS

$656,135,000
State Personal Income Tax Revenue Bonds (Education)
Series 2008B

Due March 15	Amount	Interest Rate	Yield	CUSIP Numbers†	Due March 15	Amount	Interest Rate	Price or Yield	CUSIP Numbers†
2010	$15,605,000	3.000%	2.250%	649902RX3	2019	15,050,000	5.000%	4.420%	649902SG9
2011	16,075,000	4.000	2.590	649902RY1	2020	15,800,000	5.000	4.600*	649902SH7
2012	16,725,000	3.000	2.960	649902RZ8	2021	16,590,000	5.000	4.710*	649902SJ3
2013	17,225,000	5.000	3.190	649902SA2	2022	17,420,000	5.000	4.800*	649902SK0
2014	18,085,000	4.000	3.390	649902SB0	2023	18,295,000	5.000	4.890*	649902SL8
2015	18,805,000	3.500	3.590	649902SC8	2024	19,205,000	5.000	100	649902SM6
2016	19,460,000	5.000	3.810	649902SD6	2025	20,165,000	5.000	5.030	649902SN4
2017	20,440,000	4.000	4.020	649902SE4	2026	21,170,000	5.000	5.080	649902SP9
2018	21,255,000	4.200	4.220	649902SF1					

$45,590,000 5.000% Term Bonds due March 15, 2028 Yield 5.160% CUSIP Number 649902SQ7†
$228,415,000 5.750% Term Bonds due March 15, 2036 Yield 5.480%* CUSIP Number 649902SR5†
$74,760,000 5.250% Term Bonds due March 15, 2038 Yield 5.530% CUSIP Number 649902SS3†

$58,965,000
State Personal Income Tax Revenue Refunding Bonds (Education)
Series 2008C

$2,870,000 5.000% Term Bonds due March 15, 2028 Yield 5.160% CUSIP Number 649902ST1†
$30,100,000 5.750% Term Bonds due March 15, 2032 Yield 5.430%* CUSIP Number 649902SV6†
$25,995,000 5.250% Term Bonds due March 15, 2032 Yield 5.430% CUSIP Number 649902SU8†

$50,595,000
State Personal Income Tax Revenue Refunding Bonds (Economic Development and Housing)
Series 2008C (Federally Taxable)

Due December 15	Amount	Interest Rate	Price	CUSIP Numbers†
2009	$8,175,000	3.000%	100%	649902SW4
2010	8,355,000	4.170	100	649902SX2
2011	8,380,000	4.810	100	649902SY0

$25,685,000 5.840% Term Bonds due December 15, 2014 Price 100% CUSIP Number 649902SZ7†

† CUSIP numbers have been assigned by an organization not affiliated with the Authority and are included solely for the convenience of the holders of the Series 2008 Bonds. The Authority is not responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2008 Bonds or as indicated above.

* Priced to March 15, 2019 par call date.

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2008 Bonds by any person in any jurisdiction in which it is unlawful for the person to make such offer, solicitation or sale. The information set forth herein has been provided by the Authority, and by the State and other sources which are believed to be reliable by the Authority. The information herein is subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the State. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2008 BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL 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 AUTHORITY AND THE STATE’S FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS.

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PART 1--SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2008 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms used in this Summary Statement and not defined in this Summary Statement will have the meanings given to such terms elsewhere in this Official Statement.

State Personal Income Tax Revenue Bond Financing Program	Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), provides for the issuance of, and a source of payment for, State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds") by establishing the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund") held separate and apart from all other moneys of the State in the joint custody of the Commissioner of Taxation and Finance and the Comptroller of the State (the "State Comptroller"). The Enabling Act authorizes the Dormitory Authority of the State of New York (the "Authority"), the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain authorized purposes (the "Authorized Purposes"). All five Authorized Issuers have adopted one or more general resolutions and have executed financing agreements with the Director of the Division of the Budget of the State (the "Director of the Budget") pursuant to the Enabling Act. The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority. State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to a financing agreement entered into by such Authorized Issuer with the Director of the Budget and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; which together constitute the pledged property under the applicable general resolution.
Purpose of Issue; Security for Series 2008 Bonds	The Series 2008B Education Bonds are being issued to finance certain education projects. These projects include: (i) capital expenditures of various State University of New York ("SUNY") facilities; (ii) capital expenditures of various SUNY Upstate Community College facilities; (iii) capital expenditures for various City University of New York ("CUNY") senior and community college facilities; (iv) private college capital grants under the Higher Education Matching Grants Program; and (v) capital grants for various library facilities located throughout the State. The Series 2008C Education Bonds are being issued to provide the Authority with funds to refund certain bonds previously issued by the Authority under the Education General Resolution (as defined herein). The Series 2008C Economic Development and Housing Bonds are being issued to provide the

Purpose of Issue; Security for Series 2008 Bonds (continued)	Authority with funds to refund certain bonds previously issued by the Authority under the Economic Development and Housing General Resolution (as defined herein). In addition, proceeds of the Series 2008 Bonds will be used to pay all or a portion of the cost of issuance of the Series 2008 Bonds. See "PART 2—INTRODUCTION," "PART 6—THE PROJECTS" and "PART 7—THE REFUNDING PLAN" for a more complete description of the application of proceeds of the Series 2008 Bonds. The Series 2008 Bonds are special obligations of the Authority, secured by a pledge of the financing agreement payments (the "Financing Agreement Payments") to be made by the State Comptroller to the Trustee pursuant to the applicable financing agreement entered into by the Authority with the Director of the Budget (the "Financing Agreement"). **The Series 2008 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2008 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Series 2008 Bonds. The Authority has no taxing power.**
Sources of Payment and Security for State Personal Income Tax Revenue Bonds — Revenue Bond Tax Fund Receipts	The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax, which exclude refunds owed to taxpayers (the "New York State Personal Income Tax Receipts"), shall be deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief Fund (the "STAR Fund"). Prior to such date, New York State Personal Income Tax Receipts were also net of STAR Fund deposits. The State Comptroller is required by the Enabling Act to deposit in the Revenue Bond Tax Fund all of the receipts collected from payroll withholding taxes (the "Withholding Component") until an amount equal to 25 percent of the estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund Receipts"). New York State Personal Income Tax Receipts, the Withholding Component and the Revenue Bond Tax Fund Receipts for State Fiscal Years 2006-07 through 2008-09 are as follows:

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Revenue Bond Tax Fund Receipts
		($ in billions)	
2006-07	$30.6	$26.8	$7.6
2007-08	36.6**	28.4	9.1**
2008-09*	36.9**	27.7	9.2**

* As estimated in the Mid-Year Update to the 2008-09 Financial Plan.

** Reflects legislation effective April 1, 2007 that calculates Revenue Bond Tax Fund Receipts prior to the deposit of New York State personal income tax receipts to the STAR Fund.

Sources of Payment and Security for State Personal Income Tax Revenue Bonds—Revenue Bond Tax Fund Receipts (continued)	Over the ten year period beginning in State Fiscal Year 1998-99, the Withholding Component has, on average, accounted for approximately 88 percent of New York State Personal Income Tax Receipts. The Series 2008 Bonds are special obligations of the Authority, being secured by, among other things, a pledge of Financing Agreement Payments to be made by the State Comptroller to the Trustee on behalf of the Authority and certain funds held by the Trustee under the Authority's applicable State Personal Income Tax Revenue Bonds General Resolution (the "General Resolution", and together with the Authority's other State Personal Income Tax Revenue Bonds general resolutions, the "General Resolutions"). The Series 2008 Bonds are issued on a parity with $4.513 billion of the Authority's State Personal Income Tax Revenue Bonds currently outstanding and all other Bonds which may be issued under the General Resolutions. All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation from the State. Financing agreement payments are made from certain personal income taxes imposed by the State of New York on a statewide basis and deposited, as required by the Enabling Act, to the Revenue Bond Tax Fund. The financing agreement payments are to be paid by the State Comptroller to the applicable trustees on behalf of the Authorized Issuers from amounts deposited to the Revenue Bond Tax Fund. Financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. **All payments required by financing agreements entered into by the State are executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature (the "State Legislature") making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.** The Enabling Act provides that: (i) no person (including the Authorized Issuers or the holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.

Sources of Payment and Security for State Personal Income Tax Revenue Bonds—Revenue Bond Tax Fund Receipts (continued)	For additional information, see "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND." The Series 2008 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2008 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of or interest on the Series 2008 Bonds. The Authority has no taxing power.
Set Aside for Purpose of Making Financing Agreement Payments	The Enabling Act, general resolutions and financing agreements provide procedures for setting aside Revenue Bond Tax Fund Receipts designed to ensure that sufficient amounts are available in the Revenue Bond Tax Fund to make financing agreement payments to the applicable trustees on behalf of all Authorized Issuers, subject to annual appropriation by the State Legislature. The Enabling Act requires the Director of the Budget to annually prepare a certificate (which may be amended as necessary or required) which estimates monthly Revenue Bond Tax Fund Receipts anticipated to be deposited to the Revenue Bond Tax Fund and the amount of all set-asides necessary to make all financing agreement payments of all the Authorized Issuers. The Director of the Budget has prepared such certificate for State Fiscal Year 2008-09. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS."
Availability of General Fund to Satisfy Set-Aside of Revenue Bond Tax Fund Receipts	If at any time the amount of Revenue Bond Tax Fund Receipts set aside, as certified by the Director of the Budget, is insufficient to make all appropriated financing agreement payments on all State Personal Income Tax Revenue Bonds, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund sufficient to satisfy the cash requirements of the Authorized Issuers. Subject to annual appropriation, amounts so transferred to the Revenue Bond Tax Fund will be applied to pay the required financing agreement payments.
Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts	In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, financing agreement payments have not been made when due on any State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been

Moneys Held in Revenue Bond Tax Fund if State Fails to Appropriate or Pay Required Amounts (continued)	made to the trustees, on behalf of each Authorized Issuer, including the Authority. After the required appropriations and financing agreement payments have been made, excess moneys in the Revenue Bond Tax Fund are paid over and distributed to the credit of the State's General Fund. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Moneys Held in the Revenue Bond Tax Fund."
Additional Bonds and Debt Service Coverage	As provided in each of the general resolutions, additional bonds may be issued only if the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all outstanding State Personal Income Tax Revenue Bonds, additional State Personal Income Tax Revenue Bonds proposed to be issued and any additional amounts payable with respect to parity reimbursement obligations. Subject to: (i) statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and (ii) the additional bonds test described above, the Authority and other Authorized Issuers may issue additional State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately $9.8 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 8.4 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2008 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Additional Bonds." As of November 1, 2008, approximately $11.724 billion of State Personal Income Tax Revenue Bonds were outstanding.
Continuing Disclosure	In order to assist the Underwriters in complying with Rule15c2-12 promulgated by the Securities and Exchange Commission, all Authorized Issuers, the State and each applicable trustee, including the Trustee have entered into a Master Continuing Disclosure Agreement. See "PART 20—CONTINUING DISCLOSURE."

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DORMITORY AUTHORITY – STATE OF NEW YORK 515 BROADWAY, ALBANY, N.Y. 12207
PAUL T. WILLIAMS, JR. – EXECUTIVE DIRECTOR GAIL H. GORDON, ESQ. – CHAIR

OFFICIAL STATEMENT

Relating to

$765,695,000
DORMITORY AUTHORITY OF THE STATE OF NEW YORK

$656,135,000
STATE PERSONAL INCOME TAX REVENUE BONDS
Series 2008B (Education)

$109,560,000
STATE PERSONAL INCOME TAX REVENUE REFUNDING BONDS

$58,965,000	$50,595,000
Series 2008C (Education)	Series 2008C (Economic Development and Housing) (Federally Taxable)

PART 2—INTRODUCTION

The purpose of this Official Statement, including the cover page, the inside cover page and appendices, is to set forth certain information concerning the Dormitory Authority of the State of New York (the "Authority"), a public benefit corporation of the State of New York (the "State"), in connection with the offering by the Authority of its $656,135,000 State Personal Income Tax Revenue Bonds (Education), Series 2008B (the "Series 2008B Education Bonds"), $58,965,000 State Personal Income Tax Revenue Refunding Bonds (Education), Series 2008C (the "Series 2008C Education Bonds" and, together with the Series 2008B Education Bonds, the "Series 2008 Education Bonds") and $50,595,000 State Personal Income Tax Revenue Refunding Bonds (Economic Development and Housing), Series 2008C (Federally Taxable) (the "Series 2008C Economic Development and Housing Bonds" and, together with the Series 2008 Education Bonds, the "Series 2008 Bonds"). The interest rates, maturity dates, and prices or yields of the Series 2008 Bonds being offered hereby are set forth on the inside cover page.

This Official Statement also summarizes certain information concerning the provisions of the State Finance Law with respect to the issuance of State Personal Income Tax Revenue Bonds (the "State Personal Income Tax Revenue Bonds"), including the Series 2008 Bonds, and the statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law ("Tax Law") which, pursuant to Section 171-a of the Tax Law (the "New York State Personal Income Tax Receipts"), are required to be deposited in the Revenue Bond Tax Fund to provide for the payment of State Personal Income Tax Revenue Bonds. Such New York State Personal Income Tax Receipts currently exclude refunds owed to taxpayers.

The State expects that State Personal Income Tax Revenue Bonds will continue to be the primary financing vehicle for a broad range of State-supported financing programs secured by service contract, financing agreement or lease-purchase payments subject to appropriation by the State Legislature.

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, governmental and not-for-profit institutions. The Authority has no taxing power. See "PART 11—THE AUTHORITY."

The Series 2008 Bonds are authorized to be issued pursuant to Part I of Chapter 383 of the Laws of New York of 2001, as amended from time to time (the "Enabling Act"), and the Dormitory Authority Act, constituting Title 4 of Article 8 of the Public Authorities Law of the State of New York, as amended and supplemented (the "Authority Act"), and other provisions of State law. The Enabling Act authorizes the Authority, the New York State Environmental Facilities Corporation, the New York State Housing Finance Agency, the New York State Thruway Authority and the New York State Urban Development Corporation (collectively, the "Authorized Issuers") to issue State Personal Income Tax Revenue Bonds for certain purposes for which State-supported Debt (as defined by Section 67-a of the State Finance Law and as limited by the Enabling Act) may be issued ("Authorized Purposes").

The Series 2008B Education Bonds are additionally authorized under the Authority's State Personal Income Tax Revenue Bonds (Education) General Bond Resolution, adopted by the Authority on July 24, 2002 (the "Education General Resolution"), as supplemented by the Authority's Supplemental Resolution 2008-3 Authorizing State Personal Income Tax Revenue Bonds (Education), adopted by the Authority on September 24, 2008 (the "Series 2008B Education Supplemental Resolution").

The Series 2008C Education Bonds are additionally authorized under the Education General Resolution, as supplemented by the Authority's Supplemental Resolution 2008-1 Authorizing State Personal Income Tax Revenue Bonds (Education), adopted by the Authority on March 26, 2008 (the "Series 2008C Education Supplemental Resolution").

The Education General Resolution, together with the Series 2008B Education Supplemental Resolution and Series 2008C Education Supplemental Resolution, except as the context otherwise indicates, collectively referred to as the "Education Resolution," and any bonds issued pursuant to the Education General Resolution, including the Series 2008 Education Bonds, being herein referred to as the "Education Bonds."

The Series 2008C Economic Development and Housing Bonds are additionally authorized under the Authority's State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution, adopted by the Authority on January 22, 2003 (the "Economic Development General Resolution"), as supplemented by the Authority's Supplemental Resolution 2008-1 Authorizing State Personal Income Tax Revenue Bonds (Economic Development and Housing), adopted by the Authority on March 26, 2008 (the "Series 2008 Economic Development Supplemental Resolution"; together with the Economic Development General Resolution, except as the context otherwise indicates, collectively referred to as the "Economic Development Resolution," and any bonds issued pursuant to the Economic Development General Resolution, including the Series 2008C Economic Development and Housing Bonds, being herein referred to as the "Economic Development Bonds".

The Series 2008 Bonds, and any additional series of Bonds which have heretofore been issued or may hereafter be issued under the General Resolutions, will be equally and ratably secured thereunder.

The Series 2008 Bonds and all other State Personal Income Tax Revenue Bonds issued by an Authorized Issuer are secured by a pledge of (i) the payments made pursuant to one or more financing agreements entered into by such Authorized Issuer with the Director of the Division of the Budget of the State (the "Director of the Budget") and (ii) certain funds held by the applicable trustee or Authorized Issuer under a general resolution and the investment earnings thereon; collectively the "Pledged Property." The financing agreements and the general resolutions for State Personal Income Tax Revenue Bonds issued by the Authorized Issuers have substantially identical terms except for applicable references to, and requirements of, the Authorized Issuer and the Authorized Purposes. The financing agreement payments are to equal amounts necessary to pay the debt service and other cash requirements on all State Personal Income Tax Revenue Bonds. The making of financing agreement payments to the Authorized Issuers is subject to annual appropriation by the State Legislature.

References to financing agreements, financing agreement payments and general resolutions contained in this Official Statement mean generically the financing agreements, financing agreement payments and general resolutions of all Authorized Issuers, including the Authority. Descriptions of the provisions of the Enabling Act contained in this Official Statement are of the Enabling Act as it exists on the date of this Official Statement.

All State Personal Income Tax Revenue Bonds are on a parity with each other as to payments from the Revenue Bond Tax Fund, subject to annual appropriation by the State. As of November 1, 2008, approximately $11.724 billion of State Personal Income Tax Revenue Bonds were Outstanding. See "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS—Series 2008 Bonds" and "—Additional Bonds."

The Series 2008B Education Bonds are being issued for the purposes of financing: (i) capital expenditures of various State University of New York ("SUNY") facilities; (ii) capital expenditures of various SUNY Upstate Community College facilities; (iii) capital expenditures for various City University of New York ("CUNY") senior and community college facilities; (iv) private college capital grants under the Higher Education Matching Grants Program; (v) capital grants for various library facilities located throughout the State and (vi) to pay all or a portion of the cost of issuance of the Series 2008B Education Bonds. See "PART 6 – THE PROJECTS." The Series 2008C Education Bonds are being issued to provide funds to enable the Authority to refund certain bonds previously issued pursuant to the Education General Resolution and to pay all or a portion of the cost of issuance of the Series 2008C Education Bonds. The Series 2008C Economic Development and Housing Bonds are being issued to provide funds to enable the Authority to refund certain bonds previously issued pursuant to the Economic Development General Resolution and to pay all or a portion of the cost of issuance of the Series 2008C Economic Development and Housing Bonds. **The Series 2008 Bonds are not secured by the Projects or any interest therein.** See "PART 7 – THE REFUNDING PLAN."

The Series 2008 Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall the Series 2008 Bonds be payable out of any funds other than those of the Authority pledged therefor. Neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on the Series 2008 Bonds. The Authority has no taxing power.

Capitalized terms used herein unless otherwise defined have the same meaning as ascribed to them in the General Resolutions. See "APPENDIX B—SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS—Certain Defined Terms."

PART 3--SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS

The Revenue Bond Tax Fund

The Enabling Act provides a source of payment for State Personal Income Tax Revenue Bonds by establishing the Revenue Bond Tax Fund for the purpose of setting aside New York State Personal Income Tax Receipts sufficient to make financing agreement payments to Authorized Issuers. The Enabling Act establishes the Revenue Bond Tax Fund to be held in the joint custody of the State Comptroller (the "State Comptroller") and the Commissioner of Taxation and Finance (the "Commissioner") and requires that all moneys on deposit in the Revenue Bond Tax Fund be held separate and apart from all other moneys in the joint custody of the State Comptroller and the Commissioner. The source of the financing agreement payments is a statutory allocation of 25 percent of the receipts from the New York State Personal Income Tax imposed by Article 22 of the New York State Tax Law which, pursuant to Section 171 a of the Tax Law, are deposited in the Revenue Bond Tax Fund. Legislation, effective April 1, 2007, increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond Tax Fund be calculated before the deposit of New York State personal income tax receipts to the School Tax Relief Fund (the "STAR Fund"). Prior to such date New York State personal income tax receipts were net of refunds and deposits to the STAR Fund. See "PART 4 - SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND – Revenue Bond Tax Fund Receipts."

Financing agreement payments made from amounts set aside in the Revenue Bond Tax Fund are subject to annual appropriation for such purpose by the State Legislature. The Enabling Act provides that: (i) no person (including the Authorized Issuers or the Holders of State Personal Income Tax Revenue Bonds) shall have any lien on amounts on deposit in the Revenue Bond Tax Fund; (ii) Revenue Bond Tax Fund Receipts, which have been set aside in sufficient amounts to pay when due the financing agreement payments of all Authorized Issuers, shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments; and (iii) nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed by Article 22 of the Tax Law.

Series 2008 Bonds

The Series 2008 Bonds are special obligations of the Authority, secured by and payable solely from Financing Agreement Payments payable by the State Comptroller to Deutsche Bank Trust Company Americas, as Trustee and Paying Agent (the "Trustee" or "Paying Agent") on behalf of the Authority in accordance with the terms and provisions of the Financing Agreements by and between the Authority and the Director of the Budget, subject to annual appropriation by the State Legislature, and the Funds and accounts established under the applicable General Resolutions (other than the Rebate Fund and other Funds as provided in such Resolutions). A copy of the form of the Financing Agreements relating to the Series 2008 Bonds is included as Appendix C hereto. The Series 2008 Bonds are entitled to a lien, created by a pledge under the applicable General Resolutions, on the Pledged Property.

The Enabling Act permits the Authority and the other Authorized Issuers to issue additional State Personal Income Tax Revenue Bonds subject to statutory limitations on the maximum amount of bonds permitted to be issued by Authorized Issuers for Authorized Purposes and the additional bonds test described herein included in each of the general resolutions authorizing State Personal Income Tax Revenue Bonds. In accordance with the additional bonds test above, Revenue Bond Tax Fund Receipts of approximately $9.8 billion are available to pay financing agreement payments on a pro forma basis, which amount represents approximately 8.4 times the maximum annual Debt Service for all Outstanding State Personal Income Tax Revenue Bonds, including the debt service on the Series 2008 Bonds. As noted above, however, additional bonds may not be issued unless the additional bonds test under the respective general resolution has been met. See "—Additional Bonds" below.

The revenues, facilities, properties and any and all other assets of the Authority of any name and nature, other than the Pledged Property, may not be used for, or, as a result of any court proceeding or otherwise applied to, the payment of State Personal Income Tax Revenue Bonds, any redemption premium therefor or the interest thereon or any other obligations under the applicable General Resolutions, and under no circumstances shall these be available for such purposes. See "PART 11 - THE AUTHORITY" for a further description of the Authority.

Certification of Payments to be Set Aside in Revenue Bond Tax Fund

The Enabling Act, the general resolutions and the financing agreements provide procedures for setting aside amounts from the New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund to ensure that sufficient amounts will be available to make financing agreement payments, when due, to the applicable trustees on behalf of the Authority and the other Authorized Issuers.

The Enabling Act provides that:

1. No later than October 1 of each year, each Authorized Issuer must submit its State Personal Income Tax Revenue Bond cash requirements (which shall include financing agreement payments) for the following State Fiscal Year and, as required by the financing agreements, each of the subsequent four State Fiscal Years to the Division of the Budget.

2. No later than thirty (30) days after the submission of the Executive Budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate which sets forth an estimate of:

   (a) 25 percent of the amount of the estimated monthly New York State Personal Income Tax Receipts to be deposited in the Revenue Bond Tax Fund pursuant to the Enabling Act during that State Fiscal Year; and

   (b) the monthly amounts necessary to be set aside in the Revenue Bond Tax Fund to make the financing agreement payments required to meet the cash requirements of the Authorized Issuers.

3. In the case of financing agreement payments due semi-annually, Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is equal to not less than the financing agreement payments for State Personal Income Tax Revenue Bonds of all Authorized Issuers in the following month as certified by the Director of the Budget.

4. In the case of financing agreement payments due on a more frequent basis, monthly Revenue Bond Tax Fund Receipts shall be set aside monthly until such amount is, in accordance with the certificate of the Director of the Budget,

sufficient to pay the required payment on each issue on or before the date such payment is due.

In addition, the general resolutions and the financing agreements require the State Comptroller to set aside, monthly, in the Revenue Bond Tax Fund, amounts such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund as provided in 2(a) above, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of the Authorized Issuers in the following month.

The Director of the Budget may amend such certification as shall be necessary, provided that the Director of the Budget shall amend such certification no later than thirty (30) days after the issuance of any State Personal Income Tax Revenue Bonds, including refunding bonds, or after the execution of any interest rate exchange (or "swap") agreements or other financial arrangements which may affect the cash requirements of any Authorized Issuer.

The Enabling Act provides that on or before the twelfth day of each month, the Commissioner shall certify to the State Comptroller the actual New York State Personal Income Tax Receipts for the prior month and, in addition, no later than March 31 of each State Fiscal Year, the Commissioner shall certify such amounts relating to the last month of the State Fiscal Year. At such times, the Enabling Act provides that the State Comptroller shall adjust the amount of estimated New York State Personal Income Tax Receipts deposited to the Revenue Bond Tax Fund from the Withholding Component to the actual amount certified by the Commissioner.

Set Aside of Revenue Bond Tax Fund Receipts

As provided by the Enabling Act, the general resolutions, the financing agreements and the certificate of the Director of the Budget, the State Comptroller is required to:

1. Beginning on the first day of each month, deposit all of the daily receipts from the Withholding Component to the Revenue Bond Tax Fund until there is on deposit in the Revenue Bond Tax Fund an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts.

2. Set aside, monthly, amounts on deposit in the Revenue Bond Tax Fund, such that the combined total of the (i) amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) amount of estimated monthly New York State Personal Income Tax Receipts required to be deposited to the Revenue Bond Tax Fund in such month, are not less than 125 percent of the financing agreement payments required to be paid by the State Comptroller to the trustees on behalf of all the Authorized Issuers in the following month.

The Enabling Act provides that Revenue Bond Tax Fund Receipts which have been set aside in sufficient amounts to pay, when due, the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until they are appropriated and used to make financing agreement payments.

Subject to appropriation by the State Legislature, upon receipt of a request for payment from any Authorized Issuer pursuant to a financing agreement, the State Comptroller shall pay over to the trustee, on behalf of such Authorized Issuer, such amount. In the event that Revenue Bond Tax Fund Receipts are insufficient to meet the debt service and other cash requirements of all the Authorized Issuers as set forth in the certificate of the Director of the Budget, the State Comptroller is required by the Enabling Act, without further appropriation, to immediately transfer amounts from the General Fund of the State to the Revenue Bond Tax Fund. Amounts so transferred to the Revenue Bond Tax Fund can only be used to pay financing agreement payments (except, if necessary, for payments authorized to be made to the holders of State general obligation debt).

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Flow of Revenue Bond Tax Fund Receipts

The following chart summarizes the flow of Revenue Bond Tax Fund Receipts.

On or Before October 1

Authorized Issuers submit State Personal Income Tax Revenue Bond cash requirements (which include financing agreement payments) for the following State Fiscal Year and four subsequent State Fiscal Years to the Division of the Budget

No later than 30 Days after Budget Submission (Mid-February)

Director of the Budget submits certificate to State Comptroller which estimates for the following fiscal year:*

- 25% of monthly State Personal Income Tax Receipts to be deposited in Revenue Bond Tax Fund
- Monthly set-asides for financing agreement payments and other cash requirements (for outstanding bonds and projected issuances)

Beginning on the First Day of Each Month

100% of daily receipts from the Withholding Component flow to Revenue Bond Tax Fund until 25% of estimated monthly New York State Personal Income Tax Receipts has been deposited**

State Personal Income Tax Receipts, which have been set aside to make financing agreement payments and meet other cash requirements, are required to remain in Revenue Bond Tax Fund until appropriated and paid to the Trustee on behalf of the Authorized Issuers

After the monthly amounts necessary to make financing agreement payments and meet other cash requirements have been set aside, and assuming appropriations have been enacted and any required payments have been made by the State Comptroller, excess moneys in Revenue Bond Tax Fund flow to the General Fund

12th Day of the following Month

Commissioner of Taxation and Finance certifies to the State Comptroller 25% of actual New York State Personal Income Tax Receipts for prior month and the State Comptroller adjusts deposits to the Revenue Bond Tax Fund accordingly

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* The Director of the Budget can amend the certification at any time to more precisely account for a revised New York State Personal Income Tax Receipts estimate or actual debt service and other cash requirements, and to the extent necessary, shall do so not later than thirty days after the issuance of any State Personal Income Tax Revenue Bonds.

** The State can certify and set aside New York State Personal Income Tax Receipts in excess of the next month's financing agreement payment requirements to ensure amounts previously set aside and on deposit in the Revenue Bond Tax Fund together with 25 percent of estimated monthly New York State Personal Income Tax Receipts to be deposited such month are not less than 125 percent of all financing agreement payments due in the following month.

Moneys Held in the Revenue Bond Tax Fund

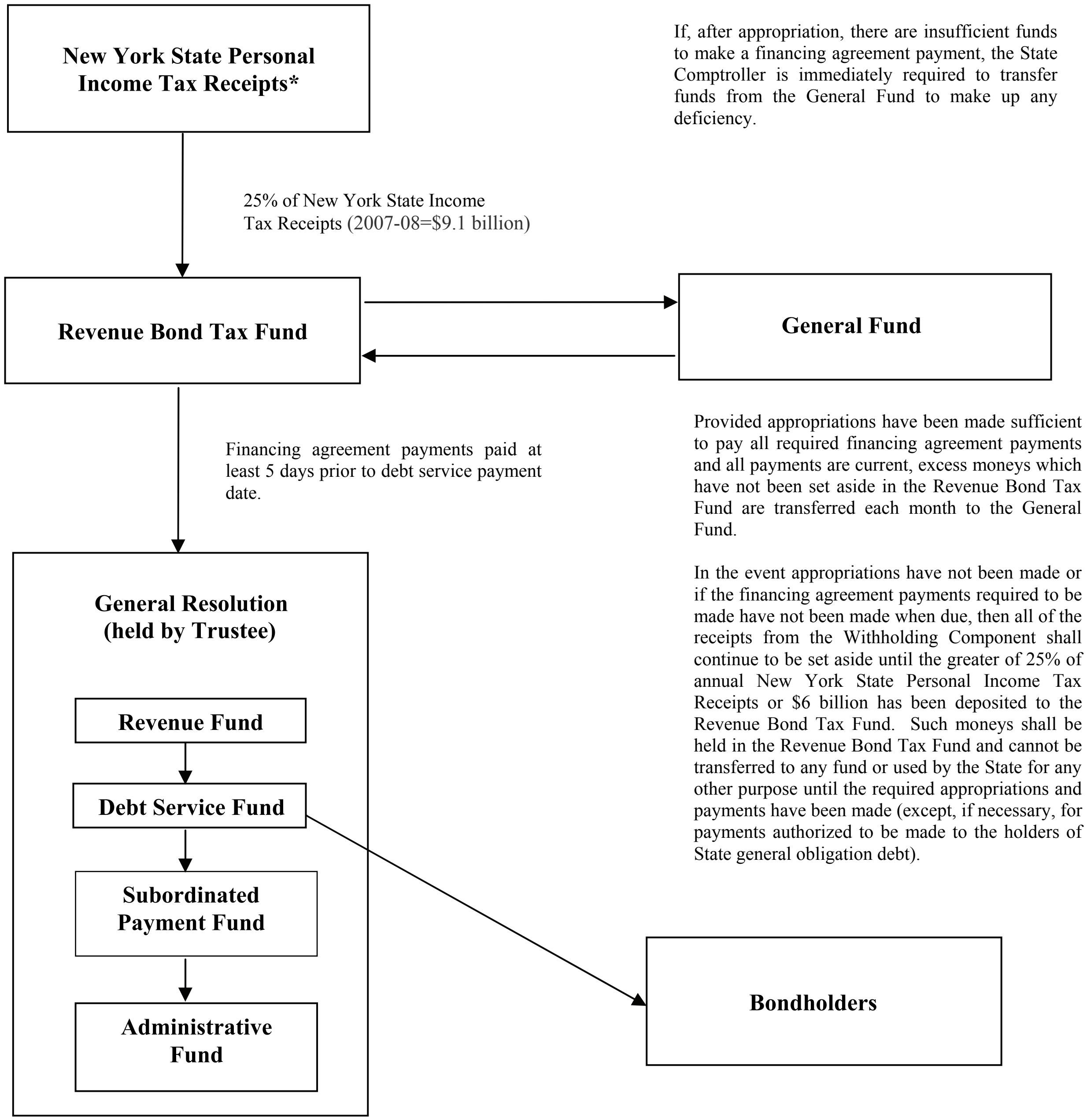
The Enabling Act prohibits the State Comptroller from paying over or distributing any amounts deposited in the Revenue Bond Tax Fund (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) other than to the Authority and other Authorized Issuers (which are paid to the applicable trustees on behalf of the Authority and the other Authorized Issuers), unless two requirements are met. First, all payments as certified by the Director of the Budget for a State Fiscal Year must have been appropriated to the Authority and other Authorized Issuers for the payment of financing agreement payments (including debt service) in the full amount specified in the certificate of the Director of the Budget. Second, each certified and appropriated payment for which moneys are required to be set aside as provided in the Enabling Act must have been made to the trustees on behalf of the Authority and other Authorized Issuers when due.

If such appropriations have been made to pay all annual amounts specified in the certificate of the Director of the Budget as being required by the Authority and all other Authorized Issuers for a State Fiscal Year and all such payments to the applicable trustees on behalf of the Authority and all other Authorized Issuers are current, then the State Comptroller is required by the Enabling Act to pay over and distribute to the credit of the General Fund of the State (the "General Fund"), at least once a month, all amounts in the Revenue Bond Tax Fund, if any, in excess of the aggregate amount required to be set aside. The Enabling Act also requires the State Comptroller to pay to the General Fund all sums remaining in the Revenue Bond Tax Fund on the last day of each State Fiscal Year, but only if the State has appropriated and paid to the applicable trustees on behalf of the Authority and all other Authorized Issuers the amounts necessary for the Authority and all other Authorized Issuers to meet their cash requirements for the current State Fiscal Year and, to the extent certified by the Director of the Budget, set aside any cash requirements required for the next State Fiscal Year.

In the event that (i) the State Legislature fails to appropriate all amounts required to make financing agreement payments on State Personal Income Tax Revenue Bonds to all Authorized Issuers or (ii) having been appropriated and set aside pursuant to a certificate of the Director of the Budget, any financing agreement payments have not been made when due on State Personal Income Tax Revenue Bonds, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be set aside in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). Other than to make financing agreement payments from appropriated amounts, the Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or use of such moneys by the State for any other purpose (except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer, including the Authority.

The Enabling Act provides that no person (including the Authorized Issuers or the Holders of State Personal Income Tax Revenue Bonds) shall have any lien on moneys on deposit in the Revenue Bond Tax Fund and that the State's agreement to make financing agreement payments shall be executory only to the extent such payments have been appropriated.

Flow of Revenues



* Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax.

Appropriation by the State Legislature

The State may not expend money without an appropriation, except for the payment of debt service on general obligation bonds or notes issued by the State. An appropriation is an authorization approved by the State Legislature to expend money. The State Constitution requires all appropriations of State funds, including funds in the Revenue Bond Tax Fund, to be approved by the State Legislature at least every two years. In addition, the State Finance Law generally provides that appropriations shall cease to have force and effect, except as to liabilities incurred thereunder, at the close of the State Fiscal Year for which they were enacted and that to the extent of liabilities incurred thereunder, such appropriations shall lapse on the succeeding June 30th or September 15th depending on the nature of the appropriation. See "– Moneys Held in the Revenue Bond Tax Fund" in this section.

The Authority expects that the State Legislature will make an appropriation from amounts on deposit in the Revenue Bond Tax Fund sufficient to pay financing agreement payments when due. Revenue Bond Tax Fund Receipts are expected to exceed the amounts necessary to pay financing agreement payments. In addition, in the event that the State Legislature fails to provide an appropriation, the Enabling Act requires that all of the receipts from the Withholding Component shall continue to be deposited in the Revenue Bond Tax Fund until amounts on deposit in the Revenue Bond Tax Fund equal the greater of 25 percent of the annual New York State Personal Income Tax Receipts or six billion dollars ($6,000,000,000). The Enabling Act prohibits the transfer of moneys in the Revenue Bond Tax Fund to any other fund or account or the use of such moneys by the State for any other purpose (other than to make financing agreement payments from appropriated amounts, and except, if necessary, for payments authorized to be made to the holders of State general obligation debt) until such time as the required appropriations and all required financing agreement payments have been made to the trustees on behalf of each Authorized Issuer. The State Legislature may not be bound in advance to make an appropriation, and there can be no assurances that the State Legislature will appropriate the necessary funds as anticipated. Nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the taxes imposed pursuant to Article 22 of the Tax Law.

All payments required by financing agreements entered into by the State shall be executory only to the extent of the revenues available in the Revenue Bond Tax Fund. The obligation of the State to make financing agreement payments is subject to the State Legislature making annual appropriations for such purpose and such obligation does not constitute or create a debt of the State, nor a contractual obligation in excess of the amounts appropriated therefor. In addition, the State has no continuing legal or moral obligation to appropriate money for payments due under any financing agreement.

State Personal Income Tax Revenue Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall State Personal Income Tax Revenue Bonds be payable out of any funds other than those pledged therefor. Neither the full faith and credit nor the taxing power of the State is pledged to the payment of the principal of, premium, if any, or interest on State Personal Income Tax Revenue Bonds.

Pursuant to the Enabling Act, Revenue Bond Tax Fund Receipts which have been set aside to pay when due the financing agreement payments of all Authorized Issuers shall remain in the Revenue Bond Tax Fund until they are appropriated and used to make financing agreement payments. However, the Enabling Act also provides that the use of such Revenue Bond Tax Fund Receipts by the State Comptroller is "subject to the rights of holders of debt of the state" (i.e., general obligation bondholders who benefit from the full faith and credit pledge of the State). Pursuant to Article VII Section 16 of the State Constitution, if at any time the State Legislature fails to make an appropriation for general obligation debt service, the State Comptroller is required to set apart from the first revenues thereafter received, applicable to the General Fund, sums sufficient to pay debt service on such general obligation debt. In the event that such revenues and other amounts in the General Fund are insufficient to so pay general obligation bondholders, the State may also use amounts on deposit in the Revenue Bond Tax Fund to pay debt service on general obligation bonds.

The Division of the Budget is not aware of any existing circumstances that would cause Revenue Bond Tax Fund Receipts to be used to pay debt service on general obligation bonds in the future. The Director of the Budget believes that any failure by the State Legislature to make annual appropriations as contemplated would have a serious impact on the ability of the State and the Authorized Issuers to issue State-supported bonds to raise funds in the public credit markets and, as a result, on the ability of the State to meet its non-debt obligations.

Additional Bonds

Pursuant to each general resolution, additional bonds may be issued by the related Authorized Issuer, *provided* that the amount of Revenue Bond Tax Fund Receipts for any 12 consecutive calendar months ended not more than six months prior to the date of such calculation, as certified by the Director of the Budget, is at least 2.0 times the maximum Calculated Debt Service on all Outstanding State Personal Income Tax Revenue Bonds, the State Personal Income Tax Revenue Bonds proposed to be issued, and any additional amounts payable with respect to parity reimbursement obligations, as certified by the Director of the Budget.

For additional information, see "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS – Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions – Special Provisions for Additional Bonds" and " – Refunding Bonds."

Parity Reimbursement Obligations

An Authorized Issuer, including the Authority, may incur Parity Reimbursement Obligations pursuant to the terms of the general resolution which, subject to certain exceptions, would be secured by a pledge of, and a lien on, the pledged property on a parity with the lien created by the related general resolution with respect to bonds issued thereunder. A Parity Reimbursement Obligation may be incurred in connection with obtaining a Credit Facility and represents the obligation to repay amounts advanced under the Credit Facility. It may include interest calculated at a rate higher than the interest rate on the related State Personal Income Tax Revenue Bond and may be secured by a pledge of, and a lien on, pledged property on a parity with the lien created by the general resolution for the State Personal Income Tax Revenue Bonds only to the extent that principal amortization requirements of the Parity Reimbursement Obligation are equal to the amortization requirements for the related State Personal Income Tax Revenue Bonds, without acceleration. See "APPENDIX B — SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS."

Certain Covenants of the State

Pursuant to the general resolutions, the State pledges and agrees with the holders of State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder that the State will not in any way impair the rights and remedies of holders of such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations until such State Personal Income Tax Revenue Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred thereunder, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the holders are fully met and discharged.

Pursuant to the Enabling Act and the general resolutions, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the State personal income taxes imposed pursuant to Article 22 of the Tax Law. An Event of Default under the general resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter the statutes imposing or relating to such taxes. However, the Director of the Budget believes that any materially adverse amendment, modification or alteration of, or the repeal of, statutes imposing or related to the State personal income tax imposed pursuant to Article 22 of the Tax Law could have a serious impact on the flow of New York State Personal Income Tax Receipts to the Revenue Bond Tax Fund, the ability of the Authorized Issuers to issue Additional Bonds and the marketability of outstanding State Personal Income Tax Revenue Bonds.

Reservation of State's Right to Substitute Credit

Pursuant to the Enabling Act, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that may include the Revenues pledged under the general resolutions, (i) to assume, in whole or in part, State Personal Income Tax Revenue Bonds, (ii) to extinguish the existing lien on the pledged property created under the general resolutions, and (iii) to substitute security for State Personal Income Tax Revenue Bonds, in each case only so long as the assumption, extinguishment and substitution is accomplished in accordance with either of two provisions of the general resolutions. (For these purposes, any State Personal Income Tax Revenue Bonds paid or deemed to have been paid in accordance with the applicable general resolution on or before the date of any assumption, extinguishment and substitution are not to be taken into account in determining compliance with those provisions.) The first provision of the general resolutions is intended to permit an assumption, extinguishment and substitution, without any right of consent of Bondholders or other parties, if certain conditions are satisfied. The second provision of the general resolutions permitting such an assumption, extinguishment and substitution is intended to permit a broader range of changes with the consent of issuers of Credit Facilities and the consent of certain Bondholders. It provides that any such assumption, extinguishment and substitution may be effected if certain conditions are satisfied.

In the event a constitutional amendment becomes a part of the State Constitution, there can be no assurance that the State will exercise its rights of assumption, extinguishment, and substitution with respect to State Personal Income Tax Revenue Bonds. There can be no assurance that the Authority or any other Authorized Issuer would be the issuer of any such State Revenue Bonds upon any such assumption, extinguishment and substitution and, if not the Authority or any other Authorized Issuer, the issuer of such State Revenue Bonds could be the State or another public entity.

See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS – Summary of Certain Provisions of the State Personal Income Tax Revenue Bonds Standard Resolution Provisions – Reservation of State Rights of Assumption, Extinguishment and Substitution."

PART 4--SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND

General History of the State Personal Income Tax

In 1919, New York State became the seventh state to enact a personal income tax. The present system of conformity to Federal Law with respect to income and deductions was adopted in 1960. The personal income tax is New York's largest source of tax revenue and consistently accounts for more than one-half of all State tax receipts.

The State's personal income tax structure adheres closely to the definitions of adjusted gross income and itemized deductions used for Federal personal income tax purposes, with certain modifications, such as: (1) the inclusion of investment income from debt instruments issued by other states and municipalities and the exclusion of income on certain Federal obligations; and (2) the exclusion of pension income received by Federal, New York State and local government employees, private pension and annuity income up to $20,000 ($40,000 for married couples filing jointly), and any Social Security income and refunds otherwise included in Federal adjusted gross income.

Changes in Federal tax law from time to time may positively or negatively affect the amount of personal income tax receipts collected by the State. State Tax Law changes may also impact personal income tax receipts by authorizing a wide variety of credits against the personal income tax liability of taxpayers.

Major tax credits include: Empire State Child Credit (enacted and effective in 2006); Earned Income Credit; Child and Dependent Care Credit; Household Credit; College Tuition Credit; Long-term Care Insurance Credit; Investment Credits; and, Empire Zone Credits.

Personal Income Tax Rates

Taxable income equals New York adjusted gross income (AGI) less deductions and exemptions. The tax provides separate rate schedules for married couples, single individuals and heads of households. For the 1989 through 1994 tax years, the State income tax was imposed at rates ranging from 4.0 percent to 7.875 percent on the taxable income of individuals, estates and trusts. For taxpayers with $100,000 or more of AGI, the benefit of the marginal tax rates in the lower brackets was recaptured through a supplementary mechanism in effect since 1991. Beginning in 1995, a major personal income tax cut program was phased in over three years which cut the top State personal income tax rate from 7.875 to 6.85 percent. For tax years 1997 through 2002, New York imposed a graduated income tax with rates ranging between 4.0 and 6.85 percent of taxable income. Legislation enacted with the 2003-04 Budget temporarily added two additional top brackets for the 2003 through 2005 tax years. Beginning in the 2006 tax year and thereafter, the rate schedules reverted to the rate schedule in effect for the 2002 tax year. The following table sets forth the rate schedules for tax year 2007 and thereafter.

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New York State Personal Income Tax Rates for Tax Years 2007 and Thereafter

	Tax*
Married Filing Jointly	
Taxable Income:	
Not over $16,000	4% of taxable income
Over $16,000 but not over $22,000	$640 plus 4.50% of excess over $16,000
Over $22,000 but not over $26,000	$910 plus 5.25% of excess over $22,000
Over $26,000 but not over $40,000	$1,120 plus 5.90% of excess over $26,000
Over $40,000	$1,946 plus 6.85% of excess over $40,000
Single, Married Filing Separately, Estates and Trusts	
Taxable Income:	
Not over $8,000	4% of taxable income
Over $8,000 but not over $11,000	$320 plus 4.50% of excess over $8,000
Over $11,000 but not over $13,000	$455 plus 5.25% of excess over $11,000
Over $13,000 but not over $20,000	$560 plus 5.90% of excess over $13,000
Over $20,000	$973 plus 6.85% of excess over $20,000
Head of Household	
Taxable Income:	
Not over $11,000	4% of taxable income
Over $11,000 but not over $15,000	$440 plus 4.50% of excess over $11,000
Over $15,000 but not over $17,000	$620 plus 5.25% of excess over $15,000
Over $17,000 but not over $30,000	$725 plus 5.90% of excess over $17,000
Over $30,000	$1,492 plus 6.85% of excess over $30,000

*A supplemental income tax for the purpose of recapturing the benefits conferred to taxpayers through tax brackets with rates lower than the maximum rate applies to all taxpayers with New York AGI over $100,000. The benefit of the lower brackets begins to be recaptured at $100,000 of New York AGI and is totally recaptured at $150,000. Once a taxpayer's New York AGI exceeds $150,000, all taxable income becomes effectively subject to a flat 6.85 percent tax rate.

Components of the Personal Income Tax

The components of personal income tax liability include withholding, estimated payments, final returns, delinquencies and refunds. Taxpayers prepay their tax liability through payroll withholding taxes imposed by Section 671 of Article 22 of the Tax Law (the "Withholding Component") and estimated taxes imposed by Section 685 of Article 22 of the Tax Law. The New York State Department of Taxation and Finance collects the personal income tax from employers and individuals and reports the amount collected to the State Comptroller, who deposits collections net of overpayments and administrative costs.

Initiated in 1959, withholding tax is the largest component of income tax collections. New York requires employers to withhold and remit personal income taxes on wages, salaries, bonuses, commissions and similar income. The amount of withholding varies with the rates, deductions and exemptions. Under current law, employers must remit withholding liability within three business days after each payroll once the cumulative amount of liability reaches $700. Certain small businesses and educational and health care organizations may make their withholding remittance within five business days, and employers with less than $700 of withheld tax can remit it on a quarterly basis. Large employers (aggregate tax of more than $100,000 per year) must make timely payment by electronic funds transfer or by certified check

Revenue Bond Tax Fund Receipts

The Enabling Act provides that 25 percent of the receipts from the New York State personal income tax imposed by Article 22 of the New York State Tax Law which are deposited pursuant to Section 171 a of the Tax Law ("New York State Personal Income Tax Receipts") shall be deposited in the Revenue Bond Tax Fund. Such New York State Personal Income Tax Receipts currently exclude refunds paid to taxpayers. Legislation enacted in 2007 and effective April 1, 2007 increased deposits to the Revenue Bond Tax Fund by amending the Enabling Act to provide that deposits to the Revenue Bond

Tax Fund be calculated before the deposit of New York State personal income tax receipts to the STAR Fund. Moneys in the STAR Fund are used to reimburse school districts for school tax reductions and property tax rebates provided to homeowners and to reimburse The City of New York for personal income tax reductions enacted as part of the School Tax Relief program. The Debt Reduction Reserve Fund was established in State Fiscal Year 1998-99 to reserve onetime available resources to defease certain State supported debt, pay debt service costs or pay cash for capital projects that would otherwise be financed with State supported debt. In both State Fiscal Year 2000-01 and in 2001-02, $250 million was deposited from New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund. New York State Personal Income Tax Receipts for such Fiscal Years exclude deposits to the Debt Reduction Reserve Fund. There were no deposits of New York State Personal Income Tax Receipts to the Debt Reduction Reserve Fund thereafter.

Beginning on the first day of each month, the Enabling Act requires the State Comptroller to deposit in the Revenue Bond Tax Fund all of the receipts from the Withholding Component until an amount equal to 25 percent of estimated monthly New York State Personal Income Tax Receipts has been deposited into the Revenue Bond Tax Fund (the "Revenue Bond Tax Fund Receipts").

In State Fiscal Year 2007-08, New York State Personal Income Tax Receipts were approximately $36.6 billion and accounted for approximately 60 percent of State tax receipts in all State Funds. The 2008-09 Mid-Year Update to the 2008-09 Financial Plan estimates New York State Personal Income Tax Receipts at $36.9 billion for State Fiscal Year 2008-09.

The following table sets forth certain historical and projected information concerning New York State Personal Income Tax Receipts, the Withholding Component, and deposits to the Revenue Bond Tax Fund from State Fiscal Years 1998-99 through 2008-09. For State Fiscal Years 1998-99 through 2002-03, the table provides a pro forma estimate equivalent to 25 percent of New York State Personal Income Tax Receipts that would have been deposited to the Revenue Bond Tax Fund had the Enabling Act been in effect during the entirety of those State Fiscal Years. The Withholding Component can exceed New York State Personal Income Tax Receipts since such Receipts equal total personal income tax collections less (i) refunds and (ii) through State Fiscal Year 2006-07, deposits into the STAR Fund. For example, in State Fiscal Year 2003-04, refunds and STAR Fund deposits were greater than the aggregate personal income tax collections from components other than the Withholding Component.

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NYS Personal Income Tax Receipts, Withholding Components and State Revenue Bonds Tax Fund Receipts State Fiscal Years 1998-99 through 2008-09

State Fiscal Year	New York State Personal Income Tax Receipts	Withholding Component	Withholding/State Personal Income Tax Receipts	Revenue Bond Tax Fund Receipts*
1998-99	$19,993,911,578	$16,520,651,172	82.6%	$4,998,477,895
1999-00	21,999,634,064	18,460,534,313	83.9	5,499,908,516
2000-01	23,116,012,541	20,955,093,052	90.7	5,779,003,135
2001-02	24,013,593,585	20,261,325,030	84.4	6,003,398,396
2002-03	19,984,262,417	19,959,388,350	99.9	4,996,065,604
2003-04	21,827,770,700	21,985,657,770	100.7	5,456,942,675
2004-05	25,040,965,404	23,374,513,925	93.3	6,260,241,351
2005-06	27,599,721,585	24,760,667,777	89.7	6,899,930,396
2006-07	30,586,021,803	26,802,005,019	87.6	7,646,500,000
2007-08	36,563,948,528**	28,440,134,437	77.8	9,141,000,000**
2008-09 (est.)	36,905,000,000**	27,732,000,000	75.1	9,225,000,000**

* 25 percent of New York State Personal Income Tax Receipts shown on an annualized and pro forma basis for State Fiscal Years 1998-99 through 2002-03.
** Reflects legislation enacted in 2007 and effective April 1, 2007 that calculates Revenue Bond Tax Fund Receipts prior to the deposit of New York State personal income tax receipts to the STAR Fund.

In State Fiscal Year 2007-08, New York State Personal Income Tax Receipts totaled approximately $36.6 billion. The Mid-Year Update to the 2008-09 Financial Plan estimates that total New York State Personal Income Tax Receipts (net of refunds to taxpayers but before deposits to the STAR Fund) will increase by 0.9 percent to $36.9 billion in State Fiscal Year 2008-09.

Total State personal income tax receipts (as distinguished from New York State Personal Income Tax Receipts as defined herein and presented in the table above) estimates are based on the State personal income tax liability estimated by the State Division of the Budget ("DOB") for each of the relevant tax years and the patterns of receipts and refunds for each tax year. Such tax year liabilities are, in turn, based largely on forecasts of State adjusted gross income, with adjustments made for legislative changes (see "—General History of the State Personal Income Tax" above) that will affect each year's tax liability. **The level of total State personal income tax receipts is necessarily dependent upon economic and demographic conditions in the State, and therefore there can be no assurance that historical data with respect to total State personal income tax receipts will be indicative of future receipts.** Since the institution of the modern income tax in New York in 1960, total personal income tax receipts have fallen six times on a year over year basis, in 1964-65, 1971-72, 1977-78, 1990-91, 2001-02 and 2002-03. The Mid-Year Update to the 2008-09 Financial Plan projects a decrease in receipts for State Fiscal Year 2009-10.

For a more detailed discussion of the effects of the recent global financial downturn on the State's economy, the general economic and financial condition of the State and its projection of personal income tax receipts, see "**APPENDIX A —INFORMATION CONCERNING THE STATE OF NEW YORK**."

The following table shows the pattern of State adjusted gross income growth and personal income tax liability for 1999 through 2008.

NYS Adjusted Gross Income (AGI) and Personal Income Tax Liability 1999 to 2008*

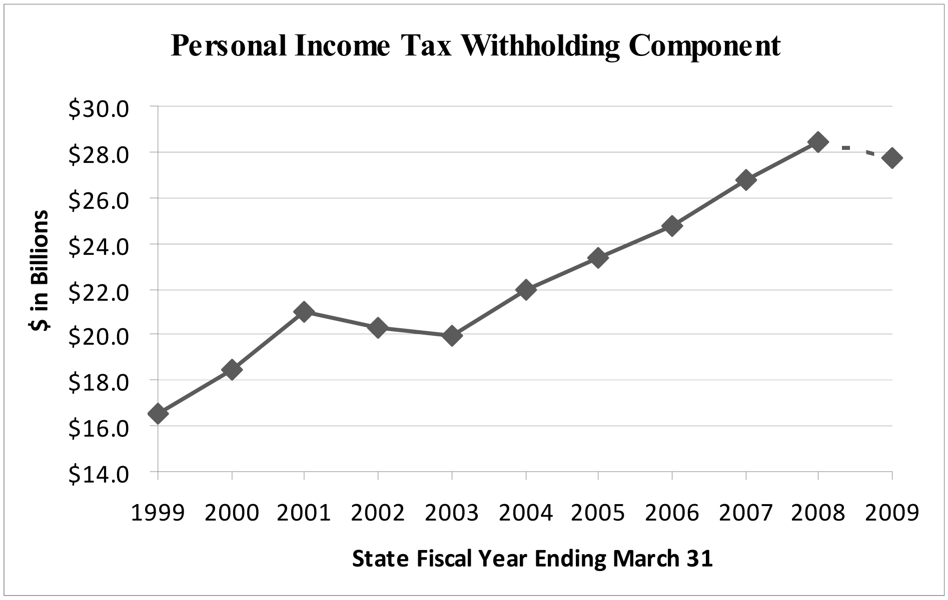
Tax Year	NYS AGI	Percent Change	Personal Income Tax Liability	Percent Change
		($ in millions)		
1999	$448,531	8.6%	$20,977	10.5%
2000	508,934	13.5	24,494	16.8
2001	481,001	(5.5)	22,406	(8.5)
2002	459,919	(4.4)	20,729	(7.5)
2003	473,778	3.0	22,456	8.3
2004	525,964	11.0	25,769	14.8
2005	571,916	8.7	28,484	10.5
2006	632,600	10.6	29,838	4.8
2007 (est.)	701,351	10.9	34,241	14.8
2008 (proj.)	664,646	(5.2)	30,292	(7.4)

* NYS AGI and Personal Income Tax Liability reflect amounts reported on timely filed individual returns, and therefore do not include tax paid by fiduciaries or through audits.

The table indicates that under the State's progressive income tax structure with graduated tax rates, tax liability generally changes at a faster percentage rate than adjusted gross income, absent major law changes or economic events. Except for the recession and September 11 related years of 2001 and 2002, and the projected decline in tax year 2008 due to the forecasted economic slowdown, both have increased each year over the past ten years. Tax liabilities for tax years 2003 through 2005 reflect a temporary tax rate surcharge on high income taxpayers, which increased overall liabilities by about 7 percent, while the low 4.8 percent growth in tax liability for tax year 2006 reflects the expiration of the surcharge at the end of 2005. For tax year 2008, the projected 5.2% and 7.4% reductions in adjusted gross income and liability, respectively, reflect declines in Wall Street related bonuses and capital gains from their relatively strong levels in 2007.

The following graph shows the history of withholding receipts since State Fiscal Year 1998-99. Like overall adjusted gross incomes and tax liabilities, withholding has steadily increased each year except the recession-related State Fiscal Years 2001-02 and 2002-03, due to overall growth in employment and wages, as well as the aforementioned temporary tax surcharge which applied during State Fiscal Years 2003-04 through 2005-06. Withholding receipts are estimated to decline in State Fiscal Year 2008-09.

Personal Income Tax Withholding Component



--- Estimated.

For a discussion of the general economic and financial condition of the State, see "APPENDIX A —INFORMATION CONCERNING THE STATE OF NEW YORK."

PART 5--DESCRIPTION OF THE SERIES 2008 BONDS

General

The Series 2008 Education Bonds will bear interest from their date of delivery payable March 15, 2009, and on each September 15 and March 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2008C Economic Development and Housing Bonds will bear interest from their date of delivery payable June 15, 2009, and on each December 15 and June 15 thereafter at the rates set forth on the inside cover page of this Official Statement. The Series 2008 Bonds will be issued in denominations of $5,000 or any integral multiple thereof.

The Series 2008 Bonds will be issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as bond depository for the Series 2008 Bonds. Principal or redemption price of and interest on the Series 2008 Bonds are payable by Deutsche Bank Trust Company Americas, New York, New York, as Trustee and Paying Agent, to Cede & Co., so long as Cede & Co. is the registered owner of the Series 2008 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (See "PART 8—BOOK-ENTRY ONLY SYSTEM" below).

Optional Redemption

Series 2008 Education Bonds

The Series 2008 Education Bonds are subject to redemption prior to maturity on or after March 15, 2019, in any order, at the option of the Authority, as a whole or in part at any time, at par, plus accrued interest to the redemption date.

Series 2008C Economic Development and Housing Bonds

The Series 2008C Economic Development and Housing Bonds are not subject to redemption at the option of the Authority prior to maturity.

Mandatory Sinking Fund Redemption

Series 2008B Education Bonds

The Series 2008B Education Bonds maturing March 15, 2028, March 15, 2036 and March 15, 2038 are subject to mandatory redemption in part, by lot, on March 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Bonds for such date:

Term Bond Maturing March 15, 2028

Years	Sinking Fund Installments
2027	$22,240,000
2028†	23,350,000

† Stated Maturity

Term Bond Maturing March 15, 2036

Years	Sinking Fund Installments
2029	$23,285,000
2030	24,620,000
2031	26,040,000
2032	27,540,000
2033	29,120,000
2034	30,800,000
2035	32,570,000
2036†	34,440,000

† Stated Maturity

Term Bond Maturing March 15, 2038

Years	Sinking Fund Installments
2037	$36,425,000
2038†	38,335,000

† Stated Maturity

Series 2008C Education Bonds

The Series 2008C Education Bonds maturing March 15, 2028 and March 15, 2032 are subject to mandatory redemption in part, by lot, on March 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Bonds for such date:

Term Bond Maturing March 15, 2028

Year	Sinking Fund Installments
2025	$245,000
2026	860,000
2027	870,000
2028†	895,000

† Stated Maturity

5.75% Term Bond Maturing March 15, 2032

Years	Sinking Fund Installments
2029	$ 355,000
2030	1,795,000
2031	13,885,000
2032†	14,065,000

† Stated Maturity

5.25% Term Bond Maturing March 15, 2032

Years	Sinking Fund Installments
2029	$ 540,000
2030	1,745,000
2031	11,805,000
2032†	11,905,000

† Stated Maturity

Series 2008C Economic Development and Housing Bonds

The Series 2008C Economic Development and Housing Bonds maturing December 15, 2014 are subject to mandatory redemption in part, on a pro rata basis, on December 15 in the years shown below, at a Redemption Price equal to the principal amount thereof, plus accrued interest, if any, to the date of redemption in an amount equal to the Sinking Fund Installments for such Bonds for such date:

Years	Sinking Fund Installments
2012	$8,435,000
2013	8,570,000
2014†	8,680,000

† Stated Maturity

Selection of Bonds to be Redeemed; Notice of Redemption

In the case of redemptions of Series 2008 Bonds at the option of the Authority, the Authority will select the maturities of the Series 2008 Bonds to be redeemed.

If less than all of the Series 2008 Education Bonds are to be redeemed, the Paying Agent shall assign to each Outstanding Bond to be redeemed a distinctive number for each unit of the principal amount of such Series 2008 Education Bond equal to the lowest denomination in which the Series 2008 Education Bonds are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Series 2008 Education Bonds, as many numbers as, at such unit amount equal to the lowest denomination in which the Series 2008 Education Bonds are authorized to be issued for each number, shall equal the principal amount of such Series 2008 Education Bonds to be redeemed.

If the Series 2008C Economic Development and Housing Bonds are not registered in book-entry only form, any redemption of less than all of the Series 2008C Economic Development and Housing Bonds shall be allocated among the registered owners of such Series 2008C Economic Development and Housing Bonds as nearly as practicable in proportion to the principal amounts of the Series 2008C Economic Development and Housing Bonds owned by each registered owner, subject to the authorized denominations applicable to the Series 2008C Economic Development and Housing Bonds. This will be calculated based on the formula: (principal to be redeemed) x (principal amount owned by owner) / (principal amount outstanding). The particular Series 2008C Economic Development and Housing Bonds to be redeemed shall be determined by the Trustee, using such method as it shall deem fair and appropriate. If the Series 2008C Economic Development and Housing Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Series 2008C Economic Development and Housing Bonds, partial redemptions will be done in accordance with DTC procedures. It is the Authority's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the Authority and the Beneficial Owners be made in accordance with these same proportional provisions. However, the Authority can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a proportional basis.

Any notice of optional redemption of the Series 2008 Bonds may state that it is conditional upon receipt by the Trustee of money sufficient to pay the Redemption Price of such Series 2008 Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected Bondholders as promptly as practicable upon the failure of such condition or the occurrence of such other event.

When the Trustee shall have received notice from the Authority that Series 2008 Bonds are to be redeemed, the Trustee shall give notice, in the name of the Authority, of the redemption of such Series 2008 Bonds, which notice shall specify the Series 2008 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2008 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2008 Bonds to be redeemed, if applicable, that such notice is conditional and the conditions that must be satisfied, and in the case of Series 2008 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed.

Such notice shall further state that on the redemption date there shall become due and payable upon each Series 2008 Bond or portion thereof to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable on the Series 2008 Bonds or portions thereof to be redeemed.

Notice of any redemption shall be mailed by the Trustee, postage prepaid, no less than thirty (30) days before the redemption date, to the Owners of any Series 2008 Bonds or portions of Series 2008 Bonds which are to be redeemed, at their last address, if any, appearing upon the registry books.

PART 6—THE PROJECTS

The Series 2008B Education Bonds are being issued to finance certain education projects. These projects include: (i) capital expenditures of various SUNY facilities; (ii) capital expenditures of various SUNY Upstate Community College facilities; (iii) capital expenditures for various CUNY senior and community college facilities; (iv) private college capital grants under the Higher Education Matching Grants Program; (v) capital grants for various library facilities; and (vi) to pay all or a portion of the cost of issuance of the Series 2008B Education Bonds. **The Series 2008B Education Bonds are not secured by the Projects or any interest therein.**

PART 7—THE REFUNDING PLAN

The proceeds of the Series 2008C Education Bonds, together with other available monies, will be used to refund the Authority's outstanding State Personal Income Tax Revenue Refunding Bonds (Education), Series 2005C (the "Series 2005C Education Bonds"). The Series 2005C Education Bonds were issued on March 2, 2005 and $58,880,000 of Series 2005C Education Bonds are outstanding as of the date hereof. The proceeds of the Series 2008C Education Bonds will be deposited by the Trustee in an escrow account in an amount which, together with any other amounts available therefor, will be sufficient to pay the outstanding principal of and interest due on the Series 2005C Education Bonds.

The proceeds of the Series 2008C Economic Development and Housing Bonds, together with other available monies, will be used to refund the Authority's outstanding State Personal Income Tax Revenue Bonds (Economic Development and Housing), Series 2005A (the "Series 2005A Economic Development and Housing Bonds" and, together with the Series 2005C Education Bonds, the "Refunded Bonds"). The Series 2005C Economic Development and Housing Bonds were issued on January 14, 2005 and $57,645,000 of Series 2005C Economic Development and Housing Bonds are outstanding as of the date hereof. The proceeds of the Series 2008C Economic Development and Housing Bonds will be deposited by the Trustee in an escrow account in an amount which, together with any other amounts available therefor, will be sufficient to pay the outstanding principal of and interest due on the Series 2005A Economic Development Bonds.

Each series of the Refunded Bonds are subject to redemption upon not less than 30 days' notice to the holders thereof at a redemption price of par plus accrued interest.

At the time of or prior to the deposits with the Trustee described above, the Authority will give the Trustee irrevocable instructions to give notice of the refunding and redemption of the Refunded Bonds and to apply the amounts on deposit in the respective escrow accounts to payment of the principal of and interest on the Refunded Bonds.

PART 8--BOOK-ENTRY ONLY SYSTEM

The following information concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Underwriters believe to be reliable, but neither the Authority nor the Underwriters take responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2008 Bonds. The Series 2008 Bonds will be issued as fully-registered bonds 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 2008 Bond certificate will be issued for each maturity of the Series 2008 Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, 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. This eliminates 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 2008 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008 Bonds on DTC's records. The ownership interest of each actual purchaser of the Series 2008 Bonds ("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, however, are 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 2008 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 a particular Series 2008 Bonds, except in the event that use of the book-entry system for the Series 2008 Bonds is discontinued.

To facilitate subsequent transfers, the Series 2008 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 2008 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 2008 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2008 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.

Redemption notices shall be sent to DTC. If less than all of any series of the Series 2008 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008 Bonds unless authorized by a Direct Participant in accordance with DTC's 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 2008 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2008 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 Trustee on a 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 Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee or the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to any series of the Series 2008 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, Series 2008 Bond certificates for such Series are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) for any series of the Series 2008 Bonds. In that event, Series 2008 Bond certificates will be printed and delivered to DTC.

NEITHER THE AUTHORITY NOR THE PURCHASERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT OR INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON, THE SERIES 2008 BONDS; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO SERIES 2008 BONDHOLDERS; (IV) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS A SERIES 2008 BONDHOLDER; OR (V) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2008 BONDS.

Each person for whom a Participant acquires an interest in the Series 2008 Bonds, as nominee, may desire to make arrangements with such Participant to receive a credit balance in the records of such Participant, and may desire to make arrangements with such Participant to have all notices of redemption or other communications to DTC, which may affect such persons, to be forwarded in writing by such Participant and to have notification made of all interest payments. NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2008 BONDS.

For every transfer and exchange of beneficial ownership of the Series 2008 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to any series of the Series 2008 Bonds if the Authority determines that (i) DTC is unable to discharge its responsibilities with respect to such Series 2008 Bonds or (ii) a continuation of the requirement that all of Outstanding Series 2008 Bonds be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interests of the Beneficial Owners. In the event that no substitute securities depository is found by the Authority or restricted registration is no longer in effect, Bond certificates will be delivered as described in the applicable General or Supplemental Resolution.

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PART 9--DEBT SERVICE REQUIREMENTS

The following schedule sets forth, for each 12-month period ending March 31 of the years shown, the amounts required for the payment of debt service on the Series 2008 Bonds and outstanding State Personal Income Tax Revenue Bonds during each such period.

12-Month Period Ending March 31	Series 2008 Bonds Principal Payments	Series 2008 Bonds Interest Payments	Series 2008 Bonds Total Debt Service	Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service(1)(2)(3)	Aggregate Debt Service(1)(2)(3)(4)
2009		$11,091,983	$11,091,983	$1,086,436,789	$1,097,528,772
2010	23,780,000	38,936,478	62,716,478	1,098,732,325	1,161,448,803
2011	24,430,000	38,084,371	62,514,371	1,032,697,087	1,095,211,458
2012	25,105,000	37,092,967	62,197,967	1,018,796,957	1,080,994,924
2013	25,660,000	36,188,139	61,848,139	990,409,692	1,052,257,831
2014	26,655,000	34,834,285	61,489,285	931,729,880	993,219,165
2015	27,485,000	33,610,397	61,095,397	882,992,525	944,087,922
2016	19,460,000	32,445,310	51,905,310	845,734,194	897,639,504
2017	20,440,000	31,472,310	51,912,310	821,088,579	873,000,889
2018	21,255,000	30,654,710	51,909,710	783,278,583	835,188,293
2019	15,050,000	29,762,000	44,812,000	743,645,660	788,457,660
2020	15,800,000	29,009,500	44,809,500	743,504,491	788,313,991
2021	16,590,000	28,219,500	44,809,500	744,221,984	789,031,484
2022	17,420,000	27,390,000	44,810,000	744,247,773	789,057,773
2023	18,295,000	26,519,000	44,814,000	716,252,064	761,066,064
2024	19,205,000	25,604,250	44,809,250	660,704,428	705,513,678
2025	20,410,000	24,644,000	45,054,000	626,899,834	671,953,834
2026	22,030,000	23,623,500	45,653,500	594,784,149	640,437,649
2027	23,110,000	22,522,000	45,632,000	548,596,661	594,228,661
2028	24,245,000	21,366,500	45,611,500	459,716,567	505,328,067
2029	24,180,000	20,154,250	44,334,250	351,760,797	396,095,047
2030	28,160,000	18,766,600	46,926,600	349,133,822	396,060,422
2031	51,730,000	17,156,125	68,886,125	327,112,912	395,999,037
2032	53,510,000	14,240,675	67,750,675	327,203,783	394,954,458
2033	29,120,000	11,223,375	40,343,375	314,873,804	355,217,179
2034	30,800,000	9,548,975	40,348,975	274,808,843	315,157,818
2035	32,570,000	7,777,975	40,347,975	249,088,865	289,436,840
2036	34,440,000	5,905,200	40,345,200	182,248,475	222,593,675
2037	36,425,000	3,924,900	40,349,900	73,886,975	114,236,875
2038	38,335,000	2,012,588	40,347,588	8,597,000	48,944,588
Total(4)	$765,695,000	$693,781,862	$1,459,476,862	$18,533,185,497	$19,992,662,359

(1) Interest on $303,935,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on assumed rates equal to the fixed swap rates paid by the applicable Authorized Issuers on the related interest rate exchange agreements and interest on $74,615,000 principal amount of outstanding State Personal Income Tax Revenue Bonds that bear interest at variable rates is calculated based on an assumed rate of 3.5 percent.

(2) The information set forth under the column captioned "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" reflects debt service on outstanding State Personal Income Tax Revenue Bonds and on State Personal Income Tax Revenue Bonds contractually obligated to be issued and delivered by Authorized Issuers as of the date of this Official Statement. The State expects that Authorized Issuers will be issuing State Personal Income Tax Revenue Bonds from time to time and to the extent that such other State Personal Income Tax Revenue Bonds are either issued or contractually obligated to be issued and delivered pursuant to one or more executed bond purchase agreements or bond awards after the date of this Official Statement, this Official Statement will not be supplemented to reflect such updated information.

(3) Reflects the defeasance of the Refunded Bonds.

(4) Totals may not add due to rounding.

PART 10--ESTIMATED SOURCES AND USES OF FUNDS

Series 2008B Education Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2008B Education Bonds:

Sources of Funds	
Principal amount of Series 2008B Education Bonds	$656,135,000.00
Net Original Issue Premium	6,414,710.20
Total Sources	$662,549,710.20
Uses of Funds	
Deposit to Bond Proceeds Fund	$653,600,000.00
Deposit to Debt Service Fund	11,845.22
Costs of Issuance*	4,978,909.13
Underwriters' Discount	3,958,955.85
Total Uses	$662,549,710.20

* Includes New York State Bond Issuance Charge.

Series 2008C Education Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2008C Education Bonds:

Sources of Funds	
Principal amount of Series 2008C Education Bonds	$58,965,000.00
Other Sources of Funds	1,472,373.89
Net Original Issue Premium	76,993.35
Total Sources	$60,514,367.24
Uses of Funds	
Deposit to Refunding Escrow	$59,671,501.64
Deposit to Debt Service Fund	3,239.30
Costs of Issuance*	451,039.32
Underwriters' Discount	388,586.98
Total Uses	$60,514,367.24

* Includes New York State Bond Issuance Charge.

Series 2008C Economic Development and Housing Bonds

The following table sets forth the estimated sources and uses of funds with respect to the Series 2008C Economic Development and Housing Bonds:

Sources of Funds	
Principal amount of Series 2008C Economic Development and Housing Bonds	$50,595,000.00
Other Sources of Funds	8,597,381.56
Total Sources	$59,192,381.56
Uses of Funds	
Deposit to Refunding Escrow	$58,582,383.20
Deposit to Debt Service Fund	4,348.09
Costs of Issuance*	387,243.30
Underwriters' Discount	218,406.97
Total Uses	$59,192,381.56

* Includes New York State Bond Issuance Charge.

PART 11--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 September 30, 2008, the Authority had approximately $36.9 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 September 30, 2008 were as follows:

Public Programs	Bonds Issued	Bonds Outstanding	Notes Outstanding	Bonds and Notes Outstanding
State University of New York Dormitory Facilities	$ 2,250,196,000	$ 974,760,000	$ 0	$ 974,760,000
State University of New York Educational and Athletic Facilities	11,757,912,999	4,849,608,949	0	4,849,608,949
Upstate Community Colleges of the State University of New York	1,397,910,000	577,550,000	0	577,550,000
Senior Colleges of the City University of New York	8,950,698,549	2,778,741,000	0	2,778,741,000
Community Colleges of the City University of New York	2,250,831,563	468,219,000	0	468,219,000
BOCES and School Districts	1,911,191,208	1,444,745,000	0	1,444,745,000
Judicial Facilities	2,161,277,717	731,557,717	0	731,557,717
New York State Departments of Health and Education and Other	4,675,320,000	3,257,740,000	0	3,257,740,000
Mental Health Services Facilities	6,198,585,000	3,794,045,000	0	3,794,045,000
New York State Taxable Pension Bonds	773,475,000	0	0	0
Municipal Health Facilities Improvement Program	985,555.000	802,230,000	0	802,230,000
Totals Public Programs	$ 43,312,953,036	$ 19,679,196,666	$ 0	$ 19,679,196,666

Non-Public Programs	Bonds Issued	Bond Outstanding	Notes Outstanding	Bonds and Notes Outstanding
Independent Colleges, Universities and Other Institutions	$ 16,554,756,020	$ 8,083,977,833	$ 184,725,000	$ 8,268,702,833
Voluntary Non-Profit Hospitals	13,397,904,309	7,931,815,000	0	7,931,815,000
Facilities for the Aged	1,996,020,000	1,017,785,000	0	1,017,785,000
Supplemental Higher Education Loan Financing Program	95,000,000	0	0	0
Totals Non-Public Programs	$ 32,043,680,329	$ 17,033,577,833	$ 184,725,000	$ 17,218,302,833
Grand Totals Bonds and Notes	$ 75,356,633,365	$ 36,712,774,499	$ 184,725,000	$ 36,897,499,499

Outstanding Indebtedness of the Agency Assumed by the Authority

At September 30, 2008, the Agency had approximately $382.8 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 September 30, 2008 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	$ 3,605,000
Insured Mortgage Programs	6,625,079,927	370,965,939
Revenue Bonds, Secured Loan and Other Programs	2,414,240,000	8,255,000
Total Non-Public Programs	9,265,549,927	382,825,939
Total MCFFA Outstanding Debt	$ 13,082,780,652	$ 382,825,939

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:

GAIL H. GORDON, Esq., *Chair*, Slingerlands.

Gail H. Gordon was appointed as a Member of the Authority by the Governor on May 10, 2004. Ms. Gordon served as Deputy Commissioner and General Counsel for the Office of Children and Family Services from September 15, 1997 to December 31, 2006. She previously was of counsel to the law firm of Helm, Shapiro, Anito & McCale, P.C., in Albany, New York, where she was engaged in the private practice of law. From 1987 to 1993, Ms. Gordon served as Counsel to the Comptroller of the State of New York where she directed a legal staff of approximately 40 attorneys, was responsible for providing legal and policy advice to the State Comptroller and his deputies in all areas of the State Comptroller's responsibilities, including the supervision of accounts of public authorities and in the administration, as sole trustee, of the New York State Employees Retirement System and the Policemen's and Firemen's Retirement System. She served as Deputy Counsel to the Comptroller of the State of New York from 1983 to 1987. From 1974 to 1983, Ms. Gordon was an attorney with the law firm of Hinman, Howard & Kattell, Binghamton, New York, where she concentrated in areas of real estate, administrative and municipal law. Ms. Gordon holds a Bachelor of Arts degree from Smith College and a Juris Doctor degree from Cornell University School of Law. Ms. Gordon's term expired on March 31, 2007 and by law she continues to serve until a successor shall be chosen and qualified.

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

John B. Johnson, Jr. was appointed as a Member of the Authority by the Governor on April 26, 2004. 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, 2010.

JOSE ALBERTO CORVALAN, M.D., *Secretary*, Armonk.

Dr. Corvalan was appointed as a Member of the Authority by the Governor on June 22, 2005. Dr. Corvalan is currently an Attending Surgeon at St. Vincent's Hospital in Manhattan. Dr. Corvalan was Chief of Laparoscopic Surgery at St. Vincent's Hospital in Manhattan. Previously, Dr. Corvalan served as Chief of Surgery and President of the Medical Staff at St. Vincent's Midtown Hospital in Manhattan. He is a Diplomate of the American Board of Surgery, and is a Fellow of the American College of Surgeons and the New York Academy of Medicine. Dr. Corvalan has held a number of teaching positions and is Associate Professor of Surgery at New York Medical College, Valhalla, New York. His term expired on March 31, 2008 and by law he continues to serve until a successor shall be chosen and qualified.

BRIAN RUDER, Scarsdale.

Mr. Ruder was appointed as a Member of the Authority on June 23, 2006. He is Chief Executive Officer of Skylight Partners, a strategic marketing and business development consulting group that he founded in 2001. Prior to Skylight Partners, Mr. Ruder served for four years as Executive Vice President of Global Marketing for Citigroup. He spent 16 years at the H.J. Heinz Co. in progressively responsible positions, including President of Heinz USA, President of Weight Watchers Food Company and corporate Vice President of Worldwide Infant Feeding. He also served as Director of Marketing, New Products and Sales for Pepsi USA in the mid-1980s. Mr. Ruder is a member of the board of the New York State Foundation for Science, Technology and Academic Research (NYSTAR), and also serves as chair of the board of the Adirondack Council, board member and secretary of the New York Metro Chapter of the World Presidents' Organization, and an advisory board member of PNC Private Client Advisors. Mr. Ruder earned a Bachelor of Arts degree in American History in 1976 from Washington University in St. Louis, Mo., and a Master of Business Administration degree in Marketing in 1978 from the Tuck School at Dartmouth College. His term expires on March 31, 2009.

ANTHONY B. MARTINO, CPA, Buffalo.

Mr. Martino was appointed as a Member of the Authority by the Governor on April 26, 2004. 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. He is a member of the Board of Directors of Natural Health Trends Inc., a public company, where he chairs the Audit Committee. 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, 2007 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.

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.

KEVIN R. CARLISLE, Averill Park.

Mr. Carlisle was appointed as a Member of the Authority by the Temporary President of the Senate on January 29, 2007. After a career in public housing and business consulting, Mr. Carlisle retired in 2003 as Assistant Commissioner of the State Division of Housing and Community Renewal ("DHCR") and Vice President of the New York State Housing Trust Fund Corporation. He was responsible for capital development programs which financed approximately 4,000 units annually, with a total development cost of $500 million. He conceived the State's Homes for Working Families Program, which received the 1999 Award for Program Excellence from the National Council of State Housing Finance Agencies. Similarly, Mr. Carlisle implemented the Rural Leveraging Partnership Program, which was cited as a national model by U.S. Rural Housing Services. He also served at DHCR as Director of Underwriting, Deputy Director of the Office of Rural Development, and designed the housing strategy that met the State's off-site commitment to induce the U.S. Army's 10th Mountain Division to locate at Fort Drum. Before he joined DHCR in 1982, Mr. Carlisle was a partner in Barrett Carlisle & Co., a real estate development and consulting firm, and served the City of Troy and the City of Cohoes in economic planning and real estate project management. Mr. Carlisle earned both a Bachelor's degree in Economics and a Master's degree in Urban and Environmental Studies from Rensselaer Polytechnic Institute.

RICHARD P. MILLS, *Commissioner of Education of the State of New York,* Albany; *ex-officio.*

Dr. Mills became Commissioner of Education on September 12, 1995. Prior to his appointment, Dr. Mills served as Commissioner of Education for the State of Vermont since 1988. From 1984 to 1988, Dr. Mills was Special Assistant to Governor Thomas H. Kean of New Jersey. Prior to 1984, Dr. Mills held a number of positions within the New Jersey Department of Education. Dr. Mills' career in education includes teaching and administrative experience at the secondary and postsecondary education levels. Dr. Mills holds a Bachelor of Arts degree from Middlebury College and a Master of Arts, a Master of Business Administration and a Doctor of Education degree from Columbia University.

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

Ms. Anglin was appointed Budget Director on January 1, 2008. As Budget Director, she 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. Ms. Anglin previously served as First Deputy Budget Director from January 2007 to December 2007. She was appointed Deputy Comptroller of the Division of Retirement Services in January 2003 and was responsible for overseeing the administration and managing the operations of the New York State and Local Retirement System. From 1996-2003, Ms. Anglin worked in the New York State Assembly where she served as Director of Budget Studies for the Assembly Ways and Means Committee and as First Deputy Fiscal Director for the Committee. Ms. Anglin has also held the position of Econometrician in the Department of Taxation and Finance from 1992-1996 and began her career as an Economist for the Department of Environmental Conservation. Ms. Anglin holds a Bachelor of Arts degree and a Masters degree in Economics from the State University of New York at Albany.

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.

The principal staff of the Authority is as follows:

PAUL T. WILLIAMS, JR. is the Executive Director and chief administrative and operating 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 Deputy Executive Director of the Authority, and assists the Executive Director 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.

JOHN G. PASICZNYK is the Chief Financial Officer of the Authority. Mr. Pasicznyk is responsible for investment management and accounting, as well as the development of the financial policies for the Authority. Before joining the Authority in 1985, Mr. Pasicznyk worked in audit positions at KPMG Peat Marwick and Deloitte & Touche. He holds a Bachelor's degree from Syracuse University and a Master of Business Administration degree from the Fuqua School of Business at Duke University.

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.

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 2008 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 Projects 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, 2008. Copies of the most recent audited financial statements are available upon request at the offices of the Authority.

PART 12--AGREEMENT OF THE STATE

The Authority Act provides 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, among other things, fulfill the terms of any agreements made 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 and bonds until such notes and 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. The General Resolutions include such pledge to the fullest extent enforceable under applicable Federal and State law. Nevertheless, nothing shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to the New York State Personal Income Tax imposed pursuant to Article 22 of the Tax Law. An Event of Default under the General Resolutions would not occur solely as a result of the State exercising its right to amend, repeal, modify or otherwise alter such taxes and fees.

PART 13--TAX MATTERS

Series 2008B Education Bonds and Series 2008C Education Bonds

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Series 2008B Education Bonds and Series 2008C Education Bonds (the "Tax-Exempt Bonds") for interest thereon to be and remain not includable in gross income under Section 103 of the Code. Non-compliance with such requirements could cause the interest on the Tax-Exempt Bonds to be includable in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. The Authority has covenanted in the Series 2008B Education Supplemental Resolution and the Series 2008C Education Supplemental Resolution and will covenant in its Tax Certificate to be executed and delivered in connection with the issuance of the Tax-Exempt Bonds to comply with applicable requirements of the Code in order to maintain the exclusion of the interest on the Tax-Exempt Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. The State has agreed in the Financing Agreements that if the Authority is required to pay over or rebate to the United States any investment earnings with respect to the Tax-Exempt Bonds, the State will pay to the Authority on a timely basis such amount as is necessary to maintain the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes. In addition, the Authority and certain other entities benefiting from the Tax-Exempt Bonds, including the State, have in their respective certificates made certain representations and certifications relating to compliance with certain federal income tax matters. Bond Counsel will not independently verify the accuracy of those certifications and representations.

In the opinion of Sidley Austin LLP, Bond Counsel, based on existing law and except as provided in the next sentence, interest on the Tax-Exempt Bonds is not includable in gross income for purposes of federal income taxation. Interest on the Tax-Exempt Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority or another entity benefiting from the Tax-Exempt Bonds, as described above, fails to comply subsequent to the issuance of the Tax-Exempt Bonds with the covenant, agreement, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Tax-Exempt Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury.

The above opinion with respect to the exclusion from gross income of the interest on the Tax-Exempt Bonds for federal income tax purposes may not be relied upon to the extent that such exclusion is adversely affected as a result of any action taken in reliance upon the opinion of counsel other than Sidley Austin LLP delivered subsequent to the issuance of the Tax-Exempt Bonds.

Interest on the Tax-Exempt Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. Such interest will, however, be included in the calculation of the alternative minimum tax liabilities of corporations. The Code contains provisions (some of which are noted below) that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Tax-Exempt Bonds or (ii) the inclusion in certain computations (including, without limitation, those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

Ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations ding business in the United States, certain S-corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebted to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Prospective purchasers of the Tax-Exempt Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

Under existing law, the interest on the Tax-Exempt Bonds is exempt from existing 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 excess, if any, of the amount payable at maturity of any maturity of the Tax-Exempt Bonds purchased as part of the initial public offering over the issue price thereof constitutes original issue discount. The amount of original issue discount that has accrued and is properly allocable to an owner of any maturity of the Tax-Exempt Bonds with original issue discount (the "Discount Bonds"), will be excluded from gross income for federal income tax purposes to the same extent as interest on the Tax-Exempt Bonds. In general, the issue price of a maturity of the Tax-Exempt Bonds is the first price at which a substantial amount of Tax-Exempt Bonds of that maturity was sold (excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and the amount of original issue discount accrues in accordance with a constant yield method based on the compounding of interest. A purchaser's adjusted basis in a Discount Bond is increased by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bond for federal income tax purposes. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's federal alternative minimum tax liability. In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

The accrual of original issue discount and its effect on the redemption, sale or other disposition of a Discount Bond that is not purchased in the initial offering at the first price at which a substantial amount of such substantially identical Tax-Exempt Bonds is sold to the public may be determined according to rules that differ from those described above.

Owners of Discount Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of original issue discount or interest properly accruable with respect to such Discount Bonds and with respect to State of New York and local tax consequences of owning and disposing of Discount Bonds.

The excess, if any, of the tax adjusted basis of the Tax-Exempt Bonds purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Tax-Exempt Bonds as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at maturity is "bond premium." Bond premium is amortized over the term of such Tax-Exempt Bonds for federal income tax purposes (or, in the case of a bond with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). Owners of such Tax-Exempt Bonds are required to decrease their adjusted basis in such Tax-Exempt Bonds by the amount of amortizable bond premium attributable to each taxable year such Tax-Exempt Bonds are held. the amortizable bond premium on such Tax-Exempt Bonds attributable to a taxable year is not deductible for federal income tax purposes; however, bond premium is treated as an offset to qualified stated interest received on such Tax-Exempt Bonds. Owners of such Tax-Exempt Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon sale or other disposition of such Tax-Exempt Bonds and with respect to the state and local tax consequences of owning and disposing of such Tax-Exempt Bonds.

Legislation affecting municipal securities is constantly being considered by the United States Congress. there can be no assurance that legislation enacted after the date of issue of the Tax-Exempt Bonds will not have an adverse impact on the tax exempt status of the Tax-Exempt Bonds. Legislative or regulatory actions and proposals may also affect the economic value of the tax exemption or market price of the Tax-Exempt Bonds. See also "—Future Developments."

Backup Withholding

Interest paid on the Tax-Exempt Bonds will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest on the Tax-Exempt Bonds to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the IRS.

Series 2008C Economic Development and Housing Bonds

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Circular 230 Notice

Any discussion of U.S. federal tax issues set forth in this Official Statement relating to the Series 2008C Economic Development and Housing Bonds was written in connection with the promotion and marketing of the transactions described in this Official Statement. Such discussion is not intended or written to be legal or tax advice with respect to the Series 2008C Economic Development and Housing Bonds to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U. S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

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In General

Interest on the Series 2008C Economic Development and Housing Bonds will be includable in the gross income of the owners thereof for purposes of U.S. federal income taxation. See "Certain U.S. Federal Income Tax Considerations," below. Under existing law, interest on the Series 2008C Economic Development and Housing Bonds will be exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers.

Certain U.S. Federal Income Tax Considerations

The following summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Series 2008C Economic Development and Housing Bonds is based upon the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations promulgated thereunder, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates and retroactive changes) or possible differing interpretations. It deals only with Series 2008C Economic Development and Housing Bonds held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, insurance companies, regulated investment companies, entities classified as partnerships, dealers in securities or currencies, persons holding Series 2008C Economic Development and Housing Bonds as a hedge against currency risks or as a part of a "straddle", "hedge", "conversion", or other integrated transaction for tax purposes, or persons whose functional currency is not the U.S. dollar. It also does not deal with holders other than original purchasers (except where otherwise specifically noted). Persons considering the purchase of the Series 2008C Economic Development and Housing Bonds should consult their own tax advisors concerning the application of U.S. federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Series 2008C Economic Development and Housing Bonds arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Series 2008C Economic Development and Housing Bond and that is for U.S. federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (v) any other person whose income or gain in respect of a Series 2008C Economic Development and Housing Bond is effectively connected with the conduct of a United States trade or business. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as United States persons under the Code and applicable Treasury regulations thereunder prior to such date, that elect to continue to be treated as United States persons under the Code or applicable Treasury regulations thereunder also will be U.S. Holders. If a partnership (including for this purpose any entity treated as a partnership for U.S. federal income tax purposes) is the beneficial owner of a Series 2008C Economic Development and Housing Bond, the treatment of a partner in that partnership will generally depend upon the status of such partner and the activities of such partnership.

Payments of Interest. Payments of interest on a Series 2008C Economic Development and Housing Bond generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

Original Issue Discount. The following summary is a general discussion of the U.S. federal income tax consequences to U.S. Holders of the purchase, ownership and disposition of Series 2008C Economic Development and Housing Bonds issued with original issue discount ("Discount Bonds"), if any. The following summary is based upon final Treasury regulations (the "OID Regulations") released by the Internal Revenue Service ("IRS") under the original issue discount provisions of the Code.

For U.S. federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a de minimis amount (generally 1/4 of 1% of the bond's stated redemption price at maturity multiplied by the number of complete years to its maturity from its issue date or, in the case of a bond providing for the payment of any amount other than qualified stated interest (as defined below) prior to maturity, multiplied by the weighted average maturity of such bond). The issue price of each maturity of Series 2008C Economic Development and Housing Bonds in an issue of Series 2008C Economic Development and Housing Bonds equals the first price at which a substantial amount of such maturity of Series 2008C Economic Development and Housing Bonds has been sold (ignoring sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The stated redemption price at maturity of a Series 2008C Economic Development and Housing Bond is the sum of all payments provided by the Series 2008C Economic Development and Housing Bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate. Payments of qualified stated interest on a Series 2008C Economic Development and Housing Bond are taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting). A U.S. Holder of a Discount Bond must include original issue discount in income as ordinary interest for U.S. federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. Holder's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial U.S. Holder of a Discount Bond is the sum of the daily portions of original issue discount with respect to such Discount Bond for each day during the taxable year (or portion of the taxable year) on which such U.S. Holder held such Discount Bond. The "daily portion" of original issue discount on any Discount Bond is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the Discount Bond, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the Discount Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Bond at the beginning of any accrual period is the sum of the issue price of the Discount Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Bond that were not qualified stated interest payments. Under these rules, U.S. Holders generally will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder who purchases a Discount Bond for an amount that is greater than its adjusted issue price as of the purchase date and less than or equal to the sum of all amounts payable on the Discount Bond after the purchase date, other than payments of qualified stated interest, will be considered to have purchased the Discount Bond at an "acquisition premium." Under the acquisition premium rules, the amount of original issue discount which such U.S. Holder must include in its gross income with respect to such Discount Bond for any taxable year (or portion thereof in which the U.S. Holder holds the Discount Bond) will be reduced (but not below zero) by the portion of the acquisition premium properly allocable to the period.

U.S. Holders may generally, upon election, include in income all interest (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) that accrues on a debt instrument by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. This election will generally apply only to the debt instrument with respect to which it is made and may be revoked only with the consent of the IRS.

Short-Term Series 2008C Economic Development and Housing Bonds. Series 2008C Economic Development and Housing Bonds that have a fixed maturity of one year or less ("Short-Term Series 2008C Bonds") will be treated as having been issued with original issue discount. In general, an individual or other cash method U.S. Holder is not required to accrue such original issue discount unless the U.S. Holder elects to do so. If such an election is not made, any gain recognized by the U.S. Holder on the sale, exchange or maturity of the Short-Term Series 2008C Bond will be ordinary income to the extent of the original issue discount accrued on a straight-line basis, or upon election under the constant yield method (based on daily compounding), through the date of sale or maturity, and a portion of the deductions otherwise allowable to the U.S. Holder for interest on borrowings allocable to the Short-Term Series 2008C Bonds will be deferred until a corresponding amount of income is realized. U.S. Holders who report income for U.S. federal income tax purposes under the accrual method, and certain other holders, including banks and dealers in securities, are required to accrue original issue discount on a Short-Term Series 2008C Bond on a straight-line basis unless an election is made to accrue the original issue discount under a constant yield method (based on daily compounding).

Market Discount. If a U.S. Holder purchases a Series 2008C Economic Development and Housing Bond, other than a Discount Bond, for an amount that is less than its issue price (or, in the case of a subsequent purchaser, its stated redemption price at maturity) or, in the case of a Discount Bond, for an amount that is less than its revised issue price as of the purchase date, such U.S. Holder will be treated as having purchased such Series 2008C Economic Development and Housing Bond at a "market discount," unless the amount of such market discount is less than a specified *de minimis* amount.

Under the market discount rules, a U.S. Holder will be required to treat any partial principal payment (or, in the case of a Discount Bond, any payment that does not constitute qualified stated interest) on, or any gain realized on the sale, exchange, retirement or other disposition of, a Series 2008C Economic Development and Housing Bond as ordinary income to the extent of the lesser of (i) the amount of such payment or realized gain or (ii) the market discount which has not previously been included in gross income and is treated as having accrued on such Series 2008C Economic Development and Housing Bond at the time of such payment or disposition. Market discount will be considered to accrue ratably during the period from the date of acquisition to the maturity date of the Series 2008C Economic Development and Housing Bond, unless the U.S. Holder elects to accrue market discount on the basis of semiannual compounding.

A U.S. Holder may be required to defer the deduction of all or a portion of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry a Series 2008C Economic Development and Housing Bond with market discount until the maturity of the Series 2008C Economic Development and Housing Bond or certain earlier dispositions, because a current deduction is only allowed to the extent the interest expense exceeds an allocable portion of market discount. A U.S. Holder may elect to include market discount in income currently as it accrues (on either a ratable or constant yield basis), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the Series 2008C Economic Development and Housing Bond and upon the receipt of certain cash payments and regarding the deferral of interest deductions will not apply. Generally, such currently included market discount is treated as ordinary interest income for U.S. federal income tax purposes. Such an election will apply to all debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Premium. If a U.S. Holder purchases a Series 2008C Economic Development and Housing Bond for an amount that is greater than the sum of all amounts payable on the Series 2008C Economic Development and Housing Bond after the purchase date, other than payments of qualified stated interest, such U.S. Holder will be considered to have purchased the Series 2008C Economic Development and Housing Bond with "amortizable bond premium" equal in amount to such excess. A U.S. Holder may elect to amortize such premium using a constant yield method over the remaining term of the Series 2008C Economic Development and Housing Bond and may offset interest otherwise required to be included in respect of the Series 2008C Economic Development and Housing Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Series 2008C Economic Development and Housing Bond held by a U.S. Holder that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the disposition of the Series 2008C Economic Development and Housing Bond. However, if the Series 2008C Economic Development and Housing Bond may be optionally redeemed after the U.S. Holder acquires it at a price in excess of its stated redemption price at maturity, special rules would apply which could result in a deferral of the amortization of some bond premium until later in the term of the Series 2008C Economic Development and Housing Bond. Any election to amortize bond premium applies to all taxable debt instruments acquired by the U.S. Holder on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Disposition of a Series 2008C Economic Development and Housing Bond. Except as discussed above, upon the sale, exchange or retirement of a Series 2008C Economic Development and Housing Bond, a U.S. Holder generally will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's adjusted tax basis in the Series 2008C Economic Development and Housing Bond. A U.S. Holder's adjusted tax basis in a Series 2008C Economic Development and Housing Bond generally will equal such U.S. Holder's initial investment in the Series 2008C Economic Development and Housing Bond increased by any original issue discount included in income (and accrued market discount, if any, if the U.S. Holder has included such market discount in income) and decreased by the amount of any payments, other than qualified stated interest payments, received and amortizable bond premium taken with respect to such Series 2008C Economic Development and Housing Bond. Such gain or loss generally will be long-term capital gain or loss if the Series 2008C Economic Development and Housing Bond has been held by the U.S. Holder at the time of disposition for more than one year. If the U.S. Holder is an individual, long-term capital gains will be subject to reduced rates of taxation. The deductibility of capital losses is subject to certain limitations.

Backup Withholding. Backup withholding of U.S. federal income tax may apply to payments made in respect of the Series 2008C Economic Development and Housing Bonds to registered holders who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Series 2008C Economic Development and Housing Bonds to a U.S. Holder must be reported to the IRS, unless the U.S. Holder is an exempt recipient or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's U.S. federal income tax provided the required information is furnished to the IRS.

Legal Defeasance of Series 2008C Economic Development and Housing Bonds. Under the Economic Development General Resolution, the Series 2008C Economic Development and Housing Bonds may be legally defeased. Owners of the Series 2008C Economic Development and Housing Bonds should be aware that for U.S. federal income tax purposes, the deposit by the Authority of moneys or securities with the Trustee in such amount and such manner as to cause any Series 2008C Economic Development and Housing Bonds to be deemed to be legally defeased could result in a deemed exchange under Section 1001 of the Code and a recognition by such owners of taxable income, without any corresponding receipt of moneys. In addition, for U.S. federal income tax purposes, the character and timing of receipt of payments on Series 2008C Economic Development and Housing Bonds subsequent to any such defeasance could also be affected. Purchasers of Series 2008C Economic Development and Housing Bonds should consult their own tax advisors with respect to the more detailed consequences to them of such defeasance, including the applicability and effect of tax laws other than U.S. federal income tax laws.

Future Developments

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Series 2008 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject, directly or indirectly, to State or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Prospective purchasers of the Series 2008 Bonds should consult their own tax advisors regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Bond Counsel expresses no opinion.

PART 14--LITIGATION

There is no litigation or other proceeding pending or, to the knowledge of the Authority, threatened in any court, agency or other administrative body (either State or Federal) restraining or enjoining the issuance, sale or delivery of the Series 2008 Bonds, or in any way questioning or affecting (i) the proceedings under which the Series 2008 Bonds are to be issued, (ii) the pledge effected under the General Resolutions, or (iii) the validity of any provision of the Enabling Act, the Series 2008 Bonds, the General Resolutions, the Series 2008B Education Supplemental Resolution, the Series 2008C Education Supplemental Resolution, the Series 2008 Economic Development Resolution or the Financing Agreements.

PART 15--CERTAIN LEGAL MATTERS

All legal matters incident to the authorization, issuance, sale and delivery of the Series 2008 Bonds are subject to the approval of Sidley Austin LLP, New York, New York, Bond Counsel to the Authority, and to certain other conditions. The approving opinion of Bond Counsel will be delivered with the Series 2008 Bonds. The proposed form of such opinion is included in this Official Statement as Appendix D.

Certain legal matters will be passed upon for the Underwriters by their counsel, Edwards Angell Palmer & Dodge LLP, New York, New York.

PART 16—UNDERWRITING

Morgan Stanley & Co. Incorporated, on behalf of the Underwriters for the Series 2008 Bonds, has agreed, subject to the terms of separate Contracts of Purchase, in respect of each series of Series 2008 Bonds, with the Authority, to purchase the Series 2008 Bonds from the Authority. The Contract of Purchase for the Series 2008 Education Bonds provides, in part, that the Underwriters of the Series 2008 Education Bonds, subject to certain conditions, will purchase from the Authority $715,100,000 aggregate principal amount of the Series 2008 Education Bonds at an aggregate purchase price of $717,244,160.72 (which price reflects an aggregate Underwriters' discount of $4,347,542.83 and a net original issue premium of $6,491,703.55). The Contract of Purchase for the Series 2008C Economic Development and Housing Bonds provides, in part, that the Underwriters of the Series 2008C Economic Development and Housing Bonds, subject to certain conditions, will purchase from the Authority $50,595,000 aggregate principal amount of Series 2008C Economic Development and Housing Bonds at an aggregate purchase price of $50,376,593.03 (which price reflects an Underwriters' discount of $218,406.97). Delivery of the Series 2008B Education Bonds is not conditioned upon delivery of the Series 2008C Education Bonds or the Series 2008C Economic Development and Housing Bonds. Delivery of the Series 2008C Education Bonds is not conditioned upon delivery of the Series 2008B Education Bonds or the Series 2008C Economic Development and Housing Bonds. Delivery of the Series 2008C Economic Development and Housing Bonds is not conditioned upon delivery of the Series 2008B Education Bonds or the Series 2008C Education Bonds.

J.P. Morgan Securities Inc., one of the underwriters of the Series 2008 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings, including the Series 2008 Bonds, at the original issue prices. Pursuant to the Distribution Agreement (if applicable for this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2008 Bonds with UBS Financial Services Inc.

PART 17--LEGALITY OF INVESTMENT

Under New York State law, the Series 2008 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. However, enabling legislation or bond resolutions of individual authorities and public benefit corporations of the State may limit the investment of funds of such authorities and corporations in the Series 2008 Bonds.

PART 18—VERIFICATION OF MATHEMATICAL COMPUTATIONS

When the Series 2008 Bonds are issued, Causey, Demgen & Moore, Inc. (the "Verification Agent"), a firm of independent certified public accountants, will deliver to the Authority a report indicating that it has verified the arithmetic accuracy of the mathematical computations of the adequacy of the cash, the maturing principal amounts and the interest on the Government Securities to pay the principal, interest and redemption price coming due on the Refunded Bonds. See "PART 7-THE REFUNDING PLAN." In addition, the Verification Agent's report will verify certain yield calculations relating to the Refunded Bonds and the Series 2008 Education Bonds.

PART 19--RATINGS

The Series 2008 Bonds are rated "AAA" by Standard & Poor's and "AA-" by Fitch. An explanation of the significance of such rating should be obtained from the rating agency furnishing the same. There is no assurance that such rating will prevail for any given period of time or that it will not be changed or withdrawn by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2008 Bonds.

PART 20--CONTINUING DISCLOSURE

In order to assist the Underwriters of the Series 2008 Bonds to comply 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"), each of the Authorized Issuers, the State, and each of the trustees under the general resolutions, including the Trustee, have entered into a written agreement (the "Master Disclosure Agreement") for the benefit of all holders of State Personal Income Tax Revenue Bonds, including the holders of the Series 2008 Bonds, to provide continuing disclosure. The State will undertake for the benefit of all holders of State Personal Income Tax Revenue Bonds, including holders of the Series 2008 Bonds, to provide each Nationally Recognized Municipal Securities Information Repository (each a "Repository"), and if and when one is established, the New York State Information Depository (the "State Information Depository"), on an annual basis on or before 120 days after the end of each State Fiscal Year, commencing with State Fiscal Year ending March 31, 2009, financial information and operating data referred to herein as "Annual Information" and the sources of the

Revenue Bond Tax Fund Receipts, as described in more detail below. 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 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 each Repository and to the State Information Depository, if and when such statements are available. In addition, the Authorized Issuers have undertaken, for the benefit of all holders of State Personal Income Tax Revenue Bonds, including holders of Series 2008 Bonds, to provide to each such Repository or the Municipal Securities Rulemaking Board ("MSRB") and to the State Information Depository, in a timely manner, the notices described below (the "Notices"). Filings pursuant to Rule 15c2-12 may be made either directly with the repositories or through a central information repository approved in accordance with Rule 15c2-12.

The Annual Information shall consist of: (a) financial information and operating data of the type included in this Official Statement under the headings "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS" and "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND," including information relating to: (1) a description of the personal income tax imposed by Article 22 of the New York State Tax Law, which shall include a description of the tax rate, the tax base and the components of the State personal income tax (unless the personal income tax has been materially changed or modified, in which case similar information about the changed or modified tax will be provided); (2) a historical summary of New York State Personal Income Tax Receipts for a period of at least the five most recent completed State Fiscal Years then available, together with an explanation of the factors affecting collection levels; and (b) financial information and operating data of the type included in the Annual Information Statement of the State set forth or referred to in Appendix A hereto, 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 State Fiscal Years, an analysis of cash-basis results for the three most recent State Fiscal Years, and a presentation of the State's results in accordance with GAAP for at least the two most recent State 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 (c) 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 and the collection of New York State Personal Income Tax Receipts.

The Notices include notices of any of the following events with respect to all State Personal Income Tax Revenue Bonds, including holders of the Series 2008 Bonds, if material (each of which is described in the Master Disclosure Agreement): (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 Authorized Issuers have undertaken for the benefit of the holders of State Personal Income Tax Revenue Bonds, including holders of the Series 2008 Bonds, to provide to each Repository or the MSRB and to the State Information Depository, in a timely manner, notice of any failure by the State to provide the Annual Information and annual financial statements by the date required in the State's undertaking described above.

If any party to the Master Disclosure Agreement fails to comply with any provisions thereof, then each of the other parties to the Master Disclosure Agreement and, as a direct or third party beneficiary, as the case may be, any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2008 Bonds, may enforce, for the equal benefit and protection of all holders similarly situated, by mandamus or other suit or proceeding at law or in equity, the Master Disclosure Agreement against such party and any of its officers, agents and employees, and may compel such party or any such officers, agents or employees to perform and carry out their duties thereunder. The sole and exclusive remedy for breach or default under the Master Disclosure Agreement to provide continuing disclosure described above is an action to compel specific performance of the undertakings of the State and/or the applicable Authorized Issuer contained therein, and no person or other entity, including any holder of State Personal Income Tax Revenue Bonds, including the holders of the Series 2008 Bonds, may recover monetary damages thereunder under any circumstances. Any holder of State Personal Income Tax Revenue Bonds, including the holders of Series 2008 Bonds, including any beneficial owner, may enforce the Master Disclosure Agreement to the equal and proportionate benefit of all holders similarly situated to the extent provided in the Master Disclosure Agreement. A breach or default under the Master Disclosure Agreement shall not constitute an Event of Default under the general resolutions. 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 Master Disclosure Agreement, insofar as the provision of Rule 15c2-12 no longer in effect required the provision of such information, shall no longer be required to be provided. The obligations of the State under the Master Disclosure Agreement may be terminated if the State ceases to be an obligated person as defined in 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 is related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the Master Disclosure Agreement do not anticipate that it often will be necessary to amend the information undertakings. The Master Disclosure Agreement, however, may be amended or modified without Bondholders' consent under certain circumstances set forth therein.

Copies of the Master Disclosure Agreement are on file at the respective offices of each Authorized Issuer.

PART 21--MISCELLANEOUS

Certain information concerning the State (which is either 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 in this Official Statement. 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 State provided the information relating to the State in "APPENDIX A—INFORMATION CONCERNING THE STATE OF NEW YORK."

The Director of the Budget of the State of New York is to certify that the statements and information appearing (i) under the headings "PART 1—SUMMARY STATEMENT" (except under the subcaption "Purpose of Issue; Security for Series 2008 Bonds" as to which no representation is made), "PART 2—INTRODUCTION" (the second, third, fifth, tenth, eleventh, twelfth and fourteenth paragraphs only), "PART 3—SECURITY AND SOURCES OF PAYMENT FOR STATE PERSONAL INCOME TAX REVENUE BONDS," (ii) under the heading "PART 4—SOURCES OF NEW YORK STATE PERSONAL INCOME TAX RECEIPTS FOR THE REVENUE BOND TAX FUND," (iii) under the heading captioned "PART 9—DEBT SERVICE REQUIREMENTS" as to the column "Other Outstanding NYS Personal Income Tax Revenue Bonds Debt Service" and (iv) in the "Annual Information Statement of the State of New York," including any updates or supplements, included in Appendix A to this Official Statement are true, correct and complete in all material respects, and that no facts have come to her attention that would lead her to believe that such statements and information contain any untrue statement of a material fact or omit to state any material facts 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 information and statements contained under such headings and in Appendix A 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 she believes to be reliable and she 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 Appendix A hereto under the caption "Litigation," such statements and information as to legal matters are given to the best of her information and belief, having made such inquiries as she deemed appropriate at the offices of the Department of Law of the State, without any further independent investigation. The certification is to apply both as of the date of this Official Statement and as of the date of delivery of the Series 2008 Bonds.

The references herein to the Authority Act, the Enabling Act, other laws of the State, the General Resolutions and the Financing 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 2008 Bonds are fully set forth in the respective General Resolutions (including any supplemental resolutions thereto), and neither any advertisement of the Series 2008 Bonds nor this Official Statement is to be construed as a contract with the purchasers of the Series 2008 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, forecasts or estimates, whether or not expressly stated, are intended merely as expressions of opinion, forecasts or estimates and not as representations of fact. Copies of the documents mentioned in this paragraph are available for review at the corporate headquarters of the Authority located at 515 Broadway, Albany, New York 12207.

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

APPENDIX A

INFORMATION CONCERNING THE STATE OF NEW YORK

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APPENDIX A

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 A 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 A 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 A is dated May 12, 2008. It was updated on October 28, 2008. The AIS was also filed with each Nationally Recognized Municipal Securities Information Repository (NRMSIR). An official copy of the AIS may be obtained by contacting a NRMSIR, or 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, 2008 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 25, 2008 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.

Update to Annual Information Statement (AIS)
State of New York

October 28, 2008

This quarterly update (the "AIS Update") is the second quarterly update to the Annual Information Statement of the State of New York, dated May 12, 2008 (the "AIS") and contains information only through October 28, 2008. This AIS Update should be read in its entirety, together with the AIS and the first quarterly update to the AIS dated August 6, 2008 (the "First Quarterly Update").

In this AIS Update, readers will find:

1. Extracts from the Mid-Year Update to the 2008-09 Financial Plan (the "Updated Financial Plan"), which the Division of the Budget ("DOB") issued on October 28, 2008. The Updated Financial Plan includes:

   (a) a summary of recent events and changes to the Financial Plan made since the First Quarterly Update;

   (b) revised Financial Plan projections for fiscal years 2008-09 through 2011-12;

   (c) operating results for the first half of fiscal year 2008-09;

   (d) an updated economic forecast,

   (e) the Generally Accepted Accounting Principles (GAAP)-basis Financial Plan projections for 2008-09; and

   (f) a summary on debt and capital management.

   The Update Financial Plan is available on the DOB website, www.budget.state.ny.us.

2. A discussion of special considerations related to the State Financial Plan for fiscal year 2008-09.

3. A summary of GAAP-basis results for the 2007-08 fiscal year (the full statements are available on the State Comptroller's website, www.osc.state.ny.us). This information is reprinted from the First Quarterly Update as a convenience to the reader and includes no new information since that time.

4. Updated information regarding the State Retirement Systems.

5. The status of significant litigation 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 Update on behalf of the State. In preparing this AIS Update, DOB has utilized significant portions of the Updated Financial Plan, but has also relied on information drawn from other sources, such as the Office of the State Comptroller ("OSC"), that it believes to be reliable. Information relating to matters described in the section entitled "Litigation" is furnished by the State Office of the Attorney General.

During the current 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 the AIS. Investors and other market participants should, however, refer to the AIS, as revised, updated, or supplemented, for the most current official information regarding the financial condition of the State.

The State may issue AIS supplements or other disclosure notices to this AIS Update 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 Update in Official Statements or related disclosure documents for State or State-supported debt issuance. The State has filed this AIS Update directly with Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas (Texas MAC) established this internet-based disclosure filing system, approved by the Securities and Exchange Commission, to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS Update may be obtained by contacting the New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 474-8282 or from any NRMSIR.

Usage Notice

This AIS Update 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 payment of their respective bonds, notes or other obligations.

An informational copy of this AIS Update is available on the DOB website (www.budget.state.ny.us). The availability of this AIS Update in electronic form at DOB's website is being provided to you 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 Update on this website is not intended as a republication of the information therein on any date subsequent to its release date.

Neither this AIS Update 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 Update or any portion thereof in a Preliminary Official Statement, Official Statement, or other offering document or continuing disclosure filing or incorporated by reference therein 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 Update if so misused.

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Update to the 2008-09 Financial Plan

Note: *DOB issued the Updated Financial Plan on October 28, 2008, extracts of which are set forth below. The Updated Financial Plan includes updated estimates for 2008-09 and projections for 2009-10 through 2011-12. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and 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 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 State Operations). The Financial Plan tables sort all State projections and results by fund and category. 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 weighted toward the General Fund.

The State also reports disbursements and receipts activity by two other broad measures: State Operating Funds, which includes the General Fund and funds specified for dedicated purposes, but excludes Federal Funds and Capital Projects 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 see the Glossary of Acronyms on Pages 65-68 of this AIS Update for the definitions of acronyms, defined terms and abbreviations that are used in this AIS Update.

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2008-09 Updated Financial Plan Extracts

In the First Quarterly Update, DOB stated that the economic downturn would have an adverse impact on State finances, and warned the outlook could worsen, noting "the nation's economic troubles are severe and widespread [and] important financial institutions face a crisis of confidence among investors and the general public." In September and October 2008, a series of financial sector shocks turned the national economic downturn into a global financial crisis that is expected to have a severe and negative impact on State finances.

DOB now projects a General Fund budget gap of $1.5 billion in the current year, which it expects will be addressed through legislative or administrative measures, or both. General Fund tax receipts have been revised downward by $1.7 billion from the estimate in the First Quarterly Update. In addition, adverse market conditions have disrupted plans to convert GHI/HIP to a for-profit company and to sell certain surplus State properties, reducing expected resources by another $384 million in the current year. These costs are expected to be offset in part by $427 million in cost-saving measures to improve the State's operating margins that were approved by the Governor and Legislature in August 2008, $120 million in additional revenue expected from the sale of development rights at Aqueduct Racetrack, and $26 million in other savings based on a review of updated information.

The projected budget gaps[1] for 2009-10 and future years have also increased substantially, primarily reflecting the expected impact of recent economic events on the forecast of State tax receipts. DOB now projects a General Fund budget gap of $12.5 billion in 2009-10, an increase of $6.2 billion from the First Quarterly Update. The budget gap for 2009-10 is the largest ever faced by the State as measured in absolute dollars, and is roughly equivalent to the magnitude of the gap that needed to be closed in fiscal year 2003-04. The estimate for General Fund receipts has been reduced by $5.8 billion, reflecting the expected impact of the global financial crisis on the State's tax base. The increase in the budget gap also reflects the inclusion of a reserve for potential labor settlements ($400 million) with State employee unions that have not agreed to new contracts in the current round of bargaining.[2]

At the Governor's request, the Legislature is to convene a special session on November 18, 2008 to consider options to close the current-year shortfall and help reduce the budget gaps in future years. DOB is developing savings options in advance of the November 2008 session. Proposals are expected to include a wide array of local assistance and State operations reductions, as well as targeted revenue enhancements. In addition, the Governor plans to submit a balanced Executive Budget for 2009-10 to the Legislature on December 16, 2008, 36 days in advance of the constitutional deadline (January 20, 2009). The early submission is intended to stimulate prompt action in achieving a balanced enacted budget for 2009-10 in advance of April 1, 2009, the start of the new fiscal year, and provide an opportunity to address any remaining shortfall in the current year, as necessary. The updated Financial Plan does not count on any increases in Federal assistance, but the Governor continues to lobby for a Federal stimulus package that would provide direct fiscal relief to the states. DOB expects the State to end the current fiscal year with $1.2 billion in rainy day reserves, which it does not plan to use to address the current fiscal year shortfall.

1 The difference between the General Fund disbursements expected to be needed to maintain current service levels and specific commitments and the expected level of resources available to pay for them.

2 The reserve is calculated on the assumption that future settlements will follow the pattern established by unions that have approved their contracts.

SUMMARY

Before September 2008

Prior to the extraordinary economic events of September 2008, the State had taken a series of steps during the current fiscal year to respond to a weakening economy and deteriorating outlook for the State's financial services industry. In the First Quarterly Update, DOB significantly lowered its projections for tax receipts in each of the four years of the Financial Plan (in comparison to the Enacted Budget Financial Plan) to reflect the worsening economic outlook and the anticipated impact on State tax collections. It also lowered the amount of resources expected from health insurance conversions, thereby creating a potential imbalance in HCRA starting in 2009-10.[3] At the time, DOB warned that "the nation's economic troubles are severe and widespread [and] important financial institutions face a crisis of confidence among investors and the general public."

To help keep the General Fund balanced in the current year, the DOB began implementation of administrative savings measures (the "Fiscal Management Plan" or "FMP"). The FMP was projected to save $630 million in 2008-09 and $500 million annually thereafter. After accounting for the impact of the FMP savings, DOB projected that the General Fund would end the current fiscal year in balance on a cash basis without the use of existing reserves. The combined General Fund and HCRA budget gaps were estimated to total $6.4 billion in 2009-10, $9.3 billion in 2010-11, and $10.5 billion in 2011-12.

In August 2008, the Governor and Legislature approved a package of cost-saving measures, including health care cost-containment and across-the-board reductions in certain categories of local assistance spending, that were intended to improve the current-year operating margin in the General Fund and reduce the projected gaps in future years. DOB estimated that the measures would provide General Fund savings of $427 million in the current year and $651 million in 2009-10 (including $170 million in cost-avoidance measures).

Global Financial Crisis

A wave of unprecedented financial sector shocks occurred in September and October 2008, transforming an economic downturn that began last year into a global financial crisis. Trust among institutions and investors evaporated. The credit markets seized up, with banks refusing to lend to one another. Wall Street's large independent investment banks disappeared altogether, with Bank of America agreeing to purchase Merrill Lynch, Lehman Brothers filing for bankruptcy protection, and Goldman Sachs and Morgan Stanley applying to become bank holding companies (Bear Stearns had been taken over by JP-Morgan Chase earlier in the year). Market indexes plummeted, an acceleration of a downward trend that began last year. Investors fled to safe assets. The Federal government intervened in the financial system on a scale not seen since the Great Depression, nationalizing the twin mortgage giants, Fannie Mae and Freddie Mac, taking over AIG, the world's largest insurance company, authorizing a $700 billion financial rescue program, the Troubled Asset Relief Program, to purchase mortgage-related securities from financial institutions, and guaranteeing trillions of dollars of deposits in money market funds. Abroad, governments were compelled to take dramatic steps of their own to try to contain the crisis, including intervening to stabilize their own banking systems. A long period marked by growing financial leverage, increased risk-taking, falling credit standards, and excessive deregulation appears to have come to an end.

3 On account of the close financing relationship between the General Fund and HCRA, DOB considers the General Fund and HCRA budget gaps on a combined basis for planning purposes.

Economic Impact is Expected to Be Severe

In DOB's view, the economic damage from the global financial crisis, even if it has been successfully contained, which is by no means certain, will be severe and long-lasting. At the national level, the U.S. economy is expected to contract by 0.1 percent in 2009, following growth of 1.4 percent in 2008. Gross Domestic Product is expected to decline for three consecutive quarters, starting in the third quarter of 2008, a performance not seen since the recession of the mid-1970s. Relatively weak growth in both real household consumption and private sector investment is expected through the end of 2009, and is substantially weaker than the performance projected in the First Quarterly Update. The pace of job losses is likely to accelerate, with the U.S. unemployment rate estimated to average 6.7 percent in 2009, following 5.7 percent in 2008.

In New York, the impact of the crisis is expected to have grave consequences for the State's financial services sector, one of the principal sources of State tax revenues. Layoffs in this sector alone are now expected to total approximately 45,000 positions as strained financial institutions seek to cut costs and newly merged banks seek to reduce duplication of services. This compares to a loss of approximately 30,000 jobs in the months following the September 11, 2001 terrorist attacks. DOB now estimates that finance and insurance sector bonuses will fall 43 percent for the 2008-09 bonus season and another 21 percent for 2009-10, representing larger declines than were seen in the aftermath of September 11th. Declining employment and bonuses will have negative implications for overall income growth as well. New York State wages are now projected to fall 1.8 percent in fiscal year 2008-09, which translates into a $9.2 billion reduction in the wage base. Growth in total New York personal income for 2009 has been revised down to a decline of 1.0 percent, following growth of 2.7 percent for 2008.

But the damage is not limited to Wall Street. Statewide, DOB is forecasting private sector job losses surpassing 160,000, with declines anticipated for all major industrial sectors except health care and education. Statewide employment is now expected to fall 1.5 percent for 2009, with private sector jobs projected to decline 1.7 percent, following growth of 0.2 percent for both total and private employment for 2008 (see "Economic Forecast" herein).

Financial Plan Impact

The State's financial position is expected to be severely affected by the global financial crisis. In the current year, DOB now projects a General Fund budget gap of $1.5 billion, which it expects to be addressed through legislative or administrative measures, or both. General Fund tax receipts have been revised downward by $1.7 billion from the estimate in the First Quarterly Update. In addition, adverse market conditions have disrupted plans to convert GHI/HIP to a for-profit company and to sell certain surplus State properties, reducing expected resources by another $384 million in the current year. These costs are expected to be offset in part by $427 million in savings measures to improve the State's operating margins that were approved by the Governor and Legislature in August 2008, $120 million in additional revenue expected from the sale of development rights at Aqueduct Racetrack, and $26 million in other savings based on a review of updated information.

The projected budget gaps for 2009-10 and future years have also increased substantially, primarily reflecting the expected impact of recent economic events on State tax receipts. DOB now projects a General Fund budget gap of $12.5 billion in 2009-10, an increase of $6.2 billion from the First Quarterly Update. The estimate for General Fund tax receipts has been reduced by $5.8 billion, as the impact of the financial services sector contraction and broader downturn is felt in the State's tax base. The increase in the 2009-10 budget gap also reflects the inclusion of a reserve for potential labor settlements ($400 million) with State employee unions that have not agreed to new contracts in the current round of bargaining. The following table summarizes the major revisions to the General Fund forecast.

Summary of Major General Fund Revisions, 2008-09 Mid-Year Financial Plan General Fund ($000)	2008-09	2009-10	2010-11	2011-12
Gap Estimate (First Quarterly Update)	**0**	**(6,355)**	**(9,295)**	**(10,545)**
Receipts Revisions	(1,664)	(5,819)	(5,794)	(5,893)
HCRA Health Insurance Conversions	(284)	(56)	(25)	0
Asset Sales	(100)	30	0	0
August 2008 Session Savings	427	651	639	650
Reserve for Labor Settlements	0	(400)	(275)	(275)
Aqueduct Franchise Fee	120	0	0	0
Spending Revisions	26	(569)	(1,002)	(1,171)
Mid-Year Gap Estimate	**(1,475)**	**(12,518)**	**(15,752)**	**(17,234)**
Required Legislative/Admin Actions*	1,475	TBD	TBD	TBD
Remaining Gap**	0	TBD	TBD	TBD

** The legislative/administrative actions to be taken to close the projected budget gap for fiscal year 2008-09 could exceed or fall short of $1.475 million, which would have the effect of either decreasing or increasing the projected budget gaps and the corresponding required legislative/administrative actions for the current year and upcoming years.*

*** Assumes successful implementation of legislative/administrative actions.*

From 2008-09 to 2009-10, General Fund receipts are now projected to decline by nearly $3.1 billion, a decrease of 5.8 percent. General Fund disbursements are expected to grow by nearly $6.7 billion, an increase of 11.9 percent (see section on "General Fund Outyear Budget Projections" later in this Update). In addition, the level of planned reserves available to finance operations declined by $1 billion.

At the Governor's request, the Legislature is to convene a special session on November 18, 2008 to consider options to close the current-year shortfall and help reduce the gaps in future years. DOB is developing savings options in advance of the November 2008 session. Proposals are expected to include a wide array of local assistance and State operations reductions, as well as targeted revenue enhancements. In addition, the Governor plans to submit a balanced Executive Budget for 2009-10 to the Legislature on December 16, 2008, 36 days in advance of the constitutional deadline (January 20, 2009). The early submission is intended to stimulate prompt action in achieving a balanced enacted budget for 2009-10 in advance of April 1, 2009, the start of the new fiscal year, and provide an opportunity to address any remaining shortfall in the current year, as necessary. The Updated Financial Plan does not count on any increases in Federal assistance, but the Governor continues to lobby for a Federal stimulus package that would provide direct fiscal relief to the states. DOB expects the State to end the current fiscal year with $1.2 billion in rainy day reserves, which it does not plan to use to address the current shortfall.

Receipts Discussion

For the period April 1, 2008 through September 30, 2008, General Fund receipts, including transfers from other funds, were $132 million higher than projected in the First Quarterly Update.[4] In the coming months, DOB expects that the economic downturn will have a substantial negative impact on tax collections, when the impact of lower bonus payments, lower capital gains realizations, declining profitability, and reduced consumer spending will be felt. Receipts to date have benefited from continuing strength in PIT collections (up by $201 million compared to the First Quarterly Update cash-flow), but this reflects unusually large payments from relatively few taxpayers in the first half of the fiscal year. By comparison, business taxes, which are more responsive to current economic trends, especially the continuing weakness in the banking sector, are down by $198 million through the first six months of the fiscal year versus the cash flow forecast (see "Year-to-Date Operating Results" herein).

Accordingly, DOB has lowered its annual forecast of General Fund receipts by $1.7 billion for the current year and $5.8 billion in 2009-10, with significant reductions made in the estimates for PIT, business taxes, and sales taxes. General Fund PIT receipts have been reduced by $1.2 billion in 2008-09 and $4.2 billion in 2009-10. In 2008-09, the expected annual decline in financial sector bonuses is now estimated at $20 billion, or 43 percent, compared to a $10 billion drop projected in the First Quarterly Update. The annual decline in current tax year 2008 estimated payments, which includes tax receipts from capital gains, is projected at $565 million, or 6.6 percent. This compares to an estimated decline of $165 million, or 1.9 percent, in the First Quarterly Update. In 2009-10, both bonuses and capital gains are expected to decline further from the reduced levels projected in 2008-09.

The estimates for General Fund business tax receipts have been reduced by $404 million in 2008-09 and $913 million in 2009-10 in comparison to the First Quarterly Update. This reflects the expected continuation of trends in business taxes, which now suggest substantially lower growth in corporate franchise tax receipts and declines in insurance tax receipts, offset partially by higher-than-estimated receipts from the corporation and utilities taxes.

The estimates for General Fund user taxes and fees have been lowered by $101 million in the current year and $267 million in 2009-10. This is based on slower expected growth in the sales tax base, as well as delays in the implementation of provisions governing the taxation of various products sold by Native Americans and other technical adjustments (see “All Funds Receipts Projections” herein).

Spending Discussion

Through September 2008, General Fund disbursements including transfers to other funds, were $203 million lower than projected in the First Quarterly estimate. The spending results reflect, in large part, the timing of payments for public schools, which are planned to be paid by the end of the fiscal year, and federally-mandated changes to Medicaid systems that temporarily slowed payment processing. DOB expects that these timing-related variances will, for the most part, disappear over the remainder of the year. DOB does not expect that the positive operating results to date will translate into significant annual savings (see "Year-to-Date Operating Results" herein). DOB also believes pressure on entitlement spending is likely to build and may add additional costs in the current year.

In 2008-09, General Fund disbursements have been revised downward by $37 million compared to the First Quarterly Update. DOB has made two substantive downward revisions to the spending forecast. First, it expects additional resources will be available to offset Medicaid spending, primarily from manufacturer drug rebates and audit recoveries accumulated during the year. In addition, the State has reached agreement on

4 Office of the State Comptroller, Monthly Report on State Funds Cash-Basis of Accounting, September 2008.

awarding the VLT franchise at Aqueduct Racetrack to Delaware North, which is expected to result in a $370 million up-front payment in the current fiscal year, which is $120 million higher than budgeted in the Financial Plan. These reductions are offset by higher expected costs in State operations for agencies that received full or partial exemptions for health and safety reasons from the initial reductions assumed under the FMP.[5]

In 2009-10 and after, DOB projects higher costs in several areas, increased Medicaid costs due to nursing home rebasing, higher school aid projections based on additional information reported by school districts for the September 2008 update and declining revenues attributable to lottery and VLT sales, additional General Fund support for the DHBT Fund, and higher-than-projected costs for NYS-OPTS program. The inflationary adjustment for hospitals, nursing homes, and home care, which was expected to add costs of $170 million annually beginning in 2009-10, has been eliminated by legislation approved in the August 2008 session that capped the automatic rate increases at 2.3 percent (see "Revisions to the General Fund Financial Plan — Disbursement Reestimates" and "All Funds Disbursements Projections" herein).

Closing Balance

The Updated Financial Plan projects that the General Fund will end the 2008-09 fiscal year with a balance of $1.6 billion, $145 million below the First Quarterly Update and $1.1 billion lower than the closing balance from 2007-08. The estimate for 2008-09 assumes the successful enactment of special session savings or administrative actions, or both. The annual decline reflects the planned use of $920 million to finance the costs of labor settlements, $168 million for member items in the Community Projects Fund, and $58 million for debt management purposes. Market conditions will determine whether additional resources earmarked by DOB for debt management are needed in the current year. Balances in the other reserves are expected to remain unchanged.

Workforce

The State workforce, which reflects FTEs of the Executive Branch, excluding the Legislature, Judiciary and contractual labor, is currently projected to total 199,400 in 2008-09, a decrease of 851 positions from the First Quarterly Update levels. The projected workforce levels reflect the impact of the FMP actions that were taken to eliminate the current year imbalance. Agencies reporting the most significant declines include DEC, Correctional Services, Health and OGS, consistent with the 7 percent State Operations reductions included in the First Quarterly Update.

Bond Market Impact

One aspect of the credit crisis is that government issuers have either been unable to issue bonds or, if market access exists, do so at much higher interest rates than existed before September 2008. If the State cannot sell bonds at the levels (or on the timetable) expected in the capital plan, it could experience significantly increased costs in the General Fund and a weakened overall cash position in the current year. This is because the State finances much of its capital spending in the first instance through loans from the General Fund or STIP, which it then repays with proceeds from the sale of bonds.

Interest rates on State-supported VRDBs increased sharply in September 2008, reaching an average of 6.5 percent for a period of time. Rates have since moderated but could rise again. Accordingly, DOB has revised its interest-rate forecast upward, which is offset in part by projected debt service savings related to the timing of bond sales.

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5 A detailed summary by agency of approved FMP savings is expected tobe published by DOB no later than October 31, 2008 and will be available at www.budget.state.ny.us.

For planning purposes, DOB is assuming the State will have limited access to the bond market for the remainder of the fiscal year. Therefore, the State is executing a multi-step strategy to stage entries into the bond market in a way that addresses the most immediate and consequential fiscal issues first. At the same time, DOB is imposing stringent capital controls to marginally reduce the need to issue bonds in the coming months (see “Debt/Capital Update” herein).

Risks

The Updated Financial Plan forecast is subject to many complex economic, social, and political risks and uncertainties, many of which are outside the ability of the State to control. These include, but are not limited to, the performance of the global 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 potential challenges to the constitutionality of certain tax actions authorized in the Enacted Budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels.

In addition, the forecast contains specific transaction risks and other uncertainties, including, but not limited to, the final sale of development rights for a VLT facility at the Aqueduct Racetrack by the close of the current fiscal year; the enforcement of certain tax regulations on Native American reservations; the timing and value of proceeds from the sale of Well Point stock that is expected to finance health care costs; and the achievement of cost-saving measures, including, but not limited to, FMP savings, at the levels currently projected. Such risks and uncertainties, if they were to materialize, could have an adverse impact on the Financial Plan in the current year (see section on "Special Considerations" herein).

Current projections estimate that debt outstanding and debt service costs will continue to remain below the limits imposed by the Debt Reform Act of 2000 throughout the next several years. However, the State has entered into a period of significantly declining debt capacity. Based on the most recent personal income and debt outstanding forecasts, the State is now expected to exceed the debt outstanding cap in 2012-13 by over $800 million. The State expects to propose actions in the 2009-10 Executive Budget in order to stay within the statutory limitations.

There can be no assurance that (a) legislative or administrative actions will be sufficient to eliminate the current-year shortfall without the use of existing reserves, (b) receipts will not fall below current projections, requiring additional budget-balancing actions in the current year, and (c) the gaps projected for future years will not increase materially from the projections set forth herein.

GENERAL FUND REVISIONS TO THE FIRST QUARTERLY UPDATE

DOB has made a number of substantive revisions to the receipts and disbursements forecasts contained in the First Quarterly Update. The following table summarizes the General Fund impact of the revisions to the First Quarterly Update. It is followed by an explanation of the major revisions.

Summary of Changes to General Fund Forecast for 2008-09 through 2011-12*
Savings/(Costs)
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
FIRST QUARTERLY GENERAL FUND/HCRA SURPLUS/(GAP)	**0**	**(6,355)**	**(9,295)**	**(10,545)**
Receipts Revisions	(1,664)	(5,819)	(5,794)	(5,893)
Personal Income Tax**	(1,167)	(4,243)	(4,425)	(4,787)
Business Taxes	(404)	(913)	(452)	(376)
Sales/Use Taxes**	(101)	(267)	(380)	(383)
Other Taxes**	(5)	(264)	(337)	(344)
Miscellaneous Receipts/Other Transfers ***	13	(132)	(200)	(3)
Disbursement Revisions	(129)	(658)	(1,080)	(1,215)
Medicaid	130	(95)	(95)	(95)
Medicaid Inflationary Increase Adjustment	0	(170)	(170)	(170)
School Aid	0	(135)	(63)	(64)
Lottery	(34)	(35)	(91)	(140)
Aqueduct Development Rights	120	0	0	0
Child Welfare	0	(31)	(48)	(68)
Human Services COLA	0	(35)	(54)	(73)
General State Charges	10	193	(36)	(19)
SUNY/CUNY Community Colleges	0	(28)	(36)	(36)
SUNY/CUNY Operating Costs	(1)	(16)	(7)	(11)
Transportation	(48)	(108)	(218)	(265)
Correctional Services	(162)	(153)	(154)	(153)
State Police	(52)	(61)	(61)	(61)
Surplus State Properties	(100)	0	0	0
Mental Hygiene	22	(4)	(92)	(120)
All Other	(14)	20	45	60
Collective Bargaining	(21)	(330)	(368)	(389)
Reserve for Future Labor Settlements	0	(400)	(275)	(275)
State Police	(44)	(45)	(71)	(71)
SUNY/Other	(21)	(30)	(22)	(43)
Use of Reserve	44	145	0	0
August Special Session Actions	427	651	639	650
Medicaid Cost Containment	127	374	379	385
Across-the-Board Local Reductions	182	234	236	240
Other Savings Actions	118	43	24	25
HCRA Revisions	(88)	(7)	146	158
Health Insurance Conversions	(284)	(56)	(25)	0
EPIC	64	118	163	188
All Other Program Revisions	47	16	8	(30)
Use of current fund balance (previously available in 2009-10)	85	(85)	0	0
REVISED SURPLUS/(GAP) ESTIMATE BEFORE SPECIAL SESSION	**(1,475)**	**(12,518)**	**(15,752)**	**(17,234)**
Net Change From First Quarter Update	*(1,475)*	*(6,163)*	*(6,457)*	*(6,689)*
Potential Legislative/Administrative Actions to Address Gap	1,475	TBD	TBD	TBD
GENERAL FUND/HCRA SURPLUS/(GAP) ESTIMATE	**0**	**(12,518)**	**(15,752)**	**(17,234)**
Net Change From First Quarter Update	*0*	*(6,163)*	*(6,457)*	*(6,689)*

** Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.*

*** Includes transfers from other funds of tax receipts in excess of debt service costs.*

**** Excludes additional receipts authorized in the August 2008 special session via transfers from other funds ($95 million in 2008-09, $50 million in 2009-10, $31 million in 2010-11 and $32 million in 2011-12), which are reflected in the "August Special Session Actions" total.*

Receipts Revisions:

Tax Revenues: The downward revisions primarily reflect the impact of DOB's revised economic forecast on anticipated tax collections. Please see "Economic Forecast" and "All Funds Receipts Projections" herein for a complete explanation of changes.

Miscellaneous Receipts/Other: The downward revisions primarily reflect the loss of anticipated receipts from New York City that have been subject to ongoing negotiations.

Disbursement Revisions:

Medicaid (including administrative costs): Revised inflation projections were expected to drive increased payments through Medicaid rates that are tied to inflation. However, legislation enacted in August 2008 capped automatic inflationary increases to 2.3 percent. The Nursing Home rebasing initiative, which updates the base year for which rates are calculated, is expected to increase Medicaid spending beginning in 2009-10. In the current year, additional resources are expected to be available to offset Medicaid spending.

School Aid: The September 2008 school aid database update resulted in higher projected costs of $135 million in 2009-10, based on additional claims filed since the May 2008 update and updated wealth and demographic information reported by school districts. These additional costs are primarily driven by growth in building aid and excess cost aid. Based on statute, additional school year obligations from 2008-09 and earlier years will be paid in State fiscal year 2009-10. As in prior years, the updated school district data and additional claims have resulted in a significant cost increase to the State's multi-year Financial Plan, subsequent to the Enacted Budget agreements.

Lottery: Reflects a projected decrease in revenues available for education generated by lottery sales and VLTs. New games offered in 2008-09 have not performed as well as expected. General Fund support for school aid is increased to compensate for the lower revenues.

Aqueduct Development Rights: The Financial Plan included $250 million in expected receipts from the sale of VLT facility development rights at the Aqueduct Racetrack in Queens. The State received three bids for development rights. The bidders included Capital Play, Inc. for $100 million, SL Green Realty Corporation for $250 million, and Delaware North Companies for $370 million. After several months of discussion and evaluation, the State has agreed to award the Buffalo-based Delaware North with the licensure to operate the facility. The amount of the bid is $120 million above the level included within the Financial Plan. It is expected that full payment will be received by the close of the current fiscal year.

Child Welfare: Under the open-ended child welfare services program, the State reimburses local governments for 63.7 percent of the cost of providing certain services, including community-based preventive services and child protective services. Increased General Fund support reflects projected growth in local child welfare claims.

Human Services COLA: The COLA requirement reflects an increase in the projected provider payments that are intended to fund the COLA. The 2009-10 COLA is based on the actual 12-month consumer price increases ending July 2008. DOB expects the final 2009-10 COLA to be 5.6 percent instead of the 3.5 percent projected in the First Quarterly Update.

GSCs: Pensions reflect anticipated changes in the employer contribution rate based on expected market conditions. Projected health insurance costs for State employees and retirees have been reduced by roughly $100 million in 2009-10, $54 million in 2010-11 and $63 million in 2011-12 due to changes in assumptions related to 2009 rates.

SUNY/CUNY Community Colleges: The projected increase reflects growth in enrollment projections at both SUNY and CUNY community colleges based on actual fall 2008 enrollment. The State currently provides community college base aid of $2,675 per full-time student.

SUNY/CUNY Operating Costs: Increased operating costs at SUNY and CUNY primarily reflect inflation and increased operating costs at CUNY for energy, utilities, and building rental expenses.

Transportation: General Fund support of the DHBTF is expected to increase primarily to offset the impact of spending growth for DOT demand maintenance changes to bondable construction driven by the shorter life span of construction/maintenance programs, reestimates of expected DOT and DMV savings, and a reduction in expected DHBTF receipts. DOT also received a partial exemption from the FMP.

Correctional Services: The agency received a partial exemption from implementing the FMP after demonstrating that funding reductions could compromise the safety of the public, correctional employees, and inmates. These costs were partially offset by revised estimates of certain non-personal service costs, including providing outside hospital care to inmates.

State Police: The agency received a partial exemption from the FMP to allow for the continuation of law enforcement and highway safety activities at the level necessary to ensure public safety. In addition, overtime costs are projected to increase.

Mental Hygiene: The mental hygiene revisions result from a variety of reestimates based primarily on year-to-date results. This includes higher than expected spending for New York State OPTS in OMRDD, which is offset by lower spending elsewhere for a variety of smaller programs. The outyear revisions are primarily due to a review of trends based on current year results, including higher baseline costs for the OPTS program.

Other: Other revisions include decreased spending on various public health programs; slower than projected payout of Shared Municipal Services Incentive and Local Government Efficiency grant program moneys; and increased costs associated with Scholarship awards through the World Trade Center Scholarship, Veteran's Tuition Award Scholarship, and Math and Science Teaching Scholarship programs.

In addition, since the First Quarterly Update, the Governor has approved several bills with a fiscal impact that were passed by the Legislature during the regular 2008 legislative session. These bills, which are expected to add $1.7 million in costs in the current year and $3.2 million in the future, include: the Sexually Exploited Youth Act requiring local districts to provide crisis intervention services and community based programming for exploited youth; the creation of a statewide cancer incidence map which requires enhanced collection of geographic cancer case information; creation of three residential health care off site demonstrations projects to allow nursing homes to provide physical, occupational and speech therapies at an offsite facility; establishing the New York Certified Aide Registry and Employment Search database for home health and personal care aides; and requiring Parole, DPCA and OTDA to promulgate guidelines for housing of sex offenders in order to prevent "over-concentrations" of such offenders in communities.

Collective Bargaining:

The State has reached a labor settlement with the union representing New York State Troopers. The union has ratified the contract and DOB expects the Legislature to authorize a pay bill later in the fiscal year. In 2008-09, the General Fund costs of the agreement will be financed in their entirety with existing reserves earmarked for this purpose. In addition, DOB has recalculated the expected impact of the existing labor settlement with UUP based on updated information.

DOB has established a reserve for future labor settlements. Agreements have not yet been reached with the unions representing uniformed officers (e.g., New York State Correction Officers) and graduate students (Graduate Student Employees Union). DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by settled unions, it would result in added costs of approximately $400 million in 2009-10, and $275 million in both 2010-11 and 2011-12. Based on the status of current labor negotiations, DOB does not expect any additional labor settlement payments in 2008-09.

August Special Session Actions:

Cost-saving measures that were approved by the Governor and Legislature in the August 2008 special session included Medicaid and health care cost containment, as well as across-the-board reductions to various local assistance programs, Executive, and Legislative initiatives authorized in the 2008-09 Enacted Budget (see "August 2008 Session" herein for a detailed summary).

HCRA Operating Shortfall:

The delay in converting GHI/HIP to a for-profit company, which was counted on to finance $284 million in health care spending in the current year, is partially offset by downward spending revisions in various HCRA programs. These revisions result in a potential $88 million deficit in HCRA in 2008-09 and a modest increase to the 2009-10 estimated shortfall. On account of the close financing relationship between the General Fund and HCRA, the HCRA gap is combined with the General Fund gap for planning purposes (see "HCRA Financial Plan" herein).

Annual Spending growth

General Fund spending, including transfers to other funds, is projected to total $56.1 billion in 2008-09, an increase of $2.7 billion over 2007-08 actual results. The General Fund must, by law, end the year in balance on a cash basis. State Operating Funds spending, which includes the General Fund, State-financed special revenue funds, and debt service, is projected to increase by $3.3 billion and total $80.3 billion in 2008-09. All Governmental Funds spending, the broadest measure of spending that includes State operating funds, capital spending, and Federal grants, is projected to total $120.8 billion in 2008-09, an increase of $4.7 billion.

Total Disbursements* (millions of dollars)						
	2007-08 Actuals	2008-09 First Quarter Update	2008-09 Current	Annual $ Change	Annual % Change	$ Change from July Update
State Operating Funds	**77,003**	**80,506**	**80,288**	**3,285**	**4.3%**	**(218)**
General Fund **	50,613	50,512	50,422	(191)	-0.4%	(90)
Other State Funds	22,254	25,296	25,212	2,958	13.3%	(84)
Debt Service Funds	4,136	4,698	4,654	518	12.5%	(44)
All Governmental Funds	**116,058**	**121,304**	**120,763**	**4,705**	**4.1%**	**(541)**
State Operating Funds	77,003	80,506	80,288	3,285	4.3%	(218)
Capital Projects Funds	6,131	6,978	6,819	688	11.2%	(159)
Federal Operating Funds	32,924	33,820	33,656	732	2.2%	(164)
General Fund, including Transfers	**53,387**	**56,157**	**56,120**	**2,733**	**5.1%**	**(37)**

* *Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.*

** *Excludes Transfers*

The major sources of State Operating Funds spending growth from 2007-08 to 2008-09 are presented in the table below, along with a summary of the revisions to the Enacted Budget.

2008-09 State Operating Funds Quarterly Financial Plan Revisions From Enacted Budget Increase/(Decrease) (millions of dollars)								
	2007-08 Actual	2008-09 Enacted Estimate	First Quarter Revisions	Mid-Year Revisions	2008-09 Current Estimate	Change From Enacted	Annual $ Change	Annual % Change
Revenue Revisions	**75,596**	**78,623**	**(910)**	**(2,094)**	**75,619**	**(3,004)**	**23**	**0.0%**
Spending Revisions	**77,003**	**80,862**	**(356)**	**(218)**	**80,288**	**(574)**	**3,285**	**4.3%**
Local Assistance:								
Medicaid (excluding Local Cap)	12,200	12,338	191	(250)	12,279	(59)	79	0.6%
Medicaid: Local Cap Takeover Initiative	168	486	(175)	(11)	300	(186)	132	78.6%
School Aid	18,983	20,747	(10)	(3)	20,734	(13)	1,751	9.2%
Other Education	1,711	1,778	(20)	(27)	1,731	(47)	20	1.2%
STAR	4,658	4,693	0	0	4,693	0	35	0.8%
Children and Families	1,611	1,763	(3)	(27)	1,733	(30)	122	7.6%
Higher Education	2,321	2,494	93	(26)	2,561	67	240	10.3%
Temporary and Disability Assistance	1,533	1,214	5	(3)	1,216	2	(317)	-20.7%
Mental Hygiene	2,107	2,970	0	152	3,122	152	1,015	48.2%
Transportation	2,825	3,003	(15)	(2)	2,986	(17)	161	5.7%
Public Health	2,721	2,946	(147)	(113)	2,686	(260)	(35)	-1.3%
Local Government Assistance	917	1,242	(12)	0	1,230	(12)	313	34.1%
All Other	814	682	103	(75)	710	28	(104)	-12.8%
Personal Service	9,732	10,216	(181)	219	10,254	38	522	5.4%
Non-Personal Service	5,338	5,047	(184)	17	4,880	(167)	(458)	-8.6%
General State Charges	5,252	4,588	23	(22)	4,589	1	(663)	-12.6%
Debt Service	4,104	4,652	(24)	(47)	4,581	(71)	477	11.6%
Capital Projects	8	3	0	0	3	0	(5)	-0.1%
Projected Year-End General Fund Reserves	**2,754**	**2,031**	**(278)**	**(145)**	**1,608**	**(423)**	(1,146)	-41.6%
Labor Settlement/Other Risks/Reserves	1,065	445	(256)	(44)	145	(300)	(920)	-86.4%
Tax Stabilization Reserve	1,031	1,031	0	0	1,031	0	0	0.0%
Rainy Day Reserve Fund	175	175	0	0	175	0	0	0.0%
Community Projects Fund Reserve	340	237	0	(65)	172	(65)	(168)	-49.4%
Contingency Reserve	21	21	0	0	21	0	0	0.0%
Debt Reduction Reserve	122	122	(22)	(36)	64	(58)	(58)	-47.5%

2008-09 Projected Closing Balances

General Fund

DOB projects the State will end the 2008-09 fiscal year with a General Fund balance of $1.6 billion (2.9 percent of spending). The balance consists of $1.2 billion in undesignated reserves and $381 million in reserves designated to finance existing or potential future commitments. The projected closing balance is $145 million lower than projected at the time of the First Quarterly Update due to the expected use of $44 million to finance the costs of recent labor settlements and $36 million for debt management purposes. It also reflects a reduction in community projects funds of $65 million due to $50 million in savings actions authorized in the August 2008 session and an increase in projected spending for the remainder of the year. The projected balance assumes that the current-year shortfall will be eliminated through legislation or administrative actions, or both, without the use of existing reserves.

General Fund Estimated Closing Balance (millions of dollars)

	2008-09 First Quarter Update	2008-09 Current Estimate	*Change*
Projected Mid-Year Fund Balance	**1,753**	**1,608**	***(145)***
Undesignated Reserves	1,227	1,227	0
Tax Stabilization Reserve Fund	1,031	1,031	*0*
Rainy Day Reserve Fund	175	175	*0*
Contingency Reserve Fund	21	21	*0*
Designated Reserves	526	381	(145)
Reserved for Labor Settlements	189	145	*(44)*
Reserved for Debt Reduction	100	64	*(36)*
Community Projects Fund	237	172	*(65)*

The undesignated reserves include $1.0 billion in the State's Tax Stabilization Reserve, $175 million in the Rainy Day Reserve that may be used to respond to an economic downturn or catastrophic event, and $21 million in the Contingency Reserve for litigation risks.

The designated reserves include $172 million in the Community Projects Fund to finance existing "member item" initiatives, $145 million that is available to finance the cost of potential labor settlements which is expected to be available for labor costs anticipated in 2009-10, and $64 million available for debt management purposes, some or all of which may be used in the current year depending on market conditions.

State Operating Funds

DOB projects the State will end the 2008-09 fiscal year with a State Operating Funds balance of $4.3 billion assuming successful implementation of savings achieved through legislative or administrative actions to address the current year shortfall. The balance consists of $1.6 billion in the General Fund, $2.4 billion in balances in numerous State Special Revenue Funds and $344 million in Debt Service Funds. The projected closing balance has decreased by $251 million from the First Quarter Update Financial Plan estimate. This largely reflects the use of reserves to finance new labor settlements and a reduction in expected health care conversions proceeds, which eliminated the projected year-end balance in the Health Care Resources Fund.

State Operating Funds Estimated Closing Balance
(millions of dollars)

	2008-09 First Quarter Update	2008-09 Current Estimate	*Change*
Projected Year-End Fund Balance	**4,557**	**4,306**	***(251)***
General Fund	1,753	1,608	*(145)*
Special Revenue Funds	2,439	2,354	(85)
Miscellaneous Special Revenue	874	909	35
Industry Assessments	*139*	*173*	*34*
Health and Social Welfare	*286*	*319*	*33*
General Government	*190*	*236*	*46*
All Other	*259*	*181*	*(78)*
State University Income	943	955	12
Mass Transportation Operating Assistance	149	131	(18)
Health Care Resources Fund	85	0	(85)
Lottery Fund	24	31	7
All Other	364	328	(36)
Debt Service Funds	365	344	*(21)*

**Mid-year closing balance estimates do not include $1.8 billion in General Fund/HCRA savings that are expected to be implemented pursuant to legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.*

The balances held in State special revenue funds include moneys designated to finance existing or potential future commitments, or funds that are restricted or dedicated for specified statutory purposes. The largest balances in the State special revenue funds include moneys on hand to finance future costs for State University programs, operating assistance for transportation programs, various health care programs financed from the Health Care Resources Fund, and lottery revenues used for school aid. The remaining fund balances are held in numerous funds, primarily the Miscellaneous Special Revenue Fund, and accounts that support a variety of programs including industry regulation, public health, general government, and public safety.

General Fund Outyear Budget Projections

The forecast for 2009-10 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current services costs of program activities. DOB believes the estimates of annual change in revenues and spending that create the 2009-10 current services gap forecast are based on reasonable assumptions and methodologies. Changes to these or other assumptions have the potential to materially alter the size of the budget gaps for 2009-10 and beyond. The following table summarizes the current Financial Plan projections for 2008-09 through 2011-12, as well as the budget gaps and changes in reserves.

General Fund Mid-Year Financial Update
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Receipts				
Taxes	38,704	37,045	39,122	41,289
Personal Income Tax	22,986	21,253	22,583	24,141
User Taxes and Fees	8,749	8,947	9,167	9,541
Business Taxes	5,645	5,670	6,182	6,363
Other Taxes	1,324	1,175	1,190	1,244
Miscellaneous Receipts	2,551	2,399	2,333	2,295
Federal Grants	41	0	0	0
Transfers from Other Funds	12,291	11,051	11,410	11,983
Personal Income Tax in Excess of Revenue Bond Debt Service	8,387	7,647	7,930	8,292
Sales Tax in Excess of LGAC Debt Service	2,279	2,373	2,440	2,531
Real Estate Taxes in Excess of CW/CA Debt Service	440	449	484	565
All Other	1,185	582	556	595
Total Receipts	**53,587**	**50,495**	**52,865**	**55,567**
Disbursements				
Grants to Local Governments	38,769	43,452	47,361	50,486
State Operations				
Personal Service	6,260	6,923	7,207	7,384
Non-Personal Service	2,280	2,436	2,539	2,595
General State Charges	3,113	3,646	4,131	4,463
Transfers to Other Funds	5,698	6,353	7,298	8,014
Medicaid State Share	2,664	2,572	2,589	2,579
Debt Service	1,730	1,747	1,735	1,710
Capital Projects	435	757	1,239	1,357
Other Purposes	869	1,277	1,735	2,368
Total Disbursements*	**56,120**	**62,810**	**68,536**	**72,942**
Change in Reserves				
Debt Reduction Reserve	(58)	0	0	0
Prior Year Reserves	(920)	(145)	0	0
Community Projects Fund	(168)	31	(36)	(166)
Deposit to/(Use of) Reserves	**(1,146)**	**(114)**	**(36)**	**(166)**
Special Session	**1,475**	**0**	**0**	**0**
Revised Budget Surplus/(Gap) Estimate	**88**	**(12,201)**	**(15,635)**	**(17,209)**
Potential HCRA Annual Shortfall	(88)	(317)	(117)	(25)
General Fund/HCRA Revised Budget Surplus/(Gap) Estimate	**0**	**(12,518)**	**(15,752)**	**(17,234)**

* *Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.*

In evaluating the State's multi-year operating forecast, it should be noted that the reliability of the estimates as a predictor of the State's future fiscal position diminishes as one moves further from the current year. Accordingly, the 2009-10 forecast is the most relevant from a planning perspective, since any gap in that year must be closed with actions which would typically have a positive impact on subsequent year gaps, and the variability of the estimates is likely to be less than in later years.

The following chart provides a look at the causes of the 2009-10 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. A detailed explanation of the assumptions underlying both the outyear receipts and disbursement projections appears later in this section.

2009-10 General Fund Annual Change Savings/(Costs) (millions of dollars)	2008-09	2009-10	Annual $ Change	Annual % Change
RECEIPTS GROWTH	**53,587**	**50,495**	**(3,092)**	**-5.8%**
Personal Income Tax*	31,373	28,900	(2,473)	-7.9%
User Taxes and Fees*	11,028	11,320	292	2.6%
Business Taxes	5,645	5,670	25	0.4%
Other Taxes*	1,764	1,624	(140)	-7.9%
Miscellaneous Receipts/Federal Grants	2,592	2,399	(193)	-7.4%
All Other Transfers/Changes	1,185	582	(603)	-50.9%
**Includes transfers after debt service*				
DISBURSEMENTS GROWTH	**56,120**	**62,810**	**6,690**	**11.9%**
Local Assistance	**38,769**	**43,452**	**4,683**	12.1%
Medicaid (including admin)	8,977	10,825	1,848	20.6%
Program Growth	8,253	9,217	964	11.7%
Other (Includes 53rd Medicaid Cycle and Timing of Certain Payments	0	650	650	0.0%
Medicaid Cap/Family Health Plus Takeover	724	958	234	32.3%
School Aid	17,780	19,972	2,192	12.3%
Children and Family Services	1,731	1,929	198	11.4%
Local Government Aid	1,231	1,399	168	13.6%
All Other Local Assistance	9,050	9,327	277	3.1%
State Operations*	**8,540**	**9,359**	**819**	**9.6%**
Personal Service	6,260	6,923	663	10.6%
Non-Personal Service	2,280	2,436	156	6.8%
General State Charges	**3,113**	**3,646**	**533**	**17.1%**
Health Insurance	2,676	2,843	167	6.2%
Pensions	1,052	1,148	96	9.1%
Fringe Benefit Escrow Offset	(2,395)	(2,240)	155	6.5%
All Other	1,780	1,895	115	6.5%
Transfers to Other Funds	**5,698**	**6,353**	**655**	**11.5%**
Change in Planned Use of Reserves (net)	**1,146**	**114**	**(1,032)**	
Community Projects Fund	168	(31)	(199)	
Debt Reduction Reserve Fund	58	0	(58)	
Prior Year Reserves	920	145	(775)	
Special Session	**1,475**	0	**(1,475)**	
Potential HCRA Shortfall	(88)	(317)	(229)	
PROJECTED 2009-10 BUDGET GAP			**(12,518)**	

The forecast for 2009-10 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities. DOB believes the estimates of annual changes in receipts and spending that create the 2009-10 current services gap forecast are based on reasonable assumptions and methodologies. Significant assumptions that affect the forecast include:

- The performance of the economy in general, and the financial services sector in particular, and the concomitant impact on State tax receipts.

• DOB's current economic outlook for 2008 calls for the State to continue in a recession, accompanied by job losses and a substantial slowdown in wage growth.

• The forecast for State tax receipts is based on the current forecast.

• The Federal government will not make substantive funding changes to major aid programs or make substantive regulatory changes that adversely affect, or benefit, the State.

• Changes to these or other assumptions have the potential to materially alter the size of the budget gaps for 2009-10 and beyond.

Outyear General Fund Forecast

Receipts

Total Receipts (millions of dollars)

	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**50,495**	**52,865**	**2,370**	**4.7%**	**55,567**	**2,702**	**5.1%**
Taxes	37,045	39,122	2,077	5.6%	41,289	2,167	5.5%
State Funds	**80,885**	**84,398**	**3,513**	**4.3%**	**88,106**	**3,708**	**4.4%**
Taxes	60,181	63,582	3,401	5.7%	66,879	3,297	5.2%
All Funds	**117,993**	**122,532**	**4,539**	**3.8%**	**128,012**	**5,480**	**4.5%**
Taxes	60,181	63,582	3,401	5.7%	66,879	3,297	5.2%

The economic forecast calls for a recession entailing several quarters of employment losses through early next year. This lowers the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2009-10 is expected to grow consistent with projected growth in the U.S. and New York economies.

General Fund tax receipts are projected to reach $39.1 billion in 2010-11 and $41.3 billion in 2011-12. All Funds tax receipts in 2010-11 are projected to reach nearly $63.6 billion, an increase of $3.4 billion, or 5.1 percent from 2009-10 estimates. All Funds tax receipts in 2011-12 are expected to increase by nearly $3.3 billion (5.2 percent) over the prior year (see “All Funds Receipts Projections” herein for a detailed explanation of All Funds receipts projections by source).

Disbursements

DOB projects General Fund spending, including transfers, to increase $6.7 billion (11.9 percent) over projected 2008-09 levels, followed by increases of $5.7 billion (9.1 percent) in 2010-11 and $4.4 billion (6.4 percent) in 2011-12. The growth levels are based on current services projections, as modified by the legislative and administrative measures adopted since the First Quarterly Update. The main sources of annual spending growth are itemized in the table below followed by additional information on the major drivers of spending.

Outyear Disbursement Projections - General Fund
(millions of dollars)

	2008-09	2009-10	Annual $ Change	Annual % Change	2010-11	Annual $ Change	Annual % Change	2011-12	Annual $ Change	Annual % Change
Grants to Local Governments:	**38,769**	**43,452**	**4,683**	**12.1%**	**47,361**	**3,909**	**9.0%**	**50,486**	**3,125**	**6.6%**
School Aid	17,780	19,972	2,192	12.3%	21,827	1,855	9.3%	23,444	1,617	7.4%
Medicaid (including administration)	8,253	9,867	1,614	19.6%	10,935	1,068	10.8%	11,648	713	6.5%
Medicaid: Local Relief	724	958	234	27.4%	1,315	357	28.4%	1,711	396	30.1%
Mental Hygiene	2,060	2,167	107	5.2%	2,261	94	4.3%	2,355	94	4.2%
Children and Family Services	1,731	1,929	198	11.4%	2,145	216	11.2%	2,333	188	8.8%
Local Government Assistance	1,231	1,399	168	13.6%	1,471	72	5.1%	1,469	(2)	-0.1%
Higher Education	2,528	2,646	118	4.7%	2,749	103	3.9%	2,778	29	1.1%
Health	597	671	74	12.4%	719	48	7.2%	739	20	2.8%
Other Education Aid	1,715	1,766	51	3.0%	1,828	62	3.5%	1,884	56	3.1%
Temporary and Disability Assistance	1,209	1,270	61	5.0%	1,271	1	0.1%	1,273	2	0.2%
Transportation	107	99	(8)	-7.5%	99	0	0.0%	98	(1)	-1.0%
All Other	834	708	(126)	-15.1%	741	33	4.7%	754	13	1.8%
State Operations *:	**8,540**	**9,359**	**819**	**9.6%**	**9,746**	**387**	**4.1%**	**9,979**	**233**	**2.4%**
Personal Service	6,260	6,923	663	10.6%	7,207	284	4.1%	7,384	177	2.5%
Non-Personal Service	2,280	2,436	156	6.8%	2,539	103	4.2%	2,595	56	2.2%
General State Charges	**3,113**	**3,646**	**533**	**17.1%**	**4,131**	**485**	**13.3%**	**4,463**	**332**	**8.0%**
Pensions	1,052	1,148	96	9.1%	1,412	264	23.0%	1,525	113	8.0%
Health Insurance (Active Employees)	1,621	1,721	100	6.2%	1,900	179	10.4%	2,064	164	8.6%
Health Insurance (Retired Employees)	1,055	1,122	67	6.4%	1,243	121	10.8%	1,353	110	8.8%
Medicaid Adjustment	(1,362)	(1,156)	206	-15.1%	(1,281)	(125)	10.8%	(1,360)	(79)	6.2%
All Other	747	811	64	8.6%	857	46	5.7%	881	24	2.8%
Transfers to Other Funds:	**5,698**	**6,353**	**655**	**11.5%**	**7,298**	**945**	**14.9%**	**8,014**	**716**	**9.8%**
State Share Medicaid	2,664	2,572	(92)	-3.5%	2,589	17	0.7%	2,579	(10)	-0.4%
Debt Service	1,730	1,747	17	1.0%	1,735	(12)	-0.7%	1,710	(25)	-1.4%
Capital Projects	435	757	322	74.0%	1,239	482	63.7%	1,357	118	9.5%
All Other	869	1,277	408	47.0%	1,735	458	35.9%	2,368	633	36.5%
TOTAL DISBURSEMENTS	**56,120**	**62,810**	**6,690**	**11.9%**	**68,536**	**5,726**	**9.1%**	**72,942**	**4,406**	**6.4%**

Grants to Local Governments

Annual growth in local assistance is driven primarily by Medicaid and school aid. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

Forecast for Selected Program Measures Affecting Local Assistance (dollars)

	Actual	Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12
Medicaid					
Medicaid Coverage	3,559,381	3,649,347	3,825,420	4,021,205	4,225,903
Family Health Plus Coverage	518,189	527,961	558,345	588,995	589,784
Child Health Plus Coverage	360,436	403,913	435,665	444,667	453,670
Medicaid Inflation	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	-3.0%	-4.1%	4.1%	4.2%	4.4%
State Takeover of County/NYC Costs (Total)	$564	$724	$958	$1,315	$1,711
- Family Health Plus	$396	$424	$442	$479	$509
- Medicaid	$168	$300	$516	$836	$1,202
Education					
School Aid (School Year)	$19,693	$21,543	$23,340	$25,900	$27,475
K-12 Enrollment	2,764,379	2,764,000	2,764,000	2,764,000	2,764,000
Public Higher Education Enrollment (FTEs)	512,362	520,047	525,248	529,187	533,156
Tuition Assistance Program Recipients	309,320	312,362	312,655	313,155	313,655
Welfare					
Family Assistance Caseload	372,964	350,370	351,718	354,609	357,608
Single Adult/No Children Caseload	150,447	144,591	152,033	160,380	165,546
Mental Hygiene					
Mental Hygiene Community Beds	83,576	85,582	88,067	91,077	94,058

Medicaid

General Fund spending for Medicaid is expected to grow by $1.8 billion in 2009-10, $1.4 billion in 2010-11, and another $1.1 billion in 2011-12.

Major Sources of Annual Change in Medicaid
(millions of dollars)

	2007-08	2008-09	Annual $ Change	2009-10	Annual $ Change
Base Growth (State Funds)	**12,369**	**12,580**	**211**	**14,293**	**1,713**
Hospitals/Clinics	2,629	2,738	109	2,924	186
Nursing Homes	2,785	2,993	208	3,373	380
Managed Care	1,341	1,500	159	1,870	370
Home Care	2,050	2,265	215	2,544	279
Non-Institutional/Other*	1,404	889	(515)	1,217	328
Pharmacy	1,282	1,333	51	1,503	170
Family Health Plus	878	862	(16)	862	0
Less: Other State Funds Support	**3,371**	**3,603**	**232**	**3,468**	**(135)**
HCRA Financing	1,958	2,214	256	2,079	(135)
Provider Assessment Revenue	572	548	(24)	548	0
Indigent Care Revenue	841	841	0	841	0
Total General Fund	**8,998**	**8,977**	**(21)**	**10,825**	**1,848**
Local Government Relief (incl. above)	564	724	160	958	234

** Non Institutional/other reflects additional projected audit target savings in 2008-09, which are not included in 2007-08 but rather occurred in non-institutional category specific categories of service.*

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that impact nearly all categories of service (e.g., hospitals, nursing homes). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by $234 million in 2009-10, $357 million in 2010-11, and $396 million in 2011-12. In 2009-10, an extra weekly payment to providers adds an estimated $300 million in base spending across all fee-for-service categories of spending. The remaining growth is primarily attributable to the available resources in other State Funds which are used to lower General Fund costs, including lower levels of HCRA financing beginning in 2009-10.

The average number of Medicaid recipients is expected to grow to over 3.8 million in 2009-10, an increase of 4.8 percent from the estimated 2008-09 caseload. FHP enrollment is estimated to grow to approximately 558,000 individuals in 2009-10, an increase of 5.7 percent over the projected 2008-09 enrollment of almost 528,000 individuals.

School Aid

Multi-Year School Aid Projection -- School-Year Basis (millions of dollars)	2007-08	2008-09	Annual $ Change	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Foundation Aid/Academic Achievement Grant	13,745	14,876	1,131	16,180	1,304	18,050	1,870	19,000	950
Universal Pre-kindergarten	354	451	97	540	89	630	90	655	25
High Tax Aid	100	205	105	100	(105)	100	0	100	0
EXCEL Building Aid	70	135	65	179	44	191	12	191	0
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	4,816	5,216	400	5,630	414	6,120	490	6,650	530
Other Aid Categories/Initiatives	651	660	9	711	51	809	98	879	70
Total School Aid	**19,736**	**21,543**	**1,807**	**23,340**	**1,797**	**25,900**	**2,560**	**27,475**	**1,575**

Projected school aid increases are primarily due to increases in foundation aid, universal pre-kindergarten expansion, and increases in expense-based aids such as building aid and transportation aid. Increased funding in 2008-09 for high tax aid and several other aid categories is provided on a one year basis only.

On a school-year basis, school aid is projected at $23.3 billion in 2009-10, $25.9 billion in 2010-11, and $27.5 billion in 2011-12. Outside the General Fund, revenues from core lottery sales are projected to increase by $17 million in 2009-10, $117 million in 2010-11, and $67 million in 2011-12 (totaling $2.4 billion in 2011-12). Revenues from VLTs are projected to total $835 million in 2008-09, then decrease by $261 million in 2009-10 following the expected one-time receipt of $370 million in revenues during 2008-09 from the sale of development rights at Aqueduct racetrack. They are then projected to increase by $220 million in 2010-11 and $188 million in 2011-12. VLTs are expected to total almost $1.0 billion in 2011-12. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and Belmont in 2010-11.

Mental Hygiene

Mental hygiene spending is projected at $2.2 billion in 2009-10, at $2.3 billion in 2010-11 and at $2.4 billion in 2011-12. Sources of growth include: increases in the projected State share of Medicaid costs; cost-of-living increases, including the three-year extension of the human services COLA; and projected expansions of the various mental hygiene service systems including OMH's children's services; increases in the NYS-CARES program and in the development of children's beds in OMRDD to bring children back from out-of-state placements; the NY/NY III Supportive Housing agreement and community bed expansion in OMH; and certain chemical dependence treatment and prevention initiatives in OASAS.

Children and Family Services

Children and Family Services local assistance spending is projected to grow by $198 million in 2009-10, $216 million in 2010-11 and $188 million in 2011-12. The increases are driven primarily by expected growth in local child welfare claims, the implementation of the OCFS Medicaid waiver, and cost-of-living increases for human services providers through 2011-12.

Temporary and Disability Assistance

Spending is projected at $1.3 billion in 2009-10, an increase of $61 million from 2008-09, and is expected at the same level through 2011-12. Public assistance caseloads are projected to increase marginally between 2009-10 and 2011-12, but spending is expected to be countered by an increase in Federal offsets, which decreases the level of General Fund resources needed.

Other Local Assistance

All other local assistance programs total $7.3 billion in 2009-10, an increase of $277 million over 2008-09 levels. This primarily reflects increases in local government assistance, including unrestricted aid to New York City ($82 million), additional payments for grants and aid to municipalities ($86 million), various public health programs, and payments to CUNY.

State Operations

Forecast of Selected Program Measures Affecting State Operations

	Actual	Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12
State Operations					
Prison Population (Corrections)	62,261	61,400	61,100	61,000	60,900
Negotiated Salary Increases*	3.0%	3.0%	3.0%	4.0%	0.0%
Personal Service Inflation	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	199,754	199,400	201,365	202,078	202,078

** Negotiated salary increases reflect labor settlements included in the Financial Plan estimates.*

State Operations spending is expected to total $9.4 billion in 2009-10, an annual increase of $819 million (9.6 percent). In 2010-11, spending is projected to grow by another $387 million (4.1 percent) to a total of $9.7 billion, followed by another $233 million (2.4 percent) for a total of $10.0 billion in 2011-12. The net personal service growth primarily reflects the impact of new labor contracts, as well a reserve for unsettled unions of $400 million in 2009-10 and $275 million in 2010-11 and 2011-12. In addition, salary adjustments for performance advances, longevity payments and promotions, and increased staffing levels (primarily in DOCS) drive spending growth. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections.

Personal Service

General Fund — Personal Service
(millions of dollars)

	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Total	**6,260**	**6,923**	**663**	**7,207**	**284**	**7,384**	**177**
Collective Bargaining	500	542	42	793	251	793	0
Reserve for Future Labor Settlements	0	400	400	275	(125)	275	0
Correctional Services	1,739	1,781	42	1,808	27	1,827	19
Judiciary	1,330	1,449	119	1,576	127	1,711	135
All Other	2,691	2,751	60	2,755	4	2,778	23

Collective Bargaining/Reserve for Future Labor Settlements: Reflects the impact of labor settlements, including non-judicial OCA employees, which provide a 3 percent salary increase each year beginning in

2007-08 and a 4 percent increase in the final year (2010-11). The estimates in 2009-10, 2010-11, and 2011-12 include a reserve for potential labor settlements.

Correctional Services: Growth is primarily attributable to the impact of the SHU Exclusion Bill, which restricts the use of special housing units for mentally ill inmates, and requires more frequent evaluations for inmates with severe mental illness, as well as the development of segregated units, thus driving higher workforce levels and costs.

Judiciary: Reflects projections of anticipated needs for OCA.

Non-Personal Service

General Fund — Non-Personal Service
(millions of dollars)

	2008-09	2009-10	Annual $ Change	20010-11	Annual $ Change	2011-12	Annual $ Change
Total	**2,280**	**2,436**	**156**	**2,539**	**103**	**2,595**	**56**
Correctional Services	612	638	26	672	34	710	38
State Police	51	83	32	83	0	82	(1)
Health	113	131	18	149	18	153	4
Temporary and Disability Assistance	33	50	17	53	3	56	3
State University	404	418	14	431	13	445	14
All Other	1,067	1,116	49	1,151	35	1,149	(2)

Correctional Services: Growth is primarily driven by the escalating costs of food, fuel, utilities, and health care services and prescription drugs to inmates.

State Police: Spending growth reflects costs previously supported by cellular surcharge revenues in other State funds that is expected to be supported by General Fund revenues in 2009-10.

Health: Growth is largely driven by the annualization of funding for the State to directly enroll individuals into Medicaid, CHP and FHP.

Temporary and Disability Assistance: Spending is expected to increase in 2009-10 as one-time actions, including Federal revenue maximization and bonding of software development costs, do not recur.

State University: Primarily reflects funding for inflationary increases in non-personal service spending at SUNY.

General State Charges

Forecast of Selected Program Measures Affecting General State Charges

	Actual	Forecast			
	2007-08	2008-09	2009-10	2010-11	2011-12
General State Charges					
Pension Contribution Rate as % of Salary	9.7%	7.9%	10.5%	11.4%	12.3%
Employee/Retiree Health Insurance Growth Rates	5.4%	3.2%	10.6%	9.5%	9.5%

GSCs are projected to total $3.6 billion in 2009-10, $4.1 billion in 2010-11 and $4.5 billion in 2011-12. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System, which is 8.8 percent for 2008-09, is expected to decrease to 7.9 percent for 2009-10, followed by an increase to 10.5 percent in 2010-11, and 11.4 percent in 2011-12. Pension costs in 2009-10 are projected to total $1.1 billion, an increase of $96 million over 2008-09 due to projected growth in the salary base. This large growth is also caused by the prepayment of the State's 2008-09 amortization costs in 2007-08. In 2010-11 and 2011-12, they are expected to increase by $264 million and $113 million, respectively, due to anticipated increases in the State contribution rate, reflecting the impact of recent market performance.

Forecast of New York State Employee Health Insurance Costs (millions of dollars)

	Health Insurance Costs		
Year	**Active Employees**	**Retirees**	**Total State**
2008-09	1,621	1,055	2,676
2009-10	1,721	1,122	2,843
2010-11	1,900	1,243	3,143
2011-12	2,064	1,353	3,417

Reflects the health insurance cost of active employees and retirees in the Executive and Legislative branches and the Office of Court Administration.

Spending for employee and retiree health care costs is expected to increase by $167 million in 2009-10, $300 million in 2010-11, and another $274 million in 2011-12 and assumes an average annual premium increase of roughly 9.5 percent. Health insurance is projected at $2.8 billion in 2009-10 ($1.7 billion for active employees and $1.1 billion for retired employees), $3.1 billion in 2010-11 ($1.9 billion for active employees and $1.2 billion for retired employees) and $3.4 billion in 2011-12 ($2.1 billion for active employees and $1.3 billion for retired employees).

Transfers to Other Funds

Outyear Disbursement Projections — Transfers to Other Funds
(millions of dollars)

	2008-09	2009-10	Annual Change	2010-11	Annual Change	2011-12	Annual Change
Transfers to Other Funds:	**5,698**	**6,353**	**655**	**7,298**	**945**	**8,014**	**716**
Medicaid State Share	2,664	2,572	(92)	2,589	17	2,579	(10)
Debt Service	1,730	1,747	17	1,735	(12)	1,710	(25)
Capital Projects	435	757	322	1,239	482	1,357	118
Dedicated Highway and Bridge Trust Fund	237	435	198	914	479	1,058	144
All Other Capital	198	322	124	325	3	299	(26)
All Other Transfers	869	1,277	408	1,735	458	2,368	633
Mental Hygiene	110	436	326	872	436	1,081	209
Medicaid Payments for State Facilities	180	224	44	224	0	224	0
Judiciary Funds	158	148	(10)	158	10	165	7
HCRA (Tobacco Guarantee)	0	0	0	0	0	466	466
SUNY- Hospital Operations	141	159	18	167	8	167	0
Banking Services	66	66	0	66	0	66	0
Empire State Stem Cell Trust Fund	0	32	32	43	11	0	(43)
Statewide Financial System	0	30	30	35	5	30	(5)
All Other	214	182	(32)	170	(12)	169	(1)

In 2009-10, transfers to other funds are estimated at $6.4 billion, an increase of $655 million over 2008-09. This increase includes potential transfers to the DHBTF aimed at reducing fund gaps and an increase in other capital transfers of $124 million.

All other transfers are expected to increase by $408 million in 2008-09. The most significant change includes an increase in transfers to supplement resources available for the mental hygiene system. In addition, transfers are increasing for the subsidy to SUNY hospitals and to fund the State's financial management system. General Fund transfers for stem cell research are projected to increase in 2009-10 and then end in 2011-12 as support is transitioned from the General Fund to the Health Care Resources Fund beginning in 2009-10.

In 2010-11, transfers to other funds are expected to increase by $945 million. This reflects expected growth in General Fund support to the Dedicated Highway and Bridge Trust Fund and Medicaid related spending in State Operated mental hygiene facilities. In 2011-12 transfers are expected to increase by $716 million, mainly to provide subsidies to HCRA, the Dedicated Highway and Bridge Trust Fund, and mental hygiene spending.

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. In addition, 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. This updated Financial Plan revises upward the forecast for the General Fund subsidy, reflecting projected revenue declines from previous estimates, inflation-driven spending increases for maintenance programs and an increase in the portion of the Fund's expenses that must be funded with non-bonded resources. The subsidy is projected at $237 million for 2008-09 and $435 million for 2009-10, with significant growth thereafter.

Year-to-Date Operating Results

General Fund

The General Fund ended September 2008 with a cash balance of $5.7 billion, or $336 million more than projected in the First Quarterly Update to the Financial Plan. Receipts were $132 million higher than projected; disbursements were $203 million lower.

2008-09 Fiscal Year
General Fund Results vs. First Quarterly Update Projections: April - September 2008
(millions of dollars)

	Enacted Budget	First Quarter Update	Actual Results	Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan: Enacted Budget	Actuals vs. Estimates Favorable/ (Unfavorable) vs. Plan: First Quarter Update	Increase/ (Decrease) from Prior Year
Opening Balance (April 1, 2008)	**2,754 #**	**2,754**	**2,754**	**n/a**	**n/a**	**(291)**
Receipts	**29,152**	**29,278**	**29,410**	**258**	**132**	**2,821**
Personal Income Tax	13,640	13,997	14,198	558	201	2,276
User Taxes and Fees	4,451	4,363	4,401	(50)	38	34
Business Taxes	3,074	2,595	2,396	(678)	(199)	(357)
All Other Taxes, Receipts & Grants	1,570	1,779	1,792	222	13	330
Transfers From Other Funds	6,417	6,544	6,623	206	79	538
Disbursements	**26,684**	**26,695**	**26,492**	**192**	**203**	**1,001**
Local Assistance	16,892	16,845	16,624	268	221	678
Medicaid, including admin	4,701	4,659	4,523	178	136	(819)
School Aid	6,814	6,834	6,634	180	200	939
Higher Education	835	787	843	(8)	(56)	116
All Other Education	804	800	812	(8)	(12)	(29)
Public Health	275	224	307	(32)	(83)	49
Mental Hygiene	804	907	811	(7)	96	289
Children and Families	720	725	735	(15)	(10)	63
Temporary and Disability Assistance	1,040	1,047	1,065	(25)	(18)	23
Transportation	77	63	64	13	(1)	(11)
All Other	822	799	830	(8)	(31)	58
State Operations	*4,599*	*4,642*	*4,551*	*48*	*91*	*(768)*
Personal Service	3,432	3,415	3,324	108	91	(606)
Non-Personal Service	1,167	1,227	1,227	(60)	0	(162)
General State Charges	*1,955*	*1,957*	*2,005*	(50)	*(48)*	*(700)*
Transfers To Other Funds	*3,238*	*3,251*	*3,312*	(74)	*(61)*	*1,791*
Change in Operations	**2,468**	**2,583**	**2,918**	**450**	**335**	**1,820**
Closing Balance (September 30, 2008)	**5,222**	**5,337**	**5,672**	**450**	**335**	**1,529**

*Totals may not add due to rounding.

For the period April 1, 2008 through September 30, 2008, General Fund receipts, including transfers from other funds, were $132 million higher than projected in the First Quarterly Update.[6] In the coming months, DOB expects that the economic downturn will have a substantial negative impact on tax collections,

6. Office of the State Comptroller, Monthly Report on State Funds Cash-Basis of Accounting, September 2008.

when the impact of lower bonus payments, lower capital gains realizations, declining profitability, and reduced consumer spending will be felt. Receipts to date have benefited from continuing strength in PIT collections (up by $203 million compared to the First Quarterly Update cash-flow), but this reflects unusually large payments from relatively few taxpayers in the first half of the fiscal year. By comparison, business taxes, which are more responsive to current economic trends, especially the continuing weakness in the banking sector, are down by $198 million through the first six months of the fiscal year versus the cash flow forecast.

General Fund Comparison to First Quarter Financial Plan Projections

General Fund disbursements through September 2008, including transfers to other funds totaled $26.5 billion and were $203 million lower than projected in the First Quarterly estimate. The spending results reflect, in large part, the timing of payments for public schools, which are planned be paid by the end of the fiscal year, and federally-mandated changes to Medicaid systems that temporarily slowed payment processing. DOB expects that these timing-related variances will, for the most part, disappear over the remainder of the year. DOB does not expect that the positive operating results to date will translate into significant annual savings. As the year progresses, DOB believes pressure on entitlement spending is likely to build and may add additional costs in the current year. The largest spending variances through September 2008 include:

School Aid ($200 million lower than planned): Primarily reflects lower-than-expected claims submitted to SED for the Universal Pre-kindergarten program and other categorical aid programs.

Medicaid ($136 million lower than planned): Primarily due to lower-than-projected Medicaid cycle spending due in part to federally required changes to Medicaid systems that temporarily slowed payment processing.

Mental Hygiene ($96 million lower than planned): Primarily reflects the delay in the processing of journal vouchers that would move certain DOH Medicaid spending to the mental hygiene agencies. This delay is not expected to impact overall spending for the fiscal year.

Public Health ($83 million higher than planned): Public health programs, primarily the EI program, have experienced an increase due to the timing of payments on claims.

Higher Education ($56 million higher than planned): Resulted from the timing of cash needs associated with prior academic year and current academic year TAP payments, which is expected to be corrected by the end of October 2008.

Personal Service ($91 million lower than planned): Primarily attributable to the timing of the retroactive payment for the Unified Court System labor settlement which was expected to occur in September 2008, but will instead occur in October ($110 million). Absent this settlement payment, personal service would have exceeded cash flow projections by $19 million, mainly due to higher spending in Tax and Finance ($13 million) driven by higher-than-projected spending related to the audit, collection and enforcement activities, and DMNA ($9 million).

Transfers to Other Funds ($61 million higher than planned): Mainly due to earlier than projected transfers to DRRF ($25 million) and transfers to the SUNY stabilization account ($43 million).

General Fund Annual Change

Through September 2008, receipts totaled $29.4 billion, an increase of $2.8 billion, or 10.6 percent, compared to the same period in 2007-08. This annual increase is largely attributable to increases in all tax areas, with the exception of business taxes.

General Fund spending through September 2008 totaled $26.5 billion, $1.0 billion higher than actual results through the same period for fiscal year 2007-08. Significant changes in spending levels from the same period last year include:

School Aid ($939 million growth): Driven largely by the annual increase in "tail" payments for the 2007-08 school year, and partly by the annual increase in initial payments for the 2008-09 school year. On a school year basis, the State increased school aid by $1.8 billion in 2007-08, and by $1.8 billion in 2008-09.

Mental Hygiene ($289 million growth): Primarily driven by Medicaid appropriation restructuring and the timing of Medicaid related charges.

Higher Education ($116 million growth): Primarily attributable to annual growth in CUNY spending related to an administrative reduction in payments to CUNY's senior colleges at the end of its 2006-07 academic year (June 2007). The 2007-08 academic year-end payment (June 2008) reflects a return to the traditional reimbursement payment schedule for New York City.

Medicaid ($819 million decline): Primarily reflects changes related to Medicaid restructuring and timing of Medicaid-related spending attributed to the mental hygiene agencies. Additionally, changes in the application of offsets derived from audit recoveries and drug rebates have resulted in more offsets being taken through the first six months of 2008-09 than in 2007-08.

State Operations ($768 million decline): Reflects the movement of a portion of mental hygiene State Operations spending from the General Fund to the Special Revenue Funds, as part of the restructuring of Medicaid spending.

GSCs ($700 million decline): Primarily reflects a change in reporting related to the restructuring of Medicaid spending, whereby fringe benefit waivers were eliminated for personal service costs supported by State and Federal Medicaid monies.

Debt Service ($176 million growth): Higher spending in 2008-09 is mainly due to the timing of debt service payments on certain SUNY educational facilities bonds. A payment was inadvertently made in late 2006-07 rather than early 2007-08.

Capital projects ($179 Million growth): Higher spending is due to economic development programs and timing issues related to bond proceed reimbursements.

Transfers to Other Funds ($1.8 billion growth): Reflects the change in reporting related to the restructuring of Medicaid spending. The State share of Medicaid payments dispersed by State-operated mental hygiene facilities is now reflected as a General Fund transfer to other funds.

State Operating Funds

2008-09 Fiscal Year
State Operating Funds Results vs. First Quarterly Update Projections: April - September 2008
(millions of dollars)

	Enacted Budget	First Quarter Update	Actual Results	Favorable/ (Unfavorable) vs. Plan: Enacted Budget	Favorable/ (Unfavorable) vs. Plan: First Quarter Update	Increase/ (Decrease) from Prior Year
Total Receipts	**39,150**	**39,034**	**38,952**	**(116)**	**(82)**	**2,385**
Personal Income Tax	19,817	20,222	20,493	676	271	2,739
User Taxes and Fees	6,852	6,687	6,762	(90)	75	188
Business Taxes	3,783	3,268	3,083	(700)	(185)	(379)
Other Taxes	986	1,134	1,098	112	(36)	108
Miscellaneous Receipts	7,693	7,710	7,485	(208)	(225)	(249)
Federal Grants	19	14	31	12	17	(23)
Total Disbursements	**37,388**	**37,446**	**36,786**	**602**	**660**	**1,700**
Local Assistance	*25,118*	*25,128*	*24,527*	*591*	*601*	*1,847*
Medicaid, including admin	6,303	6,264	6,130	173	134	97
School Aid	9,078	9,097	8,869	209	228	701
Higher Education	835	787	843	(8)	(56)	116
All Other Education	814	810	825	(11)	(15)	(23)
STAR	1,224	1,174	826	398	348	(227)
Public Health	1,316	1,272	1,278	38	(6)	(19)
Mental Hygiene	1,139	1,234	1,244	(105)	(10)	611
Children and Families	721	725	736	(15)	(11)	63
Temporary and Disability Assistance	1,041	1,054	1,070	(29)	(16)	28
Transportation	1,718	1,741	1,710	8	31	399
All Other	929	970	996	(67)	(26)	101
State Operations	*7,604*	*7,834*	*7,709*	*(105)*	*125*	*(25)*
Personal Service	5,204	5,263	5,151	53	112	(86)
Non-Personal Service	2,400	2,571	2,558	(158)	13	61
General State Charges	*2,691*	*2,514*	*2,578*	113	*(64)*	*(417)*
Capital Projects	*1*	*1*	*4*	(3)	*(3)*	*1*
Debt Service	*1,974*	*1,969*	*1,968*	6	*1*	*295*

State Operating Funds Comparison to First Quarter Financial Plan Projections

Through September 2008, State Operating Funds receipts totaled nearly $39.0 billion or $82 million less than the forecast (based on preliminary data). Tax receipts totaled $31.4 billion, $125 million above the First Quarter Update estimate. The increase is the result of higher-than-anticipated collections in the personal income tax and user taxes and fees, offset by lower-than-expected collections from business taxes and other taxes. Miscellaneous receipts came in $225 million lower than projected, driven by slower than anticipated Special Revenue Fund receipts, including HCRA.

Through September 2008, State Operating Funds disbursements totaled $36.8 billion, $660 million lower than the First Quarterly Update forecast, driven by the General Fund variances described above and augmented by slower than projected payments of property tax rebates under the STAR program.

State Operating Funds Annual Change

Through September 2008, total taxes increased by $2.7 billion, or 9.2 percent, compared to the same period in 2007-08. This increase is attributable to increases in all tax areas, with the exception of decreased business taxes. The annual decline in miscellaneous receipts is largely driven by the receipt of $499 million in health insurance conversion proceeds in April 2007.

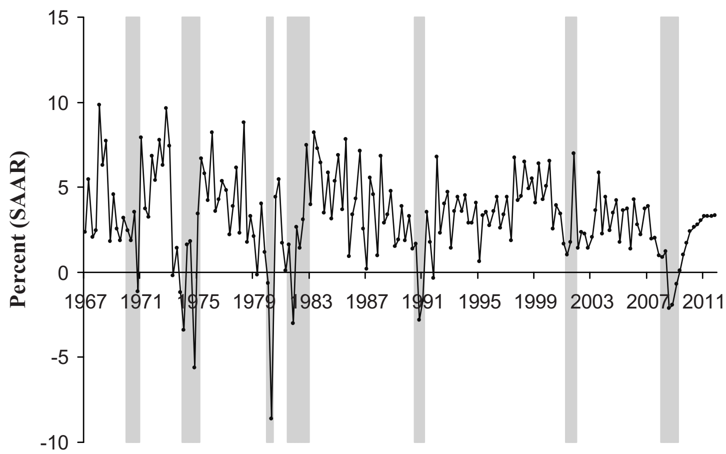
Through September 2008, State Operating Funds disbursements were $1.7 billion higher compared to the same period in 2007-08. The largest increases were for State School Aid payments ($701 million), Debt Service ($295 million), and Higher Education ($116 million), as described above. In addition, MTOA payments contributed to the State Operating Funds annual growth. Growth in mental hygiene spending is primarily attributable to the State share of Medicaid spending now reflected in the agency totals, which also accounts for most of the decline in GSCs.

Economic Outlook

The National Economy

Although it was evident in July that the U.S. economy was in or approaching a recession, it was less apparent that the ongoing credit crisis would became a full blown credit freeze that would result in a wholesale alteration of the entire landscape of Wall Street. Since July we have seen the largest bank failure in history, the bankruptcy of one major investment bank, the wholesale Federal takeover of Fannie Mae and Freddie Mac and the bailout of a large insurer, a Federal program to shore up the entire sector worth up to $700 billion, and, finally, a global effort to induce banks to start lending to each other more freely. Indeed, by mid-October, credit market conditions were at their tightest since the Great Depression, signaling a much longer downturn in the real economy than anticipated in July and longer than the last two relatively short-lived recessions. Real GDP is now projected to decline for three consecutive quarters, starting in 2008Q3, not seen since the recession of the mid-1970s. The U.S. economy, as measured by growth in real GDP, is now projected to contract by 0.1 percent in 2009, following growth of 1.4 percent in 2008.

Real Consumption Growth



Note: Shaded areas represent U.S. recessions.
Source: Moody's Economy.com; DOB staff estimates.

Since July, labor market conditions have also deteriorated, with the unemployment rate exceeding 6 percent in August and September. September's 159,000 employment drop represented a substantial acceleration in the labor market's rate of decline. Job losses are now expected to become more severe going forward, further weakening income growth and putting more downward pressure on consumer spending. Home prices also continue to fall and equity markets are about 40 percent below their most recent October 2007 peaks, generating a reverse wealth effect. As a result, the recent declines in inflation-adjusted consumer spending are expected to continue. Real household spending for the third quarter is now estimated to have fallen about 2 percent, representing the first such decline since the fourth quarter of 1991, and compares with growth projected in July of 1.7 percent. Real consumption is also projected to fall for three consecutive quarters, an occurrence not yet seen during the postwar period and dramatically distinguishing the current period from the recession of 2001.

Though there have been signs that global efforts to restore confidence in the banking system may be working, their impact on the real economy may not become visible for some time. Changes in monetary conditions are generally believed to affect the economy with a lag of 9 to 18 months. As a result, DOB projects relatively weak growth in both real household consumption and private sector investment through the end of 2009, and substantially weaker growth than projected in July. Business investment is now expected to contract for four consecutive quarters starting in 2008Q4. Greater cutbacks by private sector businesses also imply a weaker labor market than previously anticipated. An acceleration in the pace of job losses is expected to result in a peak-to trough loss of 1.7 million jobs nationally. The U.S. unemployment rate is now expected to average 6.7 percent in 2009, following 5.7 percent in 2008.

In addition, the international economy is also expected to grow more slowly than anticipated earlier, implying slower export growth over the coming 18 months. Real U.S. export growth is expected to fall below 1 percent during the first two quarters of 2009. This softening will also have a negative impact on business sector profits and spending. A steeper decline in corporate profits is now estimated for 2008, and the increase that was projected in July for 2009 has been revised down to a substantial decrease.

A more negative outlook for both the domestic and international real economies has had a striking effect on commodity prices. The price of oil is now hovering close to $75 per barrel after peaking near $150 in mid-July, while gas prices have also moderated in recent weeks. These developments should help to keep inflationary expectations anchored and give the Federal Reserve a freer hand in using monetary policy to loosen tight credit markets. Consequently, DOB has revised projected inflation, as measured by growth in the CPI, to 2.3 percent for 2009, following 4.4 percent for 2008. DOB now expects the central bank to lower its short-term interest rate target one more time at the end of October and then hold steady through early 2009.

There is considerable risk to the DOB outlook for the national economy. As indicated above, household spending is under pressure from several sources. Consequently, should either the labor market, equity market, or housing market prove to be weaker than projected, greater declines in real consumer spending could ensue, implying a longer and deeper recession than reflected in the current forecast. In addition, if the recent downward trend in energy prices should reverse course, real spending growth could fall further below expectations. A weaker global economy could also depress economic growth more than projected, while the failure of yet another major financial institution could unwind the progress that has been made in the defrosting of credit markets, deepening the current downturn. Alternatively, if a future government stimulus package should successfully induce consumers to spend more, economic growth could be stronger than expected. In addition, if credit markets should thaw more quickly than anticipated, or housing and equity markets recover more quickly than projected, economic activity may also exceed expectations. Finally, if energy prices should fall even more than expected, effectively increasing real household income, consumer spending could spur a quicker economic recovery than projected.

U.S. Economic Indicators
(Percent change from prior calendar year)

	2007 (Actual)	2008 (Forecast)	2009 (Forecast)
Real U.S. Gross Domestic Product	2.0	1.4	(0.1)
Consumer Price Index (CPI)	2.9	4.4	2.3
Personal Income	6.1	4.4	2.0
Nonagricultural Employment	1.1	(0.1)	(0.9)

Source: Moody's Economy.com; DOB staff estimates.

The New York State Economy

The financial market terrain now looks very different than it looked just a few months ago. Indeed, the investment banking industry as we knew it before September 2008, no longer exists. The prime brokerage industry has been permanently altered with the wholesale disappearance of two investments banks, the purchase of two prime brokers by large commercial banks, and the remaining two large brokers reorganizing as bank holding companies. The resulting consolidation is likely to have grave implications for industry employment, particularly in New York City. Layoffs from the State's financial services sector are now expected to total approximately 45,000 as strained financial institutions seek to cut costs and newly merged banks seek to reduce duplication of services. These projected losses compare to the loss of about 30,000 jobs following September 11th.

But the current downturn in the State economy will hardly be restricted to Wall Street. The State's downturn is now expected to be much more broad-based, with private sector job losses surpassing 160,000 and declines anticipated for all major industrial sectors except for health and education. The loss of manufacturing jobs is expected to accelerate going forward, particularly in light of weakening auto sales. The State's real estate market will continue to weaken in 2009, with office vacancy rates expected to rise due to falling employment, tight credit market conditions, and new construction coming online. In addition, a weak global economy is expected to negatively impact the State's tourism industry, with the leisure and hospitality industry in New York City already beginning to see evidence of a slowdown. State employment is now expected to fall 1.5 percent for 2009, with private sector jobs projected to fall 1.7 percent, following growth of 0.2 percent for both total and private for 2008.

The events of the past year have been devastating for the State's finance sector. Equity market prices, as measured by the S&P 500, have fallen about 40 percent since their October 2007 peak. In the wake of the high-tech bust in 2000, we experienced a decline of a similar magnitude but over a longer two-year period. The quantity of assets written down by the nine largest banks since July 2007 now exceeds the entire volume of profits of $305 billion earned during the boom period from early 2004 until the middle of 2007. Moreover, the industry's main revenue drivers remain weak. There were no U.S. initial public offerings in the 10 weeks beginning in the middle of August, the longest such period on record. With Wall Street's largest prime brokers now reorganized as banks, the implications for future profits and compensation could also be dimmer. Commercial banks are more aggressively regulated by the Federal government than investment banks, implying stricter limits on the degree of leveraging these firms can now pursue. This, in turn, may imply new constraints on the amount of profits these firms can earn, and therefore the size of bonus and wage payouts.

DOB now estimates that finance and insurance sector bonuses will fall 42.7 percent for the 2008-09 bonus season and another 20.7 percent for 2009-10, representing larger declines than were seen in the aftermath of September 11. Declining employment and bonuses have negative implications for overall income growth as well. New York State wages are now projected to fall 2.1 percent for 2009, following growth of 1.5 percent for 2008. Growth in total New York personal income for 2009 has been revised down to a decline of 1.0 percent, following growth of 2.7 percent for 2008.

New York State Economic Indicators (Percent change from prior calendar year)			
	2007 (Actual)	2008 (Forecast)	2009 (Forecast)
Personal Income	6.5	2.7	(1.0)
Wages	8.6	1.5	(2.1)
Nonagricultural Employment	1.5	0.2	(1.5)
Source: Moody's Economy.com; New York State Department of Labor; DOB staff estimates.			

All of the risks to the forecast for the national economy apply to the State forecast as well, although equity market volatility and the current level of uncertainty surrounding global credit markets pose a particularly large degree of uncertainty for New York. If the current financial market crisis is sufficiently prolonged, the impact on State income and employment could be even more severe. Similarly, a prolonged global slowdown could result in larger declines in tourism and put additional pressure on the real estate market, particularly in New York City. In contrast, a quicker recovery of the national and global economies would imply a shorter downturn for New York.

All Funds Receipts Projections

The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current-services spending for each of the State's major areas of spending (e.g., Medicaid, school aid, mental hygiene).

Updated All Funds Receipts Projections

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

2008-09 All Funds Receipts Overview

Total Receipts (millions of dollars)				
	2007-08 Actual	2008-09 Mid-Year	Annual $ Change	Annual % Change
General Fund	53,096	53,587	491	0.9%
State Funds	80,372	80,682	310	0.4%
All Funds	115,423	116,712	1,289	1.1%

All Funds receipts are projected to total $116.7 billion, an increase of $1.3 billion over 2007-08 results. The total comprises tax receipts ($61.3 billion), Federal grants ($36.0 billion) and miscellaneous receipts ($19.5 billion). The following table summarizes the actual receipts for 2007-08 and the updated projections for 2008-09.

Total Receipts (millions of dollars)							
	2007-08 Actual	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**53,096**	**53,587**	**491**	**0.9%**	**50,495**	**(3,092)**	**-5.8%**
Taxes	38,395	38,704	309	0.8%	37,045	(1,659)	-4.3%
Miscellaneous Receipts	2,460	2,551	91	3.7%	2,399	(152)	-6.0%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
Transfers	12,172	12,291	119	1.0%	11,051	(1,240)	-10.1%
State Funds	**80,372**	**80,682**	**310**	**0.4%**	**80,885**	**203**	**0.3%**
Taxes	60,871	61,288	417	0.7%	60,181	(1,107)	-1.8%
Miscellaneous Receipts	19,432	19,352	(80)	-0.4%	20,703	1,351	7.0%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
All Funds	**115,423**	**116,712**	**1,289**	**1.1%**	**117,993**	**1,281**	**1.1%**
Taxes	60,871	61,288	417	0.7%	60,181	(1,107)	-1.8%
Miscellaneous Receipts	19,643	19,460	(183)	-0.9%	20,809	1,349	6.9%
Federal Grants	34,909	35,964	1,055	3.0%	37,003	1,039	2.9%

The receipt estimates for the current fiscal year have been revised downward significantly. Current year All Funds tax receipt estimates have been lowered by $1.8 billion since the First Quarterly Update. The financial condition of Wall Street firms and banks in general has deteriorated from what was anticipated in the First Quarterly Update. As a result, the revisions to the 2008-09 and outyear fiscal estimates are due primarily to this more pessimistic economic outlook.

Since the release of the First Quarterly Update, New York's leading investments banks have ceased to exist, been subsumed, or agreed to be regulated as commercial banks. These unprecedented events are expected to have a significant negative impact on the New York economy. History has shown that any disruption to the profitability of Wall Street firms can be expected to have a negative impact on the fiscal condition of the State.

Total All Funds receipts are estimated to reach nearly $116.7 billion, an increase of $1.3 billion, or 1.1 percent above 2007-08 results comprised of increases in taxes ($417 million or 0.7 percent) and Federal grants ($1.1 billion or 3.0 percent), slightly offset by a decrease in miscellaneous receipts ($180 million or 0.9 percent) described later in this report.

Total State Funds receipts are estimated at nearly $80.7 billion, an expected increase of $310 million, or 0.4 percent from 2007-08 actual results. State Funds miscellaneous receipts are estimated to decrease $80 million, or 0.4 percent.

Total General Fund receipts are estimated at $53.6 billion, an increase of $491 million, or 0.9 percent from 2007-08 results. General Fund tax receipt growth is estimated at 0.8 percent. General Fund miscellaneous receipts are estimated to increase by 3.7 percent, reflecting actions taken with the 2008-09 Budget, including an estimated increase in abandoned property receipts.

After controlling for the impact of policy changes, base tax revenue is estimated to decline 1.3 percent for fiscal year 2008-09

Fiscal Year 2009-10 Overview

Total All Funds receipts are expected to reach nearly $118.0 billion, an increase of 1.3 billion, or 1.1 percent from 2008-09 estimated receipts. All Funds tax receipts are projected to decrease by $1.1 billion or 1.8 percent. All Funds Federal grants are expected to increase by over $1.0 billion, or 2.9 percent. All Funds miscellaneous receipts are projected to increase by $1.4 million, or 6.9 percent.

Total State Funds receipts are projected to be $80.9 billion, an increase of $203 million, or 0.3 percent from 2008-09 estimated receipts.

Total General Fund receipts are projected to be nearly $50.5 billion, a decrease of 3.1 billion, or 5.8 percent from 2008-09 estimated receipts. General Fund tax receipts are projected to decrease by 4.3 percent from 2008-09 estimates and General Fund miscellaneous receipts are projected to decrease by 6.0 percent. The decline in General Fund miscellaneous receipts largely reflects the loss of anticipated receipts from New York City that have been subject to ongoing negotiations.

After controlling for the impact of policy changes, base tax revenue is expected to decline by 1.1 percent for fiscal year 2009-10.

Change from First Quarterly Update

Change from First Quarterly Update Forecast (millions of dollars)

	2008-09 First Quarter Update	2008-09 Mid-Year Update	$ Change	% Change	2009-10 First Quarter Update	2009-10 Mid-Year Update	$ Change	% Change
General Fund*	**42,578**	**41,296**	**(1,282)**	**(3.0)**	**44,029**	**39,444**	**(4,585)**	**-10.4%**
Taxes	39,986	38,704	(1,282)	(3.2)	41,498	37,045	(4,453)	-10.7%
Miscellaneous Receipts	2,551	2,551	0	0.0	2,531	2,399	(132)	-5.2%
Federal Grants	41	41	0	0.0	0	0	0	0.0%
State Funds	**82,893**	**80,682**	**(2,211)**	**(2.7)**	**87,050**	**80,885**	**(6,165)**	**-7.1%**
Taxes	63,085	61,288	(1,797)	(2.8)	65,989	60,181	(5,808)	-8.8%
Miscellaneous Receipts	19,766	19,352	(414)	(2.1)	21,060	20,703	(357)	-1.7%
Federal Grants	42	42	0	0.0	1	1	0	0.0%
All Funds	**118,928**	**116,712**	**(2,216)**	**(1.9)**	**124,208**	**117,993**	**(6,215)**	**-5.0%**
Taxes	63,085	61,288	(1,797)	(2.8)	65,989	60,181	(5,808)	-8.8%
Miscellaneous Receipts	19,878	19,460	(418)	(2.1)	21,167	20,809	(358)	-1.7%
Federal Grants	35,965	35,964	(1)	(0.0)	37,052	37,003	(49)	-0.1%

** Excludes Transfers*

Given the more pessimistic economic forecast, All Funds receipts estimates have been revised downward significantly for fiscal year 2008-09. In addition, tax receipts to-date for fiscal year 2008-09 in some revenue categories has fallen below expectations. As a result of these and other factors outlined below, All Funds tax estimates for the year have been revised downward by nearly $1.8 billion from the First Quarterly Update. Miscellaneous receipts have been revised downward by $418 million with almost no change to Federal grants.

The downward revision to General Fund receipts for fiscal year 2008-09 is $1.3 billion, reflecting the same decrease in taxes. The downward revisions are related to a more negative economic forecast and weaker-than-expected to date business tax collections.

Multi-Year Receipts

Total Receipts (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**50,495**	**52,865**	**2,370**	**4.7%**	**55,567**	**2,702**	**5.1%**
Taxes	37,045	39,122	2,077	5.6%	41,289	2,167	5.5%
State Funds	**80,885**	**84,398**	**3,513**	**4.3%**	**88,106**	**3,708**	**4.4%**
Taxes	60,181	63,582	3,401	5.7%	66,879	3,297	5.2%
All Funds	**117,993**	**122,532**	**4,539**	**3.8%**	**128,012**	**5,480**	**4.5%**
Taxes	60,181	63,582	3,401	5.7%	66,879	3,297	5.2%

The economic forecast contemplates a recession entailing several quarters of employment losses through early next year and low wage growth of 2.0 percent and 1.5 percent, respectively, for calendar years 2008 and 2009. This forecast lowers the economic base on which the outyear revenue forecast is built. Overall, receipts growth in the three fiscal years following 2009-10 is expected to grow consistent with projected growth in the U.S. and New York economies.

All Funds tax receipts in 2010-11 are projected to reach $63.6 billion, an increase of $3.4 billion, or 5.7 percent from 2009-10 estimates. All Funds tax receipts in 2011-12 are expected to increase by nearly $3.3 billion (5.2 percent) over the prior year. General Fund tax receipts are projected to reach $39.1 billion in 2010-11 and $41.3 billion in 2011-12 (see “All Funds Receipts Projections” herein for a detailed explanation of All Funds receipts projections by source).

Revenue Risks

- A significant downside risk remains with respect to the fallout from the financial sector meltdown. The cascade into other sectors of the economy could reduce employment, wages, and related withholding and estimated tax revenues more than expected.

- Real estate markets could deteriorate more rapidly than expected due to the continued credit crunch and Wall Street retrenchment, which could have a significant negative impact on capital gains realizations.

- Actions taken by the Federal government to alleviate the faltering banking industry and credit markets could be less effective than intended, and take longer to achieve their desired objectives.

- Taxable sales could be driven down by weaker economic conditions.

- Lower-than-expected business tax collections could reflect greater overall weakness of the New York State economy, in particular in the financial services industry, than was earlier forecasted.

- The estimated values for 2008-09 Enacted Budget law changes represent a substantial portion of estimated receipts. In the current business environment, these changes could result in less severe negative net income versus an increase in taxable income, resulting in less than anticipated revenue gains.

• The real estate transfer tax forecast could be negatively affected as downward trends in the financial services sector (weaker employment and bonuses, stock market decline) continue. The fallout from the subprime mortgage situation will also put pressure on consumer credit availability and may reduce the number of transactions. The decline in real estate prices in some areas of the State is likely to depress collections. The number of high value commercial property sales in New York City is expected to decline from recent years.

• The estate tax is primarily a tax on the value of real estate stocks and bonds. This tax could be negatively affected by the value of these assets.

All Funds Disbursements Projections

The 2008-09 spending forecasts for each of the State's major programs and activities have been updated since the First Quarterly Update as more information has become available. Most of the changes are modest and include the General Fund revisions explained in detail earlier in this update.

Additional detailed information on annual spending changes for each of the State's major programs and activities may be found in the 2008-09 Enacted Budget Financial Plan available on-line at www.budget.state.ny.us.

Total Disbursements*
(millions of dollars)

	2007-08 Actuals	2008-09 First Quarter Update	2008-09 Current	Annual $ Change	Annual % Change	$ Change from July Update
State Operating Funds	**77,003**	**80,506**	**80,288**	**3,285**	**4.3%**	**(218)**
General Fund **	50,613	50,512	50,422	(191)	-0.4%	(90)
Other State Funds	22,254	25,296	25,212	2,958	13.3%	(84)
Debt Service Funds	4,136	4,698	4,654	518	12.5%	(44)
All Governmental Funds	**116,058**	**121,304**	**120,763**	**4,705**	**4.1%**	**(541)**
State Operating Funds	77,003	80,506	80,288	3,285	4.3%	(218)
Capital Projects Funds	6,131	6,978	6,819	688	11.2%	(159)
Federal Operating Funds	32,924	33,820	33,656	732	2.2%	(164)
General Fund, including Transfers	**53,387**	**56,157**	**56,120**	**2,733**	**5.1%**	**(37)**

* *Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.*

** *Excludes Transfers*

Updated All Funds Disbursements Projections

State Operating Funds spending, which includes both the General Fund and spending from other funds supported by assessments, tuition, HCRA resources, and other non-Federal revenues, is projected to total $80.3 billion in 2008-09, a decrease of $218 million from the First Quarterly forecast.

State Operating Funds Budget

In 2008-09, General Fund spending, including transfers to other funds, is projected to total $56.1 billion, a decrease of $37 million from the First Quarterly Update Budget forecast.

Revisions to 2008-09 State Funds Operating Forecast First Quarter Update to Mid-Year Estimate — Increases/(Decreases) (millions of dollars)	General Fund *	Other State Funds	Total State Operating Funds
2008-09 First Quarter Estimate	**50,512**	**29,994**	**80,506**
Reestimates	127	(114)	13
Public Health	0	(80)	(80)
Medicaid	(130)	(18)	(148)
Mental Hygiene	107	102	209
DMNA	(34)	(1)	(35)
State Police	52	6	58
Correctional Services	162	(5)	157
Stem Cell Delay	0	(29)	(29)
Debt Service	0	(48)	(48)
All Other	(30)	(41)	(71)
Collective Bargaining	65	7	72
August Session Changes	(282)	(21)	(303)
Medicaid Cost Containment	(127)	0	(127)
Across-the-Board Local Reductions	(136)	(21)	(157)
Other Savings Actions	(19)	0	(19)
2008-09 Mid-Year Estimate	**50,422**	**29,866**	**80,288**
Dollar Change (from First Quarter)	*(90)*	*(128)*	*(218)*
Percent Change (from First Quarter)	*-0.2%*	*-0.4%*	*-0.3%*

* *Excludes transfers.*

** *Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.*

The State Operating Funds changes since the Enacted Budget mainly reflect the General Fund revisions described earlier. Significant changes in Other State Funds include: lower-than-projected EPIC spending driven by decreasing enrollment and increasing rebate revenue that is available to offset spending; increased mental hygiene spending under the NYS-OPTS program due to the rising costs of residential, day habilitation and at-home residential habilitation services; debt service reestimates reflecting a combination of bond sale delays, increased variable-rate interest costs, additional DRRF spending, and other factors. In addition, stem cell research costs have shifted from 2008-09 to 2012-13 to more accurately reflect the expected spend-out of funds.

Capital Budget

Capital spending is projected to total $6.8 billion in 2008-09, a decrease of $159 million from the First Quarterly Update. Projected spending for capital projects reflects routine timing changes in construction schedules in several program areas. In Education, projected capital disbursements have been adjusted to reflect the timing of several projects, including the Cultural Education Storage facility, Museum Renewal project, and the State Records Center. Capital spending at State Police represents an adjustment for the design and construction schedule for the Troop G facility. State Equipment estimates reflect savings in agency equipment outlays through extending the life-cycle of existing equipment.

Revisions to 2008-09 Capital Budget Spending Forecast First Quarterly Update to Mid-Year Estimate — Increases/(Decreases) (millions of dollars)	State Funds	Federal Funds	Total Capital Projects Funds
2008-09 First Quarterly Estimate	**5,061**	**1,917**	**6,978**
Reestimates	**(139)**	**0**	**(139)**
Education	(32)	0	(32)
State Police	(27)	0	(27)
State Equipment	(34)	0	(34)
All Other	(46)	0	(46)
August Session Changes - delayed capital SWN disbursements	(20)	0	(20)
2008-09 Mid-Year Estimate	**4,902**	**1,917**	**6,819**
Dollar Change (from First Quarter)	*(159)*	*0*	*(159)*
Percent Change (from First Quarter)	*-3.1%*	*0.0%*	*-2.3%*

The capital spending projections conform to the reporting of actual results in the State's cash basis of accounting.

Federal Operating Budget

Federal Operating spending estimates have decreased by $164 million since the First Quarterly Update, mainly due to savings enacted during the August special session and the timing of disaster assistance spending, partially offset by increased spending in elections for HAVA compliance.

Revisions to 2008-09 Federal Operating Spending Forecast First Quarter Update to Mid-Year Estimate — Increases/(Decreases) (millions of dollars)	Federal Operating
2008-09 First Quarter Estimate	**33,820**
Reestimates	**(80)**
DMNA	(99)
Elections	39
All Other	(20)
August Session Changes - Medicaid Cost Containment	(84)
2008-09 Mid-Year Estimate	**33,656**
Dollar Change (from First Quarter)	*(164)*
Percent Change (from First Quarter)	*-0.5%*

All Funds Annual Spending Change

The major sources of annual spending changes from 2007-08 to 2008-09, as described in detail earlier, are presented in the table below.

Updated Financial Plan Disbursement Projections
Major Sources of Annual Change
(millions of dollars)

	General Fund *	Other State Funds	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Actuals	**50,613**	**26,390**	**77,003**	**6,131**	**32,924**	**116,058**
School Aid	1,584	167	1,751	0	37	1,788
Medicaid (including admin)	(21)	232	211	0	189	400
Transportation	1	165	166	303	5	474
Public Health	(70)	(13)	(83)	38	193	148
Economic Development	(19)	48	29	267	3	299
Mental Hygiene	(1,100)	1,998	898	23	(571)	350
STAR	0	35	35	0	0	35
Social Services	(220)	7	(213)	(1)	189	(25)
Higher Education	255	295	550	36	12	598
Other Education Aid	21	(3)	18	2	62	82
General State Charges	(1,507)	847	(660)	0	645	(15)
All Other	885	(302)	583	20	(32)	571
2008-09 Mid-Year Update	**50,422**	**29,866**	**80,288**	**6,819**	**33,656**	**120,763**
Annual Dollar Change	*(191)*	*3,476*	*3,285*	*688*	*732*	*4,705*
Annual Percent Change	*-0.4%*	*13.2%*	*4.3%*	*11.2%*	*2.2%*	*4.1%*

* *Excludes transfers.*

** *Mid-Year estimates assume achievement of significant savings during the November 18, 2008 special session. See text.*

The Enacted Budget Financial Plan provides detailed explanations of the sources of annual spending growth by major program and activity on an All Funds basis.

Monthly cash flow forecast (2008-09)

In 2008-09, the General Fund is projected to have quarterly-ending balances of $1.0 billion in December 2008 and $1.6 billion at the end of March 2009. November 2008 is the lowest projected month-end cash flow balance at $923 million. State Operating Funds quarterly-ending balances are expected to be $3.4 billion in December 2008 and $4.3 billion at the end of March 2009. DOB's revised detailed monthly cash flow projections for 2008-09 are set forth in the Financial Plan Tables. Based on current operating projections, which project substantially reduced cash resources in the current year and in the future, DOB is instituting a series of cash management actions.

Financial Plan Reserves

In January 2007, the State created a new statutory Rainy Day Reserve that has an authorized balance of 3 percent of General Fund spending. The new Rainy Day Reserve may be used to respond to an economic downturn or catastrophic event. The State made its first deposit of $175 million in 2007-08. When combined with the existing Tax Stabilization Reserve, which has an authorized balance of 2 percent and can be used only to cover unforeseen year-end deficits, the State's Rainy Day Reserve authorization now totals 5 percent.

The State projects that General Fund reserves will total $1.6 billion at the end of 2008-09, with $1.2 billion in undesignated reserves available to deal with unforeseen contingencies and $381 million designated for subsequent use.

The $1.2 billion of undesignated reserves consists of $1 billion in the Tax Stabilization Reserve, $175 million in the new Rainy Day Reserve, and $21 million in the Contingency Reserve Fund for litigation risks.

The designated reserves consist of $145 million set aside for labor settlements (after the use of $920 million for existing settlements in 2008-09), $172 million in the Community Projects Fund to finance existing "member-item" initiatives, and $64 million set aside for debt management purposes (after the use of $58 million in 2008-09).

Aside from the amounts noted above, the 2008-09 Financial Plan does not have specific reserves to cover potential costs that could materialize as a result of Federal disallowances or other Federal actions that could adversely affect the State's projections of receipts and disbursements.

Updated HCRA Financial Plan

Since the First Quarterly Update, DOB has lowered HCRA revenue projections as continued market volatility has disrupted previously planned insurance company conversions to for-profit companies. This decline is partly offset by downward spending revisions in various programs. As a result of the revisions the operational forecast for HCRA has declined, resulting in a current year imbalance of $88 million. As a result of HCRA's relationship with the General Fund, DOB considers both gaps as combined for planning purposes and expects to address the shortfalls pursuant to legislation or administrative options.

The projected 2009-10 HCRA gap has increased modestly from the previous forecast, however the 2010-11 and 2011-12 anticipated annual operating shortfalls have improved by roughly $150 million in each year due to downward adjustments to spending projections.

HCRA Financial Plan
2008-09 through 2011-12
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Opening Balance	**597**	**0**	**(317)**	**(434)**
Total Receipts	4,507	4,791	4,712	5,280
Surcharges	2,091	2,143	2,202	2,259
Covered Lives Assessment	920	920	920	920
Cigarette Tax Revenue	874	927	913	912
Conversion Proceeds	233	419	275	300
Hospital Assessment (1 percent)	288	305	324	344
General Fund Support-Tobacco Guarantee	0	0	0	466
All Other	101	77	78	79
Total Disbursements	**5,192**	**5,108**	**4,829**	**5,305**
Medicaid Assistance Account	2,219	2,085	1,720	2,099
Pharmacy Costs	*863*	765	382	723
Family Health Plus	*541*	579	597	634
Workforce Recruitment & Retraining	*270*	242	226	210
All Other	*545*	*499*	*515*	*532*
HCRA Program Account	1,165	1,179	1,178	1,178
Hospital Indigent Care	841	841	841	841
Elderly Prescription Insurance Coverage	297	226	250	282
Child Health Plus	361	437	469	496
Public Health Programs	110	103	103	103
Mental Health Programs	1	1	1	1
All Other	198	236	267	305
Annual Operating Surplus/(Deficit)	**(685)**	**(317)**	**(117)**	**(25)**
***Legislative/Administrative Actions to Close Gap**	**88**	**TBD**	**TBD**	**TBD**
Closing Balance	**0**	**(317)**	**(434)**	**(459)**

** Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions, or both, to address the current year shortfall, as options are currently under development.*

Current HCRA authorization expires on March 31, 2011, however the anticipated shortfall in 2009-10 will require the enactment of additional cost containment or revenue enhancements. Any unaddressed shortfall will need to be financed by the General Fund. The combined General Fund and HCRA gap is estimated at $12.5 billion in 2009-10. The reauthorization of HCRA in prior years has maintained HCRA's solvency without the need for automatic spending reductions or General Fund support.

The table below summarizes the 2008-09 through 2011-12 revisions to the First Quarterly Update HCRA Financial Plan, followed by detailed descriptions of the changes.

Summary of Changes to HCRA Forecast for 2008-09 though 2011-12
Savings/(Costs)
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Revenue Revisions	**(285)**	**(40)**	**(10)**	**15**
Conversion Proceeds	(284)	(56)	(25)	0
Cigarette Tax Revenue	(1)	16	15	15
Spending Revisions	**112**	**118**	**156**	**143**
EPIC Re-estimate	64	118	163	189
HCRA Stem Cell Re-estimate	34	6	0	0
Family Health Plus Re-estimate	18	(4)	(5)	(42)
Special Session - HCRA 6% Reduction	15	38	38	38
Special Session - Transfer HCRA Savings	(19)	(42)	(42)	(42)
All Other	0	2	2	0
NET CHANGE FROM FIRST QUARTER UPDATE	**(173)**	**78**	**146**	**158**

Revenue Revisions

Conversion Proceeds: Reflects downward revisions due to the delay in the conversion of GHI/HIP to a for-profit company.

Cigarette Tax Revenue: An increase in the State cigarette tax is projected to increase revenues beginning in 2009-10. The increase is expected to be offset in part by lower New York City cigarette revenue transfers to HCRA.

Spending Revisions

EPIC Re-estimate: Lower than expected program costs and an increase in rebate revenue have resulted in lower overall costs for the EPIC program.

HCRA Stem Cell Re-estimate: Reflects revaluation of multi-year programmatic need for HCRA transfer.

FHP Re-estimate: Projected current-year spending in FHP has been reduced due to lower than anticipated enrollment. However, increases are projected in enrollment and premiums in future years, resulting in higher costs.

August Special Session: Reflects a 6 percent reduction in remaining disbursements for certain HCRA programs authorized during the August 2008 special session. Reductions increase in the outyears to reflect the full-year impact of these reductions.

Special Session – Transfer HCRA Savings: Reflects the transfer to the General Fund, of HCRA savings achieved during the August Special Session and pursuant to the 7 percent operational reductions implemented after the First Quarterly Update.

All Other: Other HCRA spending changes primarily consist of savings expected from State operations costs reductions.

GAAP-Basis Financial Plans/GASB 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, in accordance with standards and regulations set forth by GASB. Thus, the GAAP projections provided herein are intended to supplement, for informational purposes, the cash-basis Financial Plan. The GAAP-basis plans model the accounting principles applied by the Office of the State Comptroller in preparation of the 2007-08 Financial Statements.

In 2008-09, the General Fund GAAP Financial Plan shows total revenues of $41.2 billion, total expenditures of $56.3 billion, and net other financing sources of $9.4 billion, resulting in an operating deficit of $5.7 billion prior to legislative/administrative actions to close the cash gap and a projected accumulated deficit of $324 million. These changes are due primarily to the use of a portion of prior year reserves to support 2008-09 operations and the impact of economic conditions on revenue accruals, primarily PIT. PIT collections received in the first quarter of 2008-09 were related primarily to prior year estimated payments and final returns (i.e. calendar year ended December 31, 2007) and are therefore recorded in State fiscal year 2007-08 for GAAP purposes. Estimated collections in the first quarter of 2009-10 related to calendar end year 2008 tax returns are expected to decline significantly resulting in lower accrued revenue in 2008-09.

The GAAP-basis results for 2007-08 showed the State in a net positive asset condition of $47.7 billion after reflecting the impact of GASBS 45 "Accounting and Financial Reporting by Employers for Post-Retirement Benefits."

The State 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, 2008 at $49.9 billion ($41.4 billion for the State and $8.5 billion for SUNY), using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. The actuarial accrued liability was calculated using a 4.155 percent annual discount rate.

This liability was disclosed in the 2007-08 basic GAAP financial statements issued by the State Comptroller in July 2008. GASB rules indicate the 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 2007-08 liability totaled $3.8 billion ($3.1 billion for the State and $0.7 billion for SUNY) under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or roughly $2.7 billion ($2.1 billion for the State and $0.6 billion for SUNY) above the current PAYGO retiree costs. 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 2007-08 by $2.7 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. Anticipated increases in these costs are reflected in the State's multi-year Financial Plan as detailed below.

History and Forecast of New York State Employee Health Insurance (millions of dollars)

	Health Insurance Costs		
Year	**Active Employees**	**Retirees**	**Total State**
Actuals:			
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	884	2,215
2006-07	1,517	914	2,431
2007-08	1,390	1,182	2,572
Forecast:			
2008-09	1,621	1,055	2,676
2009-10	1,721	1,122	2,843
2010-11	1,900	1,243	3,143
2011-12	2,064	1,353	3,417

Reflects the health insurance cost of active employees and retirees in the Executive and Legislative branches and the Office of Court Administration.

As noted, the current Financial Plan does not assume pre-funding of 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.

DOB's detailed GAAP Financial Plans for 2008-09 through 2011-12 are provided in the Financial Plan Tables.

Debt/Capital Update

The following tables summarize the net impact of capital projects spending changes on State debt levels and debt service spending. The changes in debt outstanding, debt issuances and debt service costs detailed below are consistent with the capital spending changes noted in the previous chart, including a closer alignment of bonding levels for economic development purposes with annual capital spending estimates.

Projected Debt Outstanding (millions of dollars)	2008-09	2009-10	2010-11	2011-12	2012-13
First Quarterly Update State-Related Debt Outstanding	**52,522**	**55,918**	**58,706**	**60,437**	**61,516**
Economic Development & Housing	102	355	355	443	438
Mental Hygiene	9	59	154	232	288
State Facilities & Equipment	(15)	10	50	74	75
Education	(83)	(67)	(51)	(34)	(33)
Transportation	(58)	(136)	(244)	(364)	(489)
All Other	(14)	(18)	(18)	(16)	(16)
Subtotal	(59)	203	246	335	263
Mid-Year Update State-Related Debt Outstanding	**$ 52,463**	**$ 56,121**	**$ 58,952**	**$ 60,772**	**$ 61,779**

Projected Debt Issuances (millions of dollars)	2008-09	2009-10	2010-11	2011-12	2012-13
First Quarterly Update State-Related Debt Issuances	**5,717**	**6,487**	**6,099**	**5,758**	**5,316**
Economic Development & Housing	102	260	25	111	25
Mental Hygiene	5	51	96	80	59
State Facilities & Equipment	(15)	24	41	26	0
Education	(90)	19	15	17	0
Transportation	(57)	(80)	(109)	(126)	(136)
All Other	1	0	(1)	3	0
Subtotal	(54)	274	67	111	(52)
Mid-Year Update State-Related Debt Issuances	**$ 5,663**	**$ 6,761**	**$ 6,166**	**$ 5,869**	**$ 5,264**

Projected Debt Service (millions of dollars)	2008-09	2009-10	2010-11	2011-12	2012-13
First Quarterly Update State-Related Debt Service	**5,289**	**5,832**	**6,479**	**6,862**	**7,208**
Economic Development & Housing	8	(2)	36	41	56
Mental Hygiene	3	(1)	3	11	17
State Facilities & Equipment	(4)	(2)	0	5	2
Education	(106)	(6)	(11)	(5)	(4)
Transportation	(4)	(11)	(19)	(24)	(32)
All Other	55	(9)	(2)	(5)	(3)
Subtotal	(48)	(31)	7	23	36
Mid-Year Update State-Related Debt Service	**$ 5,241**	**$ 5,801**	**$ 6,486**	**$ 6,885**	**$ 7,244**

In addition to capital spending levels, a variety of other factors also have an impact on debt service spending. The most significant factors affecting 2008-09 debt service spending with this Mid-Year Update are detailed below. This includes assumed bond sale delays, reflecting current conditions where governmental issuers across the nation are having limited access to the capital markets. In addition, spending from the Debt Reduction Reserve Fund (DRRF) has increased, primarily for swap termination costs related to State efforts to reduce its financial exposures - including those associated with the bankruptcy of Lehman Brothers. DOB has also increased its variable rate forecast for the fiscal year to average 3.75 percent, reflecting continued disruption in the variable rate markets. This is partly offset by assumed increases to interest earnings on unspent bond proceeds that offset debt service spending.

2008-09 Debt Service Changes - Major Factors (millions of dollars)	
Bond Sale Delays	(78)
Variable Rate Assumption	72
DRRF (Swap Terminations)	29
Earnings Offsets	(48)
All Other	(23)
Subtotal	(48)

Statutory Debt Limitations

The Debt Reform Act of 2000 imposed statutory limitations which restricted the issuance of State-supported debt to capital purposes only and established a maximum term of 30 years for such debt. The statute also imposed phased-in caps that ultimately limit the amount of new State-supported debt to 4 percent of State personal income and new State-supported debt service costs to 5 percent of All Funds receipts. The restrictions apply to all new State-supported debt issued on and after April 1, 2000. The cap on debt outstanding will be fully phased-in during 2010-11, while the cap on debt service costs will be fully phased-in during 2013-14.

The statute requires that the limitations on the amount of State-supported debt and debt service costs be calculated by October 31 of each year and reported in this Mid-Year Update. If the actual amount of new State-supported debt outstanding and debt service costs for the prior fiscal year (2007-08) are below the caps at this time, State-supported debt may continue to be issued. However, if either the debt outstanding or the debt service cap is met or exceeded, the State would be precluded from issuing new State-supported debt until the next annual cap calculation is made and debt is found to be within the applicable limitations.

For the 2007-08 fiscal year, the cumulative debt outstanding and debt service caps are 3.32 percent each. As shown in the table below, the actual levels of debt outstanding and debt service costs continue to remain below the statutory caps. From April 1, 2000 through March 31, 2008 the State has issued new debt resulting in $21.0 billion of debt outstanding applicable to the debt reform cap. This is about $8.8 billion below the statutory debt outstanding limitation. In addition, the debt service costs on this new debt totaled $1.7 billion in 2007-08 or roughly $2.1 billion below the statutory debt service limitation.

Debt Outstanding Cap (millions of dollars)	
New Debt Outstanding	$21,018
Personal Income (CY 2007)	$900,511
Debt Outstanding (Percent of PI)	2.33%
Cap Imposed by Debt Reform Act	3.32%

Debt Service Cap (millions of dollars)	
New Debt Service	$1,709
Governmental Funds Receipts	$115,423
Debt Service (Percent of Govt'l Fund Receipts)	1.48%
Cap Imposed by Debt Reform Act	3.32%

Current projections estimate that debt outstanding and debt service costs will continue to remain below the limits imposed by the Act through the next three years. However, the State has entered into a period of significantly declining debt capacity. Based on the most recent personal income and debt outstanding forecasts, the State would exceed the debt outstanding cap in 2012-13 by over $800 million. In order to stay within the statutory limitations, the State expects to propose actions with the 2009-10 Executive Budget.

New Debt Outstanding (millions of dollars)

Year	Personal Income	Cap %	Actual/ Recommended %	% (Above)/Below Cap
2006-07 (Actual)	848,745	2.98%	2.10%	0.88%
2007-08 (Actual)	900,511	3.32%	2.33%	0.98%
2008-09	932,470	3.65%	2.76%	0.89%
2009-10	925,840	3.98%	3.37%	0.61%
2010-11	957,130	4.00%	3.75%	0.25%
2011-12	1,003,410	4.00%	3.97%	0.03%
2012-13	1,054,100	4.00%	4.08%	-0.08%

New Debt Service Costs (millions of dollars)

Year	All Funds Receipts	Cap %	Actual/ Recommended %	% (Above)/Below Cap
2006-07 (Actual)	112,397	2.98%	1.27%	1.71%
2007-08 (Actual)	115,423	3.32%	1.48%	1.84%
2008-09	116,711	3.65%	1.72%	1.93%
2009-10	117,993	3.98%	2.19%	1.79%
2010-11	122,531	4.32%	2.69%	1.63%
2011-12	128,012	4.65%	2.97%	1.68%
2012-13	131,742	4.98%	3.22%	1.77%

August 2008 Special Session

General Fund Financial Plan: Impact of August Actions (millions of dollars)	2008-09	2009-10	2010-11	2011-12
Savings Actions	**427**	**651**	**639**	**650**
Medicaid Cost Containment	127	374	379	385
Reduce Premiums (Managed Care/FHP: 1.45 percent and LTC: 1 percent)	*41*	*41*	*41*	*41*
Eliminate Public Nursing Home Grants	*25*	*100*	*100*	*100*
Fraud Recovery	*20*	*30*	*30*	*30*
Cap Inflationary Rate Increase for Health Providers at 2.3 %	*18*	*170*	*170*	*170*
Eliminate 3.2 percent COLA for non-Medicaid Early Intervention Services	*17*	*23*	*30*	*36*
Delay Portal Enrollment Initiative	*4*	*0*	*0*	*0*
Pharmacy Discounts on Diabetic Supplies	*2*	*8*	*8*	*8*
Pay for Performance	*0*	*2*	*0*	*0*
Across-the-Board Local Reductions	182	234	236	240
General Fund (6 percent)	*77*	*132*	*133*	*136*
Special Revenue Funds (6 percent: Requires Fund Sweeps to General Fund)	*20*	*30*	*31*	*32*
CUNY Senior College 7 percent Contribution (Parity with SUNY)	*51*	*51*	*51*	*51*
Executive Initiatives: 50 percent reduction	*25*	*20*	*20*	*20*
Legislative Initiatives: 6 percent reduction	*9*	*1*	*1*	*1*
Other Savings	118	43	24	25
Member Item Reduction	50	0	0	0
Preventive Services Claiming Trends	18	23	24	25
SWN Reduced Funding Need	40	20	0	0
Brownfield Grant Programs Reduced Funding Need	10	0	0	0

Medicaid/Health: The August session provided estimated savings of $127 million in the current year growing to $374 million in 2009-10. Major initiatives included: Reducing the State premiums paid to insurers for persons enrolled in Medicaid Managed Care and FHP (1.45 percent) and managed long-term care (1 percent); eliminating supplemental grants to public nursing homes that are no longer necessary because of increased Federal and State reimbursements from alternative funding sources; increasing the State's Medicaid fraud recovery and cost avoidance projection to $695 million in 2008-09 and in 2009-10; capping the automatic inflationary rate increases paid to hospitals, nursing homes and home care at 2.3 percent; eliminating the cost-of-living-adjustment to rates paid to providers who deliver services under the EI program; and other savings actions include a three month delay in the implementation of the Medicaid enrollment center, achieving discounts on diabetic supplies through manufacturer pricing options, and a legislative reduction in hospital pay for performance funding.

Across-the-Board Local Reductions: The August session included $182 million in savings in the current year from across-the-board reductions in local aid programs. The savings is projected at $232 million in 2009-10. The reductions included a 6 percent reduction taken against all unspent local assistance funding as of August 15, 2008, except for school aid, welfare, Medicaid, child welfare, youth detention, the AIM program, aid to community colleges, aid to local governments for mandated programs, appropriations of under $500,000, and special education; reducing new and enhanced 2008-09 programs added by the Legislature by 6 percent and Governor by 50 percent. Executive programs exempted from the 50 percent reduction include Medicaid coverage for foster children, housing and family support services, AIM, veterans tuition assistance, and CLCs. SUNY implemented a 7 percent General Fund spending reduction in accordance with the FMP. Because CUNY is funded through local assistance rather than State Operations, it was not covered by the FMP. For parity, a comparable reduction was taken to CUNY in the August session.

Other Savings: These included additional General Fund transfers of over $50 million, including $40 million from the Statewide Wireless Network project related to slower than anticipated spending on that initiative; reducing Executive and Legislative Member Item Funding by $50 million; and a reestimate of child welfare spending based upon a review of local claiming patterns.

Special Considerations

Many complex political, social, and economic forces influence the State's economy and finances. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year. For example, the Updated Financial Plan is necessarily based on forecasts of national and State economic activity. Economic forecasts have frequently failed to accurately predict the timing and magnitude of specific and cyclical changes to the national and State economies. For a discussion of the DOB economic forecasts, see the section entitled "Economic Forecast" in this AIS Update. The Financial Plan also relies on estimates and assumptions concerning Federal aid, law changes, and audit activity. For a discussion of additional risks to the Financial Plan, see the sections entitled "Update on Risks to the Financial Plan" and "Litigation" in this AIS Update.

The most significant risks include:

- Further under-performance of the national and State economies that can affect State revenues and increase the demand for means-tested programs such as Medicaid and welfare;

- The potential cost of collective bargaining agreements and salary increases for Judges (and possibly other elected officials) in 2008-09 and beyond. DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by settled unions, it would result in added costs of approximately $400 million in 2009-10 (assuming a retroactive component for fiscal year 2007-08 and 2008-09), and $275 million in both 2010-11 and 2011-12. DOB has included a reserve to finance the costs of a pattern settlement for all unions. There can be no assurance that actual settlements will not exceed the amounts included in the Plan. In addition, no reserve has been set aside for potential pay raises for judges;

- Potential Federal disallowances arising from audits related to Medicaid claims under the School Supportive Health Services program;

- Proposed Federal rule changes concerning Medicaid payments; and

- Litigation against the State, including potential challenges to the constitutionality of certain tax actions authorized in the budget.

In addition, the forecast contains specific transaction risks and other uncertainties, including, but not limited to: the sale of development rights for a VLT facility at the Aqueduct Racetrack which is expected to be finalized by the end of the current fiscal year; the enforcement of certain tax regulations on Native American reservations; the conversion of certain not-for-profit health insurance companies to for-profit status, and the achievement of cost-saving measures, including, but not limited to, FMP savings, at the levels projected.

Recent market volatility and the decline in the market value of many stocks have negatively impacted the assets held for the New York State and Local Retirement Systems. The Comptroller has estimated that the value of the Systems' assets has declined approximately 20 percent since April 1, 2008. These factors and/or any future downturns in financial markets may result in an increase in the amount of the contributions required to be made by employers for fiscal years after fiscal year 2010. See also the section on "State Retirement Systems" in this AIS Update.

GAAP-Basis Results for Prior Fiscal Years

The Comptroller prepares Basic Financial Statements and Other Supplementary Information on a GAAP basis for governments as promulgated by GASB. The Basic Financial Statements, released in July each year, include the Statement of Net Assets and Activities, the Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances for the Governmental Funds, the Statements of Net Assets, Revenues, Expenses and Changes in Fund Net Assets and Cash Flows for the Enterprise Funds, the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets and the Combining Statements of Net Assets and Activities for Discretely Presented Component Units. These statements are audited by independent certified public accountants. The Comptroller also prepares and issues a Comprehensive Annual Financial Report, which includes a management discussion and analysis (MD&A), the Basic Financial Statements, other supplementary information which includes individual fund combining statements, and a statistical section. For information regarding the State's accounting and financial reporting requirements, see the section in the AIS entitled "State Organization—Accounting, Financial Reporting and Budgeting."

Both the Basic Financial Statements and Other Supplementary Information and Comprehensive Annual Financial Reports for prior fiscal years can be obtained from the Office of the State Comptroller, 110 State Street, Albany, NY 12236 or at the OSC website at www.osc.state.ny.us. The following table summarizes recent governmental funds results on a GAAP basis.

Comparison of Actual GAAP-Basis Operating Results
Surplus/(Deficit)
(millions of dollars)

Fiscal Year Ended	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	All Governmental Funds	Accum. General Fund Surplus/(Deficit)
March 31, 2008	1,567	(1,328)	(293)	(306)	(360)	3,951
March 31, 2007	202	(840)	92	501	(45)	2,384
March 31, 2006	1,636	3,128	(664)	(251)	3,849	2,182

Beginning with the fiscal year ended March 31, 2003, statements have been prepared in accordance with GASBS 34. GASBS 34 has significantly affected the accounting and financial reporting for all state and local governments. GASBS 34 redefined the financial reporting model by changing its focus to major funds, rather than fund types, requiring a new MD&A section and including new government-wide financial statements which includes all revenues and all costs of providing services each year. The new Basic Financial Statements and the MD&A are issued in place of the general purpose financial statements. The new statements also report on all current assets and liabilities and also long-term assets and liabilities, such as capital assets, including infrastructure (e.g., roads and bridges).

Summary of Net Assets
(millions of dollars)

Fiscal Year Ended	Governmental Activities	Business-Type Activities	Total Primary Government
March 31, 2008	43,510	4,217	47,727
March 31, 2007	45,327	3,599	48,926
March 31, 2006	45,997	3,136	49,133

State Retirement Systems

General

The New York State and Local Retirement Systems (the "Systems") provide coverage for public employees of the State and its localities (except employees of New York City and teachers, who are covered by separate plans). The Systems comprise the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. The Comptroller is the administrative head of the Systems. State employees made up about 33 percent of the membership during the 2007-08 fiscal year. There were 3,020 other public employers participating in the Systems, including all cities and counties (except New York City), most towns, villages and school districts (with respect to non-teaching employees) and a large number of local authorities of the State.

As of March 31, 2008, 667,321 persons were members and 358,109 pensioners or beneficiaries were receiving benefits. The State Constitution considers membership in any State pension or retirement system to be a contractual relationship, the benefits of which shall not be diminished or impaired. Current members enrolled in a non-contributory plan cannot be required to begin making contributions. Current members covered by a contributory plan cannot be required to make contributions beyond what is presently required by State law.

Recent market volatility and the recent decline in the market value of many equity investments have negatively impacted the assets held for the Systems. These or future downturns in financial markets will not affect the State's contribution to the Systems for fiscal year 2009 (which was based on the value of the assets as of April 1, 2007 and has already been paid) or the estimated contribution to the Systems for fiscal year 2010 (which is based on the value of the pension fund and its liabilities as of April 1, 2008). However, such downturns may result in an increase in the amount of the contributions required to be made for fiscal years after fiscal year 2010. The amount of such increases would depend, in part, on the value of the pension fund as of each April 1 as well on the present value of the anticipated benefits to be paid by the pension fund as of each April 1, and, therefore, it is not possible to estimate the amount of any contribution for the period after fiscal year 2010.

Contributions

Funding is provided in large part by employer and employee contributions. Employers contribute on the basis of the plan or plans they provide for members. Members joining since mid-1976, other than police and fire members, are required to contribute 3 percent of their salaries for their first 10 years of membership.

Legislation enacted in May 2003 realigned the Retirement Systems billing cycle to match governments' budget cycles and also instituted a minimum annual payment. The employer contribution for a given fiscal year will be based on the value of the pension fund and its liabilities on the prior April 1. In addition, employers are required to make a minimum contribution of at least 4.5 percent of payroll every year.

The State paid, in full, its employer contributions for the fiscal year ending March 31, 2009. Payments totaled $1.06 billion. This amount included the Judiciary bill and the amortization payments for the 2005 and 2006 bills.

The State bill for the fiscal year ending March 21, 2010 is estimated to be $959.1 million, assuming a payment date of September 1, 2009.

Assets and Liabilities

Assets are held exclusively for the benefit of members, pensioners and beneficiaries. Investments for the Systems are made by the Comptroller as trustee of the Common Retirement Fund, a pooled investment vehicle. OSC reports that the net assets available for benefits as of March 31, 2008 were $155.8 billion (including $2.9 billion in receivables), a decrease of $0.8 billion or 0.5 percent from the 2006-07 level of $156.6 billion, reflecting, in large part, equity market performance. OSC reports that the present value of anticipated benefits for current members, retirees, and beneficiaries increased from $163.1 billion on April 1, 2007 to $170.5 billion (including $66.1 billion for current retirees and beneficiaries) on April 1, 2008. The funding method used by the Systems anticipates that the net assets, plus future actuarially determined contributions, will be sufficient to pay for the anticipated benefits of current members, retirees and beneficiaries. Actuarially determined contributions are calculated using actuarial assets and the present value of anticipated benefits. Actuarial assets differed from net assets on April 1, 2008 in that amortized cost was used instead of market value for bonds and mortgages and the non-fixed investments utilized a smoothing method which recognized 20 percent of unexpected gain for the 2008 fiscal year, 40 percent of the unexpected gain for the 2007 fiscal year and 60 percent of the unexpected gain for the 2006 fiscal year. Actuarial assets increased from $142.6 billion on April 1, 2007 to $151.8 billion on April 1, 2008. The funded ratio, as of April 1, 2008, using the entry age normal funding method, was 107 percent. The table that follows shows the actuarially determined contributions that have been made over the last nine years. See also "Contributions" above.

Net Assets Available for Benefits of the
New York State and Local Retirement Systems (1)
(millions of dollars)

Fiscal Year Ended March 31	Total Assets(2)	Percent Increase/ (Decrease) From Prior Year
1999	112,723	6.0
2000	128,889	14.3
2001	114,044	(11.5)
2002	112,725	(1.2)
2003	97,373	(13.6)
2004	120,799	24.1
2005	128,038	6.0
2006	142,620	11.4
2007	156,625	9.8
2008	155,846	(0.5)

Sources: State and Local Retirement Systems.

(1) Includes relatively small amounts held under Group Life Insurance Plan. Includes some employer contribution receivables. Fiscal year ending March 31, 2008 includes approximately $2.9 billion of receivables.

(2) Includes certain accrued employer contributions to be paid with respect to service rendered during fiscal years other than the year shown.

Contributions and Benefits
New York State and Local Retirement Systems
(millions of dollars)

Fiscal Year Ended March 31	Contributions Recorded: All Participating Employers(1)	Local Employers(1)	State(1)	Employees	Total Benefits Paid(2)
1999	292	156	136	400	3,570
2000	165	11	154	423	3,787
2001	215	112	103	319	4,267
2002	264	199	65	210	4,576
2003	652	378	274	219	5,030
2004	1,287	832	455	222	5,424
2005	2,965	1,877	1,088	227	5,691
2006	2,782	1,714	1,068	241	6,073
2007	2,718	1,730	988	250	6,432
2008	2,649	1,641	1,008	266	6,883

(1) Includes employer premiums to Group Life Insurance Plan.
(2) Includes payments from Group Life Insurance Plan.

Authorities and Localities

Localities

Certain localities outside New York City have experienced financial problems and have requested and received additional State assistance during the last several State fiscal years. While a relatively infrequent practice, deficit financing has become more common in recent years. Between 2004 and 2007, the State Legislature authorized 14 bond issuances to finance local government operating deficits. The potential impact on the State of any future requests by localities for additional oversight or financial assistance is not included in the projections of the State's receipts and disbursements for the State's 2008-09 fiscal year or thereafter. Thus far, three more deficit-financing authorizations have been granted by the State Legislature in 2008.

To help resolve persistent fiscal difficulties in the City of Buffalo, the State enacted legislation in July 2003 that created the Buffalo Fiscal Stability Authority (BFSA) and to address a deteriorating fiscal situation in Erie County, legislation was enacted in July 2005 that created the Erie County Fiscal Stability Authority (ECFSA). Under these statutes, the City is currently subject to fiscal oversight and control by the BFSA, and the County is currently subject to fiscal oversight and control by the ECFSA. The BFSA has issued, and the ECFSA is authorized to issue bonds to eliminate budgetary deficits and to restructure or refinance outstanding debt. Sales tax revenues payable to the City and the Buffalo City School District are pledged to support the outstanding bonds issued by the BFSA. The County's sales tax revenues and certain statutorily defined State aid payments are authorized to be pledged as security to support any bonds that may be issued by ECFSA.

Under the BFSA Act, the City has been in a "control period" since 2003. In 2006, the ECFSA instituted a "control period" for the county after rejecting its fiscal 2007 budget and financial plan for fiscal years 2007 through 2010. During a control period, the applicable legislation grants to BFSA and ECFSA significant fiscal oversight authority over the financial operations of the City and the County, respectively, including: the power to approve or reject contracts, labor settlements, and borrowings in excess of $50,000; to approve and reject budgets and four-year financial plans and, if necessary, formulate an acceptable budget for the City or the County, as applicable,; and to implement a wage or hiring freeze.

Like the State, local governments must respond to changing political, economic and financial influences over which they have little or no control. Such changes may adversely affect the financial condition of certain local governments. For example, the Federal government may reduce (or in some cases eliminate) Federal funding of some local programs or disallow certain claims which, in turn, may require local governments to fund these expenditures from their own resources. The State could also reduce funding of certain local programs, adding pressure on local governments to fund expenditures from their own resources.

Some State policymakers have expressed interest in implementing a property tax cap for local governments. Adoption of a property tax cap could affect the amount of property tax revenue available for local government purposes and could adversely affect their operations, particularly those that are heavily dependent on property tax revenue such as school districts. Ultimately, localities or any of their respective public authorities may suffer serious financial difficulties that could jeopardize local access to the public credit markets, which may adversely affect the marketability of notes and bonds issued by localities within the State. Localities may also face unanticipated problems resulting from certain pending litigation, judicial decisions and long-range economic trends. Other large-scale potential problems, such as declining urban populations, increasing expenditures, and the loss of skilled manufacturing jobs, may also adversely affect localities and necessitate State assistance.

The following table summarizes the debt of New York City and all localities in the State outside of New York City.

Debt of New York Localities (1)
(millions of dollars)

Locality Fiscal Year Ending	Combined New York City Debt (2)(3) Bonds	Notes	Other Localities Debt(4) Bonds(5)	Notes(5)	Total Locality Debt(4) Bonds(4)(5)	Notes(5)
1980	12,995	---	6,835	1,793	19,830	1,793
1990	20,027	---	10,253	3,082	30,280	3,082
1995	29,930	---	15,829	3,219	45,759	3,219
1996	31,623	---	16,414	3,590	48,037	3,590
1997	33,046	---	17,526	3,208	50,572	3,208
1998	34,690	---	17,100	3,203	51,790	3,203
1999	37,352	---	18,448	3,420	55,800	3,420
2000	39,244	515	19,082	4,005	58,326	4,520
2001	40,305	---	20,221	4,279	60,526	4,279
2002	42,721	2,200	21,721	4,746	64,442	6,946
2003	47,376	1,110	23,908	5,972	71,284	7,082
2004	50,265	---	26,638	4,657	76,903	4,657
2005	54,421	---	29,202	4,363	83,623	4,363
2006	55,381	---	30,734	4,281	86,115	4,281

Source: Office of the State Comptroller.

NOTE: For localities other than New York City, the amounts shown for fiscal years ending in 1990 through 1997 may include debt that has been defeased through the issuance of refunding bonds.

(1) Because the State calculates locality debt differently for certain localities (including New York City), the figures above may vary from those reported by such localities. In addition, this table excludes indebtedness of certain local authorities and obligations issued in relation to State lease-purchase arrangements.

(2) New York City's debt outstanding has been revised as presented in the FY 2004 City Comptroller's Comprehensive Annual Financial Report.

(3) Includes New York City capital leases obligations which were not reflected in previous years. Includes bonds issued by the Dormitory Authority of the State of New York for education, health and courts capital projects, the Samurai Funding Corporation and other long-term financing leases which will be repaid from revenues of the City or revenues that would otherwise be available to the City if not needed for debt service.

(4) Outstanding bonded debt shown includes bonds issued by the localities and certain debt guaranteed by the localities and excludes capital lease obligations (for localities other than New York City), assets held in sinking funds and certain amounts available at the start of a fiscal year for redemption of debt. Debt for other localities does not include Installment Purchase Contracts.

(5) Does not include the indebtedness of certain localities that did not file annual financial reports with the Comptroller.

Litigation

Real Property Claims

In *Oneida Indian Nation of New York v. State of New York*, 74-CV-187 (NDNY), the alleged successors-in-interest to the historic Oneida Indian Nation seek a declaration that they hold a current possessory interest in approximately 250,000 acres of lands that the tribe sold to the State in a series of transactions that took place beginning in 1795 and ending in 1846, and ejectment of the State and Madison and Oneida Counties from all publicly-held lands in the claim area. This case remained dormant while the Oneidas pursued an earlier action which sought limited relief relating to a single 1795 transaction and the parties engaged in intermittent, but unsuccessful, efforts to reach a settlement. In 1998, the United States filed a complaint in intervention in *Oneida Indian Nation of New York*. In December 1998, both the United States and the tribal plaintiffs moved for leave to amend their complaints to assert claims for 250,000 acres, including both monetary damages and ejectment, to add the State as a defendant, and to certify a class made up of all individuals who currently purport to hold title within the affected 250,000 acre area. On September 25, 2000, the District Court granted the motion to amend the complaint to the extent that it sought to add the State as a defendant and to assert money damages with respect to the 250,000 acres and denied the motion to certify a class of individual landowners and to seek the remedy of ejectment.

In a decision dated March 29, 2002, the District Court granted, in part, plaintiffs' motion to strike the State's defenses and counterclaims. The District Court also denied the State's motion to dismiss for failure to join indispensable parties.

Further efforts at settlement of this action failed to reach a successful outcome. While such discussions were underway, two significant decisions were rendered by the Supreme Court and the Second Circuit Court of Appeals which changed the legal landscape pertaining to ancient land claims: *City of Sherrill v. Oneida Indian Nation of New York*, 544 U.S. 197 (2005), and *Cayuga Indian Nation of New York v. Pataki,* 413 F.3d 266 (2d Cir. 2005), *cert. denied*, 126 S.Ct. 2021, 2022 (2006). Taken together, these cases have made clear that the equitable doctrines of laches, acquiescence, and impossibility can bar ancient land claims. These decisions prompted the District Court to reassess its 2002 decision, which in part had struck such defenses, and to permit the filing of a motion for summary judgment predicated on the *Sherrill* and *Cayuga* holdings. On August 11, 2006, the defendants moved for summary judgment dismissing the action, based on the defenses of laches, acquiescence, and impossibility. By order dated May 21, 2007, the District Court dismissed plaintiffs' claims to the extent that they asserted a possessory interest, but permitted plaintiffs to pursue a claim seeking the difference between the amount paid and the fair market value of the lands at the time of the transaction. The District Court certified the May 21, 2007 order for interlocutory appeal and, on July 13, 2007, the Second Circuit granted motions by both sides seeking leave to pursue interlocutory appeals of that order. The cross-appeals have been fully briefed, and oral argument before the Second Circuit was conducted on June 3, 2008. The case now awaits decision by the Second Circuit.

Other Indian land claims include *Canadian St. Regis Band of Mohawk Indians, et al., v. State of New York, et al.*, and *The Onondaga Nation v. The State of New York, et al.* both in the United States District Court for the Northern District of New York.

In the *Canadian St. Regis Band of Mohawk Indians* case, plaintiffs seek ejectment and monetary damages with respect to their claim that approximately 15,000 acres in Franklin and St. Lawrence Counties were illegally transferred from their predecessors-in-interest. By decision dated July 28, 2003, the District Court granted, in most respects, a motion by plaintiffs to strike defenses and dismiss counterclaims contained in defendants' answers. By decision dated October 20, 2003, the District Court denied the State's motion for reconsideration of that portion of the July 28, 2003 decision which struck a counterclaim against the United

States for contribution. On February 10, 2006, after renewed efforts at settlement failed to resolve this action, and recognizing the potential significance of the *Sherrill* and *Cayuga* appeals, the District Court stayed all further proceedings in this case until 45 days after the United States Supreme Court issued a final decision in the *Cayuga Indian Nation of New York* Case. On November 6, 2006, after certiorari was denied in *Cayuga*, the defendants moved for judgment on the pleadings. The motion is now fully briefed and awaiting decision.

In *The Onondaga Nation v. The State of New York, et al*., plaintiff seeks a judgment declaring that certain lands allegedly constituting the aboriginal territory of the Onondaga Nation within the State are the property of the Onondaga Nation and the Haudenosaunee, or "Six Nations Iroquois Confederacy," and that conveyances of portions of that land pursuant to treaties during the period 1788 to 1822 are null and void. The "aboriginal territory" described in the complaint consists of an area or strip of land running generally north and south from the St. Lawrence River in the north, along the east side of Lake Ontario, and south as far as the Pennsylvania border, varying in width from about 10 miles to more than 40 miles, including the area constituting the City of Syracuse. On August 15, 2006, based on *Sherrill* and *Cayuga,* the defendants moved for an order dismissing this action, based on laches. The motion is now fully briefed and awaiting decision.

Cayuga Indian Nation of New York, et al. v Pataki, et al., USDC, NDNY, 80-CV-930 (McCurn, DJ) (2d Cir. [02-6111]) involved approximately 64,000 acres in Seneca and Cayuga Counties surrounding the northern portion of Cayuga Lake that the historic Cayuga Nation sold to the State in 1795 and 1807 in alleged violation of the Nonintercourse Act (“NIA”) (first enacted in 1790 and now codified at 25 U.S.C. § 177) because the transactions were not held under federal supervision, and were not formally ratified by the United States Senate and proclaimed by the President. After 2 lengthy trials, in 2001 the District Court denied ejectment as a remedy, and rendered a judgment against the State for damages and prejudgment interest in the net amount of $250 million. The State appealed. The tribal plaintiffs (but not the U.S.) cross-appealed, seeking ejectment of all of the present day occupants of the land in the 64,000 acre claim area and approximately $1.5 billion in additional prejudgment interest.

On June 28, 2005, the Second Circuit reversed and entered judgment dismissing the Cayuga action, based upon the intervening Supreme Court decision in *Oneida Indian Nation v. City of Sherrill*, 544 U.S. 197 (2005) which held (in the context of a property tax dispute involving a parcel that the tribe had purchased in fee within the Oneida claim area) that disruptive claims of Indian sovereignty could be barred by equitable defenses, including laches, acquiescence and impossibility. *Cayuga Indian Nation v. Pataki*, 413 F.3d 266 (2d Cir. 2005). The Second Circuit concluded that the same equitable considerations that the Supreme Court relied on in *City of Sherrill* applied to the Cayugas’ possessory claim and required dismissal of the entire lawsuit, including plaintiffs’ claim for money damages and their claim for ejectment. The Court also held that the United States’ complaint-in-intervention was barred by laches. The Supreme Court denied certiorari in *Cayuga* on May 15, 2006. 126 S. Ct. 2021, 2022.

This case was closed but recently became active when the Cayuga plaintiffs filed a FRCP 60(b)(6) motion to have the judgment vacated. Along with this motion a letter was sent to Judge McCurn’s chamber seeking a stay of the 60 (b)(6) motion until after the Second Circuit decides the appeal in the *Oneida* Land Claim case. The motion is premised on Judge Kahn’s ruling in *Oneida*, discussed above, that in spite of the Second Circuit decision in *Cayuga*, the tribe may proceed to prove a non-possessory claim for unjust compensation against the State defendant. By stipulation of the parties, so-ordered by Judge McCurn, further briefing on the Cayugas’ motion for relief from judgment has been suspended, pending the outcome of the Oneida appeal that was argued on June 3, 2008.

Tobacco Master Settlement Agreement

In *Freedom Holdings Inc. et al. v. Spitzer et ano*., two cigarette importers brought an action in 2002 challenging portions of laws enacted by the State under the 1998 Tobacco MSA that New York and many other states entered into with the major tobacco manufacturers. The initial complaint alleged: (1) violations of the Commerce Clause of the United States Constitution; (2) the establishment of an "output cartel" in conflict with the Sherman Act; and (3) selective nonenforcement of the laws on Native American reservations in violation of the Equal Protection Clause of the United States Constitution. The United States District Court for the Southern District of New York granted defendants' motion to dismiss the complaint for failure to state a cause of action. Plaintiffs appealed from this dismissal. In an opinion dated January 6, 2004, the United States Court of Appeals for the Second Circuit (1) affirmed the dismissal of the Commerce Clause claim; (2) reversed the dismissal of the Sherman Act claim; and (3) remanded the selective enforcement claim to the District Court for further proceedings. Plaintiffs have filed an amended complaint that also challenges the MSA itself (as well as other related State statutes) primarily on preemption grounds. On September 14, 2004, the District Court denied all aspects of plaintiffs' motion for a preliminary injunction, except that portion of the motion relating to the ability of tobacco manufacturers to obtain the release of certain funds from escrow. Plaintiffs have appealed from the denial of the remainder of the motion to the United States Court of Appeals for the Second Circuit. In May 2005, the Second Circuit affirmed the denial of the preliminary injunction. In December 2006, the motions and cross-motions of the parties for summary judgment were fully submitted to the District Court. By order dated July 7, 2008, the District Court requested updated statistical information and other information needed to resolve certain material questions. An evidentiary hearing will be held in November 2008.

Glossary of Acronyms

Affordable Housing Corporation .... (AHC)
Aid and Incentive for Municipalities .... (AIM)
American Federation of State, County, and Municipal Employees .... (AFSCME)
American International Group .... (AIG)
Auction Rate Securities .... (ARS)
Board of Cooperative Education Services .... (BOCES)
Bond Anticipation Notes .... (BANS)
Bond Issuance Change .... (BIC)
Bond Market Association .... (BMA)
Campaign for Fiscal Equity .... (CFE)
Capital Projects Funds .... (CPFs)
Child Health Plus .... (CHP)
Centers for Medicaid and Medicare Services .... (CMS)
21st Century Community Learning Centers .... (CLCs)
Civil Service Employees Association .... (CSEA)
Clean Water/Clean Air .... (CW/CA)
Clean Water State Revolving Fund .... (CWSRF)
Commission on Quality Care and Advocacy for Persons with Disabilities .... (CQCAPD)
Community Enhancement Facilities Assistance Program .... (CEFAP)
Community Health Care Conversion Demonstration Project .... (CHCCDP)
Comprehensive Annual Financial Report .... (CAFR)
Consolidated Highway Improvement Programs .... (CHIPs)
Consumer Price Index .... (CPI)
Contingency Reserve Fund .... (CRF)
Cost-of-Living Adjustment .... (COLA)
Court Facilities Incentive Aid .... (CFIA)
Debt Reduction Reserve Fund .... (DRRF)
Debt Service Funds .... (DSFs)
Dedicated Highway and Bridge Trust Fund .... (DHBTF)
Disadvantaged Business Enterprise .... (DBE)
Drinking Water Revolving Fund .... (DWSRF)
Early Intervention .... (EI)
Earned Income Tax Credit .... (EITC)
Elderly Pharmaceutical Insurance Coverage .... (EPIC)
Elementary, Middle, Secondary and Continuing Education .... (EMSC)
Environmental Protection Fund .... (EPF)
Expanding our Children's Education and Learning .... (EXCEL)
Family Health Plus .... (FHP)
Federal Medical Assistance Percentage .... (FMAP)
Fiscal Management Plan .... (FMP)
Financial Security Assurance .... (FSA)
General Public Health Works .... (GPHW)
General State Charges .... (GSCs)
Generally Accepted Accounting Principles .... (GAAP)
Governmental Accounting Standards Board .... (GASB)
Governmental Accounting Standards Board Statement .... (GASBS)
Governor's Office of Employee Relations .... (GOER)
Graduate Medical Education .... (GME)
Group Health Insurance .... (GHI)

Gross Domestic Product .... (GDP)
Health Care Equity and Affordability Law for New Yorkers .... (HEAL-NY)
Health Care Reform Act .... (HCRA)
Health Insurance Plan .... (HIP)
Health Maintenance Organization .... (HMO)
Higher Educations Services Corporation .... (HESC)
Home Energy Assistance Program .... (HEAP)
Homeless Housing Assistance Corporation .... (HHAC)
Homeless Housing Assistance Program .... (HHAP)
Housing Assistance Fund .... (HAF)
Housing Trust Fund Corporation .... (HTFC)
Hudson River Park Trust .... (HRPT)
Industrial Finance Program .... (IFP)
Initial Public Offering .... (IPO)
Investment Tax Credit .... (ITC)
Limited Liability Company .... (LLC)
Local Government Assistance Corporation .... (LGAC)
London Inter Bank Offered Rates .... (LIBOR)
Mass Transportation Operating Assistance Fund .... (MTOA)
Medical Care Facilities Finance Agency .... (MCFFA)
Memorandum of Understanding .... (MOU)
Metropolitan Commuter Transportation District .... (MCTD)
Minority/Women-Owned Business Enterprises .... (M/WBE)
National Bureau of Economic Research .... (NBER)
North American Industry Classification System .... (NAICS)
New York Racing Authority .... (NYRA)
New York Stock Exchange .... (NYSE)
New York State Options for People through Service .... (NYS-OPTS)
Non-Personal Service .... (NPS)
Office of Court Administration .... (OCA)
Patient Income Account .... (PIA)
Pay-As-You-Go .... (PAYGO)
Payment in Lieu of Taxes .... (PILOT)
Personal Income Tax .... (PIT)
Prior Year Claims .... (PYCs)
Psychiatric Services and Clinical Knowledge Enhancement System .... (PSYCKES)
Public Authorities Control Board .... (PACB)
Public Employees Federation .... (PEF)
Public Financial Management .... (PFM)
Percent of Personal Income .... (PPI)
Public Resources Advisory Group .... (PRAG)
Qualified Production Activity Income .... (QPAI)
Quarterly Census for Employment and Wages .... (QCEW)
Real Estate Investment Fund .... (REIT)
Rebuilding Schools to Uphold Education .... (RESCUE)
Regulated Investment Company .... (RIC)
Revenue Bond Tax Fund .... (RBTF)
Safe, Accountable, Flexible, Efficient Transportation Equity Act:
A Legacy for Users .... (SAFETEA-LU)
School Tax Relief .... (STAR)
Sound Basic Education .... (SBE)

Special Housing Unit .... (SHU)
Short-Term Investment Pool .... (STIP)
Special Revenue Funds .... (SRFs)
State Parks Infrastructure Fund .... (SPIF)
State Tax Asset Receivable Corporation .... (STARC)
Statewide Wireless Network .... (SWN)
Strategic Investment Program .... (SIP)
Supplemental Education Improvement Program .... (SEIP)
Supplemental Security Income .... (SSI)
Tax and Revenue Anticipation Notes .... (TRANs)
Tax Stabilization Reserve Fund .... (TSRF)
Teacher Support Aid .... (TSA)
Technical Advisory Service .... (TAS)
Technical Assistance Grant .... (TAG)
Temporary Assistance for Needy Families .... (TANF)
Tobacco Settlement Financing Corporation .... (TSFC)
Transitional Finance Authority .... (TFA)
Tuition Assistance Program .... (TAP)
United University Professions .... (UUP)
Urban Development Corporation .... (UDC)
Variable-Rate Demand Bonds .... (VRDBs)
Video Lottery Terminal .... (VLT)
Welfare Management System .... (WMS)
Western Hemisphere Travel Initiative .... (WHTI)

NEW YORK STATE AGENCIES AND PUBLIC AUTHORITIES

City University of New York	(CUNY)
Department of Tax and Finance	(DTF)
Dormitory Authority of the State of New York	(DASNY)
Empire State Development Corporation	(ESDC)
Metropolitan Transportation Authority	(MTA)
Municipal Assistance Corporation	(MAC)
Department of Correctional Services	(DOCS)
Department of Environmental Conservation	(DEC)
Department of Health	(DOH)
Department of Military and Naval Affairs	(DMNA)
Department of State	(DOS)
Department of Transportation	(DOT)
Department of Transportation's Office of Civil Rights	(OCR)
Division of the Budget	(DOB)
Division of Criminal Justice Services	(DCJS)
Division of Housing and Community Renewal	(DHCR)
Division of State Police	(DSP)
State Education Department	(SED)
Energy Research and Development Authority	(ERDA)
Environmental Facilities Corporation	(EFC)
Housing Finance Agency	(HFA)
Job Development Authority	(JDA)
Long Island Power Authority	(LIPA)
New York City Office of Management and Budget	(NYC OMB)
New York Racing Authority	(NYRA)
Office for Technology	(OFT)
Office of Alcoholism and Substance Abuse Services	(OASAS)
Office of Children and Family Services	(OCFS)
Office of General Services	(OGS)
Office of the Medicaid Inspector General	(OMIG)
Office of Mental Health	(OMH)
Office of Mental Retardation and Developmental Disabilities	(OMRDD)
Office of Real Property Services	(ORPS)
Office of Science, Technology and Academic Research	(NYSTAR)
Office of the State Comptroller	(OSC)
Office of Temporary and Disability Assistance	(OTDA)
State of New York Mortgage Agency	(SONYMA)
State University of New York	(SUNY)

CASH FINANCIAL PLAN
GENERAL FUND
2008-2009
(millions of dollars)

	First Quarter	Change	Mid-Year
Opening fund balance	2,754	0	2,754
Receipts:			
Taxes:			
Personal income tax	23,938	(952)	22,986
User taxes and fees	8,803	(54)	8,749
Business taxes	6,049	(404)	5,645
Other taxes	1,196	128	1,324
Miscellaneous receipts	2,551	0	2,551
Federal grants	41	0	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,602	(215)	8,387
Sales tax in excess of LGAC debt service	2,326	(47)	2,279
Real estate taxes in excess of CW/CA debt service	573	(133)	440
All other transfers	1,077	108	1,185
Total receipts	55,156	(1,569)	53,587
Disbursements:			
Grants to local governments	39,237	(468)	38,769
State operations:			
Personal Service	5,990	270	6,260
Non-Personal Service	2,174	106	2,280
General State charges	3,111	2	3,113
Transfers to other funds:			
Debt service	1,698	32	1,730
Capital projects	469	(34)	435
State Share Medicaid	2,655	9	2,664
Other purposes	823	46	869
Total disbursements	56,157	(37)	56,120
HCRA Operating Shortfall	0	(88)	(88)
Legislative/Administrative Actions to Close Gap	0	1,475	1,475
Change in fund balance	(1,001)	(145)	(1,146)
Closing fund balance	1,753	(145)	1,608
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	237	(65)	172
Debt Reduction Reserve Fund	100	(36)	64
Labor Settlement Reserve/Other Risks	189	(44)	145

Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

Source: NYS DOB

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

	First Quarter	Change	Mid-Year
Receipts:			
Taxes:			
Personal income tax	24,440	(3,187)	21,253
User taxes and fees	9,150	(203)	8,947
Business taxes	6,583	(913)	5,670
Other taxes	1,325	(150)	1,175
Miscellaneous receipts	2,531	(132)	2,399
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,703	(1,056)	7,647
Sales tax in excess of LGAC debt service	2,437	(64)	2,373
Real estate taxes in excess of CW/CA debt service	563	(114)	449
All other	532	50	582
Total receipts	56,264	(5,769)	50,495
Disbursements:			
Grants to local governments	43,544	(92)	43,452
State operations:			
Personal Service	6,259	664	6,923
Non-Personal Service	2,330	106	2,436
General State charges	3,836	(190)	3,646
Transfers to other funds:			
Debt service	1,746	1	1,747
Capital projects	711	46	757
State Share Medicaid	2,632	(60)	2,572
Other purposes	1,203	74	1,277
Total disbursements	62,261	549	62,810
Deposit to/(use of) Community Projects Fund	48	(17)	31
Deposit to/(use of) Prior Year Reserves	0	(145)	(145)
HCRA Operating Shortfall	0	(317)	(317)
Margin	(6,045)	(6,473)	(12,518)

Source: NYS DOB

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

	First Quarter	Change	Mid-Year
Receipts:			
Taxes:			
Personal income tax	25,883	(3,300)	22,583
User taxes and fees	9,448	(281)	9,167
Business taxes	6,634	(452)	6,182
Other taxes	1,408	(218)	1,190
Miscellaneous receipts	2,531	(198)	2,333
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,055	(1,125)	7,930
Sales tax in excess of LGAC debt service	2,539	(99)	2,440
Real estate taxes in excess of CW/CA debt service	603	(119)	484
All other	527	29	556
Total receipts	58,628	(5,763)	52,865
Disbursements:			
Grants to local governments	47,399	(38)	47,361
State operations:			
Personal Service	6,679	528	7,207
Non-Personal Service	2,450	89	2,539
General State charges	4,091	40	4,131
Transfers to other funds:			
Debt service	1,734	1	1,735
Capital projects	1,080	159	1,239
State Share Medicaid	2,678	(89)	2,589
Other purposes	1,571	164	1,735
Total disbursements	67,682	854	68,536
Deposit to/(use of) Community Projects Fund	(22)	(14)	(36)
HCRA Operating Shortfall	0	(117)	(117)
Margin	(9,032)	(6,720)	(15,752)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2011-2012
(millions of dollars)

	First Quarter	Change	Mid-Year
Receipts:			
Taxes:			
Personal income tax	27,703	(3,562)	24,141
User taxes and fees	9,804	(263)	9,541
Business taxes	6,739	(376)	6,363
Other taxes	1,498	(254)	1,244
Miscellaneous receipts	2,294	1	2,295
Federal Grants	0	0	0
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	9,517	(1,225)	8,292
Sales tax in excess of LGAC debt service	2,651	(120)	2,531
Real estate taxes in excess of CW/CA debt service	655	(90)	565
All other	567	28	595
Total receipts	61,428	(5,861)	55,567
Disbursements:			
Grants to local governments	50,373	113	50,486
State operations:			
Personal Service	6,860	524	7,384
Non-Personal Service	2,493	102	2,595
General State charges	4,440	23	4,463
Transfers to other funds:			
Debt service	1,714	(4)	1,710
Capital projects	1,147	210	1,357
State Share Medicaid	2,701	(122)	2,579
Other purposes	2,142	226	2,368
Total disbursements	71,870	1,072	72,942
Deposit to/(use of) Community Projects Fund	(80)	(86)	(166)
HCRA Operating Shortfall	0	(25)	(25)
Margin	(10,362)	(6,872)	(17,234)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2008-2009 through 2011-2012
(millions of dollars)

	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
Receipts:				
Taxes:				
Personal income tax	22,986	21,253	22,583	24,141
User taxes and fees	8,749	8,947	9,167	9,541
Business taxes	5,645	5,670	6,182	6,363
Other taxes	1,324	1,175	1,190	1,244
Miscellaneous receipts	2,551	2,399	2,333	2,295
Federal grants	41	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,387	7,647	7,930	8,292
Sales tax in excess of LGAC debt service	2,279	2,373	2,440	2,531
Real estate taxes in excess of CW/CA debt service	440	449	484	565
All other transfers	1,185	582	556	595
Total receipts	53,587	50,495	52,865	55,567
Disbursements:				
Grants to local governments	38,769	43,452	47,361	50,486
State operations:				
Personal Service	6,260	6,923	7,207	7,384
Non-Personal Service	2,280	2,436	2,539	2,595
General State charges	3,113	3,646	4,131	4,463
Transfers to other funds:				
Debt service	1,730	1,747	1,735	1,710
Capital projects	435	757	1,239	1,357
State Share Medicaid	2,664	2,572	2,589	2,579
Other purposes	869	1,277	1,735	2,368
Total disbursements	56,120	62,810	68,536	72,942
Deposit to/(use of) Community Projects Fund	(168)	31	(36)	(166)
Deposit to/(use of) Prior Year Reserves	(920)	(145)	0	0
Deposit to/(use of) Debt Reduction Reserve	(58)	0	0	0
HCRA Operating Shortfall	(88)	(317)	(117)	(25)
Legislative/Administrative Actions to Close Gap	1,475	0	0	0
Margin	0	(12,518)	(15,752)	(17,234)

Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2007-2008 and 2008-2009
(millions of dollars)

	2007-2008 Actuals	2008-2009 Projected	Annual Change
Opening fund balance	3,045	2,754	(291)
Receipts:			
Taxes:			
Personal income tax	22,759	22,986	227
User taxes and fees	8,555	8,749	194
Business taxes	6,017	5,645	(372)
Other taxes	1,063	1,324	261
Miscellaneous receipts	2,460	2,551	91
Federal grants	69	41	(28)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,473	8,387	(86)
Sales tax in excess of LGAC debt service	2,358	2,279	(79)
Real estate taxes in excess of CW/CA debt service	682	440	(242)
All other transfers	660	1,185	525
Total receipts	53,096	53,587	491
Disbursements:			
Grants to local governments	36,414	38,769	2,355
State operations:			
Personal Service	6,659	6,260	(399)
Non-Personal Service	2,920	2,280	(640)
General State charges	4,620	3,113	(1,507)
Transfers to other funds:			
Debt service	1,548	1,730	182
Capital projects	141	435	294
State Share Medicaid	0	2,664	2,664
Other purposes	1,085	869	(216)
Total disbursements	53,387	56,120	2,733
HCRA Operating Shortfall	0	(88)	(88)
Legislative/Administrative Actions to Close Gap	0	1,475	1,475
Change in fund balance	(291)	(1,146)	(855)
Closing fund balance	2,754	1,608	(1,146)
Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Community Projects Fund	340	172	(168)
Debt Reduction Reserve Fund *	122	64	(58)
Labor Settlement Other Risks Reserve *	1,065	145	(920)

Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

**The Debt Reduction Reserve Fund and Labor Settlement Reserve/Other Risks are DOB-designated uses of the Refund Reserve Account.*

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2008-2009
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,520	286	6,560
Receipts:				
Taxes	38,704	8,065	12,463	59,232
Miscellaneous receipts	2,551	12,973	821	16,345
Federal grants	41	1	0	42
Total receipts	41,296	21,039	13,284	75,619
Disbursements:				
Grants to local governments	38,769	17,212	0	55,981
State operations:				
Personal Service	6,260	3,994	0	10,254
Non-Personal Service	2,280	2,527	73	4,880
General State charges	3,113	1,476	0	4,589
Debt service	0	0	4,581	4,581
Capital projects	0	3	0	3
Total disbursements	50,422	25,212	4,654	80,288
Other financing sources (uses):				
Transfers from other funds	12,291	4,057	5,800	22,148
Transfers to other funds	(5,698)	(1,138)	(14,372)	(21,208)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,593	2,919	(8,572)	940
HCRA Operating Shortfall	(88)	88	0	0
Legislative/Administrative Actions to Close Gap	1,475	0	0	1,475
Change in fund balance:	(1,146)	(1,166)	58	(2,254)
Deposit to/(use of) Community Projects Fund	(168)			
Deposit to/(use of) Prior Year Reserves	(920)			
Deposit to/(use of) Debt Reduction Reserve	(58)			
Closing fund balance	1,608	2,354	344	4,306

Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,354	344	2,698
Receipts:				
Taxes	37,045	8,812	12,180	58,037
Miscellaneous receipts	2,399	13,224	906	16,529
Federal grants	0	1	0	1
Total receipts	39,444	22,037	13,086	74,567
Disbursements:				
Grants to local governments	43,452	17,886	0	61,338
State operations:				
Personal Service	6,923	4,191	0	11,114
Non-Personal Service	2,436	2,680	62	5,178
General State charges	3,646	1,180	0	4,826
Debt service	0	0	5,117	5,117
Capital projects	0	3	0	3
Total disbursements	56,457	25,940	5,179	87,576
Other financing sources (uses):				
Transfers from other funds	11,051	4,256	5,748	21,055
Transfers to other funds	(6,353)	(840)	(13,611)	(20,804)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,698	3,416	(7,863)	251
Deposit to/(use of) Community Projects Fund	31	0	0	31
Deposit to/(use of) Prior Year Reserves	(145)	0	0	(145)
HCRA Operating Shortfall	(317)	317	0	0
Change in fund balance	(12,518)	(170)	44	(12,644)
Closing fund balance	(12,518)	2,184	388	(9,946)

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	0	2,184	388	2,572
Receipts:				
Taxes	39,122	9,415	12,905	61,442
Miscellaneous receipts	2,333	13,516	912	16,761
Federal grants	0	1	0	1
Total receipts	41,455	22,932	13,817	78,204
Disbursements:				
Grants to local governments	47,361	18,513	0	65,874
State operations:				
Personal Service	7,207	4,322	0	11,529
Non-Personal Service	2,539	2,754	62	5,355
General State charges	4,131	1,276	0	5,407
Debt service	0	0	5,813	5,813
Capital projects	0	2	0	2
Total disbursements	61,238	26,867	5,875	93,980
Other financing sources (uses):				
Transfers from other funds	11,410	4,492	6,154	22,056
Transfers to other funds	(7,298)	(850)	(14,048)	(22,196)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	4,112	3,642	(7,894)	(140)
Deposit to/(use of) Community Projects Fund	(36)	0	0	(36)
HCRA Operating Shortfall	(117)	117	0	0
Change in fund balance	(15,752)	(176)	48	(15,880)
Closing fund balance	(15,752)	2,008	436	(13,308)

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	0	2,008	436	2,444
Receipts:				
Taxes	41,289	9,754	13,682	64,725
Miscellaneous receipts	2,295	13,993	954	17,242
Federal grants	0	1	0	1
Total receipts	43,584	23,748	14,636	81,968
Disbursements:				
Grants to local governments	50,486	19,647	0	70,133
State operations:				
Personal Service	7,384	4,355	0	11,739
Non-Personal Service	2,595	2,763	62	5,420
General State charges	4,463	1,310	0	5,773
Debt service	0	0	6,207	6,207
Capital projects	0	2	0	2
Total disbursements	64,928	28,077	6,269	99,274
Other financing sources (uses):				
Transfers from other funds	11,983	5,028	6,241	23,252
Transfers to other funds	(8,014)	(906)	(14,561)	(23,481)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	3,969	4,122	(8,320)	(229)
Deposit to/(use of) Community Projects Fund	(166)	0	0	(166)
HCRA Operating Shortfall	(25)	25	0	0
Change in fund balance	(17,234)	(182)	47	(17,369)
Closing fund balance	(17,234)	1,826	483	(14,925)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2008-2009
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,879	(433)	286	6,486
Receipts:					
Taxes	38,704	8,065	2,056	12,463	61,288
Miscellaneous receipts	2,551	13,081	3,007	821	19,460
Federal grants	41	33,985	1,938	0	35,964
Total receipts	41,296	55,131	7,001	13,284	116,712
Disbursements:					
Grants to local governments	38,769	46,476	498	0	85,743
State operations:					
Personal Service	6,260	6,125	0	0	12,385
Non-Personal Service	2,280	3,917	0	73	6,270
General State charges	3,113	2,347	0	0	5,460
Debt service	0	0	0	4,581	4,581
Capital projects	0	3	6,321	0	6,324
Total disbursements	50,422	58,868	6,819	4,654	120,763
Other financing sources (uses):					
Transfers from other funds	12,291	6,603	602	5,800	25,296
Transfers to other funds	(5,698)	(4,085)	(1,234)	(14,372)	(25,389)
Bond and note proceeds	0	0	354	0	354
Net other financing sources (uses)	6,593	2,518	(278)	(8,572)	261
HCRA Operating Shortfall	(88)	88	0	0	0
Legislative/Administrative Actions to Close Gap	1,475	0	0	0	1,475
Change in fund balance	(1,146)	(1,131)	(96)	58	(2,315)
Deposit to/(use of) Community Projects Fund	(168)				
Deposit to/(use of) Prior Year Reserves	(920)				
Deposit to/(use of) Debt Reduction Reserve	(58)				
Closing fund balance	1,608	2,748	(529)	344	4,171

Mid-year receipts and disbursements estimates do not include the $1.48 billion in savings that are expected to be achieved through legislation or administrative actions to address the current year shortfall, as options are currently under development.

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,748	(529)	344	2,563
Receipts:					
Taxes	37,045	8,812	2,144	12,180	60,181
Miscellaneous receipts	2,399	13,330	4,174	906	20,809
Federal grants	0	35,099	1,904	0	37,003
Total receipts	39,444	57,241	8,222	13,086	117,993
Disbursements:					
Grants to local governments	43,452	48,415	536	0	92,403
State operations:					
Personal Service	6,923	6,371	0	0	13,294
Non-Personal Service	2,436	4,187	0	62	6,685
General State charges	3,646	2,058	0	0	5,704
Debt service	0	0	0	5,117	5,117
Capital projects	0	3	7,948	0	7,951
Total disbursements	56,457	61,034	8,484	5,179	131,154
Other financing sources (uses):					
Transfers from other funds	11,051	6,840	1,012	5,748	24,651
Transfers to other funds	(6,353)	(3,600)	(1,122)	(13,611)	(24,686)
Bond and note proceeds	0	0	549	0	549
Net other financing sources (uses)	4,698	3,240	439	(7,863)	514
Deposit to/(use of) Community Projects Fund	31	0	0	0	31
Deposit to/(use of) Prior Year Reserves	(145)	0	0	0	(145)
HCRA Operating Shortfall	(317)	317	0	0	0
Change in fund balance	(12,518)	(236)	177	44	(12,533)
Closing fund balance	(12,518)	2,512	(352)	388	(9,970)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,512	(352)	388	2,548
Receipts:					
Taxes	39,122	9,415	2,140	12,905	63,582
Miscellaneous receipts	2,333	13,622	4,054	912	20,921
Federal grants	0	36,235	1,794	0	38,029
Total receipts	41,455	59,272	7,988	13,817	122,532
Disbursements:					
Grants to local governments	47,361	50,056	538	0	97,955
State operations:					
Personal Service	7,207	6,640	0	0	13,847
Non-Personal Service	2,539	4,330	0	62	6,931
General State charges	4,131	2,256	0	0	6,387
Debt service	0	0	0	5,813	5,813
Capital projects	0	2	7,948	0	7,950
Total disbursements	61,238	63,284	8,486	5,875	138,883
Other financing sources (uses):					
Transfers from other funds	11,410	7,366	1,555	6,154	26,485
Transfers to other funds	(7,298)	(3,730)	(1,449)	(14,048)	(26,525)
Bond and note proceeds	0	0	591	0	591
Net other financing sources (uses)	4,112	3,636	697	(7,894)	551
Deposit to/(use of) Community Projects Fund	(36)	0	0	0	(36)
HCRA Operating Shortfall	(117)	117	0	0	0
Change in fund balance	(15,752)	(259)	199	48	(15,764)
Closing fund balance	(15,752)	2,253	(153)	436	(13,216)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,253	(153)	436	2,536
Receipts:					
Taxes	41,289	9,754	2,154	13,682	66,879
Miscellaneous receipts	2,295	14,099	3,984	954	21,332
Federal grants	0	37,947	1,854	0	39,801
Total receipts	43,584	61,800	7,992	14,636	128,012
Disbursements:					
Grants to local governments	50,486	52,824	542	0	103,852
State operations:					
Personal Service	7,384	6,678	0	0	14,062
Non-Personal Service	2,595	4,360	0	62	7,017
General State charges	4,463	2,312	0	0	6,775
Debt service	0	0	0	6,207	6,207
Capital projects	0	2	7,846	0	7,848
Total disbursements	64,928	66,176	8,388	6,269	145,761
Other financing sources (uses):					
Transfers from other funds	11,983	7,969	1,661	6,241	27,854
Transfers to other funds	(8,014)	(3,775)	(1,520)	(14,561)	(27,870)
Bond and note proceeds	0	0	440	0	440
Net other financing sources (uses)	3,969	4,194	581	(8,320)	424
Deposit to/(use of) Community Projects Fund	(166)	0	0	0	(166)
HCRA Operating Shortfall	(25)	25	0	0	0
Change in fund balance	(17,234)	(157)	185	47	(17,159)
Closing fund balance	(17,234)	2,096	32	483	(14,623)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2008-2009
(dollars in millions)

	2008 April Actuals	May Actuals	June Actuals	July Actuals	August Actuals	September Actuals	October Projected	November Projected	December Projected	2009 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,754	7,589	3,546	3,618	4,234	4,396	5,673	3,561	923	1,011	4,737	3,526	2,754
RECEIPTS:													
Personal Income Tax	5,613	850	2,382	1,715	1,540	2,099	276	(180)	1,420	4,477	1,214	1,580	22,986
User Taxes and Fees	637	651	847	704	684	877	652	687	888	710	606	806	8,749
Business Taxes	104	(17)	948	59	85	1,218	0	62	1,195	89	161	1,741	5,645
Other Taxes	102	134	80	294	82	64	95	95	95	94	94	95	1,324
Total Taxes	6,456	1,618	4,257	2,772	2,391	4,258	1,023	664	3,598	5,370	2,075	4,222	38,704
Licenses, fees, etc.	43	64	42	17	42	57	65	50	44	50	59	63	596
Abandoned Property	0	5	4	0	16	50	17	184	41	74	63	296	750
Reimbursement	5	10	21	6	11	29	13	11	25	9	10	25	175
Investment income	35	0	12	11	5	2	53	16	5	25	0	16	180
Other transactions	33	110	200	45	44	85	39	36	54	41	35	128	850
Total Miscellaneous Receipts	116	189	279	79	118	223	187	297	169	199	167	528	2,551
Federal Grants	3	0	0	13	0	14	2	2	2	2	3	0	41
PIT in excess of Revenue Bond Debt Service	1,870	212	950	571	308	1,017	475	73	853	1,202	147	709	8,387
Sales Tax in Excess of LGAC Debt Service	174	27	424	205	139	272	197	207	267	212	1	154	2,279
Real Estate Taxes in Excess of CW/CA Debt Service	54	54	52	36	52	32	31	34	31	31	16	17	440
All Other	1	10	44	90	20	9	9	110	130	29	29	704	1,185
Total Transfers from Other Funds	2,099	303	1,470	902	519	1,330	712	424	1,281	1,474	193	1,584	12,291
TOTAL RECEIPTS	8,674	2,110	6,006	3,766	3,028	5,825	1,924	1,387	5,050	7,045	2,438	6,334	53,587
DISBURSEMENTS:													
School Aid	410	2,284	1,923	137	477	1,403	585	1,292	1,610	549	843	6,267	17,780
Higher Education	20	18	454	82	223	46	505	28	116	158	350	528	2,528
All Other Education	19	75	394	113	79	133	152	55	99	208	135	254	1,716
Medicaid - DOH	892	1,271	761	833	363	404	1,224	882	462	714	866	306	8,978
Public Health	50	14	14	19	20	193	29	24	41	95	41	60	600
Mental Hygiene	60	69	359	4	(30)	349	45	113	423	119	35	513	2,059
Children and Families	8	69	167	201	146	144	89	88	79	276	95	368	1,730
Temporary & Disability Assistance	123	123	320	152	153	195	(135)	93	117	(145)	86	129	1,211
Transportation	0	14	32	0	17	1	0	25	8	0	8	2	107
All Other	29	34	413	61	43	244	56	138	479	(27)	29	561	2,060
Total Local Assistance Grants	1,611	3,971	4,837	1,602	1,491	3,112	2,550	2,738	3,434	1,947	2,488	8,988	38,769
Personal Service	775	419	476	661	532	460	700	456	496	477	421	387	6,260
Non-Personal Service	226	206	191	198	181	226	155	141	160	168	166	262	2,280
Total State Operations	1,001	625	667	859	713	686	855	597	656	645	587	649	8,540
General State Charges	489	1,020	(142)	341	278	19	454	147	(60)	346	305	(84)	3,113
Debt Service	240	132	220	49	36	279	24	177	392	8	24	149	1,730
Capital Projects	100	77	72	45	90	118	(94)	76	255	71	91	(466)	435
State Share Medicaid	267	296	203	228	205	232	221	221	238	245	128	180	2,664
Other Purposes	131	32	77	26	53	102	26	69	47	57	26	223	869
Total Transfers to Other Funds	738	537	572	348	384	731	177	543	932	381	269	86	5,698
TOTAL DISBURSEMENTS	3,839	6,153	5,934	3,150	2,866	4,548	4,036	4,025	4,962	3,319	3,649	9,639	56,120
Excess/(Deficiency) of Receipts over Disbursements	4,835	(4,043)	72	616	162	1,277	(2,112)	(2,638)	88	3,726	(1,211)	(3,305)	(2,533)
HCRA Operating Shortfall	0	0	0	0	0	0	0	0	0	0	0	(88)	(88)
Legislative/Administrative Actions to Close Gap	0	0	0	0	0	0	0	0	0	0	0	1,475	1,475
CLOSING BALANCE	7,589	3,546	3,618	4,234	4,396	5,673	3,561	923	1,011	4,737	3,526	1,608	1,608

Source: NYS DOB

CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT							
Agriculture and Markets, Department of	106,078	0	106,078	107,503	110,111	125,810	114,771
Alcoholic Beverage Control	16,109	0	16,109	17,142	18,634	19,538	19,871
Banking Department	82,523	0	82,523	78,993	79,690	83,343	82,476
Consumer Protection Board	4,002	0	4,002	4,720	4,818	5,128	5,008
Economic Development Capital Programs	41,578	0	41,578	48,800	18,300	0	0
Economic Development, Department of	139,785	0	139,785	125,927	145,832	150,173	141,750
Empire State Development Corporation	280,348	0	280,348	498,136	1,311,434	845,216	688,584
Energy Research and Development Authority	30,416	0	30,416	27,054	29,560	29,798	30,041
Housing and Community Renewal, Division of	303,779	0	303,779	352,845	331,059	329,593	331,036
Insurance Department	249,708	0	249,708	310,974	309,684	317,528	318,583
Olympic Regional Development Authority	6,543	0	6,543	13,559	8,302	8,507	8,717
Public Service, Department of	68,955	0	68,955	77,793	79,608	85,588	88,323
Science, Technology and Innovation, Foundation for	44,350	0	44,350	36,616	33,799	29,387	30,168
Strategic Investment	9,704	0	9,704	8,000	14,000	14,000	10,376
Functional Total	1,383,878	0	1,383,878	1,708,062	2,494,831	2,043,609	1,869,704
PARKS AND THE ENVIRONMENT							
Adirondack Park Agency	5,289	0	5,289	5,703	5,802	6,005	6,008
Environmental Conservation, Department of	964,379	0	964,379	919,802	943,376	965,569	960,785
Environmental Facilities Corporation	20,603	0	20,603	11,417	10,272	10,448	10,630
Hudson River Park Trust	14,370	0	14,370	20,682	15,000	10,000	0
Parks, Recreation and Historic Preservation, Office of	267,441	0	267,441	323,313	275,451	263,329	261,925
Functional Total	1,272,082	0	1,272,082	1,280,917	1,249,901	1,255,351	1,239,348
TRANSPORTATION							
Motor Vehicles, Department of	295,115	0	295,115	328,754	332,715	351,001	361,036
Thruway Authority	1,245	0	1,245	1,734	1,804	1,876	1,951
Metropolitan Transportation Authority	86,371	0	86,371	160,000	195,300	206,500	194,500
Transportation, Department of	6,151,063	0	6,151,063	6,521,865	6,693,232	6,920,423	7,099,323
Functional Total	6,533,794	0	6,533,794	7,012,353	7,223,051	7,479,800	7,656,810
HEALTH AND SOCIAL WELFARE							
Aging, Office for the	234,607	0	234,607	227,121	232,343	240,664	244,704
Children and Family Services, Office of	2,972,714	0	2,972,714	3,117,911	3,335,752	3,574,704	3,766,743
OCFS	2,972,714	(33,505)	2,939,209	3,068,700	3,263,126	3,454,382	3,623,954
OCFS - Medicaid	0	33,505	33,505	49,211	72,626	120,322	142,789
Health, Department of	36,549,449	0	36,549,449	37,138,136	40,152,495	42,640,162	45,606,446
Medical Assistance	31,040,404	0	31,040,404	31,424,629	34,079,277	36,336,803	39,089,845
Medicaid Administration	838,272	0	838,272	853,000	895,500	939,500	983,750
Public Health	4,670,773	0	4,670,773	4,860,507	5,177,718	5,363,859	5,532,851
Health - Medicaid Assistance	0	0		0	0	0	0
Human Rights, Division of	16,007	0	16,007	19,768	21,118	21,350	21,391
Labor, Department of	561,263	0	561,263	594,066	661,191	652,111	655,078
Medicaid Inspector General, Office of	47,840	0	47,840	92,248	96,634	99,298	102,715
Prevention of Domestic Violence, Office for	2,432	0	2,432	2,471	2,491	2,591	2,603
Stem Cell and Innovation	163	0	163	15,153	75,621	93,300	50,000

CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
HEALTH AND SOCIAL WELFARE (Continued)							
Temporary and Disability Assistance, Office of	4,756,394	0	4,756,394	4,590,871	4,661,093	4,682,729	4,691,952
Welfare Assistance	3,217,951	0	3,217,951	3,053,589	3,117,868	3,117,781	3,118,781
Welfare Administration	369,646	0	369,646	368,290	370,005	370,005	370,005
All Other	1,168,797	0	1,168,797	1,168,992	1,173,220	1,194,943	1,203,166
Welfare Inspector General, Office of	1,073	0	1,073	1,476	1,521	1,581	1,605
Workers' Compensation Board	194,007	0	194,007	203,807	194,070	199,636	204,198
Functional Total	45,335,949	0	45,335,949	46,003,028	49,434,329	52,208,126	55,347,435
MENTAL HEALTH							
Mental Health, Office of	2,548,711	442,327	2,991,038	3,139,591	3,470,370	3,755,957	3,889,147
OMH	2,548,711	(1,228,855)	1,319,856	1,427,873	1,644,908	1,784,489	1,861,895
OMH - Medicaid	0	1,671,182	1,671,182	1,711,718	1,825,462	1,971,468	2,027,252
Mental Hygiene, Department of	237	449,449	449,686	661,542	406,080	438,611	477,163
Mental Retardation and Developmental Disabilities, Office of	3,395,365	548,766	3,944,131	4,150,517	4,346,660	4,585,840	4,703,115
OMRDD	3,395,365	(3,028,003)	367,362	546,847	584,754	592,137	602,537
OMRDD - Medicaid	0	3,576,769	3,576,769	3,603,670	3,761,906	3,993,703	4,100,578
Alcoholism and Substance Abuse Services, Office of	598,292	16,187	614,479	635,864	751,447	776,300	798,659
OASAS	598,292	(60,784)	537,508	556,693	667,016	689,342	710,769
OASAS - Medicaid	0	76,971	76,971	79,171	84,431	86,958	87,890
Developmental Disabilities Planning Council	5,530	0	5,530	4,150	4,150	4,150	4,150
Quality of Care for the Mentally Disabled, Commission on	14,115	0	14,115	17,227	17,876	19,640	19,725
Functional Total	6,562,250	1,456,729	8,018,979	8,608,891	8,996,583	9,580,498	9,891,959
PUBLIC PROTECTION							
Capital Defenders Office	1,035	0	1,035	361	0	0	0
Correction, Commission of	2,767	0	2,767	2,653	2,785	2,927	2,956
Correctional Services, Department of	2,723,700	0	2,723,700	2,748,554	2,836,444	2,926,080	2,990,198
Crime Victims Board	63,894	0	63,894	63,033	64,185	64,312	64,364
Criminal Justice Services, Division of	295,043	0	295,043	315,113	242,331	243,065	241,158
Homeland Security	65,821	0	65,821	201,309	366,042	294,150	560,664
Investigation, Temporary State Commission of	3,663	0	3,663	3,882	0	0	0
Judicial Commissions	3,925	0	3,925	5,075	5,511	5,505	5,608
Military and Naval Affairs, Division of	449,205	0	449,205	279,501	284,323	223,027	189,131
Parole, Division of	208,618	0	208,618	196,122	210,093	231,998	236,482
Probation and Correctional Alternatives, Division of	74,765	0	74,765	78,470	73,853	75,498	76,186
State Police, Division of	663,255	0	663,255	690,401	724,817	769,240	766,662
Functional Total	4,555,691	0	4,555,691	4,584,474	4,810,384	4,835,802	5,133,409

CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)

	2007-2008 Actuals	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
EDUCATION							
Arts, Council on the	53,425	0	53,425	52,246	52,141	52,281	52,379
City University of New York	1,105,307	0	1,105,307	1,354,141	1,430,458	1,533,863	1,569,664
Education, Department of	28,940,338	0	28,940,338	30,865,704	33,738,102	36,492,963	38,702,946
School Aid	21,543,493	(80,000)	21,463,493	23,231,033	25,341,390	27,443,380	29,324,500
School Aid - Medicaid Assistance	0	80,000	80,000	100,000	80,000	80,000	80,000
STAR Property Tax Relief	4,657,721	0	4,657,721	4,692,899	5,383,170	5,909,569	6,195,582
Special Education Categorical Programs	1,623,565	0	1,623,565	1,729,690	1,828,590	1,902,750	1,980,470
All Other	1,115,559	0	1,115,559	1,112,082	1,104,952	1,157,264	1,122,394
Higher Education Services Corporation	966,555	0	966,555	939,212	953,180	957,962	958,570
Higher Education Capital Grants	0	0	0	50,000	40,000	30,000	30,000
State University Construction Fund	15,813	0	15,813	18,255	19,586	20,992	21,463
State University of New York	6,126,674	0	6,126,674	6,636,079	6,963,773	7,427,322	7,541,119
Functional Total	37,208,112	0	37,208,112	39,915,637	43,197,240	46,515,383	48,876,141
GENERAL GOVERNMENT							
Audit and Control, Department of	250,228	0	250,228	272,777	274,840	283,088	286,517
Budget, Division of the	38,216	0	38,216	78,963	78,505	84,613	84,533
Civil Service, Department of	24,988	0	24,988	23,370	24,231	24,977	25,187
Elections, State Board of	14,269	0	14,269	123,392	141,101	9,009	9,118
Employee Relations, Office of	3,613	0	3,613	4,093	4,043	4,321	4,359
Executive Chamber	20,167	0	20,167	19,577	20,535	21,611	22,235
General Services, Office of	223,178	0	223,178	225,710	226,551	230,934	234,211
Inspector General, Office of	6,567	0	6,567	6,687	7,000	7,246	7,322
Law, Department of	205,403	0	205,403	251,350	259,080	268,996	274,082
Lieutenant Governor, Office of the	1,314	0	1,314	133	0	305	1,222
Lottery, Division of	218,612	0	218,612	184,139	188,569	194,284	194,546
Public Employment Relations Board	3,657	0	3,657	3,985	3,985	4,237	4,280
Public Integrity, Commission on	1,733	0	1,733	4,984	5,147	5,249	5,582
Racing and Wagering Board, State	24,477	0	24,477	20,701	21,240	22,091	22,191
Real Property Services, Office of	62,770	0	62,770	60,412	64,454	66,000	67,455
Regulatory Reform, Governor's Office of	3,850	0	3,850	3,168	3,273	3,396	3,396
State, Department of	200,896	0	200,896	188,604	160,719	163,637	160,102
Tax Appeals, Division of	3,325	0	3,325	3,168	3,245	3,414	3,414
Taxation and Finance, Department of	382,325	0	382,325	372,194	384,396	402,175	402,614
Technology, Office for	21,468	0	21,468	49,815	175,633	214,785	194,869
Lobbying, Temporary State Commission on	1,093	0	1,093	0	0	0	0
Veterans Affairs, Division of	15,429	0	15,429	16,334	16,427	17,382	16,956
Functional Total	1,727,578	0	1,727,578	1,913,556	2,062,974	2,031,750	2,024,191
ALL OTHER CATEGORIES							
Legislature	216,946	0	216,946	219,279	221,931	221,974	221,974
Judiciary (excluding fringe benefits)	2,266,864	0	2,266,864	2,482,852	2,622,960	2,838,328	2,991,500
World Trade Center	39,755	0	39,755	80,000	70,000	35,000	32,500
Local Government Assistance	917,495	0	917,495	1,229,875	1,398,886	1,470,899	1,468,639
Long-Term Debt Service	4,008,752	0	4,008,752	4,128,625	4,636,428	5,297,121	0
Capital Projects	0	0	0	0	0	0	0
General State Charges	3,997,233	(1,456,729)	2,540,504	2,472,282	2,972,905	3,421,704	3,728,225
Miscellaneous	30,028	0	30,028	(876,545)	(238,836)	(351,269)	5,280,421
Functional Total	11,477,073	(1,456,729)	10,020,344	9,736,368	11,684,274	12,933,757	13,723,259
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	116,056,407	0	116,056,407	120,763,286	131,153,567	138,884,076	145,762,256

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.

Medicaid: To facilitate comparable reporting of spending trends and annual growth, 2007-08 results are adjusted to be consistent with the budgeting of 2008-09 Medicaid spending by agency. Adjustments by agency and financial plan category of spending by fund are available in the 2008-09 Enacted Budget Report.

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
2008-2009
(millions of dollars)

	First Quarter	Change	Mid-Year
Revenues:			
Taxes:			
Personal income tax	21,901	(1,113)	20,788
User taxes and fees	8,691	(54)	8,637
Business taxes	6,145	(404)	5,741
Other taxes	1,284	23	1,307
Miscellaneous revenues	4,643	3	4,646
Federal grants	41	0	41
Total revenues	42,705	(1,545)	41,160
Expenditures:			
Grants to local governments	40,514	(428)	40,086
State operations	11,597	543	12,140
General State charges	4,070	(34)	4,036
Debt service	0	0	0
Capital projects	1	0	1
Total expenditures	56,182	81	56,263
Other financing sources (uses):			
Transfers from other funds	15,653	(338)	15,315
Transfers to other funds	(6,345)	78	(6,267)
Proceeds from financing arrangements/	0		0
advance refundings	367	26	393
Net other financing sources (uses)	9,675	(234)	9,441
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(3,802)	(1,860)	(5,662)
Legislative/Administrative Actions to Close Gap	0	1,387	1,387
Operating Surplus/(Deficit)	(3,802)	(473)	(4,275)
Accumulated Surplus/(Deficit)	149		(324)

Source: NYS DOB

GAAP FINANCIAL PLAN
GENERAL FUND
2008-2009 THROUGH 2011-2012
(millions of dollars)

	2008-2009 Mid-Year	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
Revenues:				
Taxes:				
Personal income tax	20,788	22,106	21,703	23,524
User taxes and fees	8,637	8,951	9,170	9,545
Business taxes	5,741	5,670	6,182	6,363
Other taxes	1,307	1,185	1,228	1,291
Miscellaneous revenues	4,646	4,747	4,735	4,774
Federal grants	41	0	0	0
Total revenues	41,160	42,659	43,018	45,497
Expenditures:				
Grants to local governments	40,086	45,277	49,207	52,361
State operations	12,140	12,880	14,949	15,393
General State charges	4,036	3,938	2,813	3,215
Debt service	0	0	0	0
Capital projects	1	0	0	0
Total expenditures	56,263	62,095	66,969	70,969
Other financing sources (uses):				
Transfers from other funds	15,315	14,189	14,624	15,142
Transfers to other funds	(6,267)	(6,579)	(7,425)	(8,057)
Proceeds from financing arrangements/ advance refundings	393	355	360	359
Net other financing sources (uses)	9,441	7,965	7,559	7,444
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(5,662)	(11,471)	(16,392)	(18,028)
Legislative/Administrative Actions to Close Gap	1,387	0	0	0
Operating Surplus/(Deficit)	(4,275)	(11,471)	(16,392)	(18,028)

Source: NYS DOB

Annual Information Statement

State of New York

May 12, 2008

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Annual Information Statement
State of New York
Dated: May 12, 2008

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THE FOLLOWING SECTIONS ARE INCLUDED BY CROSS-REFERENCE

Annual Information Statement of the State of New York

Introduction

This Annual Information Statement ("AIS") is dated May 12, 2008 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 8, 2007 and all updates and supplements thereto. This AIS is scheduled to be updated on a quarterly basis (in August 2008, November 2008, and February 2009) and is subject to being 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 update or supplement 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 2008-09 Enacted Budget Financial Plan, dated May 1, 2008 (the "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 2008-09 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 2008-09.

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) governmental organization, and (e) activities of public authorities and localities.

3. The status of significant litigation 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 relies on information drawn from other sources, including the Office of the State Comptroller ("OSC"), that DOB believes to be reliable. Information relating to matters described in the section entitled "Litigation" 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. Investors and other market participants should, however, refer to this AIS, as updated or supplemented, for 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 included in the assumptions underlying the State's projections at this time.

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 directly with the Nationally Recognized Municipal Securities Information Repositories (NRMSIRs) and with the Central Post Office, Disclosure USA. The Municipal Advisory Council of Texas established this internet-based disclosure filing system, approved by the Securities and Exchange Commission, to facilitate the transmission of disclosure-related information to the NRMSIRs. An official copy of this AIS may be obtained by contacting Mr. Dominic Colafati, Chief Budget Examiner, New York State Division of the Budget, State Capitol, Albany, NY 12224, Tel: (518) 473-8705 or from any NRMSIR. OSC expects to issue the Basic Financial Statements for the 2007-08 fiscal year in July 2008. Copies may be obtained by contacting the Office of the State Comptroller, 110 State Street, Albany, NY 12236 and will be available on its website at www.osc.state.ny.us.

Usage Notice

The AIS has been supplied by the State to provide updated information about the financial condition of 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 payment of their respective bonds, notes or other obligations and for which the State has contractually obligated itself to provide such information pursuant to an applicable continuing disclosure agreement (a "CDA").

An informational copy of this AIS is available on the DOB website (www.budget.state.ny.us). The availability of this AIS in electronic form at DOB's website 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 the AIS on the 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.

Current Fiscal Year

The 2008-09 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 Financial Plan contains estimates for the 2008-09 fiscal year and projections for the 2009-10 through 2011-12 fiscal years. As such, it contains estimates and projections of future results that should not be construed as statements of fact. These estimates and projections are based upon various assumptions that may be affected by numerous factors, including future economic conditions in the State and 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 Financial Plan set forth below.

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 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 statutorily required to be balanced, the focus of the State's budget discussion is often weighted toward the General Fund.

In addition to the General Fund, the State reports spending and revenue activity by other broad measures: including 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.

2008-09 Enacted Budget Financial Plan Overview

The Legislature completed action on the State Budget for the 2008-09 fiscal year on April 9, 2008, nine days after the start of the State fiscal year (interim appropriations were enacted for the period from April 1 to April 8 to meet contractual and other obligations until final enactment of the State Budget). Governor Paterson did not veto any legislative additions. Consistent with past practice, the Legislature enacted all debt service appropriations without amendment before the start of the fiscal year (on March 12, 2008).

On April 11, 2008, following final action on the budget, members of the Public Employees Federation (PEF), which represents approximately 52,000 State employees, ratified a new labor contract with the State covering fiscal years 2007-08 through 2010-11. The General Fund costs of the contract are estimated at $254 million in 2008-09, which includes a retroactive payment for 2007-08. The Legislature has not yet passed the enabling legislation needed for the contract to take effect, but the Financial Plan nonetheless includes these costs. The costs will be financed in 2008-09 from the reserve designated for this purpose. (See "Labor Settlements" later in this section.)

DOB, which prepares the official Financial Plan for the State, projects that the Enacted Budget Financial Plan for 2008-09 is balanced in the General Fund on a cash basis, as required by law. The Enacted Budget Financial Plan closes a current-services gap estimated at $5.2 billion and funds $873 million in new initiatives. General Fund receipts, including transfers from other funds, are projected to total $55.6 billion. General Fund disbursements, including transfers to other funds, are estimated at $56.4 billion. The State expects to use $723 million in designated reserves in 2008-09, most of which will be used to finance the cost of labor settlements with State employee unions that have ratified their contracts. The State expects to close the 2008-09 fiscal year with a balance of $2.0 billion in the General Fund, down from an opening balance of $2.8 billion. (See "General Fund Closing Balances" later in this section.)

Spending in State Operating Funds at the time of budget enactment was projected at $80.5 billion in 2008-09, an increase of 4.5 percent over 2007-08 results. State spending growth in the current Financial Plan, which includes the impact of the labor settlement that PEF ratified after budget enactment, is estimated at $80.9 billion, an annual increase of 5.0 percent. (See "Annual Spending Growth" later in this section.)

The Enacted Budget Financial Plan projects current-services budget gaps in future years of $5.0 billion in 2009-10 growing to $7.7 billion in 2010-11 and $8.8 billion in 2011-12. The gap estimates are meant to provide a general perspective on the State's long-term operating forecast, and will be revised with each quarterly Financial Plan Update. (See the section on "General Fund Financial Plan Outyear Projections" later in this AIS.) Over the past five years, DOB estimates that the State has closed current-services gaps of $9.3 billion in 2003-04, $5.1 billion in 2004-05, $4.2 billion in 2005-06, $762 million in 2006-07, and $1.6 billion in 2007-08. By law, the Governor must annually submit, and the Legislature must enact, a budget that is balanced on a cash-basis in the General Fund.

On April 21, 2008, Governor Paterson directed all State agencies to prepare spending and management plans. The State workforce estimate for 2008-09, which is currently at 201,170 positions, is expected to be modified at the First Quarterly Update to the Financial Plan to reflect the impact of the approved plans. The management plans must be submitted to the DOB by May 16, 2008.

The Enacted Budget forecast is subject to many complex economic, social, environmental and political risks and uncertainties, many of which are outside of 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 on the profitability of the financial services sector, and the concomitant effect on bonus income and capital gains realizations; litigation against the State, including potential challenges to the constitutionality of certain tax actions authorized in the budget; and actions taken by the Federal government, including audits, disallowances, and changes in aid levels. In addition, the forecast contains specific transaction risks and other uncertainties, including, but not limited to, the sale of development rights for a video lottery terminal (VLT) facility at the Aqueduct racetrack; the enforcement of certain tax regulations on Native American reservations; and the achievement of cost-saving measures at the levels projected. Such risks and uncertainties, if they were to materialize, could have a materially adverse impact on the Financial Plan in the current year (See the section on "Special Considerations" later in this AIS.)

Financial Plan Information (millions of dollars)	2006-07 Actual	2007-08 Results*	2008-09 Enacted Budget**
State Operating Funds Budget			
Size of Budget (at time of enactment)	$73,489	$77,001	$80,501
Annual Growth	11.0%	4.8%	4.5%
Size of Budget (incl. Labor Settlment after enactment)			$80,862
Annual Growth, as adjusted			5.0%
NYS Long-Term Estimated Personal Income Growth	5.3%	5.3%	5.3%
Other Budget Measures (Annual Growth)			
General Fund (with transfers)	$51,591	$53,385	$56,361
	11.0%	3.5%	5.6%
State Funds (Including Capital)	$77,311	$81,377	$85,972
	10.9%	5.3%	5.6%
Capital Budget (Federal and State)	$5,559	$6,131	$7,080
	17.0%	10.3%	15.5%
Federal Operating	$33,716	$32,924	$33,664
	1.0%	-2.3%	2.2%
All Governmental Funds	$112,764	$116,056	$121,606
	8.1%	2.9%	4.8%
All Govt'l Funds (Including "Off-Budget" Capital)	$114,056	$117,690	$123,674
	8.3%	3.2%	5.1%
Inflation (CPI) Growth	3.4%	3.3%	3.1%
All Funds Receipts			
Taxes	$58,739	$60,871	$63,904
Miscellaneous Receipts	$18,078	$19,640	$20,084
Federal Grants	$35,579	$34,909	$35,956
Total Receipts	$112,396	$115,420	$119,944
Base Tax Growth	12.8%	6.0%	2.6%
General Fund Outyear Gap Forecast			
2008-09	N/A	N/A	$0
2009-10	N/A	N/A	($5,016)
2010-11	N/A	N/A	($7,731)
2011-12	N/A	N/A	($8,762)
Total General Fund Reserves (year-end)	$3,045	$2,754	$2,031
State Workforce (# of FTEs at year-end)	195,526	199,754	201,170 ***
Debt			
Debt Service as % All Funds	4.5%	4.0%	4.4%
State Related Debt Outstanding	$48,095	$49,579	$52,794

* *Unaudited Year-End Results*

** *Projection*

*** *Does not reflect the workforce impact of agency management plans, proposals for which are due to DOB by May 16, 2008*

Current-Services Gap for 2008-09

The Enacted Budget closes a current-services budget gap in 2008-09 that is estimated at $5.2 billion by DOB. The current-services gap represents the difference between the expected level of tax receipts and other receipts based on the current economic forecast and transactions authorized in law and the estimated cost of maintaining programs, activities, and other obligations at the level required in current law. The current-services gap is the starting point for budget development, determining the scope of actions that must be taken to achieve a balanced budget. By definition, the current services gap does not reflect any of the actions that were recommended or ultimately enacted to balance the budget. The table below summarizes the revisions to the current-services gaps over the four-year Financial Plan horizon.

Summary of Changes to Current Services Forecast Since the Executive Budget
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Initial Current Services Gaps	**(4,422)**	**(6,154)**	**(7,697)**	**(9,454)**
21-Day Receipts Reestimates	(304)	(481)	(485)	(489)
21-Day Disbursement Reestimates	147	100	(58)	39
21-Day Current Services Gaps	**(4,579)**	**(6,535)**	**(8,240)**	**(9,904)**
Consensus Receipts Revisions	(300)	(300)	(300)	(300)
Additional Receipts Revisions	(532)	(712)	(691)	(645)
PEF Labor Settlement	(254)	(265)	(399)	(399)
Disbursement Reestimates	442	127	12	60
Current Services Gaps Before Enacted Actions	**(5,223)**	**(7,685)**	**(9,618)**	**(11,188)**

Current-Services Receipts Changes (Since Executive Budget)

Since the Executive Budget for 2008-09 was introduced in January 2008, DOB has reduced its current-services forecast for General Fund receipts in 2008-09 by $1.13 billion. On February 12, 2008, DOB issued an updated Executive Budget Financial Plan to accompany Governor Spitzer's amendments to the Executive Budget (the "21-Day Financial Plan"), at which time it reduced projected General Fund receipts (exclusive of proposed law changes) by $304 million for 2008-09, largely on the basis of updated economic information and actual receipts experience through January 2008. This was followed on March 1, 2008 by the Executive and Legislature reaching a consensus that General Fund receipts in 2008-09 should be further reduced by $300 million from the level projected in the 21-Day Financial Plan. DOB has since concluded, along with a growing number of other economic forecasters, that the economy is now entering recession (see the section on "Special Considerations" later in this AIS). Accordingly, DOB has reduced its revenue forecast by an additional $532 million as part of the Enacted Budget Financial Plan.

Current-Services Disbursements Changes (Since Executive Budget)

DOB revised its current-services spending forecast based on a review of year-end results for 2007-08 and program trends. The PEF labor settlement increased costs. The forecast for Medicaid spending was lowered by $325 million in 2008-09, reflecting service trends and the effectiveness of audit and compliance activities. Spending estimates for a number of other programs were also reduced in 2008-09. For the most part, the revisions were made in agencies and programs where spending in 2007-08 came in below planned levels and where the trend is expected to continue in 2008-09.

The Enacted Budget Closes the 2008-09 Current-Services Gap

The Enacted Budget Financial Plan for 2008-09 is balanced on a cash basis in the General Fund, closing a current-services gap of $5.2 billion, as estimated by DOB. The plan is sufficient to eliminate the entire gap and finance new initiatives. The following table summarizes the plan.

2008-09 Enacted Budget -- General Fund Budget-Balancing Plan
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Current Services Gaps	**(5,223)**	**(7,685)**	**(9,618)**	**(11,188)**
Savings Plan	**6,096**	**3,888**	**3,684**	**3,967**
Savings Actions [1]	2,835	2,784	2,586	3,102
Across-the-Board Reductions (Total)	778	778	780	780
Across-the-Board Reductions Accruing to Other Funds	(293)	(292)	(292)	(292)
Health Care [2]	763	928	846	1,372
Health Care Financing: Cigarette Tax [3]	265	296	292	291
STAR	354	400	185	195
General State Charges	202	79	84	85
Mental Hygiene	199	220	254	257
Welfare/TANF	151	163	163	162
Judicial Pay Raise Exclusion	143	37	37	37
Criminal Justice	20	12	16	18
All Other [4]	253	163	221	197
Revenue Actions	1,264	1,075	1,069	836
Improve Audit and Compliance Efforts	487	239	322	357
Capital Base Rate Reduction/Cap Elimination	89	71	71	(76)
LLC Minimum Partner Fees	85	85	85	85
Sales Tax Nexus	50	73	85	98
Federal QPAI Decoupling	50	50	50	50
Credit Card Nexus	49	39	39	39
REIT Loophole Correction	42	64	64	(106)
Abandoned Property	150	100	100	100
Authority Resources	60	35	35	0
All Other	202	319	218	289
Non-Recurring Actions	1,377	29	29	29
VLT Development Rights	250	0	0	0
Phase in AIM Restoration for NYC	82	0	0	0
Bond Finance Certain Eligible Capital Costs	173	(21)	(21)	(21)
Blanket Sweeps Authorization	150	50	50	50
All Other	722	0	0	0
Use of Reserves to Finance Labor Settlements	620	0	0	0
New Initiatives [5]	**(873)**	**(1,219)**	**(1,797)**	**(1,541)**
Education	(447)	(391)	(633)	(294)
Health Care	(156)	(289)	(381)	(451)
Community Projects Fund Deposits	0	(111)	(129)	0
Human Services COLA	0	(88)	(180)	(278)
All Other	(270)	(340)	(474)	(518)
Enacted Budget Gaps	**0**	**(5,016)**	**(7,731)**	**(8,762)**

[1] *Savings are net of legislative denial of cost-savings measures. New initiatives authorized in the budget are presented separately.*
[2] *Includes Medicaid, Health, and Aging. Excludes certain resources and HCRA savings.*
[3] *Tax revenues will be deposited to the Health Care Resources Fund and used to finance State health care costs, including Medicaid.*
[4] *Includes, among other things, State operations savings not displayed in above totals.*
[5] *Commitments authorized in the Enacted Budget above current-services levels.*

Savings Actions

Savings actions, which for the most part include recurring reductions in spending, are valued at $2.8 billion, comprising approximately 50 percent of the gap-closing plan. The actions include across-the-board reductions in the operating budgets for State agencies and "non-entitlement" local assistance programs; diverse measures to control health care spending; slowing the phase-in of the "middle-class" School Tax-Relief Program; operational controls on State agencies, including management of overtime costs; and a range of other cost-savings measures.

Health Care

Health care savings, including savings in Medicaid, HCRA programs, public health and aging, total $828 million in 2008-09 from all sources. In the General Fund, savings total $763 million in 2008-09 and grow to $928 million in 2009-10. Actions include intensifying audit activities to reduce fraud, expanding controls on pharmaceutical programs, adjusting reimbursement rates for prescription drugs, reducing inflationary growth in Medicaid rates, limiting managed care premium increases, and implementing new strategies to improve utilization management and patient outcomes. Other savings result from the reduction of detoxification reimbursement, implementation of the Berger Commission recommendations for hospitals and nursing homes, limitations on the Early Intervention (EI) cost-of-living increase, and reductions in discretionary public health and aging spending.

Health Care Financing: Cigarette Tax

The Enacted Budget raises the tax on cigarettes by $1.25 per pack, effective June 3, 2008, bringing the total State tax to $2.75 per pack. The additional revenues generated by the tax increase, estimated at $265 million in 2008-09, are to be deposited into the Health Care Resources Fund and help finance health care costs, including Medicaid.

Across-the Board Reductions

At Governor Patterson's direction, DOB identified $778 million in across-the-board reductions in State Operating Funds. The General Fund savings from the reductions total $485 million, which consist of $322 million in State Operations and $163 million in local assistance payments.

2008-09 Across-the-Board Reductions
(millions of dollars)

	State Operations	Local Assistance	Total
State Operating Funds Total	**509**	**269**	**778**
General Fund	322	163	485
Other State Funds	187	106	293
Legislative-Financed Changes	**(4)**	**(64)**	**(68)**
General Fund	(4)	(64)	(68)
Other State Funds	-	-	-
Net Savings	**505**	**205**	**710**
General Fund	318	99	417
Other State Funds	187	106	293

The Legislature financed the restoration of $68 million of the reductions as part of their changes to the Executive Budget, and identified a commensurate level of new resources. The restorations were primarily for the Aid and Incentives to Municipalities (AIM) program ($18 million), the Tuition Assistance Program (TAP) ($15 million), the State University of New York (SUNY) Community College Aid ($9 million), certain education programs ($4 million), and State payments to local governments for the administration of the welfare program ($6 million).

School Tax Relief Program

The Enacted Budget provides for a slower phase-in of the basic middle-class School Tax Relief (STAR) rebate and related New York City income tax payments; a reduction in the STAR credit for New York City resident personal income taxpayers with incomes above $250,000; a change in the adjustment that limits annual reductions in the STAR exemption amount due to increased property values, from 5 percent to 10 percent in 2008-09 and 11 percent in 2009-10 and thereafter; and authorization for the State to offset middle-class STAR rebates owed to individuals who are delinquent on their taxes, child support, or other legal debt obligations. After these actions, the State will finance $4.7 billion in total property tax relief in 2008-09 (nearly $5 billion on a commitment basis), growing to $6.2 billion over the next few years.

General State Charges

Savings in General State Charges are expected to be realized through an eligibility audit to eliminate health insurance coverage for ineligible dependents, the pre-payment of a portion of the 2008-09 pension obligation at the close of 2007-08, the application of available health insurance dividends, and elimination of fringe benefit waivers for certain State agencies.

Mental Hygiene

In this area, savings are expected from, among other things, the generation of additional third-party revenues that will be used to reduce General Fund costs, management of program expansions, and continued vacancy, overtime, and other operational controls.

Welfare/Temporary Assistance for Needy Families

Savings in welfare are expected to take several forms. The Enacted Budget increases the level of Temporary Assistance for Needy Families (TANF) resources available to offset the State's Earned Income Tax Credit (EITC). This is done by allocating certain TANF-funded programs on a cash rather than commitment basis. In addition, the budget makes additional TANF resources available by discontinuing funding for certain 2004-05 program commitments and eliminating several functions that are not essential.

Other Savings

These cover a broad range of State activities and agencies. Operational savings include hiring controls, including not filling vacancies for non-essential positions; management of overtime; and energy and other utility savings. In addition, the savings plan reduces a planned deposit to the member-item fund and eliminates certain initiatives enacted in 2007-08. Finally, the Enacted Budget includes no funding for the pay increases requested by the Judiciary in its budget submission, the costs of which were included in the current-services forecast in the Executive Budget.

Revenue Actions

The Enacted Budget includes $1.3 billion in General Fund revenue actions. The Department of Taxation and Finance is to enhance audit initiatives, bolstered by the hiring of new auditors, and institute a voluntary tax compliance initiative to encourage timely payments by delinquent taxpayers. Other revenue actions include:

- Restructuring and streamlining the fees on Limited Liability Companies (LLCs) and the minimum taxes on corporations so that they are based on New York income;
- Subjecting credit card companies with a qualifying number of customers or receipts in New York State to the bank tax;
- Amending the 2007 legislation that was intended to fully close the Real Estate Investment Trust/Regulated Investment Company (REIT/RICs) loophole;
- Temporarily raising the tax limitation amount in the capital base tax for non-manufacturing companies from $1 million to $10 million for three years beginning in the 2008 tax year and reducing the tax rate from 0.178 percent to 0.15 percent, starting with the 2008 tax year; and
- Decoupling New York State from the Federal Qualified Production Activity Income (QPAI) deduction (currently a 6 percent deduction of qualifying income) provided under Internal Revenue Code section 199.

Non-Recurring Resources

The State typically uses some non-recurring resources each year to support operations. Over the past five years, the State Budget has included estimated non-recurring resources, including reserves, of $3.2 billion in 2003-04, $2.1 billion in 2004-05, $889 million in 2005-06, $259 million in 2006-07, and $1.4 billion in 2007-08, as estimated by DOB. DOB estimates that the Enacted Budget Financial Plan for 2008-09 includes approximately $1.4 billion in non-recurring resources to help balance the General Fund and $620 million in reserves to finance ratified labor settlements. The latter is money the State set aside in prior years with the explicit purpose of financing the current round of labor settlement costs. The following table summarizes the non-recurring actions.

General Fund Non-Recurring Resources
(millions of dollars)

	2008-09
VLT Development Rights	250
Bonding Capital Originally Planned to be Cash Financed (incl. Software	173
Sweep Excess Balances	150
Transfer SONYMA Excess Balances to the General Fund	100
Sale of Mental Hygiene Surplus Properties	100
Additional 5 Percent Business Tax Prepayment	95
Partial Restoration of NYC AIM	82
Sweep Excess EPF Fund Balances to General Fund	80
Sweep Excess EPIC Fund Balances to General Fund	70
Mental Hygiene: Federal PIA Revenues/Cash Management	66
Recovery of Early Intervention Overpayments to New York City	60
Student Loan Default Fee	27
District Attorney Settlement Revenues	25
Pension Bill Prepayment Interest Savings	24
Sweep Excess Motor Vehicle Fund Balances to General Fund	16
All other	59
Total One-Time Resources	**1,377**
Use of Reserves to Finance Labor Settlements	620
Total Non-Recurring Resources	**1,997**

There are two non-recurring transactions in 2008-09 that differ from typical fund sweeps, overpayment recoveries, and other routine actions. The first is an anticipated payment by a private operator for the development rights of a VLT facility at Aqueduct racetrack. The State is expected to finance the construction of, and own, the facility. The private operator would be granted an exclusive right to run the facility, subject to satisfying certain performance requirements. The facility is expected to generate annual net revenue in the range of $300 million for public education when it is fully operational. The second is an aid payment to New York City under the AIM program at a level less than planned in the current-services forecast.

Initiatives

Initiatives, above the substantial investments already included in the current-services forecast, total an estimated $873 million in 2008-09. The initiatives include increased aid for public education, the reinvestment of certain health care savings into ambulatory and primary care improvements, and the extension of the Cost-of-Living Adjustment (COLA) for human service providers through 2011-12. Other initiatives were included for a range of activities and purposes, including higher education, agriculture, housing, and economic development. (See the section on "Changes to the Executive Budget" later in this AIS.)

General Fund Closing Balances

General Fund Estimated Closing Balance
(millions of dollars)

	2007-08 Results *	2008-09 Enacted	*Change*
Projected Year-End Fund Balance	**2,754**	**2,031**	***(723)***
Undesignated Reserves	1,227	1,227	*0*
Tax Stabilization Reserve Fund	1,031	1,031	*0*
Rainy Day Reserve Fund	175	175	*0*
Contingency Reserve Fund	21	21	*0*
Designated Reserves	1,527	804	*(723)*
For Labor Settlement	1,065	445	*(620)*
For Debt Reduction	122	122	*0*
Community Projects Fund	340	237	*(103)*

** Unaudited Year-End Results*

The Enacted Budget Financial Plan projects that the General Fund will end the 2008-09 fiscal year with a balance of $2.0 billion. This is a decrease of $723 million from 2007-08. It reflects the planned use of $620 million in reserves to finance the costs of labor settlements ($254 million for the PEF contract and the remainder for unions that settled in 2007-08), and $103 million for member-items in the Community Projects Fund. Market conditions will determine whether all or a portion of the Debt Reduction Reserve will be used in the current year. Balances in the other reserves are expected to remain unchanged. The closing balance would decrease if the State were to reach collective bargaining settlements with other unions in the current year.

Labor Settlements

The State has new contracts with four labor unions, the Civil Service Employees Association (CSEA), United University Professions (UUP), PEF, and District Council 37, and has extended similar changes in pay and benefits to management/confidential (M/C) employees. Under terms of the four-year contracts, which run from April 2, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08, 2008-09, and 2009-10, and 4 percent in 2010-11.

DOB estimates the General Fund costs of the ratified contracts at $620 million in 2008-09, $775 million in 2009-10, and $1.2 billion in both 2010-11 and 2011-12. The current Financial Plan includes these costs. In 2008-09, the costs are expected to be paid for through the use of existing reserves set aside for this purpose.

The unions representing uniformed officers (i.e., Police Benevolent Association of the New York State Troopers, New York State Correctional Officers and Police Benevolent Association), the Graduate Student Employees Union, and City University of New York (CUNY) employees, have not reached settlements with the State at this time. DOB estimates that if the unsettled unions were to agree to terms comparable to those that have been ratified by the other unions, it would result in added costs of $200 million in 2008-09, $185 million in 2009-10, and $264 million in both 2010-11 and 2011-12.

Annual Spending Growth

General Fund spending, including transfers to other funds, is projected to total $56.4 billion in 2008-09, an increase of $3.0 billion over 2007-08 results. The General Fund must, by law, end the year in balance. State Operating Funds spending, which includes the General Fund, State-financed special revenue funds, and debt service, is projected to increase by $3.9 billion and total $80.9 billion in 2008-09. All Funds spending, the broadest measure of spending that includes State Operating Funds, capital spending, and Federal grants, is projected to total $121.6 billion in 2008-09, an increase of $5.6 billion. The PEF labor settlement (and an adjustment to other funds to reflect unallocated costs for unions that had settled in 2007-08) added $362 million to the 2008-09 spending estimate for State Operating Funds and All Funds ($254 million to the General Fund).

Total Disbursements
(millions of dollars)

	2007-08 Results**	2008-09 Enacted	Annual $ Change	Annual % Change	Adjusted % Change***
State Operating Funds	**77,001**	**80,862**	**3,861**	**5.0%**	**4.5%**
General Fund *	50,611	50,811	200	0.4%	-0.1%
Other State Funds	22,254	25,338	3,084	13.9%	13.4%
Debt Service Funds	4,136	4,713	577	14.0%	14.0%
All Governmental Funds	**116,056**	**121,606**	**5,550**	**4.8%**	**4.5%**
State Operating Funds	77,001	80,862	3,861	5.0%	4.5%
Capital Projects Funds	6,131	7,080	949	15.5%	15.5%
Federal Operating Funds	32,924	33,664	740	2.2%	2.2%
General Fund, incl. Transfers	**53,385**	**56,361**	**2,976**	**5.6%**	**5.1%**

**Excludes transfers.*

*** Unaudited Year-End Results*

**** Excludes recent labor settlements ($254 million General Fund cost; $362 million State Operating Funds cost)*

The major sources of State Operating Funds spending growth from 2007-08 to 2008-09 are presented in the table below.

Main Sources of State Operating Funds Growth
State Fiscal Year Basis
(millions of dollars)

	2007-08 Results***	2008-09 Enacted	Annual $ Change	Annual % Change
STATE OPERATING FUNDS	**77,001**	**80,862**	**3,861**	**5.0%**
School Aid**	18,983	20,747	1,764	9.3%
Medicaid (excluding Local Cap)*	12,133	12,338	205	1.7%
Medicaid: Local Cap Takeover Initiative	235	486	251	106.8%
Mental Hygiene**	2,107	2,970	863	41.0%
CUNY	1,013	1,191	178	17.6%
Local Government Assistance	917	1,242	325	35.4%
Children and Families**	1,611	1,763	152	9.4%
Transportation	2,825	3,003	178	6.3%
Debt Service	4,104	4,652	548	13.4%
State Operations (excluding collective bargaining)	14,975	14,535	(440)	-2.9%
Collective Bargaining	93	728	635	682.8%
All Other	18,005	17,207	(798)	-4.4%

** DOH Medicaid only, excluding local cap payments.*

*** Includes Medicaid spending disbursed by such agency*

**** Unaudited Year-End Results*

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Changes to the Executive Budget

The Executive Budget 21-Day Financial Plan for 2008-09 underwent substantial revisions for two main reasons: (1) changes negotiated by the Legislature and Executive during the process of budget enactment, which included the consensus revenue forecast, the identification of new resources, the additions and restorations to the Executive Budget recommendations, and the impact of across-the-board reductions to State agencies and "non-entitlement" local assistance programs; and (2) the substantial revisions to the current-services forecast made by DOB apart from the budget enactment process. The table below summarizes the revisions to the General Fund operating forecast for 2008-09 through 2011-12.

Changes to General Fund Operating Forecast for 2008-09 Through 2011-12 (millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Executive Budget 21-Day Gap Estimate	**0**	**(3,576)**	**(6,139)**	**(7,180)**
New Resources Identified in Negotiations	**1,254**	**793**	**763**	**728**
Consensus Revenue Forecast	*(300)*	*(300)*	*(300)*	*(300)*
Spending Cuts to Executive Proposal	341	190	239	275
Consensus Spending Reestimates	*395*	*285*	*285*	*250*
Health Care Financing: Cigarette Tax	265	296	292	291
Fund Balances	220	50	50	50
Property Sales	110	85	10	10
Abandoned Property	100	100	100	100
Authority Resources	60	35	35	0
Surcharges and Civil Recoveries	63	52	52	52
Additions/Restorations made in Negotiations	**(1,254)**	**(1,584)**	**(1,480)**	**(1,564)**
Education	(436)	(327)	(274)	(274)
Health and Medicaid	(234)	(180)	(200)	(197)
Human Services	(133)	(127)	(130)	(133)
Local/General Government	(127)	(65)	(69)	(69)
Higher Education	(92)	(112)	(112)	(112)
Agriculture/Environment/Housing	(35)	(7)	(5)	(1)
Criminal Justice/Homeland Security	(32)	(50)	(51)	(56)
Transportation	(15)	(7)	(5)	(5)
Economic Development	(14)	0	0	0
Mental Hygiene	(9)	(18)	(18)	(18)
Member Items	0	(110)	(129)	0
Debt Service for Capital Additions	0	(7)	(21)	(38)
Fee/Surcharge Rejections	(143)	(208)	(183)	(174)
Net Tax/Revenue Changes	16	(366)	(283)	(487)
Across-the-Board Reductions	**485**	**486**	**488**	**488**
NET IMPACT OF NEGOTIATED CHANGES	**485**	**(305)**	**(229)**	**(348)**
CURRENT SERVICES ADJUSTMENTS	**(739)**	**(1,135)**	**(1,363)**	**(1,234)**
Revenue Revisions	(532)	(712)	(691)	(645)
PEF Collective Bargaining	(254)	(265)	(399)	(399)
Additional Spending Reestimates	47	(158)	(273)	(190)
Use of Labor Reserves to Fund PEF	**254**	**0**	**0**	**0**
Enacted Budget Surplus/(Gap) Estimate	**0**	**(5,016)**	**(7,731)**	**(8,762)**

Impact on the Budget Gaps

In comparison to the 21-Day Financial Plan forecast, the budget gaps for 2009-10 through 2011-12 have increased by an average of approximately $1.5 billion. The table below summarizes the sources that contributed to the changes in the gaps. Please note that this incremental view of the current-services forecast begins with the Executive 21-Day forecast and excludes certain items, such as the consensus revenue forecast and the spending reestimates agreed to jointly by the Executive and Legislature, since these were part of the negotiated agreement.

2008-09 Enacted Budget: Impact on Budget Gaps (millions of dollars)

	2009-10	2010-11	2011-12
EXECUTIVE 21-DAY GAPS (AFTER ACTIONS)	**(3,576)**	**(6,139)**	**(7,180)**
Current Services Impact on 21-Day Gap Estimate	**(1,135)**	**(1,363)**	**(1,234)**
Net Impact of Negotiated Changes	**(305)**	**(229)**	**(348)**
Across-the-Board Reductions	486	488	488
Budget Changes	(791)	(717)	(836)
ENACTED GAPS (AFTER ACTIONS)	**(5,016)**	**(7,731)**	**(8,762)**

The substantive negotiated changes are summarized below. Negotiations identified $1.25 billion in new resources, excluding the impact of the across-the-board reductions, to finance $1.25 billion in changes to the Executive Budget.

New resources identified in negotiations include:

- Spending Reductions/Reestimates: The Legislature and Executive identified $734 million in spending reductions and reestimates compared to the Executive Budget projections. Spending reductions totaled $341 million. These included:

  - Not authorizing a request by the Judiciary for a pay increase ($143 million in 2008-09 and $37 million thereafter). The request included funding for a retroactive payment.

  - Eliminating the proposed cap on county pre-school education costs ($20 million growing to $120 million by 2011-12). The cap would have limited county expenses to an annual growth rate, similar to the existing cap on Medicaid.

  - Eliminating the proposed implementation of the Healthy Schools Program ($5 million in 2008-09 growing to $37 million by 2010-11).

  - Reducing or eliminating a number of other initiatives in the areas of health, aging, social services, and economic development. These include Avian Flu preparation ($17 million), Brownfield remediation ($10 million), "broadband" capacity expansion ($5 million), and a range of Health and Mental Hygiene initiatives (including long-term care reform; and facilitated enrollment).

  - Spending reestimates agreed to during negotiations totaled approximately $395 million. The current-services growth for Medicaid was reduced by $250 million based on updated price and utilization trends, and by $75 million based on audit projections. The remaining reestimates were based on operating trends in a number of programs.

- Abandoned Property: The State Comptroller agreed to make available $100 million in additional abandoned property resources on a recurring basis. Abandoned property consists of bank accounts, un-cashed checks, and other resources for which an owner cannot be found or has not made a claim. The State Comptroller is solely responsible for the Fund's operation.

- Cigarette Tax Increase: Revenues from the $1.25 per pack increase will be directed to the Health Care Resources Fund. Health care costs, including Medicaid, are to be financed with any additional revenues.

- Fund Balances: These include $150 million in transfers from special revenue funds with balances in excess of what is needed to fund existing commitments and $70 million in balances from the Elderly Pharmaceutical Insurance Coverage (EPIC) premium account.

- Authority Resources: The New York Power Authority is authorized to make payments to the State for the years 2008-09 through 2010-11.

- Property Sales: Two underutilized State mental hygiene facilities, one in Brooklyn (Gateway) and the other in Manhattan (Morton Street), are expected to be sold in 2008-09, the revenues of which will be used to defray operating expenses related to the mental hygiene system.

- Surcharges/Civil Recoveries: The Enacted Budget authorizes an additional State surcharge on traffic tickets and new surcharges for alcohol and drug violations. It also includes revenues from civil recoveries by district attorneys.

The new resources financed $1.25 billion in legislative changes to the Executive Budget. The changes can be grouped into three categories: (a) additions to programs, either through simply increasing program spending or by not accepting cost-savings measures advanced by the Executive ("restorations"), (b) denial of revenues earmarked to finance programmatic spending, and (c) tax law changes.

Legislative additions and restorations to programs totaled $1.13 billion, which included aid increases for School Aid, the rejection of a number of cost-saving measures, including public assistance cost-sharing with counties, certain rate and rebasing changes in health care, and a large number of special purpose additions for agricultural, economic development, education, and other activities. Additions and restorations included:

- **Education:** The Legislature did not accept proposed changes to the Board of Cooperative Education Services (BOCES) formula; partially accepted proposed changes to the Foundation Aid formula and also made one-time additions for Foundation Aid, High Tax Aid, and other categories. In Special Education, the proposal to realign funding for preschool special education was not adopted. Outside of School Aid and Special Education, the Enacted Budget included restorations to several State programs, and additional funding on a one-time basis for selected school districts and non-profit organizations. In addition, the proposed expansion of the Quick Draw lottery game was not adopted.

- **Health Care and Medicaid:** The Legislature did not accept proposals that would have, among other things, altered the rebasing plan for nursing homes and realized administrative savings in long-term care and home health care. It also slowed the implementation of certain cost-containment measures related to hospitals and detoxification services.

- **Local Government/General Government:** The Legislature restored AIM funding for New York City ($82 million), provided $18 million to finance a restoration of the 2 percent reduction in non-entitlement local assistance, and added $12 million in special aid to certain cities. Other funding changes in this category include the costs of adding 120 new auditors to the Department of Taxation and Finance to improve audit and compliance efforts and the rejection of a proposal that would have permitted the State to pay interest at the market rate (rather than a statutory rate) on Court of Claims judgments.

- **Human Services:** The Legislature did not approve proposals that would have increased local cost-sharing for certain welfare services ($41 million) and for youth detention ($35 million); restored funding for certain TANF-financed programs ($21 million); financed the restoration of the 2 percent reduction for local welfare administration ($6 million); and added funding for a range of activities and organizations, including youth employment, worker education, and special-purpose programs. In addition, it accepted the closure of five youth facilities, rather than the seven that were recommended in the Executive Budget.

- **Higher Education:** The Legislature financed the restoration of reductions in SUNY, CUNY, and TAP, and certain other programs, and added funding for a number of special-purpose programs.

- **Criminal Justice:** The Legislature did not approve the closure of three correctional camps and one medium-term correctional facility, or provisions related to parole for certain medical conditions. It also added funding for a number of special-purpose programs and activities.

- **Mental Hygiene:** Legislative changes primarily reflect one-time targeted funding for specific non-profit providers in the Office of Mental Health (OMH) ($2 million), the Office of Mental Retardation and Developmental Disabilities (OMRDD) ($1 million), and the Office of Alcoholism and Substance Abuse Services (OASAS) ($1 million); funding for additional research positions and related costs in OMH ($2 million); and partial restoration of OMRDD provider reimbursement rate reforms proposed in the Executive Budget ($4 million growing to $16 million).

- **Transportation:** The Legislature added funding for the Rochester Genesee Regional Transportation Authority and the Capital District Transportation Authority, high-speed rail operating assistance, multi-modal projects, and Seaway trails.

- **Agriculture/Environment/Housing:** The Legislature added funding for the Neighborhood Preservation and Rural Preservation programs and a number of special-purpose programs and activities (e.g., studies, agricultural specialty grants, tenant services, historical sites, agricultural tourism, etc.)

- **Economic Development:** The Legislature added funding for Empire Zones administration and a number of special-purpose programs and activities (e.g., Griffiss Air Force Base, Plattsburgh Air Force Base, Seneca Army Depot, Watervliet Arsenal, Luther Forest Technology Development Corporation, etc.)

- **Member-Items:** The Legislature authorized a $200 million deposit to the Community Projects Fund, which finances a range of special-purpose programs and activities. The authorized deposits are to be made in installments in 2009-10 and 2010-11. In addition, the $40 million reduction in 2008-09 is to be funded in 2009-10.

The Legislature did not accept several revenue proposals valued at an estimated total of $143 million, including an auto insurance surcharge that would have been used to finance State Police and transportation safety initiatives, and a restructuring of the real property transfer fee based on sale prices, the revenues from which would have helped finance activities of the Office of Real Property Services.

Lastly, negotiations produced a package of tax law changes that has a net positive impact of $16 million in 2008-09, but results in higher costs in future years. The changes are summarized below.

2008-09 Receipts and Disbursements Forecast

This section describes the State's Financial Plan projections for receipts and disbursements based on the 2008-09 Executive Budget recommendations. The receipts forecast describes estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current-services spending and the impact of the Budget on each of the State's major areas of spending (e.g.; Medicaid, School Aid, etc.).

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.

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.

2008-09 Receipts Overview

Total Receipts (millions of dollars)				
	2007-08 Results**	2008-09 Estimated	Annual $ Change	Annual % Change
State Operating Funds	**75,596**	**78,623**	**3,027**	**4.0%**
General Fund*	40,922	43,156	2,234	5.5%
Other State Funds	21,237	21,542	305	1.4%
Debt Service Funds	13,437	13,925	488	3.6%
All Governmental Funds	**115,420**	**119,944**	**4,524**	**3.9%**
State Operating Funds	75,596	78,623	3,027	4.0%
Capital Projects Funds	6,527	7,280	753	11.5%
Federal Operating Funds	33,297	34,041	744	2.2%

** Excludes transfers*

***Unaudited Year-End Results*

All Funds receipts are projected to total $119.9 billion, an increase of $4.5 billion over 2007-08 results. The total comprises tax receipts ($63.9 billion), Federal grants ($36.0 billion) and miscellaneous receipts ($20.1 billion). The following table summarizes the actual receipts for 2007-08 and the Enacted Budget projections for 2008-09 and 2009-10.

Total Receipts (millions of dollars)							
	2007-08 Results*	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**53,094**	**55,638**	**2,544**	**4.8%**	**57,146**	**1,508**	**2.7%**
Taxes	38,395	40,610	2,215	5.8%	42,324	1,714	4.2%
Miscellaneous Receipts	2,458	2,505	47	1.9%	2,470	(35)	-1.4%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
Transfers	12,172	12,482	310	2.5%	12,352	(130)	-1.0%
State Funds	**80,371**	**83,910**	**3,539**	**4.4%**	**87,944**	**4,034**	**4.8%**
Taxes	60,871	63,904	3,033	5.0%	67,088	3,184	5.0%
Miscellaneous Receipts	19,431	19,964	533	2.7%	20,855	891	4.5%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
All Funds	**115,420**	**119,944**	**4,524**	**3.9%**	**125,087**	**5,143**	**4.3%**
Taxes	60,871	63,904	3,033	5.0%	67,088	3,184	5.0%
Miscellaneous Receipts	19,640	20,084	444	2.3%	20,965	881	4.4%
Federal Grants	34,909	35,956	1,047	3.0%	37,034	1,078	3.0%

**Unaudited Year-End Results*

2008-09

- Total All Funds receipts in 2008-09 are expected to reach $119.9 billion, an increase of $4.5 billion, or 3.9 percent from 2007-08 results. All Funds tax receipts are projected to grow by more than $3.0 billion. All Funds Federal grants are expected to increase by just over $1.0 billion, or 3.0 percent. All Funds Miscellaneous receipts are projected to increase by $444 million, or 2.3 percent.

- After controlling for the impact of all policy changes, base tax revenue growth is estimated to be 2.6 percent for fiscal year 2008-09.

- Total State Funds receipts are projected to be $83.9 billion, an increase of $3.5 billion, or 4.4 percent from 2007-08 receipts.

- Total General Fund receipts are projected at $55.6 billion, an increase of $2.5 billion, or 4.8 percent from 2007-08 results. General Fund tax receipt growth is projected to be 5.8 percent over 2007-08 results and General Fund miscellaneous receipts are projected to increase by $47 million.

Total Receipts (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**57,146**	**59,774**	**2,628**	**4.6%**	**62,744**	**2,970**	**5.0%**
Taxes	42,324	44,389	2,065	4.9%	46,892	2,503	5.6%
State Funds	**87,944**	**91,492**	**3,548**	**4.0%**	**95,204**	**3,712**	**4.1%**
Taxes	67,088	70,531	3,443	5.1%	74,276	3,745	5.3%
All Funds	**125,087**	**129,676**	**4,589**	**3.7%**	**135,052**	**5,376**	**4.1%**
Taxes	67,088	70,531	3,443	5.1%	74,276	3,745	5.3%

Overall, receipts growth after 2008-09 is expected to be moderate at first then regain strength consistent with the U.S. and New York economic forecast.

- Total All Funds receipts in 2009-10 are projected to reach $125.1 billion, an increase of $5.1 billion, or 4.3 percent from 2008-09 estimates. All Funds receipts in 2010-11 are expected to increase by $4.6 billion (3.7 percent) over the prior year. In 2011-12, receipts are expect to increase by nearly $5.4 billion (4.1 percent) over 2010-11.

- All Funds tax receipts are expected to increase by 5.0 percent in 2009-10, 5.1 percent in 2010-11 and 5.3 percent in 2011-12.

- Total State Funds receipts are projected to be over $87.9 billion in 2009-10, nearly $91.5 billion in 2010-11 and $95.2 billion in 2011-12.

- Total General Fund receipts are projected to be $57.1 billion in 2009-10, $59.8 billion in 2010-11 and roughly $62.7 billion in 2011-12.

Base Growth

Governmental Funds Actual and Base Tax Receipts Growth (percent growth)			
State Fiscal Year	Actual Receipts	Base Receipts	Personal Income
2007-08*	3.6	6.0	5.7
2008-09	5.0	2.6	2.5
2009-10	5.0	6.0	3.9
2010-11	5.1	5.4	5.0
2011-12	5.3	5.6	5.1

**Unaudited Year-End Results*

Base growth, adjusted for law changes, in tax receipts for fiscal year 2007-08 was 6.0 percent. This was the first time in four years growth fell below 9 percent. The relatively weak growth was the result of:

- Reductions in finance sector activities such as high-yield debt underwriting and mergers and acquisitions, which created a drag on finance sector wage growth;
- Declining corporate and banking income in the face of the sub-prime mortgage crisis; and
- A much weaker residential and commercial real-estate market.

The strong economic growth, which was concentrated in downstate New York and drove receipts growth over the past several years, is expected to give way to more moderate growth over the Financial Plan forecast period. After recovering to 6.0 percent in 2009-10, base receipts growth is expected to moderate in 2010-11 and beyond. Base growth is expected to remain above 5.0 percent throughout the forecast period. Actual receipts are expected to grow more rapidly than the underlying base in 2008-09, reflecting the impact of tax actions taken with this Budget. As the table above indicates, base receipts growth closely matches expected growth in personal income over the forecast period, with the exception of 2009-10 and 2010-11 when personal income growth lags the rebound in base business receipts growth by one year.

Personal Income Tax

Personal Income Tax
(millions of dollars)

	2007-08 Results*	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**22,759**	**23,921**	**1,162**	**5.1%**	**24,816**	**895**	**3.7%**
Gross Collections	43,170	45,613	2,443	5.7%	47,446	1,833	4.0%
Refunds	(6,606)	(7,463)	(857)	13.0%	(7,182)	281	-3.8%
STAR	(4,664)	(4,693)	(29)	0.6%	(5,383)	(690)	14.7%
RBTF	(9,141)	(9,536)	(395)	4.3%	(10,065)	(529)	5.5%
State/All Funds	**36,564**	**38,150**	**1,586**	**4.3%**	**40,264**	**2,114**	**5.5%**
Gross Collections	43,170	45,613	2,443	5.7%	47,446	1,833	4.0%
Refunds	(6,606)	(7,463)	(857)	13.0%	(7,182)	281	-3.8%

**Unaudited Year-End Results*

All Funds personal income tax receipts, which reflects the net of gross payments minus refunds, for 2008-09 are estimated at $38.1 billion, an increase of nearly $1.6 billion or 4.3 percent over the prior year. Gross receipts are projected to increase 5.7 percent. The relatively modest increase is primarily attributable to a strong settlement on 2007 tax year liabilities, offset by slow growth in withholding of approximately $850 million, or 2.9 percent. This reflects a weak forecast in overall wage growth resulting from the forecast economic slowdown, and an outright decline in financial sector bonus compensation. Also, estimated taxes for tax year 2008 liabilities are projected to decline by approximately $300 million (3.7 percent) from 2007, reflecting large drops in capital gains realizations (16 percent) and slow growth in other non-wage income.

The weakness associated with tax year 2008 liabilities is partly offset by the strong settlement on 2007 tax year returns noted above, with extension payments expected to increase by over $1.5 billion (50.1 percent) and payments with final returns increasing by over $350 million (18.9 percent). The growth in these components is primarily attributable to robust growth in gains (15 percent) and other income, especially among a fairly small group of high-income taxpayers.

Finally, refunds are expected to increase by approximately $850 million (13.0 percent) in part due to an increase in the fixed amount of refunds the Tax Department pays from January through March, from $1.5 billion to $1.75 billion, as well as an expected increase in refunds for high-income taxpayers who file extension returns in October, many of whom likely overpaid when filing their extensions in April 2008. There is a historical relationship between October-December refunds and April extension payments, suggesting some of the extraordinary spike in extension payments will ultimately be refunded.

Personal Income Tax Fiscal Year Collection Components
All Funds
(millions of dollars)

	2007-08 (Results**)	2008-09 (Estimated)	2009-10 (Projected)	2010-11 (Projected)	2011-12 (Projected)
Receipts					
Withholding	28,440	29,276	31,368	33,070	35,558
Estimated Payments	11,640	12,852	12,756	14,026	14,730
Current Year	8,592	8,277	9,301	10,151	10,605
Prior Year*	3,048	4,575	3,455	3,875	4,125
Final Returns	2,167	2,538	2,336	2,493	2,659
Current Year	206	207	207	207	207
Prior Year*	1,961	2,331	2,129	2,286	2,452
Delinquent Collections	923	947	986	1,027	1,065
Gross Receipts	43,170	45,613	47,446	50,616	54,012
Refunds					
Prior Year*	4,286	4,819	4,438	4,788	5,193
Previous Years	341	290	310	330	330
Current Year*	1,500	1,750	1,750	1,750	1,750
State-City Offset*	479	604	684	758	841
Total Refunds	6,606	7,463	7,182	7,626	8,114
Net Receipts	36,564	38,150	40,264	42,990	45,898

** These components, collectively, are known as the "settlement" on the prior year's tax liability.*

*** Unaudited Year-End Results*

General Fund income tax receipts for 2008-09, which are net of deposits to the Revenue Bond Tax Fund (RBTF) and STAR Fund, are estimated to increase by $1.2 billion (5.1 percent). Deposits to the STAR Fund are projected to increase by $29 million (0.6 percent) reflecting the impact of base program growth offset by Enacted Budget reductions to the program. Transfers to the RBTF, which equal 25 percent of net collections, are expected to increase by the same percentage as net collections (4.3 percent) or approximately $400 million.

Personal Income Tax
(millions of dollars)

	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**24,816**	**26,333**	**1,517**	**6.1%**	**28,229**	**1,896**	**7.2%**
Gross Collections	47,446	50,616	3,170	6.7%	54,012	3,396	6.7%
Refunds	(7,182)	(7,626)	(444)	6.2%	(8,114)	(488)	6.4%
STAR	(5,383)	(5,910)	(527)	9.8%	(6,195)	(285)	4.8%
RBTF	(10,065)	(10,747)	(682)	6.8%	(11,474)	(727)	6.8%
State/All Funds	**40,264**	**42,990**	**2,726**	**6.8%**	**45,899**	**2,909**	**6.8%**
Gross Collections	47,446	50,616	3,170	6.7%	54,012	3,396	6.7%
Refunds	(7,182)	(7,626)	(444)	6.2%	(8,113)	(488)	6.4%

In general, income tax growth for 2009-10 and 2010-11 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business net income, and the impact of tax law changes. Projections for 2009-10 and 2010-11 reflect the impact of Enacted Budget legislation that strengthens the Tax Department's compliance tools, extension of tax shelter legislation, and restructuring of fees paid by LLCs.

All Funds personal income tax projected receipts for 2009-10 of slightly under $40.3 billion reflect an increase of $2.1 billion (5.5 percent) above the 2008-09 estimate. The forecast reflects a slow but steady recovery from the 2008 recession, and the impact of legislation described above. All Funds receipts for 2010-11 of $43 billion are $2.7 billion (6.8 percent) above 2009-10, reflecting continued economic recovery and growth.

General Fund income tax receipts are projected to increase by just under $900 million (3.7 percent) in 2009-10. The change reflects the growth in net receipts discussed above, offset by a $690 million (14.7 percent) increase in the STAR Fund transfer mainly to finance the continuation of the second phase of the middle class rebate program which will be delayed for one year in 2008-09. Also, the RBTF transfer is projected to increase by $529 million (5.5 percent). General Fund receipts for 2010-11 are projected to increase over 2009-10 by slightly over $1.5 billion. This reflects 6.8 percent growth in net collections and the RBTF transfer, offset by an increase in the STAR Fund transfer of $527 million (9.8 percent) mainly to fund the delayed third and final phase of the middle class rebate program.

All funds personal income tax receipts are expected to grow by 6.8 percent to $45.9 billion in 2011-12. General Fund receipts are expected to grow by 7.2 percent to $28.2 billion.

User Taxes and Fees

User Taxes and Fees (millions of dollars)

	2007-08 Results*	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**8,555**	**8,937**	**382**	**4.5%**	**9,258**	**321**	**3.6%**
Sales Tax	7,945	8,186	241	3.0%	8,481	295	3.6%
Cigarette and Tobacco Taxes	409	433	24	5.9%	430	(3)	-0.7%
Motor Vehicle Fees	(51)	61	112	N/A	81	20	32.8%
Alcoholic Beverage Taxes	205	209	4	2.0%	214	5	2.4%
ABC License Fees	47	48	1	2.1%	52	4	8.3%
State/All Funds	**13,993**	**14,820**	**827**	**5.9%**	**15,298**	**478**	**3.2%**
Sales Tax	11,296	11,655	359	3.2%	12,076	421	3.6%
Cigarette and Tobacco Taxes	976	1,322	346	35.5%	1,343	21	1.6%
Motor Fuel	525	535	10	1.9%	538	3	0.6%
Motor Vehicle Fees	748	848	100	13.4%	870	22	2.6%
Highway Use Tax	148	155	7	4.7%	155	0	0.0%
Alcoholic Beverage Taxes	205	209	4	2.0%	214	5	2.4%
ABC License Fees	48	48	0	0.0%	52	4	8.3%
Auto Rental Tax	47	48	1	2.1%	50	2	4.2%

**Unaudited Year-End Results*

All Funds user taxes and fees receipts for 2008-09 are estimated to be $14.8 billion, an increase of $827 million or 5.9 percent from 2007-08. Sales tax receipts are expected to increase by $359 million from the prior year due to tax law changes (voluntary compliance, vendor registration, adjusting not-for-profit tax exemption, sales tax nexus) and a base growth of 2.9 percent. Non-sales tax user taxes and fees are estimated to increase by $468 million from 2007-08 mainly due to an increase in cigarette tax and motor vehicle fee collections. The increase in cigarette tax collections is due to an increase in the cigarette tax rate from $1.50 per pack to $2.75 per pack, effective June 3, 2008, and increased enforcement efforts. The increase in motor vehicle fee collections is due to the implementation of the Western Hemisphere Travel Initiative.

General Fund user taxes and fees receipts are expected to total $8.9 billion in 2008-09, an increase of $382 million or 4.5 percent from 2007-08. The increase reflects an increase in sales tax receipts of $241 million, motor vehicle fee collections of $112 million and cigarette tax collections of $24 million.

All Funds user taxes and fees receipts for 2009-10 are projected to be $15.3 billion, an increase of $478 million, or 3.2 percent from 2008-09. General Fund user taxes and fees receipts are projected to total $9.3 billion in 2009-10, an increase of $321 million, or 3.6 percent from 2008-09. This increase largely reflects a projected increase in sales tax due to base growth and the full implementation of tax law changes.

User Taxes and Fees
(millions of dollars)

	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**9,258**	**9,602**	**344**	**3.7%**	**9,975**	**373**	**3.9%**
Sales Tax	8,481	8,800	319	3.8%	9,145	345	3.9%
Cigarette and Tobacco Taxes	430	426	(4)	-0.9%	425	(1)	-0.2%
Motor Vehicle Fees	81	109	28	34.6%	130	21	19.3%
Alcoholic Beverage Taxes	214	219	5	2.3%	223	4	1.8%
ABC License Fees	52	48	(4)	-7.7%	52	4	8.3%
State/All Funds	**15,298**	**15,767**	**469**	**3.1%**	**16,299**	**532**	**3.4%**
Sales Tax	12,076	12,530	454	3.8%	13,021	491	3.9%
Cigarette and Tobacco Taxes	1,343	1,327	(16)	-1.2%	1,324	(3)	-0.2%
Motor Fuel	538	541	3	0.6%	544	3	0.6%
Motor Vehicle Fees	870	892	22	2.5%	918	26	2.9%
Highway Use Tax	155	158	3	1.9%	164	6	3.8%
Alcoholic Beverage Taxes	214	219	5	2.3%	223	4	1.8%
ABC License Fees	52	49	(3)	-5.8%	53	4	8.2%
Auto Rental Tax	50	51	1	2.0%	52	1	2.0%

All Funds user taxes and fees are projected to increase by $469 million in 2010-11 and $532 million in 2011-12.

Business Taxes

Business Taxes (millions of dollars)							
	2007-08 Results*	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**6,018**	**6,559**	**541**	**9.0%**	**6,925**	**366**	**5.6%**
Corporate Franchise Tax	3,446	3,706	260	7.5%	4,240	534	14.4%
Corporation & Utilities Tax	603	613	10	1.7%	623	10	1.6%
Insurance Tax	1,089	1,171	82	7.5%	1,197	26	2.2%
Bank Tax	880	1,069	189	21.5%	865	(204)	-19.1%
State/All Funds	**8,231**	**8,782**	**551**	**6.7%**	**9,215**	**433**	**4.9%**
Corporate Franchise Tax	3,997	4,220	223	5.6%	4,830	610	14.5%
Corporation & Utilities Tax	802	816	14	1.7%	827	11	1.3%
Insurance Tax	1,219	1,300	81	6.6%	1,323	23	1.8%
Bank Tax	1,058	1,242	184	17.4%	998	(244)	-19.6%
Petroleum Business Tax	1,155	1,204	49	4.2%	1,237	33	2.7%

**Unaudited Year-End Results*

All Funds business tax receipts for 2008-09 of $8.8 billion are estimated to increase by $551 million or 6.7 percent over the prior year. The estimates reflect a net increase in receipts of $664 million from enacted provisions that will close loopholes, restructure and streamline fees and minimum taxes, increase tax compliance and provide certain business tax reductions. Absent these provisions, All Funds business tax receipts are expected to decline by $113 million or 1.4 percent. The loophole provisions include: decoupling from the Federal Qualified Production Activity Income deduction ($56 million), fully closing the REIT/RIC loophole ($50 million) and subjecting credit card companies with a qualifying number of customers or receipts in New York State to the bank tax ($57 million).

The Enacted Budget also reflects legislation that will reduce business tax receipts by $59 million in 2008-09. That legislation will extend the ITC for the financial services industry for three additional years, through September 30, 2011 ($35 million), extend the Power for Jobs program by one-year ($15 million), increase and extend the State film tax credit ($5 million), and increase the amount of low-income housing credits the Commissioner of Housing and Community Renewal may allocate by $4 million.

All Funds non-audit business tax receipts before these enacted tax initiatives are estimated to increase 3.5 percent in 2008-09. This overall increase reflects a moderation in the growth of non-audit corporate franchise tax receipts to roughly 2.9 percent. Total corporate franchise tax receipts for 2008-09 of $4.2 billion reflect the Enacted Budget tax legislation described above and decreasing corporate profits in 2008.

All Funds non-audit bank tax receipts before enacted tax initiatives are projected to decrease by 0.1 percent. Total bank tax receipts for 2008-09 of $1.2 billion reflect the Enacted Budget tax legislation described above and an increase in audit receipts from last year's moderate level.

Projected All Funds non-audit business tax receipts for 2008-09 also reflect growth in corporation and utilities tax receipts of 3.3 percent, insurance tax receipts of 7 percent and petroleum business tax receipts of 4.4 percent. All Funds audit receipts from all business taxes are projected to decline by 4.2 percent, or $59 million, from the relatively high level of the prior year.

General Fund business tax receipts for 2008-09 of $6.6 billion are estimated to increase $541 million, or 9 percent over the prior year. Absent Enacted Budget tax law changes, General Fund business tax receipts are expected to decline by $82 million, or 1.4 percent. More specifically, estimated 2008 corporate franchise tax liability after adjusting for enacted tax initiatives is estimated to decline by 2.7 percent, consistent with the revised corporate profits estimate. Business tax receipts deposited to the General Fund reflect the All Funds trends and the enacted tax initiatives discussed above.

All Funds business tax receipts for 2009-10 are projected to increase $433 million, or 4.9 percent, to $9.2 billion. This change reflects increases in corporate franchise tax, corporation and utilities taxes, insurance taxes and petroleum business taxes receipts, partially offset by a moderate decrease in bank tax receipts.

Business Taxes (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**6,925**	**7,047**	**122**	**1.8%**	**7,190**	**143**	**2.0%**
Corporate Franchise Tax	4,240	4,224	(16)	-0.4%	4,392	168	4.0%
Corporation & Utilities Tax	623	632	9	1.4%	636	4	0.6%
Insurance Tax	1,197	1,236	39	3.3%	1,280	44	3.6%
Bank Tax	865	955	90	10.4%	882	(73)	-7.6%
State/All Funds	**9,215**	**9,357**	**142**	**1.5%**	**9,526**	**169**	**1.8%**
Corporate Franchise Tax	4,830	4,809	(21)	-0.4%	5,002	193	4.0%
Corporation & Utilities Tax	827	837	10	1.2%	842	5	0.6%
Insurance Tax	1,323	1,365	42	3.2%	1,414	49	3.6%
Bank Tax	998	1,103	105	10.5%	1,018	(85)	-7.7%
Petroleum Business Tax	1,237	1,243	6	0.5%	1,250	7	0.6%

For 2010-11, All Funds business tax receipts are projected to increase by 1.5 percent, to $9.4 billion. This increase reflects increases in bank tax, insurance tax, corporation and utilities tax and petroleum business tax receipts, largely offset by a small decrease in corporate franchise tax receipts, as a result of an expected significant increase in Brownfield credit claims. For 2011-12, All Funds business tax receipts are projected to increase by 1.8 percent to $9.5 billion.

Other Taxes

Other Taxes (millions of dollars)							
	2007-08 Results*	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**1,064**	**1,194**	**130**	**12.2%**	**1,325**	**131**	**11.0%**
Estate Tax	1,037	1,170	133	12.8%	1,301	131	11.2%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	1	0	(1)	-100.0%	0	0	0.0%
Pari-mutuel Taxes	24	23	(1)	-4.2%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**2,085**	**2,151**	**66**	**3.2%**	**2,311**	**160**	**7.4%**
Estate Tax	1,037	1,170	133	12.8%	1,301	131	11.2%
Gift Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Property Gains Tax	1	0	(1)	-100.0%	0	0	0.0%
Real Estate Transfer Tax	1,021	957	(64)	-6.3%	986	29	3.0%
Pari-mutuel Taxes	24	23	(1)	-4.2%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

**Unaudited Year-End Results*

All Funds other tax receipts for 2008-09 are estimated to be nearly $2.2 billion, up $66 million or 3.2 percent from 2007-08 receipts, reflecting growth in estate tax receipts due to an anticipated increase in the number of large estate tax payments and declines in the real estate transfer tax. General Fund other tax receipts are expected to total $1.2 billion in fiscal year 2008-09, an increase of $130 million.

All Funds other tax receipts in 2009-10 are projected to be over $2.3 billion, up $160 million or 7.5 percent from 2008-09, reflecting modest growth in real estate transfer tax receipts as well as growth in estate tax receipts. General Fund receipts for 2009-10 are projected to total approximately $1.3 billion, an increase of $131 million.

Other Taxes (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**1,325**	**1,408**	**83**	**6.3%**	**1,498**	**90**	**6.4%**
Estate Tax	1,301	1,384	83	6.4%	1,474	90	6.5%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Pari-mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%
State/All Funds	**2,311**	**2,419**	**108**	**4.7%**	**2,555**	**136**	**5.6%**
Estate Tax	1,301	1,384	83	6.4%	1,474	90	6.5%
Gift Tax	0	0	0	0.0%	0	0	0.0%
Real Property Gains Tax	0	0	0	0.0%	0	0	0.0%
Real Estate Transfer Tax	986	1,011	25	2.5%	1,057	46	4.5%
Pari-mutuel Taxes	23	23	0	0.0%	23	0	0.0%
All Other Taxes	1	1	0	0.0%	1	0	0.0%

The 2010-11 All Funds receipts projection for other taxes is just over $2.4 billion, up $108 million or 4.7 percent over the 2009-10 receipts total. Growth in the estate tax is projected to follow expected increases in household net worth and receipts from the real estate transfer tax continue to reflect the slow growth in the housing market.

The 2011-12 All Funds receipts projection for other taxes is approximately $2.6 billion, up $136 million or 5.6 percent over 2010-11 receipts total. The forecast reflects continued increases in household net worth as well as in the value of real property transfers.

Miscellaneous Receipts and Federal Grants

Miscellaneous Receipts and Federal Grants (millions of dollars)							
	2007-08 Results*	2008-09 Estimated	Annual $ Change	Annual % Change	2009-10 Projected	Annual $ Change	Annual % Change
General Fund	**2,527**	**2,546**	**19**	**0.8%**	**2,470**	**(76)**	**-3.0%**
Miscellaneous Receipts	2,458	2,505	47	1.9%	2,470	(35)	-1.4%
Federal Grants	69	41	(28)	-40.6%	0	(41)	-100.0%
State Funds	**19,500**	**20,006**	**506**	**2.6%**	**20,856**	**850**	**4.2%**
Miscellaneous Receipts	19,431	19,964	533	2.7%	20,855	891	4.5%
Federal Grants	69	42	(27)	-39.1%	1	(41)	-97.6%
All Funds	**54,549**	**56,040**	**1,491**	**2.7%**	**57,999**	**1,959**	**3.5%**
Miscellaneous Receipts	19,640	20,084	444	2.3%	20,965	881	4.4%
Federal Grants	34,909	35,956	1,047	3.0%	37,034	1,078	3.0%

**Unaudited Year-End Results*

All Funds miscellaneous receipts include moneys 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 $20.1 billion in 2008-09, an increase of $444 million from 2007-08 largely driven by growth in: lottery revenues, including VLTs ($314 million); SUNY hospital revenues ($168 million); and HCRA revenues excluding the State cigarette tax ($85 million).

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 expects that Federal reimbursement will be received in the State fiscal year in which spending occurs, but timing differences sometimes varies. Federal grants are projected to total nearly $36.0 billion in 2008-09, an increase of over $1.0 billion from 2007-08. Federal spending is expected to increase for public health ($209 million), Medicaid ($257 million), homeland security ($78 million) and temporary and disability assistance ($175 million).

General Fund miscellaneous receipts collections are estimated to be approximately $2.5 billion in 2008-09, up $47 million from 2007-08 receipts. This increase is primarily due to an increase in Monroe County's Medicaid sales tax intercept payments and additional abandoned property receipts. General Fund Federal grants are expected to decline by $28 million from the prior year, one-half which is due to the possible loss of the Federal Medicare Part D receipts if the State converts its retiree contracted Medicare Part D subsidy for State retirees.

All Funds miscellaneous receipts are projected to total nearly $21.0 billion in 2009-10, an increase of $881 million from the current year, driven by: growth in programs financed with authority bond proceeds ($1.0 billion), including spending for economic development, environment, education and mental health; offset by a reduction in expected HCRA revenues ($213 million). Federal grants are projected to total $37.0 billion in 2009-10, an increase of $1.0 billion from the current year. Federal spending is expected to increase for Medicaid ($958 million) and Elections ($114 million). These increases would be slightly offset by a decline in lottery revenues of $45 million, due to the expected sale of development rights of the Aqueduct VLT facility during 2008-09, and the decrease of approximately $14 million due to the potential loss of the Medicare Part D Subsidy should a conversion to a contracted Medicare Part D plan. Such a conversion would have no negative impact on retirees while potentially reducing State spending. In most cases, the grant levels reflect projected changes in State spending levels and a corresponding change in estimated Federal reimbursement, not changes in aid levels for New York authorized by Congress.

General Fund miscellaneous receipts collections in 2009-10 are projected to fall to just under $2.5 billion, down $35 million from 2008-09 estimates, due to the loss of revenue from the State of New York Mortgage Authority.

Miscellaneous Receipts and Federal Grants (millions of dollars)							
	2009-10 Projected	2010-11 Projected	Annual $ Change	Annual % Change	2011-12 Projected	Annual $ Change	Annual % Change
General Fund	**2,470**	**2,471**	**1**	**0.0%**	**2,234**	**(237)**	**-9.6%**
Miscellaneous Receipts	2,470	2,471	1	0.0%	2,234	(237)	-9.6%
Federal Grants	0	0	0	0.0%	0	0	0.0%
State Funds	**20,856**	**20,960**	**104**	**0.5%**	**20,928**	**(32)**	**-0.2%**
Miscellaneous Receipts	20,855	20,959	104	0.5%	20,927	(32)	-0.2%
Federal Grants	1	1	0	0.0%	1	0	0.0%
All Funds	**57,999**	**59,145**	**1,146**	**2.0%**	**60,776**	**1,631**	**2.8%**
Miscellaneous Receipts	20,965	21,070	105	0.5%	21,037	(33)	-0.2%
Federal Grants	37,034	38,075	1,041	2.8%	39,739	1,664	4.4%

In 2010-11, General Fund miscellaneous receipts and Federal grants are projected to be nearly $2.5 billion, virtually unchanged from 2009-10.

2008-09 Disbursements Forecast

Total Disbursements (millions of dollars)					
	2007-08 Results**	2008-09 Enacted	Annual $ Change	Annual % Change	Adjusted % Change***
State Operating Funds	**77,001**	**80,862**	**3,861**	**5.0%**	**4.5%**
General Fund *	50,611	50,811	200	0.4%	-0.1%
Other State Funds	22,254	25,338	3,084	13.9%	13.4%
Debt Service Funds	4,136	4,713	577	14.0%	14.0%
All Governmental Funds	**116,056**	**121,606**	**5,550**	**4.8%**	**4.5%**
State Operating Funds	77,001	80,862	3,861	5.0%	4.5%
Capital Projects Funds	6,131	7,080	949	15.5%	15.5%
Federal Operating Funds	32,924	33,664	740	2.2%	2.2%
General Fund, incl. Transfers	**53,385**	**56,361**	**2,976**	**5.6%**	**5.1%**

**Excludes transfers.*

*** Unaudited Year-End Results*

**** Excludes recent labor settlements ($254 million General Fund cost; $362 million State Operating Funds cost)*

State Operating Funds spending, which includes the General Fund, debt service, and other operating funds supported by assessments, tuition, HCRA resources and other non-Federal revenues, is projected to total $80.9 billion in 2008-09. All Funds spending is projected to total $121.6 billion in 2008-09. The major sources of annual spending change between 2007-08 and 2008-09 (after Enacted Budget actions) are summarized in the following table.

2008-09 Enacted Budget Spending Projections -- After Enacted Budget Actions
Major Sources of Annual Change
(millions of dollars)

	General Fund **	Other State Funds***	Total State Operating Funds	Capital Projects Funds	Federal Operating Funds	Total All Funds
2007-08 Results*	**50,611**	**26,390**	**77,001**	**6,131**	**32,924**	**116,056**
Medicaid Transparency Adjustment	(2,655)	2,655	0	0	0	0
Major Functions						
Public Health:						
Medicaid (DOH only)	198	258	456	0	257	713
Public Health/Aging	(36)	195	159	46	152	357
K-12 Education:						
School Aid	1,629	135	1,764	0	37	1,801
All Other Education Aid	72	(3)	69	84	59	212
STAR	0	35	35	0	0	35
Higher Education	182	10	192	81	12	285
Social Services:						
Temporary and Disability Assistance	(341)	2	(339)	0	164	(175)
Children and Family Services	158	1	159	(1)	18	176
Mental Hygiene	98	59	157	43	(21)	179
Transportation	8	182	190	353	5	548
General State Charges	(140)	58	(82)	0	16	(66)
Debt Service	144	404	548	0	0	548
All Other Changes						
Economic Development	1	56	57	268	0	325
PEF Labor Settlement	254	108	362	0	0	362
Local Government Aid	325	0	325	0	0	325
Correctional Services	(42)	6	(36)	36	32	32
Empire State Stem Cell Trust Fund	0	50	50	0	0	50
Homeland Security	55	0	55	2	80	137
Parks and Recreation	(6)	(3)	(9)	68	(2)	57
State Equipment Financing	0	0	0	102	0	102
Elections	7	3	10	0	54	64
All Other	289	(550)	(261)	(133)	(123)	(517)
2008-09 Enacted Budget Estimate	**50,811**	**30,051**	**80,862**	**7,080**	**33,664**	**121,606**
Annual Dollar Change, incl. MA adjust	*200*	*3,661*	*3,861*	*949*	*740*	*5,550*
Annual Percent Change	*0.4%*	*12.6%*	*5.0%*	*15.5%*	*2.2%*	*4.8%*

**Unaudited Year-End Results.*

***Excludes Transfers*

****Includes State Special Revenue and Debt Service Funds*

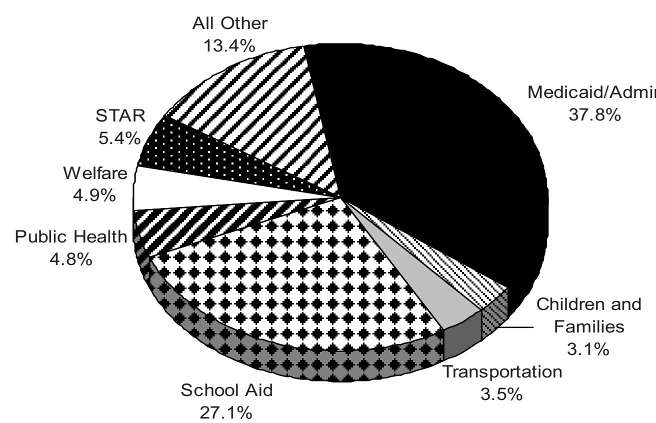
The spending forecast for each of the State's financial plan categories follows. In general, the spending changes are driven by two components: the current-services estimate for each area or activity; and the impact of the Enacted Budget actions.

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 the amounts appropriated in the Budget are disbursed in the same fiscal year.

Grants to Local Governments

Grants to Local Governments (Local Assistance) include payments to local governments, school districts, healthcare providers, and other local entities, as well as certain financial assistance to, or on behalf of, individuals, families, and nonprofit organizations. Local Assistance comprises 71 percent of All Funds spending.

2008-09 All Funds Local Assistance Spending
$86.3 Billion



Local Assistance Spending Projections (millions of dollars)						
	2007-08 Results*	Medicaid Allocation	2007-08 Adjusted	2008-09 Enacted	Annual $ Change	Annual % Change
General Fund	**36,412**	**49**	**36,461**	**39,126**	**2,665**	**7.3%**
Other State Support	16,157	598	16,755	17,230	475	2.8%
State Operating Funds	**52,570**	**647**	**53,217**	**56,356**	**3,140**	**5.9%**
Capital Project Funds	1,078	0	1,078	571	(508)	-47.1%
Federal Operating Funds	29,547	(784)	28,763	29,349	586	2.0%
All Funds	**83,195**	**(137)**	**83,058**	**86,276**	**3,218**	**3.9%**

**Unaudited Year-End Results*

In 2008-09, All Funds spending for local assistance is expected to total $86.3 billion. Total spending comprises State Aid to medical assistance providers and public health programs ($36.7 billion); State Aid to school districts, universities, and tuition assistance ($33.0 billion); temporary and disability assistance ($4.2 billion); mental hygiene programs ($3.6 billion); transportation ($3.0 billion); children and family services ($2.5 billion); and local government assistance ($1.2 billion). Other local assistance programs include criminal justice, economic development, housing, parks and recreation, and environmental quality. The following chart highlights proposed local assistance annual spending changes from 2007-08 to 2008-09 by major program and/or agency.

Local Assistance Spending Projections
Major Sources of Annual Change
(millions of dollars)

	General Fund	State Operating Funds	All Governmental Funds
2007-08 Results*	**36,412**	**52,570**	**83,195**
Medicaid Allocation Adjustment	49	647	(137)
2007-08 Adjusted	**36,461**	**53,217**	**83,058**
School Aid	1,629	1,764	1,800
Medicaid (incl. Admin)	202	460	717
Local Government Assistance	324	324	324
City University	178	178	178
Children and Families	151	152	168
Other Education Aid	65	67	111
Mental Hygiene	197	863	95
Transportation	4	177	(267)
Temporary and Disability Assistance	(319)	(318)	(181)
Economic Development	(45)	(45)	(101)
All Other	278	(483)	373
2008-09 Enacted Budget	**39,126**	**56,356**	**86,276**
Annual Dollar Change	*2,665*	*3,140*	*3,218*
Annual Percent Change	*7.3%*	*5.9%*	*3.9%*

Unaudited Year-End Results

For 2008-09, All Funds local assistance spending is projected to total $86.3 billion, an increase of $3.2 billion (3.9 percent) over the current year. The growth is largely driven by projected increases in School Aid ($1.8 billion) and Medicaid ($717 million). The largest annual variances are described in more detail below.

School Aid: General Fund growth reflects the balance of the 2007-08 school year increase and the level of spending growth which was already projected in the State's current services plan ($1.4 billion), new spending for enhancements to Foundation Aid, High Tax Aid, and other School Aid programs ($447 million), partially offset by additional lottery revenues generated by the State's sale of VLT development rights at Aqueduct ($250 million). Additional State Operating Funds spending is financed by additional lottery revenues, and additional All Governmental Funds spending is financed by additional Federal aid.

Medicaid: General Fund Medicaid spending growth reflects growth which was already projected in the State's current services plan to cover the increasing costs of providing health care services ($1.1 billion) and new Medicaid initiatives ($87 million), largely offset by enacted budget savings ($1.0 billion). General Fund initiatives include investments in hospital services, nursing homes and home care providers, while General Fund savings actions include savings which result from the $1.25 per pack increase in State cigarette taxes, savings associated with the Health Care Reform Act (HCRA), Medicaid fraud prevention, and pharmaceutical savings. Additional State Operating Funds spending is financed by available resources in HCRA and increased cigarette tax revenues, and additional All Governmental Funds spending is financed by additional Federal aid.

Local Government Assistance: In addition to over $200 million in increased aid to municipalities already budgeted in the current services plan, the enacted budget restored $82 million in Aid and Incentives to Municipalities (AIM) funding for New York City and provided $12 million in special aid to certain other cities.

City University: Largely reflects changes in the current services budget for operating costs, including increased spending associated with the State support for fringe benefit costs and an adjustment to prior-year fringe benefit payments.

Children and Families: Reflects increased spending for current services, particularly child welfare services, and new spending initiatives for programs previously funded through TANF, partly offset by various enacted savings initiatives including the 2 percent Statewide across-the-board reduction to programs and the bond financing of system software needs.

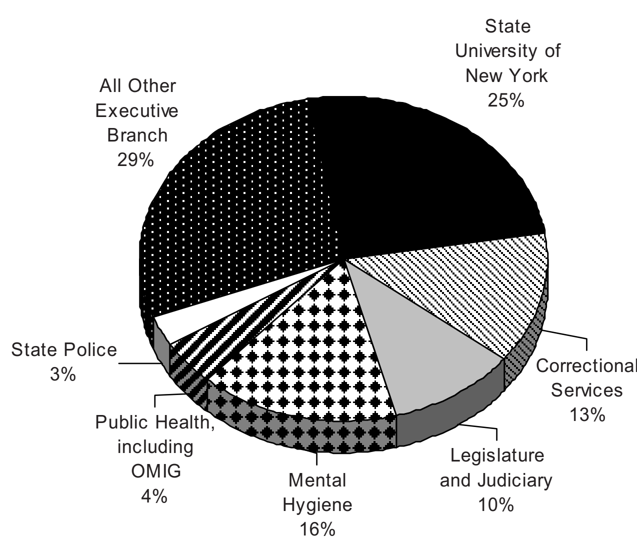
Other Education Aid: Largely reflects current services spending for special education programs, new costs associated with education aid increases to targeted school districts around the State and aid to non-public schools, partly offset by savings associated with the 2 percent across-the-board reduction to programs and the bond financing of technology purchases.

Mental Hygiene: Current service budget increases reflect existing program commitments and mandates associated with the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Mental Health (OMH). The growth in current services is partly offset by enacted savings initiatives to implement various local assistance cash management and revenue maximization inititiaves.

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, includes salaries of State employees of the Executive Branch, Legislature, and Judiciary, as well as overtime payments and costs for temporary employees. 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.

2008-09 All Funds State Operations Spending
$18.7 Billion



All Funds State Operations spending, after across-the-board reductions, is projected at $18.7 billion in 2008-09, a reduction of $700 million from the Executive Budget. Funding for the Office of the Lieutenant Governor has been eliminated. Spending finances the costs of Executive agencies ($16.8 billion) and the Legislature and Judiciary ($1.9 billion). The largest agencies include SUNY ($4.7 billion; 40,632 Full Time Equivalent Employees (FTEs)), Correctional Services

($2.5 billion; 31,973 FTEs), Mental Hygiene ($3.0 billion; 40,754 FTEs), Public Health, including OMIG ($808 million; 6,793 FTEs), and State Police ($592 million; 5,989 FTEs).

Approximately 93 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 (i.e., attorneys, nurses, accountants, social workers, and institution teachers); UUP, which represents faculty and non-teaching professional staff within the State University system; and the New York State Correctional Officers and Police Benevolent Association which represents security personnel (correction officers, safety and security officers).

The State workforce, which reflects full-time employees of the Executive branch, excluding the Legislature, Judiciary, and contractual labor, is currently projected to total 201,170 in 2008-09, an increase of 1,369 FTEs over 2007-08 levels. This is before the impact of agency spending and management plans. Increases are expected in Mental Hygiene agencies (182 FTEs) primarily due to staffing related to the Sex Offender Management and Treatment Act and the NYS-CARES II program; OMIG (227 FTEs), reflecting staffing growth needed for Medicaid audit and fraud prevention activities; Motor Vehicles (109 FTEs) driven by the Federal Western Hemisphere Travel Initiative; and Health (256 FTEs), CUNY (140 FTEs) and Education (113 FTEs), reflecting authorized fill levels for 2008-09. Declines in Children and Family Services (128 FTEs) are expected mainly through attrition as a result of facility closures.

State Operations Spending Projections
(millions of dollars)

	2007-08 Results*	Medicaid Allocation	2007-08 Adjusted	2008-09 Proposed	Annual $ Change	Annual % Change
General Fund	**9,579**	**(1,247)**	**8,332**	**8,662**	**330**	**4.0%**
Other State Support	5,489	1,183	6,672	6,601	(71)	-1.1%
State Operating Funds	**15,068**	**(64)**	**15,004**	**15,263**	**259**	**1.7%**
Capital Projects Funds	**0**	**0**	**0**	**0**	**0**	N/A
Federal Operating Funds	3,153	201	3,354	3,474	120	3.6%
Total All Funds	**18,221**	**137**	**18,358**	**18,737**	**379**	**2.1%**

**Unaudited Year-End Results*

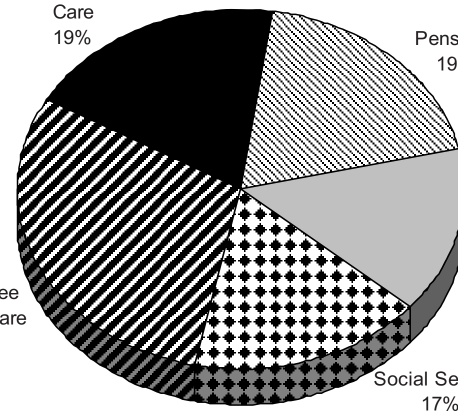
All Funds State Operations spending is expected to total $18.7 billion in 2008-09, comprising PS ($12.3 billion) and NPS ($6.4 billion). The majority of State Operations spending is for SUNY ($4.7 billion), Correctional Services ($2.5 billion), Judiciary ($1.9 billion), OMRDD ($1.5 billion), and OMH ($1.4 billion).

State Operations spending by category, based upon historical spending trends, is allocated among employee base salaries (62 percent), overtime payments (3 percent), contractual services (24 percent), supplies and materials (6 percent), equipment (3 percent), employee travel (1 percent) and other operational costs (1 percent).

General State Charges

General State Charges 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.

General State Charges
2008-09 All Funds Spending - $5.4 billion



For most agencies, employee fringe benefit costs are paid centrally from appropriations made to General State Charges. These centrally-paid fringe benefit costs represent the majority of General State Charges 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 the General State Charges account 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. The funding source of fringe benefit costs directly paid by certain agencies is dependent on the respective agencies' funding sources. Fixed costs are paid in full by General Fund revenues from the General State Charges account.

General State Charges Spending Projections
(millions of dollars)

	2007-08 Results*	Medicaid Allocation**	2007-08 Adjusted	2008-09 Enacted	Annual $ Change	Annual % Change
General Fund	4,620	(1,457)	3,163	3,023	(140)	-4.4%
Other State Support	632	874	1,506	1,564	58	3.9%
State Operating Funds	**5,252**	**(583)**	4,669	**4,587**	(82)	-1.8%
Capital Projects Funds	0	0	0	0	0	0.0%
Federal Operating Funds	243	583	826	842	16	1.9%
Total All Funds	**5,495**	**0**	**5,495**	**5,429**	**(66)**	-1.2%

**Unaudited Year-End Results*
*** For detailed discussion please see Exhibit C to the Annual Information Statement.*

All Funds spending on General State Charges is expected to total $5.4 billion in 2008-09, and includes health insurance spending for employees ($1.7 billion) and retirees ($1.0 billion), pensions ($1.1 billion) and Social Security ($908 million).

The Budget authorizes an eligibility audit to eliminate ineligible dependents from receiving health insurance coverage from the State ($16 million), as well as increasing audit recoveries through the addition of five audit staff ($1 million). Savings are derived from the prepayment of pension costs, as well as accelerating the State's pension payment from September 1, 2008 to May 1, 2008, resulting in interest savings. The budget relies on the use of one-time health insurance dividends to pay for health care spending in 2008-09. Savings are expected from efforts to ensure all non-General Fund State programs are paying their appropriate share of fringe benefit costs. In 2008-09, approximately $18 million in savings will be realized from the cessation of certain fringe benefit waivers which had previously been granted.

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 certain bonds issued by State public authorities (i.e., Empire State Development Corporation (ESDC), the Dormitory Authority of the State of New York (DASNY), and the Thruway Authority (TA)) for which the State is contractually obligated to pay debt service, subject to an appropriation. Depending on the credit structure, debt service is financed through transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

Debt Service Spending Projections
(millions of dollars)

	2007-08 Results*	2008-09 Enacted	Annual $ Change	Annual % Change
General Fund	**1,548**	**1,692**	**144**	**9.3%**
Other State Support	2,556	2,960	404	15.8%
State Operating Funds	**4,104**	**4,652**	**548**	**13.4%**
Capital Projects Funds	**0**	**0**	**0**	**0.0%**
Total All Funds	**4,104**	**4,652**	**548**	**13.4%**

**Unaudited Year-End Results* .

All Funds debt service is projected at $4.7 billion in 2008-09, of which $1.7 billion is paid from the General Fund through transfers and $3.0 billion from other State funds. Debt service is paid on revenue credits supported by dedicated taxes and fees and patient income, including Personal Income Tax Revenue bonds, Dedicated Highway and Bridge Trust Fund bonds and Mental Health facilities bonds, as well as service contract bonds that are secured mainly by the General Fund.

Growth in debt service reflects costs to support ongoing capital spending. The increased spending is for education purposes ($183 million, of which $79 million is for Expanding our Children's Education and Learning (EXCEL)), transportation ($126 million), health and mental hygiene ($65 million), and economic development and housing ($67 million), as offset by the $127 million Debt Reduction Reserve Fund spending in 2007-08 and other factors. In addition, 2007-08 spending for SUNY educational facilities and the Local Government Assistance Corporation (LGAC) was reduced by $222 million due to the timing of debt service payments made during 2006-07. Variable interest rates are projected at 3.15 percent for 2008-09. The rates include an assumed $20 million in additional variable rate interest costs related to the dislocation in the bond markets for auction rate securities and variable rate demand bonds insured by bond insurers that have had their credit ratings downgraded. The State is substantially reducing its exposure to auction rate securities and to variable rate demand bonds connected to affected insurers. The State expects to complete this restructuring by the end of the first quarter of fiscal year 2008-09. The 2008-09 projected rate is moderately less than 2007-08 actual levels of about 3.56 percent. See also the section on "Special Considerations" later in this AIS.

The projections reflect $21 million in savings from a variety of debt management actions, including selling a minimum of 25 percent of new bond sales competitively, expanding the use of performance measures to monitor the effectiveness of broker-dealers, remarketing agents, and other service providers, and maximizing savings opportunities, including through consolidated service contract refunding structures. The State will also continue to use personal income tax revenue bonds to reduce borrowing costs.

The projections include $23 million in projected additional debt service costs to the State, primarily as a product of dislocations in the variable rate markets. These increased interest costs result mainly from credit rating agency downgrades to several bond insurance firms which have affected demand for certain variable rate bonds. See the section on "Special Considerations" later in this AIS for more information.

A number of new bond-financed capital initiatives were enacted with the 2008-09 budget. These include increased capital programs for SUNY and CUNY ($2.7 billion), $1.285 billion for various economic development initiatives, $75 million of bond-eligible capital spending from the Environmental Protection Fund (EPF), $85 million of software development costs, $100 million for housing capital, and $60 million for local highway improvements. These are expected to have a minimal impact on 2008-09 debt service spending, although they will produce higher costs in later years.

Capital Projects

The Capital Projects Fund Group 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 are 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.

Capital Projects Spending Projections
(millions of dollars)

	2007-08 Results*	2008-09 Enacted	Annual $ Change	Annual % Change
General Fund	**141**	**433**	**292**	**207.1%**
Other State Support	4,235	4,677	442	10.4%
State Funds	**4,376**	**5,110**	**734**	**16.8%**
Federal Funds	1,755	1,970	215	12.3%
All Funds	**6,131**	**7,080**	**949**	**15.5%**

**Unaudited Year-End Results*

All Funds capital spending of $6.1 billion in 2007-08 is projected to increase to $7.1 billion in 2008-09. In fiscal year 2008-09, transportation spending, primarily for improvements and maintenance to the State's highways and bridges, continues to account for the largest share (55 percent) of this total. The balance of projected spending will support capital investments in the areas of economic development and government oversight (10 percent), education (10 percent), mental hygiene and public protection (9 percent), and parks and the environment (9 percent). The remainder of projected capital projects spending will be spread across health and social welfare, general government and other areas (7 percent).

The spending increase for economic development reflects the cumulative impacts of initiatives begun over the previous several years. They include projects at State University facilities and its Research Foundation and private universities; various local projects across the State; cultural facilities needs, and energy-related projects. The increase for transportation reflects spending for ongoing commitments, including $106 million in Federal grants and $181 million for spending from the 2005 Rebuild and Renew New York General Obligation Bond Act, as those projects begin to spend more fully. The $354 million increase for other spending is spread across all other program areas, including mental hygiene, public protection, higher education, and health. To account for historical differences between commitments and cash disbursements in Capital Projects Funds, the Financial Plan includes a negative $250 million spending adjustment.

Approximately $8 million has been identified in savings by shifting environmental spending to bond financing. Another $50 million in savings is achieved in the Transportation area through a funding reduction to the State and Local Bridge Program.

The Enacted Budget Financial Plan reflects $417 million in spending on new initiatives including $122 million for economic development and housing projects, $78 million to expand existing environmental programs, $67 million for local highway and bridge projects, $64 million for education projects and $86 million for other areas including $1.5 million for renovations to the Legislative Office Building hearing rooms and $10 million for the Cornell Grape Genomics Research Facility.

OTHER FINANCING SOURCES/(USES)

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

General Fund

The most significant General Fund transfers to other funds in 2008-09 include transfers for the State share of Medicaid spending ($2.7 billion), general debt service ($1.7 billion) and capital projects ($433 million, including $241 million for pay-as-you-go projects and a $192 million transfer to the Dedicated Highway and Bridge Trust Fund). General Fund transfers to the Judiciary include moneys transferred to the Court Facilities Incentive Aid Fund, New York City County Clerks Fund, and Judiciary Data

General Fund
Other Financing Sources/(Uses)
(millions of dollars)

	2007-08 Results*	2008-09 Enacted	Annual $ Change	Annual % Change
Transfers From Other Funds	**12,172**	**12,482**	**310**	**2.5%**
Revenue Bond Tax Fund (PIT)	8,473	8,583	110	1.3%
LGAC Fund (Sales Tax)	2,358	2,355	(3)	-0.1%
CW/CA Fund (Real Estate Transfer Tax)	682	597	(85)	-12.5%
All Other	659	947	288	43.7%
Transfers to Other Funds	**(2,774)**	**(5,551)**	**(2,777)**	**100.1%**
Debt Service	(1,548)	(1,692)	(144)	9.3%
Capital Projects	(141)	(433)	(292)	207.1%
All Other	(1,085)	(3,426)	(2,341)	215.8%

**Unaudited Year-End Results*

Processing Fund ($157 million). Also included in General Fund transfers to other funds are transfers representing payments for patients residing in State-operated Health, Mental Hygiene and State University facilities ($174 million), and SUNY hospital subsidy payments ($141 million).

General Fund transfers from other funds are expected to total $12.5 billion in 2008-09, an increase of $310 million from 2007-08. Portions of personal income tax, sales tax, and the real estate transfer tax are pledged to pay debt service on State personal income tax bonds, LGAC bonds, and General Obligation bonds. Tax receipts in excess of debt service requirements are transferred to the General Fund. Annual growth in these dedicated tax receipts ($389 million) is partially offset by an increase in debt service costs ($361 million). All other General Fund transfers are projected to total $947 million in 2008-09, an increase of $288 million, primarily as a result of an increase in the sweep of excess EPF balances ($181 million).

General Fund transfers to other funds for debt service increase by $144 million from 2007-08, reflecting increases in debt service costs after accelerations of 2007-08 payments into 2006-07. Transfers to support capital projects are projected to increase by $292 million, mainly for potential transfers to the Dedicated Highway and Bridge Trust Fund aimed at reducing fund gaps ($179 million) and the conclusion of reconciling reimbursements for economic development projects in 2007-08 as the result of anticipated 2006-07 bond sales that were delayed by the absence of timely Public Authority Control Board approvals. The annual growth in transfers to other funds of $2.3 billion reflects the change to the reporting on State Medicaid spending described earlier in this report ($2.7 billion). Annual declines in other fund transfers which partly offset this increase include non-recurring transfers from the General Fund to the Debt Reduction Reserve Fund to defease debt and reduce long-term costs ($127 million) and transfers made to support School Aid ($103 million).

Other Fund Types

In Special Revenue Funds, transfers to other funds include transfers 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 ($2.9 billion), a transfer from HCRA to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL-NY ($100 million) and transfer of moneys from several Special Revenue accounts in excess of spending requirements.

Capital Projects funds transfers include transfers to the General Debt Service Fund from the Dedicated Highway and Bridge Trust Fund ($969 million), and transfers to the General Fund from the Hazardous Waste Remedial Fund ($27 million), and the Environmental Protection Fund ($200 million).

Debt Service Fund transfers to the General Fund include tax receipts in excess of debt service requirements for general obligation, LGAC and personal income tax revenue bonds ($11.5 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 at DOH, Mental Hygiene facilities, and SUNY ($3.2 billion).

Annual growth in transfers between Non-General Funds is driven by an increase in transfers from Debt Service Funds to Special Revenue Funds for receipts in excess of debt obligations on State-operated Mental Hygiene facilities ($149 million) and higher than anticipated transfers from the Dedicated Highway and Bridge Trust Fund to the General Debt Service Fund due to increased debt service costs for State and local transportation programs ($195 million).

General Fund Financial Plan Outyear Projections

DOB projects that the Enacted Budget Financial Plan is balanced in the General Fund in 2008-09, and projects out-year budget gaps of $5.0 billion in 2009-10, $7.7 billion in 2010-11, and $8.8 billion in 2011-12. The following table summarizes the General Fund projections by major tax and Financial Plan category.

General Fund Enacted Budget Forecast
(millions of dollars)

	2008-09	2009-10	2010-11	2011-12
Receipts				
Taxes	40,610	42,324	44,389	46,892
Personal Income Tax	23,920	24,816	26,333	28,229
User Taxes and Fees	8,937	9,258	9,601	9,975
Business Taxes	6,559	6,925	7,047	7,190
Other Taxes	1,194	1,325	1,408	1,498
Miscellaneous Receipts	2,505	2,470	2,471	2,234
Federal Grants	41	0	0	0
Transfers from Other Funds	12,482	12,351	12,914	13,618
PIT in Excess of Revenue Bond Debt Service	8,583	8,782	9,215	9,705
Sales Tax in Excess of LGAC Debt Service	2,355	2,454	2,561	2,682
Real Estate Taxes in Excess of CW/CA Debt Service	597	582	610	664
All Other	947	533	528	567
Total Receipts	**55,638**	**57,145**	**59,774**	**62,744**
Disbursements				
Grants to Local Governments	39,126	43,136	47,046	49,988
State Operations	8,662	9,100	9,664	9,909
General State Charges	3,023	3,848	4,039	4,336
Transfers to Other Funds	5,550	6,029	6,778	7,353
Debt Service	1,692	1,680	1,706	1,673
Capital Projects	433	680	1,046	1,099
Other Purposes	3,425	3,669	4,026	4,581
Total Disbursements	**56,361**	**62,113**	**67,527**	**71,586**
Change in Reserves				
Rainy Day Reserve Fund	0	0	0	0
Prior Year Reserves	(620)	0	0	0
Community Projects Fund	(103)	48	(22)	(80)
Deposit to/(Use of) Reserves	**(723)**	**48**	**(22)**	**(80)**
Revised Budget Surplus/(Gap) Estimate	**0**	**(5,016)**	**(7,731)**	**(8,762)**

After actions, General Fund spending is projected to grow at an average annual rate of 8.3 percent over this period. The spending is driven by, among other things, School Aid, health care, the State-financed cap on local Medicaid spending, employee and retiree health benefits, local government aid and child welfare programs. Over the same period, General Fund receipts are estimated to grow at approximately 4 percent a year.

In evaluating the State's out-year 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, the 2009-10 forecast is perhaps 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. The State will provide quarterly revisions to its multi-year estimates.

The following chart provides a "zero-based" look at the causes of the 2009-10 General Fund budget gap, followed by a brief summary of the assumptions behind the projections. For a detailed explanation of the assumptions underlying the out-year revenue and spending projections, see "Out-Year General Fund Receipt Projections" and "Out-Year General Fund Disbursement Projections" later in this section.

2009-10 General Fund Annual Change
Savings/(Costs)
(millions of dollars)

	Dollar
RECEIPTS GROWTH	**1,507**
Personal Income Tax *	896
User Taxes and Fees *	321
Business Taxes	366
Other Taxes *	131
Miscellaneous Receipts	(35)
All Other Transfers/Changes	(172)
** Includes transfers after debt service*	
DISBURSEMENTS GROWTH	**5,752**
Local Assistance	**4,010**
Medicaid (incl. admin)	1,797
Program Growth	*889*
Other (Includes 53rd Medicaid Cycle and Timing of Certain Payments	*650*
Medicaid Cap/Family Health Plus Takeover	*258*
School Aid	1,762
Children and Family Services	149
Local Government Aid	163
All Other Local Assistance	139
State Operations	**438**
Personal Service	295
Non-personal Service	143
General State Charges	**825**
Health Insurance	228
Pensions	233
All Other	364
Transfers to Other Funds	**479**
Change Reserves Used for Operations	**(771)**
"CURRENT SERVICES" BUDGET GAP FOR 2009-10	**(5,016)**

The forecast for 2009-10 is based on assumptions of economic performance, revenue collections, spending patterns, and projections for the current-services costs of program activities. DOB believes the estimates of annual change in revenues and spending that create the 2009-10 current-services gap forecast are based on reasonable assumptions and methodologies. Significant assumptions that affect the forecast include:

- The performance of the economy in general and the financial services sector in particular, and the concomitant impact on State tax receipts. DOB's current economic forecast predicts a mild recession in 2008, with growth beginning again in calendar year 2008. The forecast for State tax receipts is based on the current forecast.

- The Federal government will not make substantive funding changes to major aid programs or make substantive regulatory changes that adversely affect the State.

- The projections do not include any extra costs for unsettled labor settlements. The Financial Plan projections do not include spending for unions that have not yet reached tentative labor settlements with the State. These include unions representing uniformed officers and CUNY employees.

- The projections after 2008-09 do not assume the use of one-time resources. In a typical year, however, the Financial Plan usually includes some such resources.

Changes to these or other assumptions could have a materially adverse impact on the size of the budget gaps for 2009-10 and beyond.

Outyear General Fund Receipts Projections

General Fund Receipts Projections
(millions of dollars)

	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Receipts							
Personal Income Tax	23,920	24,816	896	26,333	1,517	28,229	1,896
User Taxes and Fees	8,937	9,258	321	9,601	343	9,975	374
Business Taxes	6,559	6,925	366	7,047	122	7,190	143
Other Taxes	1,194	1,325	131	1,408	83	1,498	90
Miscellaneous Receipts	2,505	2,470	(35)	2,471	1	2,234	(237)
Federal Grants	41	0	(41)	0	0	0	0
Transfers from Other Funds	12,482	12,351	(131)	12,914	563	13,618	704
PIT in Excess of Revenue Bond Debt Service	8,583	8,782	199	9,215	433	9,705	490
Sales Tax in Excess of LGAC Debt Service	2,355	2,454	99	2,561	107	2,682	121
Real Estate Taxes in Excess of CW/CA Debt Service	597	582	(15)	610	28	664	54
All Other	947	533	(414)	528	(5)	567	39
Total Receipts	**55,638**	**57,145**	**1,507**	**59,774**	**2,629**	**62,744**	**2,970**

Fiscal Years 2009-10, 2010-11 and 2011-12 Overview

The complete multi-year forecast for receipts is found in the section "2008-09 Receipts and Disbursements Forecast" presented earlier in this AIS.

Outyear General Fund Disbursement Projections

DOB forecasts General Fund spending of $62.1 billion in 2009-10, an increase of $5.8 billion (10.2 percent) over recommended 2008-09 levels. Growth in 2010-11 is projected at $5.4 billion (8.7 percent) and in 2011-12 at $4.1 billion (6.0 percent). The growth levels are based on current-services projections, as modified by the actions contained in the 2008-09 Executive Budget including Governor Paterson's across-the-board cuts. The main sources of annual spending growth for 2009-10, 2010-11, and 2011-12 are itemized in the following table.

Out-Year Disbursement Projections - General Fund
(millions of dollars)

	2008-09	2009-10	Annual $ Change	Annual % Change	2010-11	Annual $ Change	Annual % Change	2011-12	Annual $ Change	Annual % Change
Grants to Local Governments:	**39,126**	**43,136**	**4,010**	**10.2%**	**47,046**	**3,910**	**9.1%**	**49,988**	**2,942**	**6.3%**
School Aid	17,825	19,587	1,762	9.9%	21,597	2,010	10.3%	23,157	1,560	7.2%
Medicaid (including administration)	8,253	9,792	1,539	18.6%	10,864	1,072	10.9%	11,589	725	6.7%
Medicaid: Local Relief	943	1,201	258	27.4%	1,542	341	28.4%	1,923	381	
Mental Hygiene	2,062	2,149	87	4.2%	2,198	49	2.3%	2,261	63	2.9%
Children and Family Services	1,762	1,911	149	8.5%	2,096	185	9.7%	2,246	150	7.2%
Local Government Assistance	1,242	1,405	163	13.1%	1,482	77	5.5%	1,478	(4)	-0.3%
Higher Education	2,461	2,538	77	3.1%	2,600	62	2.4%	2,621	21	0.8%
Public Health	628	723	95	15.1%	778	55	7.6%	806	28	3.6%
Other Education Aid	1,762	1,798	36	2.0%	1,854	56	3.1%	1,917	63	3.4%
Temporary and Disability Assistance	1,213	1,279	66	5.4%	1,280	1	0.1%	1,283	3	0.2%
Transportation	110	103	(7)	-6.4%	103	0	0.0%	103	0	0.0%
All Other	865	650	(215)	-24.9%	652	2	0.3%	604	(48)	-7.4%
State Operations:	**8,662**	**9,100**	**438**	**5.1%**	**9,664**	**564**	**6.2%**	**9,909**	**245**	**2.5%**
Personal Service	6,275	6,570	295	4.7%	7,019	449	6.8%	7,200	181	2.6%
Non-Personal Service	2,387	2,530	143	6.0%	2,645	115	4.5%	2,709	64	2.4%
General State Charges	**3,023**	**3,848**	**825**	**27.3%**	**4,039**	**191**	**5.0%**	**4,336**	**297**	**7.4%**
Pensions	1,054	1,287	233	22.1%	1,285	(2)	-0.2%	1,342	57	4.4%
Health Insurance (Active Employees)	1,652	1,790	138	8.4%	1,950	160	8.9%	2,127	177	9.1%
Health Insurance (Retired Employees)	1,039	1,129	90	8.7%	1,233	104	9.2%	1,347	114	9.2%
Medicaid Adjustment	(1,458)	(1,113)	345		(1,219)	(106)		(1,297)	(78)	
All Other	736	755	19	2.6%	790	35	4.6%	817	27	3.4%
Transfers to Other Funds:	**5,550**	**6,029**	**479**	**8.6%**	**6,778**	**749**	**12.4%**	**7,353**	**575**	**8.5%**
Debt Service	1,692	1,680	(12)	-0.7%	1,706	26	1.5%	1,673	(33)	-1.9%
Capital Projects	433	680	247	57.0%	1,046	366	53.8%	1,099	53	5.1%
All Other	3,425	3,669	244	7.1%	4,026	357	9.7%	4,581	555	13.8%
TOTAL DISBURSEMENTS	**56,361**	**62,113**	**5,752**	**10.2%**	**67,527**	**5,414**	**8.7%**	**71,586**	**4,059**	**6.0%**

Grants to Local Governments

Annual growth in local assistance is driven primarily by School Aid, Medicaid, local government assistance, other education aid and children and family services. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

Forecast for Selected Program Measures Affecting Local Assistance
(millions of dollars, where applicable)

	Actual		Forecast			
	2006-07	2007-08*	2008-09	2009-10	2010-11	2011-12
Medicaid						
Medicaid Enrollment	3,608,075	3,581,311	3,665,541	3,746,047	3,994,438	4,149,548
Family Health Plus Enrollment	514,058	525,596	545,996	563,084	605,390	605,390
Child Health Plus Enrollment	388,187	360,436	444,044	494,112	499,053	504,043
Medicaid Inflation	2.4%	2.0%	2.9%	3.0%	3.0%	3.0%
Medicaid Utilization	1.1%	-3.9%	-4.5%	4.4%	4.2%	4.4%
State Takeover of County/NYC Costs (Total)	$622	$667	$943	$1,201	$1,542	$1,923
- Family Health Plus	$424	$432	$457	$470	$487	$487
- Medicaid*	$198	$235	$486	$731	$1,055	$1,436
Education						
School Aid (School Year)	$17,835	$19,650	$21,395	$23,200	$25,750	$27,300
K-12 Enrollment	2,783,153	2,747,606	2,747,606	2,747,606	2,747,606	2,747,606
Public Higher Education Enrollment (FTEs)	499,082	512,362	518,431	525,408	529,133	533,021
TAP Recipients	320,930	312,779	311,036	312,536	314,286	315,786
Welfare						
Family Assistance Caseload	402,348	348,901	339,686	344,328	331,340	329,517
Single Adult/No Children Caseload	158,513	158,576	166,597	172,876	179,708	186,053
Mental Hygiene						
Mental Hygiene Community Beds	81,737	85,058	87,731	90,520	92,614	95,332

**Unaudited Year-End Results*

Medicaid

General Fund spending for Medicaid is expected to grow by $1.8 billion in 2009-10, $1.4 billion in 2010-11, and another $1.6 billion in 2011-12.

Medicaid growth results, in part, from the combination of projected increases in recipients, service utilization, and medical care cost inflation that impact nearly all categories of service (e.g., hospitals, nursing homes). The State cap on local Medicaid costs and takeover of local FHP costs, which are included in base categories of service, are projected to increase spending by $276 million in 2008-09, $258 million in 2009-10, and $341 million in 2010-11. In 2009-10, an extra weekly payment to providers adds an estimated $300 million in base spending across all categories of service. The remaining growth is primarily attributed to the available resources in other State Funds which are used to lower General Fund costs, including lower levels of HCRA financing beginning in 2008-09.

The average number of Medicaid recipients is expected to grow to 3.7 million in 2008-09, an increase of 2.4 percent from the estimated 2007-08 caseload of 3.6 million. FHP enrollment is estimated to grow to approximately 546,000 individuals in 2008-09, an increase of 3.8 percent over projected 2007-08 enrollment of almost 526,000 individuals.

School Aid

Multi-Year School Aid Projection -- School-Year Basis (millions of dollars)

	2007-08	2008-09	Annual $ Change	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Foundation Aid/Academic Achievement Grant	13,745	14,862	1,117	16,200	1,338	18,050	1,850	18,750	700
Universal Pre-kindergarten	354	451	97	540	89	630	90	655	25
High Tax Aid	100	202	102	100	(102)	100	0	100	0
EXCEL Building Aid	70	135	65	179	44	191	12	191	0
Expense-Based Aids (Building, Transportation, High Cost and Private Excess Cost, BOCES)	4,717	5,080	363	5,487	407	5,941	454	6,421	480
Other Aid Categories/Initiatives	664	665	1	694	29	838	144	1,183	345
Total School Aid	**19,650**	**21,395**	**1,745**	**23,200**	**1,805**	**25,750**	**2,550**	**27,300**	**1,550**

Projected School Aid increases are primarily due to increases in Foundation Aid; Universal Pre-kindergarten expansion; and increases in expense-based aids such as Building Aid and Transportation Aid. Increased funding in 2008-09 for High Tax Aid and several other aid categories is provided on a one-year basis and not continued in the out-years.

On a school-year basis, School Aid is projected at $23.2 billion in 2009-10, $25.8 billion in 2010-11, and $27.3 billion in 2011-12. On a School Year basis, School Aid spending is projected to grow by $1.8 billion in 2009-10, $2.6 billion in 2010-11, and $1.6 billion in 2011-12. Outside the General Fund, revenues from core lottery sales are projected to increase by $99 million in 2009-10, $74 million in 2010-11, and $108 million in 2011-12 (totaling $2.5 billion in 2011-12). Revenues from VLTs are projected to total $731 million in 2008-09, then decrease by $144 million in 2009-10 following the expected one-time receipt of $250 million in revenues during 2008-09 for the sale of development rights. They are then projected to increase by $219 million in 2010-11 and $196 million in 2011-12. VLTs are expected to total $1.0 billion in 2011-12. The VLT estimates assume the start of operations at Aqueduct in 2009-10 and Belmont in 2010-11.

Mental Hygiene

Mental Hygiene spending is projected at $2.1 billion in 2009-10, $2.2 billion in 2010- 11, and $2.3 billion in 2011-12. Sources of growth include: increases in the projected State share of Medicaid costs; cost-of-living increases, including a proposed three-year extension of the human services COLA; and projected expansions of the various mental hygiene service systems including OMH's children's services; increases in the NYS-CARES program and in the development of children's beds in OMRDD to bring children back from out-of-state placements; the NY/NY III Supportive Housing agreement and community bed expansion in OMH; and certain chemical dependence treatment and prevention initiatives in OASAS.

Children and Family Services

Children and Family Services local assistance spending is projected to grow by $149 million in 2009-10, $185 million in 2010-11 and $150 million in 2011-12. The increases are driven primarily by expected growth in local child welfare claims, the implementation of the OCFS Medicaid waiver, and cost-of-living increases for human services providers through 2011-12.

Temporary and Disability Assistance

Spending is projected at $1.3 billion in 2009-10, an increase of $66 million from 2008-09, and is expected at the same level through 2011-12. Although public assistance caseload is projected to increase marginally between 2009-10 and 2011-12, this spending is countered by an expected increase in Federal offsets, which decrease the level of General Fund resources needed.

Other Local Assistance

All other local assistance programs total $4.7 billion in 2009-10, an increase of $195 million over 2008-09 levels. This growth in spending primarily reflects increases in local government assistance including unrestricted aid to New York City ($82 million), additional payments for AIM and Local Government Efficiency Grants ($71 million), various public health program costs, and other education aid. This growth is partially offset by declines in the Division of Military and Naval Affairs and Labor.

STATE OPERATIONS

Forecast of Selected Program Measures Affecting State Operations

	Actual		Forecast			
	2006-07	2007-08*	2008-09	2009-10	2010-11	2011-12
State Operations						
Prison Population (Corrections)	63,577	62,800	62,200	61,800	61,600	61,400
Negotiated Salary Increases (1)	3.0%	3.0%	3.0%	3.0%	4.0%	0.0%
Personal Service Inflation	0.8%	1.0%	1.0%	1.0%	1.0%	1.0%
State Workforce	195,526	199,754	201,170	201,170	201,170	201,170

**Unaudited Year-End Results*

(1) Negotiated salary increases reflect recent labor settlements included in the Financial Plan estimates

State Operations spending is expected to total $9.1 billion in 2009-10, an annual increase of $438 million (5.1 percent). In 2010-11, spending is projected to grow by another $564 million (6.2 percent) to a total of $9.7 billion, followed by another $245 million (2.5 percent) for a total of $9.9 billion in 2011-12. Across-the-board reductions are projected to reduce State Operations spending levels by $524 million in all years, a 5.5 percent reduction from 2007-08 spending levels. The net personal service growth primarily reflects the impact of the settled labor contracts. In addition, salary adjustments for performance advances, longevity payments and promotions; and increased staffing levels, primarily in Judiciary and Correctional Services drive spending growth. Inflationary increases for non-personal service costs result in higher spending in all years. Additional growth is driven by spending for ongoing initiatives, including the civil commitment program for sexual offenders, and medical and pharmacy costs in the areas of mental hygiene and corrections. The agencies experiencing the most significant personal service and non-personal service growth are depicted in the charts below, followed by brief descriptions.

Personal Service

General Fund - Personal Service (millions of dollars)							
	2008-09	2009-10	Annual $ Change	2010-11	Annual $ Change	2011-12	Annual $ Change
Total	**6,275**	**6,570**	**295**	**7,019**	**449**	**7,201**	**182**
Collective Bargaining	620	775	155	1,155	380	1,155	0
Management Plan	(228)	(228)	0	(227)	1	(227)	0
Correctional Services	1,830	1,875	45	1,915	40	1,934	19
Judiciary	1,355	1,474	119	1,603	129	1,740	137
All Other	2,698	2,674	(24)	2,573	(101)	2,599	26

- **Collective Bargaining:** Reflects the impact of settled labor negotiations which provide a 3 percent salary increase each year beginning in 2007-08 and a 4 percent increase in the final year (2010-11).

- **Correctional Services:** Growth is attributable primarily to the Sex Offender Management and Treatment Act, the restricted use of special housing units for mentally ill inmates, and re-entry services for inmates who will be released to the community, thus driving higher workforce levels and costs.

- **Judiciary:** Reflects Office of Court Administration (OCA) projections for non-judicial OCA employees, as well as the annualization of prior-year Judiciary actions, including increasing the number of full-time judges and adding Court of Claims and Family Judges.

Non-Personal Service

General Fund - Non-Personal Service (millions of dollars)							
	2008-09	2009-10	Annual $ Change	20010-11	Annual $ Change	2011-12	Annual $ Change
Total	**2,387**	**2,530**	**143**	**2,645**	**115**	**2,709**	**64**
Management Plan	(296)	(295)	1	(295)	0	(295)	0
Correctional Services	636	674	38	713	39	756	43
State Police	60	83	23	83	0	82	(1)
Public Health	123	142	19	161	19	165	4
Temporary and Disability Assistance	36	53	17	54	1	57	3
State University	438	452	14	470	18	490	20
All Other	1,094	1,126	32	1,164	38	1,159	(5)

- **Correctional Services:** Growth is primarily driven by the escalating costs of food, fuel, utilities, and providing health care services and prescription drugs to inmates.

- **State Police:** Spending growth reflects costs previously supported by cellular surcharge revenues in other State funds that will be supported by General Fund revenues in 2009-10.

- **Public Health:** Growth is largely driven by the annualization of the Enacted Budget action providing funding for the State to directly enroll individuals into Medicaid, CHP and FHP.

- **Temporary and Disability Assistance:** Spending will increase in 2009-10 as one-time actions, including Federal revenue maximization and bonding of software development costs, do not recur.

- **State University:** Primarily reflects funding for inflationary increases in non-personal service at SUNY.

General State Charges

Forecast of Selected Program Measures Affecting General State Charges

	Actual		Forecast			
	2006-07	2007-08*	2008-09	2009-10	2010-11	2011-12
General State Charges						
Pension Contribution Rate as % of Salary	10.2%	9.7%	8.8%	9.0%	9.0%	9.3%
Employee/Retiree Health Insurance Growth Rates	10.3%	5.4%	5.5%	9.5%	9.5%	9.5%

**Unaudited Year-End Results*

General State Charges are projected to total $3.9 billion in 2009-10, $4.0 billion in 2010-11 and $4.3 billion in 2011-12. The annual increases are due mainly to anticipated cost increases in pensions and health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement System, which is 8.8 percent for 2008-09, is expected to increase to 9.0 percent for 2009-10 and 2010-11 and to 9.3 percent in 2011-12. Pension costs in 2009-10 are projected to total $1.3 billion, an increase of $233 million over 2008-09 due to projected growth in the salary base. This large growth is also caused by the prepayment of the State's 2008-09 amortization costs in 2007-08. In 2010-11, pension costs are expected to remain virtually unchanged. In 2011-12, they are expected to increase by $57 million due to an anticipated increase in the State contribution rate.

Forecast of New York State Employee Health Insurance Costs (millions of dollars)

	Health Insurance		
Year	Active Employees	Retirees	Total State
2006-07	1,518	913	2,431
2007-08	1,566	988	2,554
2008-09	1,652	1,039	2,691
2009-10	1,790	1,129	2,919
2010-11	1,950	1,233	3,183
2011-12	2,127	1,347	3,474

All numbers reflect the cost of health insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration.

Spending for employee and retiree health care costs is expected to increase by $228 million in 2009-10, $264 million in 2010-11, and another $291 million in 2011-12 and assumes an average annual premium increase of roughly 9.5 percent. Health insurance is projected at $2.9 billion in 2009-10 ($1.8 billion for active employees and $1.1 billion for retired employees), $3.2 billion in 2010-11 ($2.0 billion for active employees and $1.2 billion for retired employees) and $3.4 billion in 2011-12 ($2.1 billion for active employees and $1.3 billion for retired employees).

See discussion of the Governmental Accounting Standards Board (GASB) 45 later in this AIS for the valuation of future State health insurance costs for State employees.

Transfers to Other Funds

Out-Year Disbursement Projections - Transfers to Other Funds
(millions of dollars)

	2008-09	2009-10	Annual Change	2010-11	Annual Change	2011-12	Annual Change
Transfers to Other Funds:	**5,550**	**6,029**	**479**	**6,778**	**749**	**7,353**	**575**
Debt Service	1,692	1,680	(12)	1,706	26	1,673	(33)
Capital Projects	433	680	247	1,046	366	1,099	53
Dedicated Highway and Bridge Trust Fund	192	313	121	698	385	792	94
All Other Capital	241	367	126	348	(19)	307	(41)
All Other Transfers	3,425	3,669	244	4,026	357	4,581	555
State Share Medicaid Costs	2,655	2,632	(23)	2,678	46	2,701	23
Mental Hygiene Operations	0	170	170	464	294	572	108
Medicaid Payments for State Facility Patients	174	174	0	174	0	174	0
Judiciary Funds	156	148	(8)	158	10	165	7
HCRA	0	0	0	0	0	466	466
SUNY- Hospital Operations	141	159	18	167	8	167	0
Banking Services	66	66	0	66	0	66	0
Empire State Stem Cell Trust Fund	3	35	32	47	12	0	(47)
Statewide Financial System	0	30	30	35	5	30	(5)
All Other	230	255	25	237	(18)	240	3

In 2009-10, transfers to other funds are estimated at $6.0 billion, an increase of $479 million over 2008-09. This increase includes potential transfers to the Dedicated Highway and Bridge Trust Fund aimed at reducing fund gaps and an increase in other capital transfers of $126 million.

All other transfers are expected to increase by $244 million from 2008-09. The most significant change includes an increase in transfers to supplement resources available for the Mental Hygiene system. In addition transfers are increasing for the State's SUNY subsidy to hospitals and funding for the State's financial management system. General Fund transfers for stem cell research increase in 2009-10 and decline in 2011-12 as support is transitioned from the General Fund to the Health Care Resources Fund beginning in 2009-10.

In 2010-11, transfers to other funds are expected to increase by $749 million. This reflects expected growth in General Fund support to the Dedicated Highway and Bridge Trust Fund and Medicaid related spending in State Operated Mental Hygiene facilities. In 2011-12 transfers are expected to increase by

$575 million, mainly to provide subsidies to HCRA, the Dedicated Highway and Bridge Trust Fund, and Mental Hygiene facility Medicaid related spending.

Financial Plan Reserves

In January 2007, the State created a new statutory Rainy Day Reserve that has an authorized balance of 3 percent of General Fund spending. The new Rainy Day Reserve may be used to respond to an economic downturn or catastrophic event. The State made its first deposit of $175 million in 2007-08. The Tax Stabilization Reserve has an authorized balance of 2 percent and can be used only to cover unforeseen year-end deficits.

The State projects that General Fund reserves will total $2.0 billion at the end of 2008-09, with $1.2 billion in undesignated reserves available to deal with unforeseen contingencies and $804 million designated for subsequent use.

The $1.2 billion of undesignated reserves includes a balance of $1 billion in the Tax Stabilization Reserve, $175 million in the new Rainy Day Reserve, and $21 million in the Contingency Reserve Fund for litigation risks.

The designated reserves consist of $445 million set aside for labor settlements (after the use of $620 million for existing settlements in 2008-09), $237 million in the Community Projects Fund to finance existing "member-item" initiatives, and $122 million set aside for the debt management purposes.

Aside from the amounts noted above, the 2008-09 Financial Plan does not have specific reserves to cover potential costs that could materialize as a result of Federal disallowances or other Federal actions that could adversely affect the State's projections of receipts and disbursements.

Cash Flow Forecast

In 2008-09, the General Fund is projected to have quarterly-ending balances of $3.8 billion in June 2008, $5.2 billion in September 2008, $799 million in December 2008, and $2.0 billion at the end of March 2009. The lowest projected month-end cash flow balance is in December 2008. DOB's detailed monthly cash flow projections for 2007-08, 2008-09, and 2009-10 are set forth in the Financial Plan Tables.

The Office of the State Comptroller (OSC) invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through the Short-Term Investment Pool (STIP), which comprises joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund.

OSC is authorized to make short-term loans from STIP to cover temporary cash shortfalls in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements).

CASH FINANCIAL PLAN
GENERAL FUND
2007-2008 and 2008-2009
(millions of dollars)

	2007-2008 Year-End*	2008-2009 Enacted	Annual Change
Opening fund balance	3,045	2,754	(291)
Receipts:			
Taxes:			
Personal income tax	22,759	23,920	1,161
User taxes and fees	8,555	8,937	382
Business taxes	6,018	6,559	541
Other taxes	1,063	1,194	131
Miscellaneous receipts	2,458	2,505	47
Federal grants	69	41	(28)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,473	8,583	110
Sales tax in excess of LGAC debt service	2,358	2,355	(3)
Real estate taxes in excess of CW/CA debt service	682	597	(85)
All other transfers	659	947	288
Total receipts	53,094	55,638	2,544
Disbursements:			
Grants to local governments	36,412	39,126	2,714
State operations	9,579	8,662	(917)
General State charges	4,620	3,023	(1,597)
Transfers to other funds:			0
Debt service	1,548	1,692	144
Capital projects	141	433	292
Other purposes	1,085	3,425	2,340
Total disbursements	53,385	56,361	2,976
Change in fund balance	(291)	(723)	(432)
Closing fund balance	2,754	2,031	(723)
Reserves			
Tax Stabilization Reserve Fund	1,031	1,031	0
Statutory Rainy Day Reserve Fund	175	175	0
Contingency Reserve Fund	21	21	0
Community Projects Fund	340	237	(103)
Refund Reserve Account**	1,187	567	(620)

Source: NYS DOB

**Unaudited Year-end Results*

**At the end of 2007-08, DOB designated $1.065 billion of Refund Reserve Account balance for labor settlements and other risks, and $122 million for debt reduction management. At the end of 2008-09, DOB expects to have reserved $445 million of the Refund Reserve Account balance for labor settlements and other risks, and $122 million for debt reduction management.

CASH FINANCIAL PLAN
GENERAL FUND
2008-2009 through 2011-2012
(millions of dollars)

	2008-2009 Enacted	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
Receipts:				
Taxes:				
Personal income tax	23,920	24,816	26,333	28,229
User taxes and fees	8,937	9,258	9,601	9,975
Business taxes	6,559	6,925	7,047	7,190
Other taxes	1,194	1,325	1,408	1,498
Miscellaneous receipts	2,505	2,470	2,471	2,234
Federal grants	41	0	0	0
Transfers from other funds:				
PIT in excess of Revenue Bond debt service	8,583	8,782	9,215	9,705
Sales tax in excess of LGAC debt service	2,355	2,454	2,561	2,682
Real estate taxes in excess of CW/CA debt service	597	582	610	664
All other transfers	947	533	528	567
Total receipts	55,638	57,145	59,774	62,744
Disbursements:				
Grants to local governments	39,126	43,136	47,046	49,988
State operations	8,662	9,100	9,664	9,909
General State charges	3,023	3,848	4,039	4,336
Transfers to other funds:				
Debt service	1,692	1,680	1,706	1,673
Capital projects	433	680	1,046	1,099
Other purposes	3,425	3,669	4,026	4,581
Total disbursements	56,361	62,113	67,527	71,586
Deposit to/(use of) Community Projects Fund	(103)	48	(22)	(80)
Deposit to/(use of) Prior Year Reserves	(620)	0	0	0
Margin	0	(5,016)	(7,731)	(8,762)

Source: NYS DOB

CASH FINANCIAL PLAN
GENERAL FUND
2008-2009
(millions of dollars)

	21-Day	Change	Enacted
Opening fund balance	2,626	128	2,754
Receipts:			
Taxes:			
Personal income tax	24,205	(285)	23,920
User taxes and fees	8,832	105	8,937
Business taxes	7,127	(568)	6,559
Other taxes	1,194	0	1,194
Miscellaneous receipts	2,242	263	2,505
Federal Grants	41	0	41
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	8,694	(111)	8,583
Sales tax in excess of LGAC debt service	2,310	45	2,355
Real estate taxes in excess of CW/CA debt service	615	(18)	597
All other	724	223	947
Total receipts	55,984	(346)	55,638
Disbursements:			
Grants to local governments	41,608	(2,482)	39,126
State operations	8,851	(189)	8,662
General State charges	3,033	(10)	3,023
Transfers to other funds:			
Debt service	1,692	0	1,692
Capital projects	381	52	433
Other purposes	819	2,606	3,425
Total disbursements	56,384	(23)	56,361
Change in fund balance	(400)	(323)	(723)
Closing fund balance	2,226	(195)	2,031
Reserves			
Tax Stabilization Reserve Fund	1,031	0	1,031
Statutory Rainy Day Reserve Fund	175	0	175
Contingency Reserve Fund	21	0	21
Community Projects Fund	291	(54)	237
Debt Reduction Reserve Fund	0	122	122
Labor Settlement Reserve/Other Risks	708	(263)	445

Source: NYS DOB

CURRENT STATE RECEIPTS
GENERAL FUND
2007-2008 and 2008-2009
(millions of dollars)

	2007-2008 Year-End*	2008-2009 Enacted	Annual Change
Personal income tax	22,759	23,920	1,161
User taxes and fees	8,555	8,937	382
Sales and use tax	7,945	8,186	241
Cigarette and tobacco taxes	409	433	24
Motor vehicle fees	(51)	61	112
Alcoholic beverages taxes	205	209	4
Alcoholic beverage control license fees	47	48	1
Business taxes	6,018	6,559	541
Corporation franchise tax	3,446	3,706	260
Corporation and utilities tax	603	613	10
Insurance taxes	1,089	1,171	82
Bank tax	880	1,069	189
Petroleum business tax	0	0	0
Other taxes	1,063	1,194	131
Estate tax	1,037	1,170	133
Gift tax	1	0	(1)
Real property gains tax	1	0	(1)
Pari-mutuel taxes	23	23	0
Other taxes	1	1	0
Total taxes	38,395	40,610	2,215
Miscellaneous receipts	2,458	2,505	47
Federal Grants	69	41	(28)
Total	40,922	43,156	2,234

Source: NYS DOB
**Unaudited Year-end Results*

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2007-2008*
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,045	3,671	233	6,949
Receipts:				
Taxes	38,395	7,834	12,595	58,824
Miscellaneous receipts	2,458	13,403	842	16,703
Federal grants	69	0	0	69
Total receipts	40,922	21,237	13,437	75,596
Disbursements:				
Grants to local governments	36,412	16,157	0	52,569
State operations	9,579	5,457	32	15,068
General State charges	4,620	632	0	5,252
Debt service	0	0	4,104	4,104
Capital projects	0	8	0	8
Total disbursements	50,611	22,254	4,136	77,001
Other financing sources (uses):				
Transfers from other funds	12,172	1,579	5,434	19,185
Transfers to other funds	(2,774)	(713)	(14,683)	(18,170)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	9,398	866	(9,249)	1,015
Change in fund balance	(291)	(151)	52	(390)
Closing fund balance	2,754	3,520	285	6,559

Source: NYS DOB
**Unaudited Year-end Results*

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2008-2009
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,520	285	6,559
Receipts:				
Taxes	40,610	8,200	12,984	61,794
Miscellaneous receipts	2,505	13,341	941	16,787
Federal grants	41	1	0	42
Total receipts	43,156	21,542	13,925	78,623
Disbursements:				
Grants to local governments	39,126	17,230	0	56,356
State operations	8,662	6,540	61	15,263
General State charges	3,023	1,565	0	4,588
Debt service	0	0	4,652	4,652
Capital projects	0	3	0	3
Total disbursements	50,811	25,338	4,713	80,862
Other financing sources (uses):				
Transfers from other funds	12,482	3,987	5,641	22,110
Transfers to other funds	(5,550)	(963)	(14,785)	(21,298)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,932	3,024	(9,144)	812
Deposit to/(use of) Community Projects Fund	(103)	0	0	(103)
Deposit to/(use of) Prior Year Reserves	(620)	0	0	(620)
Change in fund balance	0	(772)	68	(704)
Closing fund balance	2,031	2,748	353	5,132

Source: NYS DOB

CASH FINANCIAL PLAN
STATE OPERATING FUNDS BUDGET
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,748	353	3,101
Receipts:				
Taxes	42,324	8,992	13,590	64,906
Miscellaneous receipts	2,470	13,250	897	16,617
Federal grants	0	1	0	1
Total receipts	44,794	22,243	14,487	81,524
Disbursements:				
Grants to local governments	43,136	18,010	0	61,146
State operations	9,100	6,706	61	15,867
General State charges	3,848	1,182	0	5,030
Debt service	0	0	5,158	5,158
Capital projects	0	3	0	3
Total disbursements	56,084	25,901	5,219	87,204
Other financing sources (uses):				
Transfers from other funds	12,351	4,057	5,741	22,149
Transfers to other funds	(6,029)	(739)	(14,950)	(21,718)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,322	3,318	(9,209)	431
Deposit to/(use of) Community Projects Fund	48	0	0	48
Change in fund balance	(5,016)	(340)	59	(5,297)
Closing fund balance	(5,016)	2,408	412	(2,196)

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	0	2,408	412	2,820
Receipts:				
Taxes	44,389	9,555	14,403	68,347
Miscellaneous receipts	2,471	13,664	933	17,068
Federal grants	0	1	0	1
Total receipts	46,860	23,220	15,336	85,416
Disbursements:				
Grants to local governments	47,046	18,664	0	65,710
State operations	9,664	6,908	61	16,633
General State charges	4,039	1,255	0	5,294
Debt service	0	0	5,803	5,803
Capital projects	0	2	0	2
Total disbursements	60,749	26,829	5,864	93,442
Other financing sources (uses):				
Transfers from other funds	12,914	4,321	6,155	23,390
Transfers to other funds	(6,778)	(822)	(15,562)	(23,162)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,136	3,499	(9,407)	228
Deposit to/(use of) Community Projects Fund	(22)	0	0	(22)
Change in fund balance	(7,731)	(110)	65	(7,776)
Closing fund balance	(7,731)	2,298	477	(4,956)

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	0	2,298	477	2,775
Receipts:				
Taxes	46,892	9,896	15,290	72,078
Miscellaneous receipts	2,234	13,948	975	17,157
Federal grants	0	1	0	1
Total receipts	49,126	23,845	16,265	89,236
Disbursements:				
Grants to local governments	49,988	19,784	0	69,772
State operations	9,909	6,929	61	16,899
General State charges	4,336	1,306	0	5,642
Debt service	0	0	6,146	6,146
Capital projects	0	2	0	2
Total disbursements	64,233	28,021	6,207	98,461
Other financing sources (uses):				
Transfers from other funds	13,618	4,904	6,266	24,788
Transfers to other funds	(7,353)	(861)	(16,241)	(24,455)
Bond and note proceeds	0	0	0	0
Net other financing sources (uses)	6,265	4,043	(9,975)	333
Deposit to/(use of) Community Projects Fund	(80)	0	0	(80)
Change in fund balance	(8,762)	(133)	83	(8,812)
Closing fund balance	(8,762)	2,165	560	(6,037)

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2007-2008*
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	3,045	4,007	(432)	233	6,853
Receipts:					
Taxes	38,395	7,834	2,047	12,595	60,871
Miscellaneous receipts	2,458	13,605	2,735	842	19,640
Federal grants	69	33,095	1,745	0	34,909
Total receipts	40,922	54,534	6,527	13,437	115,420
Disbursements:					
Grants to local governments	36,412	45,704	1,079	0	83,195
State operations	9,579	8,610	0	32	18,221
General State charges	4,620	856	0	0	5,476
Debt service	0	0	0	4,104	4,104
Capital projects	0	8	5,052	0	5,060
Total disbursements	50,611	55,178	6,131	4,136	116,056
Other financing sources (uses):					
Transfers from other funds	12,172	4,000	272	5,434	21,878
Transfers to other funds	(2,774)	(3,484)	(939)	(14,683)	(21,880)
Bond and note proceeds	0	0	269	0	269
Net other financing sources (uses)	9,398	516	(398)	(9,249)	267
Change in fund balance	(291)	(128)	(2)	52	(369)
Closing fund balance	2,754	3,879	(434)	285	6,484

Source: NYS DOB
**Unaudited Year-end Results*

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2008-2009
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	2,754	3,879	(434)	285	6,484
Receipts:					
Taxes	40,610	8,200	2,110	12,984	63,904
Miscellaneous receipts	2,505	13,461	3,177	941	20,084
Federal grants	41	33,922	1,993	0	35,956
Total receipts	43,156	55,583	7,280	13,925	119,944
Disbursements:					
Grants to local governments	39,126	46,579	571	0	86,276
State operations	8,662	10,014	0	61	18,737
General State charges	3,023	2,406	0	0	5,429
Debt service	0	0	0	4,652	4,652
Capital projects	0	3	6,509	0	6,512
Total disbursements	50,811	59,002	7,080	4,713	121,606
Other financing sources (uses):					
Transfers from other funds	12,482	6,545	613	5,641	25,281
Transfers to other funds	(5,550)	(3,801)	(1,235)	(14,785)	(25,371)
Bond and note proceeds	0	0	473	0	473
Net other financing sources (uses)	6,932	2,744	(149)	(9,144)	383
Deposit to/(use of) Community Projects Fund	(103)	0	0	0	(103)
Deposit to/(use of) Prior Year Reserves	(620)	0	0	0	(620)
Change in fund balance	0	(675)	51	68	(556)
Closing fund balance	2,031	3,204	(383)	353	5,205

Source: NYS DOB

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2009-2010
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	3,204	(383)	353	3,174
Receipts:					
Taxes	42,324	8,992	2,182	13,590	67,088
Miscellaneous receipts	2,470	13,360	4,238	897	20,965
Federal grants	0	35,034	2,000	0	37,034
Total receipts	44,794	57,386	8,420	14,487	125,087
Disbursements:					
Grants to local governments	43,136	48,616	625	0	92,377
State operations	9,100	10,235	0	61	19,396
General State charges	3,848	2,091	0	0	5,939
Debt service	0	0	0	5,158	5,158
Capital projects	0	3	7,923	0	7,926
Total disbursements	56,084	60,945	8,548	5,219	130,796
Other financing sources (uses):					
Transfers from other funds	12,351	6,670	915	5,741	25,677
Transfers to other funds	(6,029)	(3,554)	(1,168)	(14,950)	(25,701)
Bond and note proceeds	0	0	617	0	617
Net other financing sources (uses)	6,322	3,116	364	(9,209)	593
Deposit to/(use of) Community Projects Fund	48	0	0	0	48
Change in fund balance	(5,016)	(443)	236	59	(5,164)
Closing fund balance	(5,016)	2,761	(147)	412	(1,990)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,761	(147)	412	3,026
Receipts:					
Taxes	44,389	9,555	2,184	14,403	70,531
Miscellaneous receipts	2,471	13,774	3,892	933	21,070
Federal grants	0	36,122	1,953	0	38,075
Total receipts	46,860	59,451	8,029	15,336	129,676
Disbursements:					
Grants to local governments	47,046	50,276	631	0	97,953
State operations	9,664	10,621	0	61	20,346
General State charges	4,039	2,237	0	0	6,276
Debt service	0	0	0	5,803	5,803
Capital projects	0	2	7,654	0	7,656
Total disbursements	60,749	63,136	8,285	5,864	138,034
Other financing sources (uses):					
Transfers from other funds	12,914	7,071	1,362	6,155	27,502
Transfers to other funds	(6,778)	(3,683)	(1,509)	(15,562)	(27,532)
Bond and note proceeds	0	0	660	0	660
Net other financing sources (uses)	6,136	3,388	513	(9,407)	630
Deposit to/(use of) Community Projects Fund	(22)	0	0	0	(22)
Change in fund balance	(7,731)	(297)	257	65	(7,706)
Closing fund balance	(7,731)	2,464	110	477	(4,680)

Source: NYS DOB

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

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	0	2,464	110	477	3,051
Receipts:					
Taxes	46,892	9,896	2,198	15,290	74,276
Miscellaneous receipts	2,234	14,058	3,770	975	21,037
Federal grants	0	37,818	1,921	0	39,739
Total receipts	49,126	61,772	7,889	16,265	135,052
Disbursements:					
Grants to local governments	49,988	53,064	634	0	103,686
State operations	9,909	10,675	0	61	20,645
General State charges	4,336	2,337	0	0	6,673
Debt service	0	0	0	6,146	6,146
Capital projects	0	2	7,348	0	7,350
Total disbursements	64,233	66,078	7,982	6,207	144,500
Other financing sources (uses):					
Transfers from other funds	13,618	7,640	1,401	6,266	28,925
Transfers to other funds	(7,353)	(3,745)	(1,593)	(16,241)	(28,932)
Bond and note proceeds	0	0	513	0	513
Net other financing sources (uses)	6,265	3,895	321	(9,975)	506
Deposit to/(use of) Community Projects Fund	(80)	0	0	0	(80)
Change in fund balance	(8,762)	(411)	228	83	(8,862)
Closing fund balance	(8,762)	2,053	338	560	(5,811)

Source: NYS DOB

CASHFLOW
GENERAL FUND
2008-2009
(dollars in millions)

	2008 April Projected	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	2009 January Projected	February Projected	March Projected	Total
OPENING BALANCE	2,754	7,484	3,270	3,786	3,502	3,682	5,222	3,875	1,239	799	5,445	4,861	2,754
RECEIPTS:													
Personal Income Tax	5,457	831	2,234	1,518	1,553	2,047	598	(56)	1,362	4,997	1,563	1,816	23,920
User Taxes and Fees	642	656	903	690	664	896	658	702	906	723	618	879	8,937
Business Taxes	194	54	1,240	125	141	1,320	111	78	1,176	97	162	1,861	6,559
Other Taxes	99	99	100	100	101	101	99	99	99	99	99	99	1,194
Total Taxes	6,392	1,640	4,477	2,433	2,459	4,364	1,466	823	3,543	5,916	2,442	4,655	40,610
Licenses, fees, etc.	30	63	46	29	63	44	54	51	35	40	54	62	571
Abandoned Property	20	0	18	17	10	56	15	184	41	74	61	255	751
Reimbursement	4	11	24	5	14	22	13	10	24	7	12	27	173
Investment income	35	7	25	24	(7)	6	53	16	5	25	0	11	200
Other transactions	30	36	156	47	57	59	41	34	57	37	33	223	810
Total Miscellaneous Receipts	119	117	269	122	137	187	176	295	162	183	160	578	2,505
Federal Grants	0	11	4	0	4	0	9	9	0	4	0	0	41
PIT in excess of Revenue Bond Debt Service	1,818	206	873	525	350	942	600	35	877	1,419	143	795	8,583
Sales Tax in Excess of LGAC Debt Service	189	24	447	207	200	211	198	212	278	219	23	147	2,355
Real Estate Taxes in Excess of CW/CA Debt Service	63	56	45	47	57	57	53	40	50	53	39	37	597
All Other	0	0	55	39	1	5	8	5	122	3	1	708	947
Total Transfers from Other Funds	2,070	286	1,420	818	608	1,215	859	292	1,327	1,694	206	1,687	12,482
TOTAL RECEIPTS	8,581	2,054	6,170	3,373	3,208	5,766	2,510	1,419	5,032	7,797	2,808	6,920	55,638
DISBURSEMENTS:													
School Aid	341	2,335	1,891	193	560	1,494	636	1,124	1,609	471	829	6,342	17,825
Higher Education	17	11	490	115	109	93	472	24	249	53	348	479	2,460
All Other Education	14	233	150	221	85	101	101	103	113	178	163	301	1,763
Medicaid - DOH	1,300	893	938	744	359	467	880	867	791	664	567	724	9,194
Public Health	40	53	44	51	37	50	50	46	46	102	22	86	627
Mental Hygiene	73	77	134	142	127	251	137	129	226	233	133	398	2,060
Children and Families	8	125	107	262	103	115	86	87	294	92	96	388	1,763
Temporary & Disability Assistance	126	128	308	156	156	166	(144)	156	168	(144)	125	12	1,213
Transportation	0	14	46	1	14	2	0	13	8	0	12	0	110
All Other	16	42	427	71	58	208	16	59	481	54	53	626	2,111
Total Local Assistance Grants	1,935	3,911	4,535	1,956	1,608	2,947	2,234	2,608	3,985	1,703	2,348	9,356	39,126
Personal Service	669	578	477	684	529	495	615	466	448	521	426	367	6,275
Non-Personal Service	170	206	197	193	209	192	173	160	181	213	198	295	2,387
Total State Operations	839	784	674	877	738	687	788	626	629	734	624	662	8,662
General State Charges	357	1,042	(68)	443	295	(114)	412	285	(53)	325	145	(46)	3,023
Debt Service	228	139	201	36	46	278	22	175	404	3	19	141	1,692
Capital Projects	101	56	54	98	83	111	150	70	221	111	84	(706)	433
Other Purposes	391	336	258	247	258	317	251	291	286	275	172	343	3,425
Total Transfers to Other Funds	720	531	513	381	387	706	423	536	911	389	275	(222)	5,550
TOTAL DISBURSEMENTS	3,851	6,268	5,654	3,657	3,028	4,226	3,857	4,055	5,472	3,151	3,392	9,750	56,361
Excess/(Deficiency) of Receipts over Disbursements	4,730	(4,214)	516	(284)	180	1,540	(1,347)	(2,636)	(440)	4,646	(584)	(2,830)	(723)
CLOSING BALANCE	7,484	3,270	3,786	3,502	3,682	5,222	3,875	1,239	799	5,445	4,861	2,031	2,031

Source: NYS DOB

CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)

	2007-2008 Actuals*	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT							
Agriculture and Markets, Department of	102,118	0	102,118	108,995	110,443	123,940	111,700
Alcoholic Beverage Control	12,293	0	12,293	13,537	14,098	14,400	14,593
Banking Department	59,154	0	59,154	59,011	60,541	61,783	60,413
Consumer Protection Board	2,982	0	2,982	3,732	3,837	3,965	3,852
Economic Development Capital Programs	138,367	0	138,367	117,450	293,675	234,050	110,599
Economic Development, Department of	42,878	0	42,878	60,974	58,631	58,832	58,931
Empire State Development Corporation	280,348	0	280,348	502,020	1,129,470	708,252	666,721
Energy Research and Development Authority	28,944	0	28,944	29,053	29,192	29,390	29,592
Housing and Community Renewal, Division of	290,439	0	290,439	313,861	289,914	290,806	291,939
Insurance Department	206,046	0	206,046	271,547	268,887	271,082	271,082
Olympic Regional Development Authority	6,543	0	6,543	14,169	8,927	9,147	9,373
Public Service, Department of	50,945	0	50,945	58,823	60,947	63,367	65,216
Science, Technology and Innovation, Foundation for	44,350	0	44,350	37,772	36,913	31,156	32,031
Strategic Investment	9,704	0	9,704	8,000	14,000	14,000	10,376
Functional Total	1,275,111	0	1,275,111	1,598,944	2,379,475	1,914,170	1,736,418
PARKS AND THE ENVIRONMENT							
Adirondack Park Agency	5,289	0	5,289	5,843	5,899	5,978	5,978
Environmental Conservation, Department of	925,887	0	925,887	898,011	912,485	913,532	920,613
Environmental Facilities Corporation	18,500	0	18,500	12,089	7,263	7,563	7,563
Hudson River Park Trust	14,370	0	14,370	20,682	15,000	10,000	0
Parks, Recreation and Historic Preservation, Office of	264,710	0	264,710	322,414	291,870	263,343	261,968
Functional Total	1,228,756	0	1,228,756	1,259,039	1,232,517	1,200,416	1,196,122
TRANSPORTATION							
Motor Vehicles, Department of	272,358	0	272,358	313,588	308,156	321,759	330,062
Thruway Authority	1,245	0	1,245	1,734	1,804	1,876	1,951
Metropolitan Transportation Authority	86,371	0	86,371	160,000	195,300	206,500	194,500
Transportation, Department of	6,144,099	0	6,144,099	6,576,057	6,785,709	6,986,004	7,038,865
Functional Total	6,504,073	0	6,504,073	7,051,379	7,290,969	7,516,139	7,565,378
HEALTH AND SOCIAL WELFARE							
Aging, Office for the	234,593	0	234,593	237,037	244,482	252,818	256,964
Children and Family Services, Office of	2,963,884	0	2,963,884	3,139,271	3,309,081	3,508,959	3,664,291
OCFS	2,963,884	(33,505)	2,930,379	3,095,766	3,243,214	3,397,165	3,531,690
OCFS - Medicaid	0	33,505	33,505	43,505	65,867	111,794	132,601
Health, Department of	36,497,883	0	36,497,883	37,567,315	40,588,072	43,035,036	45,928,866
Medical Assistance	31,040,404	0	31,040,404	31,737,487	34,303,301	36,546,627	39,262,169
Medicaid Administration	838,272	0	838,272	853,000	887,000	922,500	959,250
DOH - Other	4,619,207	0	4,619,207	4,976,828	5,397,771	5,565,909	5,707,447
Health - Medicaid Assistance	0	0		0	0	0	0
Human Rights, Division of	16,007	0	16,007	16,890	17,759	17,898	17,957
Labor, Department of	477,139	0	477,139	502,000	490,728	499,739	507,237
Medicaid Inspector General, Office of	41,501	0	41,501	85,586	90,072	91,395	95,070
Prevention of Domestic Violence, Office for	2,432	0	2,432	2,501	2,532	2,568	2,578
Stem Cell and Innovation	163	0	163	49,950	96,450	93,250	46,600

CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)

	2007-2008 Actuals*	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
HEALTH AND SOCIAL WELFARE (Continued)							
Temporary and Disability Assistance, Office of	4,718,347	0	4,718,347	4,542,915	4,622,877	4,628,314	4,636,021
Welfare Assistance	3,217,951	0	3,217,951	3,053,619	3,117,868	3,117,781	3,118,781
Welfare Administration	369,646	0	369,646	369,982	371,907	371,907	371,907
All Other	1,130,750	0	1,130,750	1,119,314	1,133,102	1,138,626	1,145,333
Welfare Inspector General, Office of	1,073	0	1,073	1,279	1,319	1,367	1,385
Workers' Compensation Board	156,166	0	156,166	146,112	149,930	154,904	154,904
Functional Total	45,109,188	0	45,109,188	46,290,856	49,613,302	52,286,248	55,311,873
MENTAL HEALTH							
Mental Health, Office of	2,548,566	(43,162)	2,505,404	2,615,089	2,880,892	3,034,587	3,127,134
OMH	2,548,566	(1,380,312)	1,168,254	1,277,939	1,467,186	1,544,340	1,608,375
OMH - Medicaid	0	1,337,150	1,337,150	1,337,150	1,413,706	1,490,247	1,518,759
Mental Hygiene, Department of	237	5,819	6,056	7,500	7,500	7,500	7,500
Mental Retardation and Developmental Disabilities, Office of	3,395,320	46,098	3,441,418	3,481,965	3,688,882	3,844,094	3,930,132
OMRDD	3,395,320	(3,028,003)	367,317	407,864	411,727	419,704	422,650
OMRDD - Medicaid	0	3,074,101	3,074,101	3,074,101	3,277,155	3,424,390	3,507,482
Alcoholism and Substance Abuse Services, Office of	597,901	(8,755)	589,146	614,777	709,353	725,141	741,900
OASAS	597,901	(75,276)	522,625	548,256	642,322	657,533	673,871
OASAS - Medicaid	0	66,521	66,521	66,521	67,031	67,608	68,029
Developmental Disabilities Planning Council	5,022	0	5,022	3,617	3,617	3,617	3,617
Quality of Care for the Mentally Disabled, Commission on	12,661	0	12,661	15,194	16,712	16,887	16,921
Functional Total	6,559,707	0	6,559,707	6,738,142	7,306,956	7,631,826	7,827,204
PUBLIC PROTECTION							
Capital Defenders Office	1,035	0	1,035	388	0	0	0
Correction, Commission of	2,767	0	2,767	2,710	2,766	2,829	2,861
Correctional Services, Department of	2,720,406	0	2,720,406	2,752,368	2,839,663	2,929,267	2,997,976
Crime Victims Board	63,778	0	63,778	61,833	61,989	62,197	62,252
Criminal Justice Services, Division of	294,747	0	294,747	312,170	248,188	245,006	241,841
Homeland Security	63,963	0	63,963	200,324	371,597	298,530	564,310
Investigation, Temporary State Commission of	3,663	0	3,663	4,159	0	0	0
Judicial Commissions	3,925	0	3,925	5,075	5,220	5,367	5,470
Military and Naval Affairs, Division of	441,185	0	441,185	405,548	196,890	162,251	177,294
Parole, Division of	208,618	0	208,618	204,249	217,889	236,316	241,117
Probation and Correctional Alternatives, Division of	74,662	0	74,662	81,581	79,843	79,932	79,622
State Police, Division of	643,054	0	643,054	625,365	626,757	622,456	612,754
Functional Total	4,521,803	0	4,521,803	4,655,770	4,650,802	4,644,151	4,985,497

CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)

	2007-2008 Actuals*	Medicaid Transparency	2007-2008 Adjusted	2008-2009 Projected	2009-2010 Projected	2010-2011 Projected	2011-2012 Projected
EDUCATION							
Arts, Council on the	53,425	0	53,425	54,617	54,861	54,934	55,032
City University of New York	1,100,593	0	1,100,593	1,281,625	1,341,678	1,408,697	1,436,039
Education, Department of	28,879,203	0	28,879,203	30,876,987	33,342,452	36,280,748	38,486,605
School Aid	21,543,493	(80,000)	21,463,493	23,263,833	24,991,450	27,303,570	29,177,570
School Aid - Medicaid Assistance	0	80,000	80,000	80,000	80,000	80,000	80,000
STAR Property Tax Relief	4,657,721	0	4,657,721	4,692,899	5,383,170	5,909,569	6,195,582
Special Education Categorical Programs	1,623,565	0	1,623,565	1,729,690	1,828,590	1,889,590	1,968,090
All Other	1,054,424	0	1,054,424	1,110,565	1,059,242	1,098,019	1,065,363
Higher Education Services Corporation	950,356	0	950,356	924,791	936,989	939,607	941,163
Higher Education Capital Grants	0	0	0	50,000	40,000	30,000	30,000
State University Construction Fund	12,229	0	12,229	13,857	14,311	14,923	15,069
State University of New York	5,725,371	0	5,725,371	5,852,817	6,016,794	6,198,131	6,244,132
Functional Total	36,721,177	0	36,721,177	39,054,694	41,747,085	44,927,040	47,208,040
GENERAL GOVERNMENT							
Audit and Control, Department of	249,088	0	249,088	264,664	269,326	275,408	277,761
Budget, Division of the	38,216	0	38,216	89,462	84,010	90,181	89,680
Civil Service, Department of	24,868	0	24,868	24,391	25,172	26,222	26,458
Elections, State Board of	14,108	0	14,108	78,157	190,362	9,435	9,552
Employee Relations, Office of	3,613	0	3,613	4,262	4,354	4,537	4,577
Executive Chamber	20,167	0	20,167	21,061	22,081	23,238	23,908
General Services, Office of	221,618	0	221,618	232,550	237,306	241,552	239,517
Inspector General, Office of	6,416	0	6,416	7,184	7,466	7,730	7,812
Law, Department of	189,357	0	189,357	221,073	228,152	235,930	240,912
Lieutenant Governor, Office of the	1,314	0	1,314	126	0	328	1,314
Lottery, Division of	207,420	0	207,420	176,677	181,287	186,063	186,063
Public Employment Relations Board	3,657	0	3,657	4,284	4,404	4,555	4,602
Public Integrity, Commission on	1,733	0	1,733	5,359	5,446	5,569	5,927
Racing and Wagering Board, State	19,197	0	19,197	16,908	17,506	17,941	17,925
Real Property Services, Office of	51,994	0	51,994	52,077	53,048	54,088	55,057
Regulatory Reform, Governor's Office of	3,850	0	3,850	3,371	3,482	3,592	3,592
State, Department of	189,497	0	189,497	180,851	156,093	156,768	152,902
Tax Appeals, Division of	3,325	0	3,325	3,259	3,336	3,426	3,426
Taxation and Finance, Department of	376,148	0	376,148	363,096	375,297	385,121	385,176
Technology, Office for	21,468	0	21,468	75,036	152,340	214,243	194,327
Lobbying, Temporary State Commission on	1,093	0	1,093	0	0	0	(332)
Veterans Affairs, Division of	15,161	0	15,161	17,883	17,034	16,818	16,381
Functional Total	1,663,308	0	1,663,308	1,841,731	2,037,502	1,962,745	1,946,537
ALL OTHER CATEGORIES							
Legislature	216,946	0	216,946	219,279	221,931	221,974	221,974
Judiciary (excluding fringe benefits)	1,794,754	0	1,794,754	1,826,099	1,972,558	2,116,876	2,247,264
World Trade Center	39,755	0	39,755	80,000	70,000	35,000	32,500
Local Government Assistance	917,495	0	917,495	1,241,893	1,405,395	1,481,724	1,477,164
Long-Term Debt Service	4,104,001	0	4,104,001	4,652,161	5,158,092	5,803,370	6,146,358
General State Charges	5,475,909	0	5,475,909	5,428,324	5,939,542	6,275,959	6,673,026
Miscellaneous	(75,576)	0	(75,576)	(332,000)	(228,842)	15,847	(75,665)
Functional Total	12,473,284	0	12,473,284	13,115,756	14,538,676	15,950,750	16,722,621
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	116,056,407	0	116,056,407	121,606,311	130,797,284	138,033,485	144,499,690

**Unaudited Year-end Results*
Source: NYS DOB

GAAP-Basis Financial Plans/GASB Statement 45

In addition to the cash-basis Financial Plans, the General Fund and All Funds Financial Plans are prepared on a basis of GAAP in accordance with Governmental Accounting Standards Board (GASB) regulations. DOB's GAAP projections, which are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2006-07, are for informational purposes only and are not relied on for budget management or execution.

In 2008-09, the General Fund GAAP Financial Plan shows total revenues of $45.0 billion, total expenditures of $55.7 billion, and net other financing sources of $10.0 billion, resulting in an operating deficit of $1.7 billion. These changes are due primarily to the use of a portion of the prior year surplus to support 2008-09 operations, as well as economic conditions on revenue accruals.

The GAAP basis results for 2006-07 showed the State in a net positive overall asset condition of $48.9 billion. The net positive asset condition is before the State reflects the impact of GASB 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." GASB 45 requires State and local governments to reflect the value of post-employment benefits, predominantly health care, for current employees and retirees beginning with the financial statements for the 2007-08 fiscal year.

The State used an independent actuarial consulting firm to calculate retiree health care liabilities. Assuming there is no pre-funding of this liability, the analysis indicates that the present value of the actuarial accrued total liability for benefits to date would be roughly $50 billion, using the level percentage of projected payroll approach under the Frozen Entry Age actuarial cost method. This is the actuarial methodology recommended to be used to implement GASB 45 by OSC. The actuarial accrued liability was calculated using a 4.155 percent annual discount rate.

The State's total unfunded liability will be disclosed in the 2007-08 basic financial statements. While the total liability is substantial, GASB rules indicate it may be amortized over a 30-year period; therefore, only the annual amortized liability above the current pay-as-you-go costs would be recognized in the financial statements. Assuming no pre-funding, the 2007-08 liability would total roughly $3.8 billion under the Frozen Entry Age actuarial cost method amortized based on a level percent of salary, or $2.7 billion above the current pay-as-you-go retiree costs. This difference between the State's pay-as-you-go costs and the actuarially determined required annual contribution under GASB 45 would reduce the State's currently positive net asset condition.

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 pay-as-you-go basis. Anticipated increases in these costs are reflected in the State's multi-year Financial Plan as detailed below.

History and Forecast of New York State Employee Health Insurance Costs (millions of dollars)

	Health Insurance		
Year	**Active Employees**	**Retirees**	**Total State**
1999-00	777	466	1,243
2000-01	876	521	1,397
2001-02	937	565	1,502
2002-03	1,023	634	1,657
2003-04	1,072	729	1,801
2004-05	1,216	838	2,054
2005-06	1,331	885	2,216
2006-07	1,518	913	2,431
2007-08	1,566	988	2,554
2008-09	1,652	1,039	2,691
2009-10	1,790	1,129	2,919
2010-11	1,950	1,233	3,183
2011-12	2,127	1,347	3,474

All numbers reflect the cost of Health Insurance for General State Charges (Executive and Legislative branches) and the Office of Court Administration; actuals through 2007-08.

As noted, the current Financial Plan does not assume pre-funding of the GASB 45 liability. If such liability was fully funded, the total unfunded liability would be reduced from $50 billion to $28 billion, and the additional cost above the pay-as-you-go amounts would be $1.5 billion in 2007-08. The State's Health Insurance Council, which consists of the Governor's Office of Employee Relations (GOER), Civil Service, and DOB will continue to review this matter, seek input from the State Comptroller, the legislative fiscal committees and outside parties, and provide options for consideration.

DOB's detailed GAAP Financial Plan for 2008-09 is provided below.

GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2008-2009
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	40,168	8,200	2,110	12,984	63,462
Patient fees	0	0	0	587	587
Miscellaneous revenues	4,757	5,074	131	25	9,987
Federal grants	41	36,484	1,993	0	38,518
Total revenues	44,966	49,758	4,234	13,596	112,554
Expenditures:					
Grants to local governments	40,419	47,437	570	0	88,426
State operations	12,405	1,719	0	61	14,185
General State charges	3,848	340	0	0	4,188
Debt service	0	0	0	3,718	3,718
Capital projects	1	2	7,515	0	7,518
Total expenditures	56,673	49,498	8,085	3,779	118,035
Other financing sources (uses):					
Transfers from other funds	15,602	2,535	585	5,641	24,363
Transfers to other funds	(5,968)	(3,185)	(1,235)	(15,383)	(25,771)
Proceeds of general obligation bonds	0	0	473	0	473
Proceeds from financing arrangements/ advance refundings	393	0	3,864	0	4,257
Net other financing sources (uses)	10,027	(650)	3,687	(9,742)	3,322
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	(1,680)	(390)	(164)	75	(2,159)

Source: NYS DOB

Special Considerations

Many complex political, social, environmental and economic forces influence the State's economy and finances. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year. For example, the Financial Plan is necessarily based on forecasts of national and State economic activity. Economic forecasts have frequently failed to accurately predict the timing and magnitude of specific and cyclical changes to the national and State economies. For a discussion of the DOB economic forecast, see the section entitled "Economics and Demographics," in this AIS. The Financial Plan also relies on estimates and assumptions concerning Federal aid, law changes, and audit activity.

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" in this AIS.

DOB believes that its projections of receipts and disbursements relating to the current State 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 for 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. The most significant current risks include the following:

Risks to the Economic Forecast

DOB expects the current recession to be relatively mild, though there are a number of risks to the forecast. The disruption to financial markets caused by subprime-related debt could be much worse than anticipated, further delaying the recovery of the financial sector. The downturn in both the residential and commercial real estate markets could be deeper and last longer than anticipated. In addition, volatile food and energy prices could push inflation even higher than projected, tying the Federal Reserve’s hands and effectively placing a tax on households, causing household spending to slow even further than expected. The global economy could slow further than anticipated in response to the U.S. downturn, depressing demand for U.S. exports and putting additional downward pressure on corporate earnings. Slower corporate earnings growth than expected could further depress equity markets, delaying their recovery and that of Wall Street. On the other hand, lower energy prices or stronger global growth than anticipated could result in stronger economic growth than is reflected in the forecast.

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation’s financial capital, financial market uncertainty poses a particularly large degree of risk for New York. New York's tax revenues are more reliant on the financial sector of the economy than are other states and other regions of the nation. The full extent of the losses associated with subprime debt still remains to be seen. Higher losses than anticipated could result in a further delay in the recovery of Wall Street profits and bonuses. A more severe national recession than expected could prolong the State's downturn, producing weaker employment and wage growth than projected. Should core inflation significantly accelerate, the Federal Reserve may feel compelled to reverse course and raise rates, which traditionally has adverse effects on the State economy. Moreover, weaker equity and real estate activity than anticipated could negatively affect household spending and taxable capital gains realizations. These effects could ripple through the economy, further depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

Labor Settlements

The State has reached labor settlements with four labor unions: CSEA; PEF; UUP; and District Council 37, and extended comparable changes in pay and benefits to M/C employees. Under terms of the four-year contracts, which run from April 2, 2007 through April 1, 2011 (July 2, 2007 through July 1, 2011 for UUP), employees will receive pay increases of 3 percent annually in 2007-08, 2008-09, and 2009-10 and 4 percent in 2010-11.

The State's Financial Plan funds the costs of current contracts in 2008-09 through the use of $620 million of the $1.1 billion in existing reserves available at the start of the fiscal year for this purpose.

DOB estimates the General Fund costs of the agreements at $620 million in 2008-09, $775 million in 2009-10, and $1.2 billion in both 2010-11 and 2011-12. The current Financial Plan includes these costs.

The unions representing uniformed officers (e.g., Police Benevolent Association, New York State Correctional Officers and Police Benevolent Association), the union representing graduate students (Graduate Student Employees Union), and CUNY employees have not reached settlements at this time. DOB estimates that if all remaining unsettled unions were to agree to the same terms that have been ratified by CSEA, it would result in added costs of $200 million in 2008-09, $185 million in 2009-10, and $264 million in both 2010-11 and 2011-12.

School Supportive Health Services

The Office of the Inspector General (OIG) of the United States DOH and Human Services conducted six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement. The audits cover $1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued four final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the Centers for Medicare and Medicaid Services (CMS) disallow $173 million of the $362 million in claims for upstate speech pathology services, $17 million of $72 million for upstate transportation services, $436 million of the $551 million in claims submitted for New York City speech pathology services, and $96 million of the $123 million for New York City transportation services. New York State disagrees with the audit findings on several grounds and has requested that they be withdrawn. If the recommended disallowances are not withdrawn, the State expects to appeal.

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits.

Proposed Federal Rules on Medicaid Funding

On May 25, 2007, CMS issued a final rule that, if implemented, would significantly curtail Federal Medicaid funding to public hospitals (including New York City's Health and Hospital Corporation (HHC)) and programs operated by both the State OMRDD and the State OMH. The rule seeks to restrict State access to Federal Medicaid resources by changing the upper payment limit for certain rates to actual facility reported costs. It is estimated that this rule could result in a loss of $350 million annually in Federal funds for HHC and potentially larger losses in aid for the State Mental Hygiene System.

On May 23, 2007, CMS issued another rule that would eliminate Medicaid funding for graduate medical education (GME). The proposed rule clarifies that costs and payments associated with GME programs are not expenditures of Medicaid for which Federal reimbursement is available. This rule could result in a Financial Plan impact of up to $600 million since the State would be legally obligated to pay the lost non-Federal share.

The states affected by these regulations are challenging such adoption on the basis that CMS is overstepping its authority and ignoring the intent of Congress. As a result, Congress passed a one-year moratorium barring implementation of these proposed rule changes. The moratorium expires on May 29, 2008.

CMS has proposed other regulations that could pose a risk to the State's Financial Plan beyond those addressed by the moratorium. On February 22, 2008, CMS issued a change to the rules that regulate State taxation of healthcare entities, effective April 22, 2008. The rule affords CMS flexibility in identifying a "linkage" between provider taxes and Medicaid payments rendering the tax invalid. The State currently uses a substantial amount of provider tax receipts to finance various healthcare programs that serve the State's most vulnerable populations. While the State strongly believes that its imposed taxes are in full compliance, the vagueness of the new rules provides no assurance that these funding streams are adequately protected.

CMS has also issued a rule regarding targeted case management which clarifies the definition of covered services. The final rule was issued on December 4, 2007 and made effective March 3, 2008. The State is currently in the process of litigating this issue and has requested a one-year implementation extension.

Further, CMS proposes to restrict Medicaid reimbursement for hospital outpatient services and restrict coverage to rehabilitative services, which could pose a risk to the Financial Plan and result in hundreds of millions of dollars in reduced Federal-share funding. However, the State argues that the proposed regulation regarding outpatient services is in direct violation of the current moratorium.

On all of these rules, the State is actively lobbying the Federal government to be held harmless, either through an extension/modification of the current moratorium or through other administrative or statutory means.

Variable Rate Debt

In recent months, the market for municipal auction rate securities and certain variable rate demand bonds has been disrupted by, among other things, credit rating downgrades to certain municipal bond insurers, investor concerns over liquidity and the level of participation of investment banks in the operation of the market. The disruption has not had a material impact on State debt service costs. The State is substantially reducing its exposure to auction rate securities and to variable-rate demand bonds that carry insurance from bond insurers that have been subject to credit rating downgrades. DOB expects the adjustments to its variable rate portfolio will be completed by the end of the first quarter of fiscal year 2008-09.

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTIONS

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APPENDIX B-I

SUMMARY OF CERTAIN PROVISIONS OF DORMITORY AUTHORITY OF THE STATE OF NEW YORK STATE PERSONAL INCOME TAX REVENUE BONDS (EDUCATION) AND (ECONOMIC DEVELOPMENT AND HOUSING) GENERAL RESOLUTIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education) General Bond Resolution (the "Resolution"). The definitions and Summary are not to be considered a full statement of all terms used in the Resolution and, accordingly, are qualified by reference to and are subject to the full text of the Resolution. The Summary also summarizes certain definitions and provisions of the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution. The Summary indicates any differences between the two resolutions by indicating the Economic Development and Housing resolution language in italics. A copy of each of the resolutions may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Acts shall mean the Issuer Act and the Enabling Act.

Administrative Fund shall mean the Fund designated as the Administrative Fund established in the Resolution.

Authorized Officer shall mean (i) in the case of the Issuer, the Chairman, the Vice Chairman, the Treasurer, an Assistant Treasurer, the Secretary, an Assistant Secretary, the Executive Director, the First Deputy Executive Director, the Chief Financial Officer, any Managing Director, the General Counsel, or any other person authorized by a Resolution or bylaws of the Issuer, from time to time, to perform any specific act or execute any specific document, and when used with reference to any act or document also means any other person authorized by resolution or by laws of the Issuer to perform such act or execute such document; and when used with reference to any act or document, any other person authorized by resolution of the Issuer to perform such act or sign such document, (ii) in the case of the State, the Director of the Budget and when used with reference to any act or document, any other person authorized by law or by the Director of the Budget to perform such act or sign such document, (iii) in the case of the Trustee, the President, any Vice President, any Assistant Vice President, any Senior Trust Officer, any Trust Officer or any Assistant Trust Officer, or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge and familiarity with the particular subject matter, and (iv) any other officer or employee so designated on its behalf by resolution of the Issuer or the Trustee, respectively.

Bond Proceeds Fund shall mean the Fund designated as the Bond Proceeds Fund established in the Resolution.

Cost of Issuance Account shall mean the account within the Bond Proceeds Fund so designated, created and established pursuant to the Resolution.

Debt Service Fund shall mean the Fund designated as the Debt Service Fund established in the Resolution.

Financing Agreement shall mean the Education *Economic Development and Housing* Revenue Bonds Financing Agreement between the Issuer and the State, acting through the Director of the Budget.

Issuer shall mean 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 Issuer Act, and its successors and permitted assigns.

Issuer Act shall mean the Dormitory Authority Act (being Chapter 524 of the Laws of 1944 of the State, as the same may be amended from time to time, and constituting Title 4 of Article 8 of the Public Authorities Law), together with any other provision of State law relating to the authorization or financing of Costs of a Project.

Rebate Fund shall mean the Fund designated as the Rebate Fund established in the Resolution.

Resolution shall mean the Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education) (*Economic Development and Housing*) General Bond Resolution (including the Standard Resolution Provisions set forth in Annex A) as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms and provisions of the Resolution.

Revenue Fund shall mean the Fund designated as the Revenue Fund established in the Resolution.

Subordinated Payment Fund shall mean the Fund designated as the Subordinated Payment Fund established in the Resolution.

(Section 101)

Standard Resolution Provisions

Except as otherwise specifically provided in the Resolution or by Supplemental Resolution, the Standard Resolution Provisions appended to the Resolution as Annex A constitute an integral part of the Resolution and have the same force and effect as if set forth in the forepart of the Resolution.

(Section 102)

Authority for the Resolution

The Resolution is adopted pursuant to the provisions of the Enabling Act and to the extent the same is applicable, the Issuer Act.

(Section 103)

Resolution to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued under the Resolution by those who shall hold the same from time to time, the Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds; and the pledge made in the Resolution and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds, over any other thereof except as expressly provided in or permitted by the Resolution.

(Section 104)

Authorization of Bonds

The Resolution authorizes one or more series of Bonds of the Issuer for an Authorized Purpose to be designated as "State Personal Income Tax Revenue Bonds (Education)" (*Economic Development and Housing*) and creates a continuing pledge and lien to secure the full and final payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, all the Bonds. The Bonds shall be special obligations of the Issuer secured by the pledge effected pursuant to the Resolution and are payable solely out of the Pledged Property, without recourse against any other assets, revenues or funds of or other payments due to the Issuer. The aggregate principal amount of the Bonds which may be executed, authenticated and delivered under the Resolution is not limited except as provided in the Resolution or as limited by law.

The Bonds shall not be debt of the State, and the State shall not be liable thereon, nor shall they be payable out of any funds other than those pledged therefor pursuant to the Resolution.

The Bonds may, if and when authorized by the Issuer pursuant to one or more Supplemental Resolutions, be issued in one or more Series, and the designation thereof, in addition to the name "State Personal Income Tax Revenue Bonds (Education)" (*Economic Development and Housing*) shall include such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series, as the Issuer may determine; *provided* that with respect to any Bond denominated as a note, capital lease or other form of obligation, the Issuer may denominate such obligation as other than a "Bond". Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

Nothing contained in the Resolution shall be deemed to preclude or restrict the consolidation pursuant to a Supplemental Resolution of any Bonds of any two or more separate Series authorized pursuant thereto and to any such Supplemental Resolution to be issued pursuant to any of the provisions of the Resolution into a single Series of Bonds for purposes of sale and issuance; *provided*, *however*, that each of the tests, conditions and other requirements contained in the Resolution as applicable to each such separate Series shall be met and complied with. Except as otherwise provided in the Resolution or in such Supplemental Resolution, such a consolidated Series shall be treated as a single Series of Bonds for all purposes of the Resolution.

(Section 201)

Redemption

Bonds of a Series subject to redemption prior to maturity pursuant to the Resolution or to a Supplemental Resolution or Certificate of Determination shall be redeemable in accordance with the Resolution, at such times, at such Redemption Prices and upon such terms as may otherwise be specified in the Resolution, in the Bonds or in the Supplemental Resolution authorizing such Series or the related Certificate of Determination.

(Section 401)

The Pledge Effected by the Resolution

The Bonds are special obligations of the Issuer payable solely from the sources set forth in the Resolution.

(Section 501)

Establishment of Funds

The Resolution establishes the following Funds, which shall be held and administered by the Trustee, except for the Bond Proceeds Fund which at the discretion of the Issuer may be held and administered by the Issuer. Each of such Funds and accounts shall have as a prefix "Dormitory Authority of the State of New York State Personal Income Tax Revenue Bonds (Education)" (*Economic Development and Housing*).

1. Revenue Fund,

2. Debt Service Fund,

3. Rebate Fund,

4. Bond Proceeds Fund,

5. Administrative Fund,

6. Subordinated Payment Fund.

Additional Funds, or accounts and subaccounts within each of the foregoing Funds may from time to time be established in accordance with a Supplemental Resolution, Certificate of Determination or upon the direction of the Issuer evidenced by a certificate of an Authorized Officer of the Issuer. Except as otherwise provided in a Supplemental Resolution, all moneys at any time deposited in any Fund and account created by the Resolution (other than the Rebate Fund), including in any fund or account established to effect an economic defeasance of any Bonds under the Resolution, shall be held in trust separate and apart from all other funds by the Issuer or Trustee, as appropriate, for the benefit of the Holders of each Series of Bonds.

(Section 502)

Revenue Fund

There shall be deposited promptly upon receipt by the Trustee to the credit of the Revenue Fund all Revenues.

Financing Agreement Payments together with any other Pledged Property deposited in the Revenue Fund, shall be applied to the Funds and accounts established under the Resolution consistent with the requirements set forth in the Financing Agreement; *provided*, *however*, that if the amount of any such payment, together with other Pledged Property deposited in the Revenue Fund, is less than the amount certified, the payment shall be applied in the amounts certified, first, to the Debt Service Fund, second, to the Rebate Fund, third, to the Subordinated Payment Fund and, fourth, to the Administrative Fund; *provided*, *however*, that so long as the total amount held in the Debt Service Fund shall be sufficient to fully pay all Outstanding Bonds and Parity Reimbursement Obligations (including Principal or applicable Redemption Price of and interest on such Bonds) in accordance with their terms, no deposits shall be required to be made into the Debt Service Fund.

(Section 503)

Debt Service Fund

In addition to the moneys allocated from the Revenue Fund pursuant to the Resolution, the Trustee shall deposit into the Debt Service Fund such portion of the proceeds of the sale of Bonds of any Series, if any, as shall be prescribed in the Supplemental Resolution or related Certificate of Determination.

The Trustee shall on or before each Interest Payment Date, Redemption Date or other payment date, as the case may be, withdraw and pay from the Debt Service Fund:

i) The interest due on all Outstanding Bonds on such Interest Payment Date;

ii) The Principal Installments due on all Outstanding Bonds on such Interest Payment Date;

iii) The Sinking Fund Installments, if any, due on all Outstanding Bonds on such Interest Payment Date;

iv) The Redemption Price due on all Outstanding Bonds on any Redemption Date in accordance with the Resolution; and

v) Amounts due with respect to Parity Reimbursement Obligations.

Except as otherwise provided in a Supplemental Resolution, the amounts paid out to any Paying Agent pursuant to the Resolution remain irrevocably pledged until, and shall be, applied to such payments.

In the event of the refunding of any Bonds, the Trustee shall, upon the direction of the Issuer, withdraw from the Debt Service Fund all or any portion of the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself as Trustee or any other fiduciary selected by the Issuer to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded; *provided* that such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Resolution, and (ii) the amount remaining in the Debt Service Fund shall be not less than the amount needed to pay the Debt Service on all Outstanding Bonds accrued through such date.

Investment income on amounts in the Debt Service Fund shall be retained in such Fund or, upon direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund or, with the concurrence of the Director of the Budget, to the Bond Proceeds Fund.

(Section 504)

Rebate Fund

The Trustee shall deposit to the Rebate Fund any moneys delivered to it by the State for deposit therein and, notwithstanding any other provisions of the Resolution, shall transfer to the Rebate Fund in accordance with the directions of an Authorized Officer of the Issuer, moneys on deposit in any other Funds held by the Trustee under the Resolution at such times and in such amounts as shall be set forth in such directions. Moneys on deposit in the Rebate Fund shall be applied by the Trustee, in accordance with the direction of the Issuer, to make payments to the Department of the Treasury of the United States of America at such times and in such amounts as the Issuer shall determine to be required by the Code to be rebated to the Department of the Treasury of the United States of America in accordance with the provisions of the Arbitrage and Use of Proceeds Certificate, if any, delivered in connection with each Series of Bonds. Moneys which the Issuer determines to be in excess of the amount required to be so rebated shall be deposited to the Revenue Fund.

If and to the extent required by the Code or an Arbitrage and Use of Proceeds Certificate, the Issuer shall periodically, at such times as may be required to comply with the Code, determine the Rebate Amount with respect to each Series of Bonds and transfer from any other Fund or account held under the Resolution and deposit to the Rebate Fund all or a portion of the Rebate Amount with respect to such Series of Bonds and pay out of the 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 505)

Bond Proceeds Fund

Except as otherwise provided in a Supplemental Resolution or related Certificate of Determination, the Issuer, or the Trustee at the direction of the Issuer shall deposit into the Bond Proceeds Fund the proceeds of sale of each Series of Bonds, unless otherwise required to be deposited into and held in the Debt Service Fund, to enable the Issuer to comply with the conditions precedent to the issuance of any Bonds.

Except as may be otherwise provided in the Supplemental Resolution or related Certificate of Determination, amounts in the Bond Proceeds Fund shall be applied by the Issuer from time to time for any of the purposes set forth in paragraphs (a) and (b) of subdivision one of Section 68-b through the payment of Costs of a Project consistent with terms of any Requisition.

Whenever the Issuer shall determine and the Director of the Budget shall agree that the amount on deposit to the credit of the Bond Proceeds Fund is in excess of its requirements for the purposes for which amounts in such Fund may be used as permitted by law, such excess amount shall be withdrawn therefrom and deposited into the Revenue Fund. Notwithstanding the foregoing, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the applicable Series of Bonds and of Parity Reimbursement Obligations when due, and to the extent that other moneys are not available therefor, amounts in the Bond Proceeds Fund may be applied to the payment of Principal Installments and interest on the Bonds and of Parity Reimbursement Obligations when due.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Bond Proceeds Fund from proceeds of a Series of Bonds shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Bond Proceeds Fund or transferred to the Debt Service Fund.

(Section 506)

Application of Moneys in the Debt Service Fund for Redemption of Bonds and Satisfaction of Sinking Fund Installments

Moneys delivered to the Trustee, which by the provisions of the Resolution are to be applied for redemption of Bonds, shall upon receipt by the Trustee be deposited to the credit of the Debt Service Fund for such purpose to the extent not otherwise provided pursuant to a Supplemental Resolution.

Moneys in the Debt Service Fund to be used for redemption of Bonds of a Series may be applied by the Issuer to the purchase of Outstanding Bonds of such 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 the Issuer shall direct.

In satisfaction, in whole or in part, of any Sinking Fund Installment, the Issuer may deliver to the Trustee at least 45 days prior to the date of such Sinking Fund Installment, for cancellation, Bonds acquired by purchase or redemption, except Bonds acquired by purchase or redemption pursuant to the preceding paragraph, of the maturity and interest rate entitled to such Sinking Fund Installment. All Bonds so delivered to the Trustee in satisfaction of a Sinking Fund Installment shall reduce the amount thereof by the amount of the aggregate principal amount of such Bonds. Concurrently with such delivery of such Bonds the Issuer shall deliver to the Trustee a certificate of an Authorized Officer of the Issuer specifying (i) the principal amount, Series, maturity, interest rate and numbers of the Bonds so delivered, (ii) the date and Series of the Sinking Fund Installment in satisfaction of which such Bonds are so delivered, (iii) the aggregate principal amount of the Bonds so delivered, and (iv) the unsatisfied balance of each such Sinking Fund Installment after giving effect to the delivery of such Bonds.

The Trustee shall, in the manner provided in the Resolution, call for redemption, on the date of each Sinking Fund Installment falling due prior to maturity, such principal amount of Bonds of the Series and maturity entitled to such Sinking Fund Installment as is required to exhaust the unsatisfied balance of such Sinking Fund Installment.

Notwithstanding the provisions of the second paragraph of this section, if the amount in the Debt Service Fund at any time (other than moneys required to pay the Redemption Price of any Outstanding Bonds of a Series theretofore called for redemption or to pay the purchase price of such Outstanding Bonds theretofore contracted to be purchased, including in both cases accrued interest on such Bonds to the Redemption Date or purchase date) is sufficient to make provision pursuant to the Standard Resolution Provisions for the payment of such Outstanding Bonds at the maturity or Redemption Date thereof, the Issuer may request the Trustee to take such action consistent with the Standard Resolution Provisions as is required thereby to deem such Bonds to have been paid within the meaning of the Standard Resolution Provisions. The Trustee, upon receipt of such request and irrevocable instructions of the Issuer to purchase Government Obligations sufficient to make any deposit required thereby, shall comply with such request.

(Section 507)

Administrative Fund

Amounts in the Administrative Fund shall be paid out from time to time by the Trustee at the request of the Issuer for reasonable and necessary Issuer Expenses, free and clear of the lien and pledge created by the Resolution.

Amounts in the Administrative Fund being held for Issuer Expenses the payment of which is not immediately required may in the discretion of the Issuer be invested in Investment Obligations. The Issuer may by written instruction to the Trustee sell any such investments at any time and the proceeds of such sale and of all payments at maturity or upon redemption of such investments shall be held in the Administrative Fund. Whenever the Administrative Fund exceeds the amount reasonable and necessary for Issuer Expenses, the Issuer shall direct the Trustee to pay the excess to the Revenue Fund.

Investment income on amounts in the Administrative Fund shall be deposited into the Revenue Fund.

(Section 508)

Subordinated Payment Fund

The Issuer may, at any time, or from time to time, issue Subordinated Indebtedness payable out of, and which may be secured by a pledge of and lien on, such amounts as may from time to time be available for transfer to the Subordinated Payment Fund pursuant to the Resolution; *provided*, *however*, that (a) such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge created by the Resolution as security for the Bonds and Parity Reimbursement Obligations and (b) to the extent provided by Supplemental Resolution, any amounts so transferred shall thereafter be free and clear of any lien, pledge or claim of the Resolution. The Issuer may establish such priorities of payment and security among Subordinated Indebtedness as it deems appropriate; *provided*, *however*, that the Supplemental Resolution or indenture or other agreement providing for the issuance of such Subordinated Indebtedness shall not permit the holders of such Subordinated Indebtedness to declare the same, nor to instruct such holders' trustee to declare the same, to be immediately due and payable any time that any Bonds and Parity Reimbursement Obligations remain Outstanding.

Subject to the other provisions of the Resolution, the Trustee shall deposit into the Subordinated Payment Fund all Revenues for (i) payments on any Subordinated Indebtedness, or (ii) Qualified Swap Payments or payments on other financial instruments entered into by the Issuer.

The Trustee shall pay out of the Subordinated Payment Fund all amounts required for the payments described in this section pursuant to any resolution adopted by, or otherwise at the written direction of, the Issuer.

Except as otherwise provided in the Resolution or a Supplemental Resolution, investment income on amounts in the Subordinated Payment Fund shall be transferred to the Revenue Fund, or, upon the direction of an Authorized Officer of the Issuer, shall be transferred to the Rebate Fund, or with the concurrence of the Director of the Budget, shall be retained in the Subordinated Payment Fund or transferred to the Debt Service Fund.

(Section 509)

Transfer of Investments

Whenever moneys in any Fund or account established under the Resolution or under any Supplemental Resolution are to be paid in accordance with the 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* that no such transfer of investments would result in a violation of any investment standard or guideline applicable to such Fund or account.

(Section 510)

Power to Issue Bonds and Effect Pledge

The Issuer is duly authorized under all applicable laws to create and issue the Bonds, adopt the Resolution and pledge the Pledged Property in the manner and to the extent provided in the Resolution. The Pledged Property is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the legally valid and binding special obligations of the Issuer enforceable in accordance with their terms and the terms of the Resolution. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all the rights of the Holders of Bonds and other obligations under the Resolution against all claims and demands of all Persons whomsoever.

(Section 601)

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APPENDIX B-II

SUMMARY OF CERTAIN PROVISIONS OF THE STATE PERSONAL INCOME TAX REVENUE BONDS STANDARD RESOLUTION PROVISIONS

The following sections contain definitions of certain terms used in this general summary ("Summary") of certain provisions of the Standard Resolution Provisions. The definitions and Summary are not to be considered a full statement of all terms used in the Standard Resolution Provisions or the Resolution to which the Standard Resolution Provisions is appended and, accordingly, are qualified by reference to and are subject to the full text of the Standard Resolution Provisions and the Resolution. Copies of the Standard Resolution Provisions and the Resolution may be obtained upon request from the Dormitory Authority of the State of New York.

Definitions

Capitalized terms used but not otherwise defined in this Summary shall have the meanings set forth in the General Resolution to which the Standard Resolution Provisions are appended. The following terms shall, for all purposes therein and (except as the context may otherwise require) in the General Resolution to which these Standard Resolution Provisions are appended, have the following meanings:

Accreted Value shall mean, with respect to any Capital Appreciation Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds 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 and (2) the difference between the Accreted Values for such Valuation Dates. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Additional Bonds shall mean Bonds authenticated and delivered on original issuance pursuant to the Standard Resolution Provisions.

Amortized Value when used with respect to Investment Obligations purchased at a premium above or a discount below par, shall mean the value of such Investment Obligations computed by using an industry standard constant yield method selected by an Authorized Officer of the Issuer.

Appreciated Value shall mean with respect to any Deferred Income Bonds (i) as of any Valuation Date, the amount set forth for such date in the Supplemental Resolution authorizing such Deferred Income Bonds, (ii) as of any date prior to the Interest Commencement 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 and (2) the difference between the Appreciated Values for such Valuation Dates, and (iii) as of any date on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date. For purposes of this definition, the number of days having elapsed from the preceding Valuation Date and the number of days from the preceding Valuation Date to the next succeeding Valuation Date shall be calculated on the basis of a 360-day year of 12 30-day months, unless otherwise provided pursuant to a Supplemental Resolution.

Arbitrage and Use of Proceeds Certificate shall mean, with respect to any Series of Bonds, the interest on which is intended by the Issuer to be excluded from gross income for federal income tax purposes, a certificate or certificates executed by an Authorized Officer of the Issuer in connection with the initial issuance and delivery of the Bonds of such Series and containing representations, warranties and covenants of the Issuer relating to the federal tax status of such Series of Bonds, as such certificate or certificates may be amended and supplemented from time to time.

Authorized Issuer shall mean any public authority or public benefit corporation enumerated by subdivision 1 of Section 68-a.

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

Authorized Purpose shall mean a purpose as provided by the Enabling Act for the Issuer.

Bank shall mean any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America, or (iv) federal branch or agency pursuant to the International Banking Act of 1978 or any successor provisions of law, or 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.

Bond or **Bonds** shall mean any of the bonds or notes of the Issuer authorized and issued pursuant to the Resolution and to a Supplemental Resolution; *provided*, *however*, that such terms shall not include any Bond Anticipation Notes, or bonds, notes or other obligations, including Qualified Swaps, payable from the Subordinated Payment Fund.

Bond Anticipation Notes shall mean notes issued pursuant to the Standard Resolution Provisions.

Bond Counsel shall mean an attorney or law firm, appointed by the Issuer, having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds.

Bondholder, **Holder** or **Holder of Bonds**, or any similar term, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds.

Business Day shall mean a day of the year which is not a Saturday, Sunday, or a day on which the Trustee or banking institutions chartered by the State or the United States of America are required or authorized by law to close in The City of New York, or any day on which the New York Stock Exchange is closed.

Calculated Debt Service shall mean for any period, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligations, the sum of Debt Service for such period determined by the Issuer based on the following adjustments:

Interest on Variable Interest Rate Bonds shall be based on the Estimated Average Interest Rate applicable thereto.

With respect to Put Bonds and any Bonds of a Series the interest on which is payable periodically and at least twenty-five per centum (25%) of the original principal amount of which is stated to mature at one time and for which maturing principal amount amortization requirements have not been designated, (i) Principal Installments shall be deemed to amortize over a 30-year period from their date of issuance (or any shorter period provided by Supplemental Resolution) based on substantially level debt service as estimated by the Issuer, and (ii) interest shall be based on the actual interest rate or the Estimated Average Interest Rate, as applicable.

If the Issuer has irrevocably deposited Investment Obligations or money with the Trustee (or otherwise in trust) for the payment of any portion of Debt Service, the expected future cash flow from such Investment Obligations and money shall be deducted from Debt Service.

If the Issuer has, at any time, irrevocably called for redemption of one or more Series of Bonds, including pursuant to a covenant to apply any portion of the Pledged Property to redeem Bonds or Parity Reimbursement Obligations (which particular Bonds or Parity Reimbursement Obligations need not be specifically identified in advance, except as to interest rate and maturity), the Issuer shall take into account such redemption for purposes of determining Calculated Debt Service.

With respect to Parity Reimbursement Obligations, an interest rate calculated at a higher interest rate on the related Bonds shall only be taken into account if, at the time of calculation, such higher rates are then payable thereon.

Capital Appreciation Bonds shall mean Bonds of a Series denominated as such and issued as to which interest is payable only at the maturity or prior redemption of such Bonds. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, (ii) computing the principal amount of Obligations held by the registered owner of a Capital Appreciation Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value (which in the case of clause (ii) may be the Accreted Value as of the immediately preceding Valuation Date).

Certificate of Determination shall mean a certificate of an Authorized Officer of the Issuer fixing terms, conditions and other details of Bonds, Parity Reimbursement Obligations, Credit Facilities, Subordinated Indebtedness, or other matters in accordance with the delegation of power to do so under the Resolution or a Supplemental Resolution.

Code shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code shall be deemed to include the Regulations, including temporary and proposed Regulations, relating to such section which are applicable to the Resolution, including the Bonds or the use of Bond proceeds.

Comptroller shall mean the Comptroller of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any other official of the State authorized to act on behalf of the Comptroller in connection therewith.

Cost or **Costs of a Project** shall mean costs and expenses or the refinancing of costs and expenses incurred or to be incurred in connection with a Project, including, (i) costs and expenses of the acquisition of the title to or other interest in real property, including easements, rights-of-way and licenses, (ii) costs and expenses for labor and materials and payments to consultants, contractors, builders and materialmen, for the acquisition, design, construction, reconstruction, rehabilitation, preservation, development, improvement or modernization of the Project, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be required or necessary prior to completion of the Project, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising the construction of the Project, (v) costs and expenses required for the acquisition and installation of equipment or machinery, (vi) all other costs necessarily and appropriately incurred in connection with the acquisition, construction, reconstruction, rehabilitation, repair, improvement and equipping of the Project, (vii) any sums required to reimburse the State or the Issuer for advances made by either party for any of the above items or for other costs incurred and for work done by the State or Issuer in connection with the Project, and (viii) grants or loans by or on behalf of the State for any of the foregoing.

Cost or **Costs of Issuance** shall mean the items of expense incurred in connection with the authorization, sale and issuance of a Series of Bonds or Bond Anticipation Notes, which items of expense shall include Issuer Expenses, State bond issuance charges, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustee or a Securities Depository, legal fees and charges, professional consultants' fees, underwriting fees, fees and charges for execution, transportation and safekeeping of Bonds, premiums, fees and charges for Credit Facilities, Qualified Swaps and other similar financial arrangements, costs and expenses of refunding of Bonds or Prior Obligations and other costs, charges and fees, including those of the Issuer, in connection with the foregoing.

Counsel's Opinion shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the practice of law relating to municipal, state and public agency financing selected by the Issuer.

Credit Facility shall mean any letter of credit, standby bond purchase agreement, line of credit, policy of bond insurance, surety bond, guarantee or similar instrument, or any agreement relating to the reimbursement of any payment thereunder (or any combination of the foregoing), which is obtained by the Issuer and is issued by a financial institution, insurance provider or other Person and which provides security or liquidity in respect of any Outstanding Bonds or Parity Reimbursement Obligations.

Debt Service for any period shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation Outstanding, the sum of: (i) interest on the Bonds of such Series and the interest components of Parity Reimbursement Obligation accruing during such period and (ii) that portion of each Principal Installment for such Bonds and Parity Reimbursement Obligation that would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the preceding Principal Installment payment date on Outstanding Bonds and Parity Reimbursement Obligation; *provided*, *however*, that, unless otherwise set forth in a Supplemental Resolution, no Principal Installment shall be deemed to begin accruing until the later of one year prior to such Principal Installment's due date and the date of issuance or incurrence of the related Bond or Parity Reimbursement Obligation.

Defeased Municipal Obligations shall mean pre-refunded municipal obligations rated in the highest Rating Category by each Rating Agency and meeting the following requirements:

The municipal obligations (i) are not subject to redemption prior to maturity or (ii) the trustee or the paying agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions; and

The municipal obligations are fully secured by cash or Government Obligations which may be applied only to payment of the principal of and interest and premium, if any, on such municipal obligations.

Deferred Income Bond shall mean any Bond (1) as to which interest accruing thereon prior to the Interest Commencement Date of such Bond is (i) compounded on each Valuation Date for such Deferred Income Bond and (ii) payable only at the maturity or prior redemption of such Bonds and (2) as to which interest accruing after the Interest Commencement Date is payable on the first interest payment date succeeding the Interest Commencement Date and periodically thereafter on the dates specified in or determined by Supplemental Resolution. Except as otherwise provided by Supplemental Resolution, for the purposes of (i) receiving payment of the Redemption Price if a Deferred Income Bond is redeemed prior to maturity, (ii) computing the principal amount of Bonds held by the registered owner of a Deferred Income Bond in giving to the Issuer or the Trustee any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever or (iii) computing Debt Service, the principal amount of a Deferred Income Bond shall be deemed to be its Appreciated Value (which in the case of clause (ii) may be the Appreciated Value as of the immediately preceding Valuation Date).

Director of the Budget shall mean the Director of the Division of the Budget of the State and, to the extent permitted by law in connection with the exercise of any specific right or duty, any official of the State authorized to act on behalf of the Director of the Budget in connection therewith.

Enabling Act shall mean Article 5-C of the State Finance Law, Chapter 56 of the Consolidated Laws of the State of New York, as may be hereafter amended from time to time.

Estimated Average Interest Rate shall mean, as to any Variable Interest Rate Bonds or Qualified Swap and as of any date of calculation, the average interest rate or rates anticipated to be borne by such Bonds or Qualified Swap, or by the combination of such arrangements, over the period or periods for which such rate or rates are anticipated to be in effect, all as estimated by an Authorized Officer of the Issuer in consultation with the Director of the Budget.

Event of Default shall mean any Event of Default set forth in the Standard Resolution Provisions.

Fiduciary shall mean the Trustee, any Paying Agent, or any or all of them, as may be appropriate.

Fiduciary Capital Funds when used with respect to any Fiduciary shall mean the total of (i) paid in capital, (ii) surplus, (iii) undivided profits and (iv) the par value of outstanding capital notes issued and subordinated to the claims of creditors of such Fiduciary other than the holders of such capital notes.

Financing Agreement shall mean the applicable financing agreement authorized by subdivision 1 of Section 68-c, as amended and supplemented in accordance with the terms thereof and the Standard Resolution Provisions and referred to in the Standard Resolution Provisions.

Financing Agreement Payment shall refer to any payment obligation of the State incurred pursuant to a Financing Agreement and denominated therein as a "Financing Agreement Payment," to pay to the Issuer or the Trustee from amounts available therefor in the Revenue Bond Tax Fund.

Fund shall mean any one of the funds created and established pursuant to the Resolution.

Government Obligations shall mean (a) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and entitled to the full faith and credit thereof; (b) certificates, depositary receipts or other instruments which evidence a direct ownership interest in obligations described in clause (a) above or in any specific interest or principal payments due in respect thereof; *provided*, *however*, that the custodian of such obligations or specific interest or principal payments shall be a bank or trust company organized under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, with a combined capital stock, surplus and undivided profits of at least $50,000,000 or the custodian is appointed by or on behalf of the United States of America; and *provided*, *further*, that except as may be otherwise required by law, such custodian shall be obligated to pay to the holders of such certificates, depositary receipts or other instruments the full amount received by such custodian in respect of such obligations or specific payments and shall not be permitted to make any deduction therefrom; (c) an obligation of any federal agency approved by the Issuer; (d) a share or interest in a mutual fund, partnership or other fund wholly comprised of obligations described in clauses (a), (b) and (c) above; (e) Defeased Municipal Obligations; or (f) any other Investment Obligation designated in a Supplemental Resolution as a Government Obligation for purposes of defeasing Bonds, which is not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term Rating Category by each Rating Agency.

Interest Commencement Date shall mean, with respect to any particular Deferred Income Bond, the date determined by Supplemental Resolution after which interest accruing on such Bond shall be payable on the first interest payment date succeeding such Interest Commencement Date and periodically thereafter on the dates determined pursuant to such Supplemental Resolution.

Interest Payment Date shall mean, with respect to a Series of Bonds, each date on which interest, if any, is payable pursuant to the Supplemental Resolution authorizing such Bonds.

Investment Obligations shall mean any of the following that are lawful investments at the time of the investment:

(a) Government Obligations,

(b) certificates of deposit issued by, and time deposits in, and bankers' acceptances of, any bank (including any Paying Agent or Trustee), any branch of any bank, national banking association or federally chartered savings and loan association; *provided* that, with respect to any of the foregoing institutions, whose long-term unsecured indebtedness is rated less than "A" by each Rating Agency, such certificates of deposit or time deposits or bankers' acceptances are (i) insured by the Federal Deposit Insurance Corporation for the full face amount thereof or (ii) to the extent not so insured, collateralized by direct obligations of the United States of America having a market value of not less than the face amount of such certificates and deposits,

(c) evidences of ownership of a proportionate interest in specified direct obligations of the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, or when "stripped" by the United States Treasury, then by the custodian designated by the United States Treasury,

(d) obligations of state or local government municipal bond issuers which are rated in one of the two highest Rating Categories by each Rating Agency,

(e) obligations of state or local government municipal bond issuers, the principal of and interest on which, when due and payable, have been insured by an insurance policy or guaranteed by a letter of credit and which are rated in one of the two highest Rating Categories by each Rating Agency,

(f) interests in a money market mutual fund registered under the Investment Company Act of 1940, 15 U.S.C. §§80-1, *et seq*., as from time to time amended, the portfolio of which is limited to obligations described in clause (a), (d), or (e) above and repurchase agreements fully collateralized thereby *provided* that such fund has total assets of at least $100,000,000 and is rated in the highest Rating Category by each Rating Agency,

(g) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian,

(h) any repurchase agreement for Government Obligations by the Issuer or any Trustee that is with a bank, trust company (including any Trustee) or securities dealer which is a member of the Securities Investors Protection Corporation, each of which is a primary reporting dealer in government securities as determined by the Federal Reserve Bank, or if "primary reporting dealers" cease to be determined by the Federal Reserve Bank, such other comparable standard as the Issuer shall implement pursuant to a Supplemental Resolution; *provided*, *however*, that the Government Obligations must be transferred to the Issuer or any Trustee or a third party agent by physical delivery or by an entry made on the records of the issuer or registrar of such obligations or clearing agent or depository, and the collateral security must continually have a market value at least equal to the amount so invested and the collateral must be free of third party claims. Any investment in a repurchase agreement shall be considered to mature on the date the bank, trust company or recognized securities dealer providing the repurchase agreement is obligated to repurchase the Government Obligations,

(i) commercial paper rated in the highest Rating Category by each Rating Agency,

(j) investment agreements, secured or unsecured, with any institutions whose debt securities are rated in one of the two highest Rating Categories (or rated in the highest Rating Category for short-term obligations if the investment is for a period not exceeding one year) by each Rating Agency,

(k) forward purchase agreements effecting the periodic delivery of securities listed in (a), (c), (d), (e), (g) and (i) above, and

(l) any other obligations from time to time permitted pursuant to the Issuer Act or other applicable law; *provided*, *however*, that if the funds invested in any such obligation are pledged for the payment of Bonds under the Resolution and the Bonds are then rated by a Rating Agency, such obligation shall be rated in one of the two highest Rating Categories of each such Rating Agency.

Any investment in any of the foregoing obligations may be made in the form of an entry made on the records of the issuer of the particular obligations or of a recognized Securities Depository.

Issuer Board shall mean the board or members of the Issuer duly appointed and acting pursuant to the Issuer Act, or their designees duly appointed and acting.

Issuer Expenses shall mean all proper items of cost or expenditure incurred or anticipated to be incurred by the Issuer in connection with the financing of any Project pursuant thereto, or direct and indirect administrative costs, fees and expenses and allocable portions of direct and indirect costs of the Issuer incurred in connection with financing such Project, including Costs of Issuance, initial fees and periodic fees to be paid in connection with Credit Facilities, legal fees, fees and expenses of trustees, remarketing agents, market agents, tender agents, auction agents, Depositories and Paying Agents, and financing charges and fees and expenses of financial advisors and consultants, costs of audits, and such other expenses not specified therein as may be necessary or incident to the financing of such Project, including through the issuance of Bonds or Bond Anticipation Notes and all other expenses of the Issuer relating to the financing of Projects set forth in the Enabling Act; *provided*, *however*, that Issuer Expenses shall not include any termination or other payments to be made in connection with Qualified Swaps or other similar arrangements or, except to the extent expressly provided above, Credit Facilities.

Outstanding, when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated or otherwise validly executed and delivered under the Resolution except:

1. Any Bond canceled or delivered for cancellation at or prior to such date;

2. Any Bond (or portion of a Bond) deemed to have been paid in accordance with the Standard Resolution Provisions unless a Supplemental Resolution provides that Bonds of a Series having the benefit of a Credit Facility shall not thereby be deemed paid if payment is provided by the Credit Facility;

3. Any Bond in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Standard Resolution Provisions; and

4. Put Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Resolution, except to the extent such tendered Put Bonds thereafter may be resold pursuant to the terms thereof and of such Supplemental Resolution.

The principal component of any Parity Reimbursement Obligation shall be deemed to be Outstanding in a principal amount equal to the principal amount of the obligation then owed by the Issuer thereunder in lieu of the related Bond, regardless of the authorized amount of the principal component of such Parity Reimbursement Obligation or the related Bond and *provided* that, unless otherwise required pursuant to the related Supplemental Resolution, the principal component of such Parity Reimbursement Obligation shall not by itself increase the Outstanding principal amount of Bonds.

Parity Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Paying Agent or **Paying Agents** shall mean any paying agent for the Bonds of any Series appointed pursuant to the Standard Resolution Provisions, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution, and in the event that for any reason there shall be a vacancy in the office of Paying Agent, the Trustee, if a different entity, or the Issuer shall act as such Paying Agent.

Person shall mean any individual, corporation, firm, partnership, joint venture, association, joint-stock company, trust, unincorporated association, limited liability company or other legal entity or group of entities, including any public benefit corporation, public instrumentality, quasi-governmental or governmental entity or any agency or subdivision thereof.

Pledged Property shall mean all of the Issuer's right, title and interest in and to (i) the Financing Agreements (other than (A) the Issuer's right to receive the payment of Issuer Expenses, (B) the right of the Issuer to enforce the obligation of the State to make Financing Agreement Payments, (C) the right of the Issuer to agree to the amendment of a Financing Agreement in accordance with the Standard Resolution Provisions, and (D) the right of the Issuer to enforce the provisions of any Financing Agreement independently of the Trustee, without limiting the right of the Trustee to enforce the payment of amounts (other than Financing Agreement Payments) under the Financing Agreements for the benefit of Bondholders or Fiduciaries), and (ii) the Revenues and Funds (other than the Rebate Fund and other Funds, and any accounts and subaccounts therein, established pursuant to a Supplemental Resolution in connection with Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness; *provided*, *however*, that such Funds, accounts and subaccounts are specifically excepted from Pledged Property by the Supplemental Resolution authorizing such Variable Interest Rate Bonds, Put Bonds, Parity Reimbursement Obligations, Reimbursement Obligations or Subordinated Indebtedness), including Investment Obligations held in such Funds under the Resolution, together with all proceeds and revenues of the foregoing and all other moneys, securities or funds pledged for the payment of the principal or Redemption Price of and interest on the Bonds in accordance with the terms and the Standard Resolution Provisions; *provided*, *however*, that in no event shall any Project or any interest therein be deemed to be "Pledged Property".

Principal Installment shall mean, as of any date of calculation and with respect to any Series of Bonds or any Parity Reimbursement Obligation, as applicable, (a) the principal amount of Outstanding Bonds of such Series, due on the dates and in the amounts specified by Supplemental Resolution, reduced by the principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with the Resolution of Sinking Fund Installments payable before such dates, plus the unsatisfied balance of any Sinking Fund Installments due on any certain future date for Bonds of such Series, together with such redemption premiums, if any, applicable on any such future date, and (b) with respect to any Parity Reimbursement Obligation, the amount due thereunder on the dates and in the amounts established in accordance with the Standard Resolution Provisions as a principal component of such Parity Reimbursement Obligation payable on a parity with the Bonds.

Prior Obligations shall mean bonds, notes or other obligations previously issued or incurred by an Authorized Issuer not under the Standard Resolution Provisions to finance Costs of a Project.

Project shall mean the land, buildings, improvements, betterments, equipment, furnishings, and other property, real or personal, and all appurtenances thereto and interests therein, comprising each of the projects to be acquired, constructed, reconstructed, renovated, or developed to effectuate an Authorized Purpose.

Put Bonds shall mean Bonds which by their terms may be tendered at the option of the Holder thereof, or are subject to a mandatory tender other than at the election of the Issuer for payment or purchase prior to the stated maturity or redemption date thereof.

Qualified Swap shall mean, to the extent from time to time permitted by law, with respect to Bonds, any financial arrangement (i) which is entered into by the Issuer with an entity that is a Qualified Swap Provider at the time the arrangement is entered into, (ii) which is a cap, floor or collar; forward rate; future rate; swap (such swap may be based on an amount equal either to the principal amount of such

Bonds of the Issuer as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds); asset, index, price or market-linked transaction or agreement; other exchange or rate protection transaction agreement; other similar transaction (however designated); or any combination thereof; or any option with respect thereto, in each case executed by the Issuer for the purpose of moderating interest rate fluctuations, reducing debt service costs or creating either fixed interest rate Bonds or variable interest rate Bonds on a synthetic basis or otherwise, or other similar financial transaction, and (iii) which has been designated in writing to the Trustee by an Authorized Officer of the Issuer as a Qualified Swap with respect to such Bonds.

Qualified Swap Payment shall mean any payment required to be made by the Issuer under a Qualified Swap, such payment to be made only from the Subordinated Indebtedness Fund.

Qualified Swap Provider shall mean an entity whose senior long term obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the third highest Rating Category of each Rating Agency then maintaining a rating for the Qualified Swap Provider.

Rating Agency shall mean each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the Issuer.

Rating Category shall mean one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation shall mean evidence that no rating then in effect from a Rating Agency will be withdrawn or reduced solely as the result of an action to be taken under the Resolution; *provided*, *however*, that no action requiring Rating Confirmation shall be undertaken unless at least one Rating Agency at that time maintains a rating on Bonds.

Rebate Amount shall mean, with respect to each Series of Bonds, the amount equal to the rebatable arbitrage and any income attributable to the rebatable arbitrage as required by the Code.

Record Date shall mean with respect to any Interest Payment Date, unless the applicable Supplemental Resolution authorizing a particular Series of Bonds provides otherwise with respect to Bonds of such Series, the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date.

Redemption Date shall mean the date upon which Bonds are to be called for redemption pursuant to the Standard Resolution Provisions.

Redemption Price shall mean, with respect to any Bonds, the Principal amount thereof plus the applicable premium, if any, payable upon the redemption thereof.

Refunding Bonds shall mean all Bonds, whether issued in one or more Series of Bonds, authenticated and delivered pursuant to the Standard Resolution Provisions, on original issuance pursuant to the Standard Resolution Provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Standard Resolution Provisions.

Regulations shall mean the Income Tax Regulations promulgated by the Department of the Treasury from time to time.

Reimbursement Obligation has the meaning provided in the Standard Resolution Provisions.

Requisition shall mean any instructions as deemed necessary and delivered by the Director of the Budget to the Issuer, providing for the payment of Bond proceeds to the State or any other entity.

Revenues shall mean (i) all amounts appropriated and paid to the Issuer or the Trustee from the Revenue Bond Tax Fund pursuant to Section 92-z and the Financing Agreement, constituting Financing Agreement Payments, (ii) any other amounts appropriated and paid by the State to the Issuer or received from any other source by the Issuer and pledged by the Issuer as security for the payment of Bonds, and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution.

Revenue Bond Tax Fund shall mean the fund established by section 92-z of the State Finance Law.

Section 92-z shall mean section 92-z of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-a shall mean section 68-a of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-b shall mean section 68-b of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Section 68-c shall mean section 68-c of the State Finance Law, as it may be hereafter amended or supplemented from time to time.

Securities Depository shall mean a recognized securities depository selected by the Issuer to maintain a book-entry system in respect to all or any portion of a Series of Bonds (including, as appropriate, any nominee thereof), and shall include any substitute for or successor to the Securities Depository initially acting as Securities Depository.

Series shall mean all of the Bonds authenticated and delivered on original issuance and denominated as part of the same series, and thereafter delivered in lieu of or in substitution of such Bonds pursuant to the Standard Resolution Provisions regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

Sinking Fund Installment shall mean, with respect to any Series of Bonds, as of any date of calculation and with respect to any Bonds of such Series, the amount of money required by the applicable Supplemental Resolution pursuant to which such Bonds were issued, to be paid in all events by the Issuer 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 Issuer by reason only of the maturity of such Bond.

State shall mean the State of New York.

State Fiscal Year shall mean the fiscal year of the State as set forth in the State Finance Law.

State Legislature shall mean the Legislature of the State of New York.

State Revenue Bonds shall mean any notes, bonds or other obligations to be issued or incurred by the State or by a public corporation of the State on behalf of the State in accordance with a hereinafter enacted amendment to the State Constitution, payments with respect to which (i) are payable from specified, dedicated revenues and (ii) do not require an appropriation by the State Legislature in order to be made.

Subordinated Indebtedness shall mean any bond, note or other indebtedness authorized by Supplemental Resolution or other resolution of the Issuer and designated as constituting "Subordinated Indebtedness" in a certificate of an Authorized Officer of the Issuer delivered to the Trustee, which shall be payable and secured in a manner permitted by the Standard Resolution Provisions, and any lien on and pledge of any portion of the Pledged Property securing Subordinated Indebtedness shall be junior and inferior to the lien on and pledge of the Pledged Property created in the Resolution for the payment of the Bonds and Parity Reimbursement Obligations.

Supplemental Resolution shall mean any resolution supplemental to or amendatory of the Resolution adopted by the Issuer in accordance with the Resolution and, except as the context may otherwise require, including any related Certificate of Determination.

Tax Law shall mean the tax law constituting Chapter 60 of the consolidated laws of the State.

Taxable Bonds shall mean any Bonds which are not Tax-Exempt Bonds.

Tax-Exempt Bonds shall mean any Bonds the interest on which is intended by the Issuer to be generally excluded from gross income for federal income tax purposes and which are designated as Tax-Exempt Bonds in the Supplemental Resolution authorizing such obligations.

Trustee shall mean a trustee appointed by the Issuer or as otherwise provided in the Standard Resolution Provisions, its successor and assigns, and any other corporation or association which may at any time be substituted in its place as provided in the Resolution.

Valuation Date shall mean (i) with respect to any Capital Appreciation Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bond on which specific Accreted Values are assigned to such Capital Appreciation Bonds, and (ii) with respect to any Deferred Income Bonds, the date or dates on or prior to the Interest Commencement Date set forth in the Supplemental Resolution authorizing such Bonds on which specific Appreciated Values are assigned to the Deferred Income Bonds.

Variable Interest Rate Bonds shall mean Bonds which bear a variable interest rate but does not include any Bond which, during the remainder of the term thereof to maturity, bears interest at a fixed rate. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing such Series of Bonds.

(Section A-101)

The Standard Resolution Provisions to Constitute Contract

In consideration of the purchase and acceptance of any and all of the Bonds and Parity Reimbursement Obligations authorized to be issued or incurred under the Standard Resolution Provisions by those who shall hold the same from time to time, the Standard Resolution Provisions shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and Parity Reimbursement Obligations; and the pledge made in the Standard Resolution Provisions and the covenants and agreements therein set forth to be performed on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and Parity

Reimbursement Obligations, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or Parity Reimbursement Obligations over any other thereof except as expressly provided in or permitted by the Resolution.

(Section A-104)

General Provisions for Issuance of Bonds

The issuance of Bonds of a Series or subseries shall be authorized by the Resolution and a Supplemental Resolution or Resolutions adopted at the time of or subsequent to the adoption of the Resolution and which shall be subject to the express limitations of the Resolution. The Bonds of a Series or subseries authorized to be issued shall be executed in accordance with the Standard Resolution Provisions and delivered to the Trustee. Such Series of Bonds or subseries shall be authenticated or otherwise delivered by the Trustee from time to time in such amounts as directed by the Issuer and by it delivered to or upon the order of the Issuer upon receipt of the consideration therefor and upon delivery to the Trustee of:

(A) a copy of the Resolution and the Supplemental Resolution authorizing such Series which, among other things, shall specify the following items (or the manner of determining such items prior to the delivery of the Bonds):

1. The authorized principal amount, designation and Series of such Bonds;

2. The purposes for which such Series of Bonds are being issued, which shall be one or more of the following: (a) one or more of the Authorized Purposes permitted by the Enabling Act, or (b) the refunding of Bonds as provided in the Standard Resolution Provisions;

3. The date or dates, and the maturity date or dates and principal amounts of each maturity of the Bonds of such Series;

4. The amount, or the method for determining such amount, and due date of each Sinking Fund Installment, if any, for Bonds of such Series;

5. The Record Date or Record Dates of Bonds of such Series for which the Record Date or Record Dates is other than the fifteenth (15th) day of the calendar month next preceding an Interest Payment Date for such Bonds;

6. If the Bonds of such Series are interest bearing Bonds, the interest rates of the Bonds of such Series and the Interest Payment Dates therefor;

7. If Bonds of such Series are Capital Appreciation Bonds, the Valuation Dates for such Bonds and the Accreted Value on each such Valuation Date;

8. If Bonds of such Series are Deferred Income Bonds, the Interest Commencement Date for such Obligations, the Valuation Dates prior to the Interest Commencement Date for such Bonds and the Appreciated Value on each such Valuation Date;

9. If Bonds of such Series are Capital Appreciation Bonds or Deferred Income Bonds, the manner in which and the period during which principal and interest shall be deemed to accrue on such Bonds;

10. If Bonds of such Series are Variable Interest Rate Bonds, the maximum interest rate, if any, or the method of calculating such maximum rate for such Bonds, and the provisions, if any, as to the calculation or change of variable interest rates;

11. If Bonds of such Series are Put Bonds, provisions regarding tender for purchase or redemption thereof and payment of the purchase or Redemption Price thereof;

12. The denomination or denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;

13. The Paying Agent or Paying Agents, if any, and the place or places of payment of the principal, Sinking Fund Installments, if any, or Redemption Price, if any, of and interest on the Bonds of such Series;

14. The redemption provisions, if any, applicable to the Bonds of such Series;

15. Provisions for time, place and manner of sale or exchange of the Bonds of such Series;

16. Any material change to the form of the Bonds of such Series and the form of the Trustee's certificate of authentication thereon from the forms set forth in Exhibit One to the Resolution. Except as otherwise provided pursuant to a Supplemental Resolution, all of the Bonds of each Series shall be in fully registered form without coupons;

17. Directions for the application of the proceeds of the Bonds of such Series;

18. To the extent applicable, direction to deliver such Series of Bonds in book-entry form to the extent materially different from the provisions of the Standard Resolution Provisions;

19. To the extent applicable, the provisions relating to (a) any Credit Facility, Qualified Swap or other similar financial arrangement entered into in connection with the issuance of the Bonds of such Series and (b) the obligations payable thereunder; and

20. Any other provision deemed advisable by an Authorized Officer of the Issuer, not in conflict with the provisions of the Standard Resolution Provisions or of the applicable Supplemental Resolution.

An Authorized Officer of the Issuer to whom a Supplemental Resolution has delegated the power to determine any of the foregoing shall execute a Certificate of Determination evidencing such determinations or other actions taken pursuant to such delegation, and such Certificate of Determination shall be conclusive evidence of the determinations or actions of such Authorized Officer as to the matters stated therein. The matters set forth in any such Certificate of Determination shall have the same effect as if set forth in the related Supplemental Resolution;

(B) Counsel's Opinion in customary form to the effect that (i) the Issuer has the right and power under the Acts to adopt the Standard Resolution Provisions, and the Resolution has been duly and lawfully adopted by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Resolution is required, (ii) the Resolution creates the valid pledge to the payment of the Bonds of the Pledged Property which it purports to create pursuant to the Standard Resolution Provisions, subject to the provisions of the Resolution permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Resolution, and (iii) upon the execution and delivery thereof and upon authentication by the Trustee, the Bonds of such Series will be valid and binding, special obligations of the Issuer payable as provided in, and enforceable in accordance with their terms and the terms of, the Resolution and entitled to the benefits of the Acts and the Resolution, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Acts, as amended to the date of such Counsel's Opinion, and in accordance with the Resolution;

(C) A certificate of an Authorized Officer of the Issuer stating that upon the delivery of the Bonds of such Series, the Issuer will not be in default in the performance of any of the terms, provisions or covenants of the Resolution or of any of the Bonds; *provided*, *however*, that solely with respect to Refunding Bonds being delivered on original issuance pursuant to the Standard Resolution Provisions, such certificate shall not be a condition to the authentication and delivery of such Refunding Bonds if and to the extent that a certificate of an Authorized Officer of the Issuer is delivered stating that upon the delivery of such Refunding Bonds the Issuer will no longer be in default in the performance of the terms, provisions or covenants of the Resolution or of any of the Bonds as specified in such certificate;

(D) A certificate of an Authorized Officer of the State stating that (i) to the best of such Authorized Officer's knowledge, no event of default under any Financing Agreements has occurred and is continuing nor will an event of default under any Financing Agreements occur as a result of the issuance of such Bonds, and (ii) the approval of the Director of the Budget for such financing;

(E) A copy of the Certificate of Determination, if any, executed in connection with such Series of Bonds;

(F) To the extent authorized by the Issuer pursuant to a Supplemental Resolution, one or more Credit Facilities with respect to any Series of Bonds and any agreements deemed necessary in connection therewith;

(G) A written order of an Authorized Officer of the Issuer as to the delivery of such Series of Bonds, describing such Bonds to be delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered and stating the consideration for such Bonds;

(H) A certificate of an Authorized Officer of the Issuer setting forth the amount of money, if any, to be deposited into the Debt Service Fund, equal to (a) the amount of capitalized interest funded with the proceeds of the Bonds of such Series, if any, and (b) the sum of the interest on the Bonds of such Series from the date of the Bonds of such Series to the date of delivery thereof;

(I) Any amounts (in the form of cash or Investment Obligations) required to be deposited with the Trustee at the time of issuance and delivery of the Bonds of such Series;

(J) Copies of the Financing Agreement applicable to such Series of Bonds; and

(K) Such further documents and moneys as are required by the provisions of the Standard Resolution Provisions or any Supplemental Resolution adopted pursuant to the Standard Resolution Provisions.

The Issuer may authorize by Supplemental Resolution the issuance of Capital Appreciation Bonds, Deferred Income Bonds, Variable Interest Rate Bonds, Put Bonds or any other form of Bond not in conflict with the provisions of the Resolution or of the applicable Supplemental Resolution.

The Issuer may authorize by Supplemental Resolution such other provisions relating to a Series of Bonds as are permitted by the Resolution.

The Bonds shall not be a debt of the State and the State shall not be liable thereon, nor shall they be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-201)

Special Provisions for Additional Bonds

After the issuance of the initial Series of Bonds, one or more Series of Additional Bonds may be authorized and delivered upon original issuance for any Authorized Purpose, including payment of Project Costs and the refunding of Prior Obligations or Bonds or Parity Reimbursement Obligations or other indebtedness, upon receipt by the Trustee, in addition to any applicable requirements of the Standard Resolution Provisions, of the following:

A certificate by the Director of the Budget setting forth the most recent collections for any 12 consecutive calendar months ended not more than six months prior to the date of such certificate, of the taxes, fees, fines, penalties, or other monies which, as of the date of issuance of any such Series of Bonds, are levied, collected or imposed by or on behalf of the State and are required to be deposited into the Revenue Bond Tax Fund; *provided*, *however*, that if any taxes, fees, fines, penalties or other monies that are required to be deposited into such account were not so required to be deposited for all of such 12 calendar months, such certificate may nevertheless include the full amount of all such taxes, fees, fines, penalties, or other monies actually collected for such 12 calendar months;

(I) A certificate by an Authorized Officer of the Issuer setting forth the Calculated Debt Service on all Outstanding Bonds, including such Series of Additional Bonds to be issued and any additional amounts payable with respect to Parity Reimbursement Obligations for each State Fiscal Year for which such Bonds or Parity Reimbursement Obligations are Outstanding and (II) a certificate of the Director of the Budget, including the amount of Calculated Debt Service set forth in the certificate required by clause (2)(I) of this paragraph (based upon information furnished by each applicable Authorized Issuer pursuant to the related financing agreement), setting forth the calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) shall be made with respect to all Authorized Issuers that have issued bonds or parity reimbursement obligations pursuant to the Enabling Act, which bonds or parity reimbursement obligations are secured by payments to be made from the Revenue Bond Tax Fund for each State Fiscal Year for which such bonds or parity reimbursement obligations are outstanding; and

A certificate by the Director of the Budget stating that the amounts set forth pursuant to the first paragraph above will be at least 2.0 times the maximum calculated debt service (calculated in the same manner as Calculated Debt Service for Bonds and Parity Reimbursement Obligations) for all Authorized Issuers set forth in subsection (II) of second paragraph above for any State Fiscal Year set forth pursuant to above.

(Section A-202)

Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered to refund all Outstanding Bonds of one or more Series of Bonds or Parity Reimbursement Obligations or any portion of a Series of Outstanding Bonds or Parity Reimbursement Obligations, or any outstanding Prior Obligations, in each case including all or any portion of a maturity. The Issuer may issue Refunding Bonds of a Series in an aggregate principal amount sufficient, together with other moneys available therefor, to accomplish such refunding (including by redemption, payment at maturity or in connection with exchanges or tenders) and to make such deposits required by the provisions of the Standard Resolution Provisions and of the Supplemental Resolution authorizing such Series of Refunding Bonds.

(A) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund Outstanding Bonds or Parity Reimbursement Obligations shall be authenticated by the Trustee or otherwise delivered by the Trustee upon the receipt by the Trustee of:

(1) If the Bonds to be refunded are to be redeemed, irrevocable instructions from the Issuer to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a Redemption Date specified in such instructions;

(2) If Bonds to be refunded are to be deemed paid, evidence of due publication of the notice provided for in the Standard Resolution Provisions to the Holders of the Bonds being refunded;

(3) If Bonds to be refunded are to be deemed paid, either or both of

(i) moneys in an amount sufficient to effect payment of the principal at the maturity date therefor (or on exchange or tender) or the Redemption Price on the applicable Redemption Date of the Bonds to be refunded, together with accrued interest on such Bonds to the maturity or Redemption Date, which money shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, and

(ii) Government Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of the Standard Resolution Provisions, which Government Obligations and moneys shall be held in trust and used only as provided in the Standard Resolution Provisions; and

(4) Either (i) a certificate of an Authorized Officer of the Issuer (a) setting forth (A) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds (including the Refunding Bonds then proposed to be issued but excluding the Bonds or Parity Reimbursement Obligations to be refunded or purchased) and (B) the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds as calculated immediately prior to the issuance of the Refunding Bonds (including the Bonds or Parity Reimbursement Obligations to be refunded or purchased but excluding the Refunding Bonds) and (b) stating that the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (A) above is not greater than the greatest amount of Calculated Debt Service on all Outstanding Bonds and Parity Reimbursement Obligations for any future State Fiscal Year during the term of the Bonds set forth pursuant to (B) above; or (ii) the certificates required by the Standard Resolution Provisions with respect to such Series of Refunding Bonds, considering for all purposes of such certificate that the Refunding Obligations then proposed to be issued will be Outstanding but the Bonds or Parity Reimbursement Obligations to be refunded will no longer be Outstanding.

(B) In addition to the applicable requirements of the Standard Resolution Provisions, Refunding Bonds of any Series issued to refund in whole or in part any Prior Obligations shall be authenticated or otherwise delivered by the Trustee upon the receipt by the Trustee of the certificates required to be delivered in connection with the issuance of Additional Bonds in the Standard Resolution Provisions; and shall otherwise comply with any applicable requirements in connection with a refunding set forth in the resolutions which authorized the issuance of such Prior Obligations.

(C) The proceeds, including accrued interest, of such Refunding Bonds shall be applied simultaneously with the delivery of such Refunding Bonds in the manner provided in or determined in accordance with the Supplemental Resolution authorizing such Refunding Bonds or the related Certificate of Determination.

(Section A-203)

Credit Facilities; Qualified Swaps and other similar arrangements; Parity Reimbursement Obligations

The Issuer may include such provisions in a Supplemental Resolution or related Certificate of Determination authorizing the issuance of a Series of Bonds secured by a Credit Facility as the Issuer deems appropriate, including:

So long as the Credit Facility is in full force and effect, and payment on the Credit Facility is not in default and the provider of the Credit Facility is qualified to do business in the State, and (a) no proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of the provider of the Credit Facility in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property or for the winding up or liquidation of the affairs of the provider of the Credit Facility and such proceeding shall remain undismissed or unstayed and in effect for a period of sixty (60) days or such court shall enter a decree or order granting the relief sought in such proceeding, or (b) the provider of the Credit Facility shall not have commenced a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall not have consented to the entry of an order for relief in an involuntary case under any such law, or shall not have consented to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for the provider of the Credit Facility or for any substantial part of its property, or shall not have made a general assignment for the benefit of creditors, or shall not have failed generally to pay its debts as they become due, or shall not have taken any corporate action with respect to any of the foregoing, then, in all such events, the provider of the Credit Facility shall be deemed to be the sole Holder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of the Bondholders for such Bonds is required or may be exercised under the Resolution, including, without limitation, under the captions “Supplemental Resolutions” and “Amendments”, and following a default under the caption “Defaults and Remedies; Defeasance”, except where the Credit Facilities provide only liquidity support and not credit support.

In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Bonds Outstanding, or the purchase price of puts in connection with such Bonds, shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the Issuer to the Bondholders of such Bonds shall continue to exist and such provider of the Credit Facility shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

(a) In addition, such Supplemental Resolution or related Certificate of Determination may establish such provisions as are necessary (i) to comply with the provisions of each such Credit Facility, (ii) to provide relevant information to the provider of the Credit Facility, (iii) to provide a mechanism for paying Principal Installments and interest on such Series of Bonds under the Credit Facility, and (iv) to make provision for any events of default or for additional or improved security required by the provider of a Credit Facility.

(b) In connection therewith the Issuer may enter into such agreements with the issuer of such Credit Facility providing for, inter alia: (i) the payment of fees and expenses to such provider for the issuance of such Credit Facility; (ii) the terms and conditions of such Credit Facility and the Series of Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facility.

(c) The Issuer may secure such Credit Facility by an agreement providing for the purchase of the Series of Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified by the Issuer in the applicable Supplemental Resolution. The Issuer may also in an agreement with the provider of such Credit Facility agree to directly reimburse such issuer for amounts paid under the terms of such Credit Facility, together with interest thereon (the "Reimbursement Obligation") solely from Pledged Property; *provided*, *however*, that no Reimbursement Obligation shall be created, for purposes of the Standard Resolution Provisions, until amounts are paid under such Credit Facility. Any such Reimbursement Obligation, which may include interest calculated at a rate higher than the interest rate on the related Bond, may be secured by a pledge of, and a lien on, Pledged Property on a parity with the lien created by the Standard Resolution Provisions, but only to the extent principal amortization requirements with respect to such reimbursement are equal to the amortization requirements for such related Bonds, without acceleration. Any Reimbursement Obligation conforming with the provisions of the previous sentence shall be deemed a "Parity Reimbursement Obligation". Parity Reimbursement Obligations shall not include any payments of any fees, expenses, indemnification, or other obligations to any such provider, or any payments pursuant to term-loan or other principal amortization requirements in reimbursement of any such advance that are more accelerated than the amortization requirements on such related Bonds. Parity Reimbursement Obligations may be evidenced by Bonds designated as "Bank Bonds." Any such Parity Reimbursement Obligation shall be deemed to be a part of the Series of Bonds to which the Credit Facility which gave rise to such Parity Reimbursement Obligation relates.

(d) Any such Credit Facility shall be for the benefit of and secure such Series of Bonds or portion thereof as specified in the applicable Supplemental Resolution.

(e) In connection with the issuance of a Series of Bonds or at any time thereafter so long as a Series of Bonds remains Outstanding, the Issuer also may enter into Qualified Swaps or, to the extent from time to time permitted pursuant to law, other similar arrangements if the Issuer determines that such Qualified Swaps or other similar arrangements will assist the Issuer in more effectively managing its interest costs. To the extent provided in a Supplemental Resolution or related Certificate of Determination, the Issuer's obligation to pay Qualified Swap Payments under any Qualified Swap may be secured by a pledge of, and a lien on, the Subordinated Payment Fund. Qualified Swap Payments may include any payments of any termination or other fees, expenses, indemnification or other obligations to a Qualified Swap Provider, or any payments that represent payment of interest thereunder in advance of the payment of interest on the Bonds to which such Qualified Swap relates.

(f) Parity Reimbursement Obligations shall not be a debt of the State and the State shall not be liable thereon, nor shall Parity Reimbursement Obligations be payable out of any funds other than those of the Issuer pledged therefor pursuant to the Resolution.

(Section A-204)

Bond Anticipation Notes

Whenever the Issuer shall have, by Supplemental Resolution, authorized the issuance of a Series of Bonds, the Issuer, subject to certain special provisions for additional bonds under the Standard Resolution Provisions, may by adoption of a Supplemental Resolution authorize the issuance of Bond Anticipation Notes in anticipation of the issuance of such authorized Series of Bonds, in a principal amount not exceeding the principal amount of the Bonds of such Series so authorized. The principal of and premium, if any, and interest on such Bond Anticipation Notes and any renewals of such Bond Anticipation Notes shall be payable only from (i) the proceeds of any renewals of such Bond Anticipation Notes issued to repay such Bond Anticipation Notes, (ii) the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued, (iii) any amounts provided by the State and/or the federal government expressly for payment of such Bond Anticipation Notes, or (iv) the proceeds of such Bond Anticipation Notes deposited in any Fund or account under the Resolution. Such proceeds and other amounts set forth in clauses (i), (ii), (iii) and (iv) may be pledged for the payment of the principal of and premium, if any, and interest on such Bond Anticipation Notes and any such pledge shall have priority over any other pledge created by the Resolution. In any case, such Bond Anticipation Notes shall be retired or provision shall be made for their retirement not later than the date of authentication and delivery of the Series of Bonds in anticipation of which they are issued. The proceeds of the sale of Bond Anticipation Notes, other than renewals thereof, shall be applied to the purposes for which the Bonds in anticipation of which such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or account established by the Resolution for such purposes and, if so provided in the resolution authorizing renewals of Bond Anticipation Notes issued to pay outstanding Bond Anticipation Notes, applied directly to such payment. Interest earned on any amounts on deposit in any Fund or account under the Resolution representing the proceeds of any Bond Anticipation Notes shall be applied in the manner set forth in the Supplemental Resolution authorizing such Bond Anticipation Notes or the related Certificate of Determination.

(Section A-205)

Additional Obligations

The Issuer 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 Issuer, so long as such bonds, notes or other obligations are not, or such indebtedness is not, except as provided in the Resolution, entitled to a charge, lien or right prior or equal to the charge or lien on the Pledged Property created by the Resolution, or prior or equal to the rights of the Issuer and Holders of Bonds.

(Section A-206)

Redemption at the Election of the Issuer; Redemption other than at Issuer's Election; Selection of Bonds to be Redeemed

In the case of any redemption of Bonds of a Series at the election of the Issuer, such Bonds may be redeemed at the option of the Issuer as provided in the Supplemental Resolution authorizing such Bonds. In exercising such option, the Issuer shall give written notice to the Trustee and any Paying Agent of its election to redeem, including the Series designation, the principal amounts and the maturities of such Bonds so elected. The Series designation, maturities and principal amounts thereof to be redeemed shall be determined by the Issuer in its sole discretion, subject to any limitations with respect thereto contained in the Resolution. Such notice shall be given to the Trustee at least forty-five (45) days prior to the date on which the Bonds of such Series are to be redeemed, or such fewer number of days as shall be acceptable to the Trustee.

Whenever by the terms of the Resolution, Bonds are required to be redeemed otherwise than at the election of the Issuer, the Trustee shall select the Bonds to be redeemed, give the notice of redemption and pay out of money available therefor the Redemption Price to the appropriate Paying Agents in accordance with the terms of the Standard Resolution Provisions. The Trustee shall have no liability in making such selection.

In the event of redemption of less than all of the Outstanding Bonds of a Series and maturity, the Trustee shall assign to each such Outstanding Bond of such Series and maturity or portion of a maturity to be redeemed a distinctive number for each unit of the principal amount of such Bond equal to the lowest denomination in which the Bonds of such Series are authorized to be issued and shall select by lot, using such method of selection as it shall deem proper in its discretion, from the numbers assigned to such Bonds as many numbers as, at such unit amount equal to the lowest denomination in which the Bonds of such Series are authorized to be issued for each number, shall equal the principal amount of such Bonds to be redeemed. In making such selections the Trustee may draw such Bonds by lot (i) individually or (ii) by one or more groups, the grouping for the purpose of such drawing to be by serial numbers (or, in the case of Bonds of a denomination of more than the lowest denomination in which the Bonds of such Series are authorized to be issued, by the numbers assigned thereto as provided in the Standard Resolution Provisions) which end in the same digit or in the same two digits. In case, upon any drawing by groups, the total principal amount of Bonds of such Series drawn shall exceed the amount to be redeemed, the excess may be deducted from any group or groups so drawn in such manner as the Trustee may determine. The Trustee may in its discretion assign numbers to aliquot portions of such Bonds and select part of any such Bonds for redemption.

(Section A-402, A-403, and A-404)

The Pledge Effected by the Resolution

The Bonds are <u>special obligations</u> of the Issuer payable solely from the sources set forth in the subsection under the caption "The Pledge Effected by the Resolution". There is thereby pledged for the payment of the principal and Redemption Price of, interest on, and Sinking Fund Installments for, the Bonds and of Parity Reimbursement Obligations, in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof (and to the provisions authorizing Subordinated Indebtedness in the Resolution) for the purposes and on the terms and conditions set forth in the Resolution, all right, title and interest of the Issuer in the Pledged Property. Such pledge is for the equal and proportionate benefit and security of all and singular the present and future Holders of Bonds and obligees of Parity Reimbursement Obligations issued and to be issued under the Resolution, without preference, priority or distinction, except as otherwise provided in the Standard Resolution Provisions, of any one Bond or Parity Reimbursement Obligation over any other Bond or Parity Reimbursement Obligation, by reason of priority in the issue, sale or negotiation thereof or otherwise. The pledge and lien created by the Resolution for the Bonds and Parity Reimbursement Obligation shall be superior in all respects to any pledge or lien now or hereafter created for indebtedness or other obligation secured by the Subordinated Payment Fund.

The Issuer represents and warrants that under the Enabling Act (i) the pledge set forth in subsection 1 of the section under the caption "The Pledge Effected by the Resolution" is and shall be valid and binding from and after the date of issuance and delivery of the first Series of Bonds, and the items set forth in such pledge are and shall be immediately subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge is and shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer irrespective of whether such parties have notice thereof; and (ii) neither the Resolution nor any other instrument need be recorded or filed to protect the pledge set forth in the aforementioned section.

The revenues, facilities, properties and any and all other assets of the Issuer, or of any subsidiary thereof, other than the Pledged Property, shall not be used for, or as a result of any court proceeding or otherwise, applied to the payment of the principal, Sinking Fund Installments, if any, and Redemption Price, of and interest on the Bonds, and under no circumstances shall the aforementioned be available for such purpose, nor shall there be any recourse against any other assets, revenues or funds of or other payments due to the Issuer, other than the Pledged Property.

The State has no obligation to continue the imposition of the taxes or the sources of any other funds deposited in the Revenue Bond Tax Fund pursuant to Section 92-z, nor to maintain such taxes or the sources of any other funds at any minimum level, and moneys in the Revenue Bond Tax Fund are not pledged to the payment of the Bonds or Parity Reimbursement Obligations prior to appropriation and transfer to the Issuer or the Trustee.

The obligation of the Comptroller under Section 92-z with respect to moneys on deposit in the Revenue Bond Tax Fund are subject to the rights of holders of debt of the State.

Nothing contained in the aforementioned section shall be deemed a limitation upon the authority of the Issuer to issue bonds, notes or other obligations under the Issuer Act secured by other income and funds other than the Pledged Property.

(Section A-501)

Establishment of Funds

Funds and accounts shall be established as authorized by the Standard Resolution Provisions.

(Section A-502)

Payment of Bonds

The Issuer shall duly and punctually pay or cause to be paid the principal, Sinking Fund Installments, if any, Redemption Price of, and interest on every Bond, at the dates and places and in the manner set forth in the Bonds according to the true intent and meaning thereof.

(Section A-601)

Extension of Payment of Bonds

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and, in case the maturity of any of the Bonds or the time for payment of any claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default under the Resolution, to the benefit of the Resolution or to any payment out of any assets of the Issuer or the Funds and accounts (except Funds and accounts held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Trustee, except subject to the prior payment of the principal of all Bonds issued and Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such claims for interest. Nothing in the Resolution shall be deemed to limit the right of the Issuer to issue Refunding Bonds as permitted by the Resolution and by the Issuer Act and such issuance shall not be deemed to constitute an extension of the maturity of the Bonds refunded.

(Section A-602)

Offices for Servicing Bonds

The Issuer shall at all times maintain an office or agency in the State, where Bonds may be presented for payment, registration, transfer or exchange and where notices, presentations and demands upon the Issuer in respect of the Bonds or of the Standard Resolution Provisions may be served. The Issuer appoints the Trustee as its agent to maintain such office or agency in the State for the registration, transfer or exchange of Bonds, for the authentication of Bonds, and for the payment of Bonds.

(Section A-603)

Further Assurance

At any time and all times the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the Pledged Property pledged or assigned by the Resolution, or intended so to be, or which the Issuer may hereafter become bound to pledge or assign. The Issuer further covenants that it shall use its best efforts, to the extent authorized by law, to cause the Director of the Budget to make and deliver the certificates referred to in the Standard Resolution Provisions at the times required therein and shall cause the amounts so received to be deposited in the appropriate Funds.

(Section A-604)

Power to Issue Bonds and Pledge Revenues and Other Funds

The Issuer is duly authorized under the Acts, and all applicable laws to create and issue the Bonds, to adopt the Resolution and to pledge the Pledged Property purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. Except to the extent otherwise provided in the Standard Resolution Provisions, the Pledged Property is and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all corporate action on the part of the Issuer to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the Issuer in accordance with their terms and the terms of the Resolution. The Issuer further covenants that it shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Property and all of the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

(Section A-605)

Creation of Liens

Except in accordance with the provisions of the Standard Resolution Provisions, the Issuer shall not hereafter issue any bonds or other evidences of indebtedness, other than the Bonds, Parity Reimbursement Obligations and Bond Anticipation Notes, secured by an equal or prior pledge of all or any part of the Pledged Property, and shall not create or cause to be created any equal or prior lien or charge on the Pledged Property except as provided in the Standard Resolution Provisions; *provided*, *however*, that nothing contained in the Resolution shall prevent the Issuer from issuing (i) evidences of indebtedness payable out of, or secured by a pledge of, Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied as provided in the

Standard Resolution Provisions or (ii) evidences of indebtedness secured by the Subordinated Payment Fund.

(Section A-606)

Certificate of the Director of the Budget

In order to assure the maintenance of the Funds and accounts held under the Resolution, not later than thirty days after the submission of the executive budget for the ensuing State Fiscal Year in accordance with the State Constitution, the Issuer shall to the extent authorized by law use its best efforts to enforce the obligation set forth in the Financing Agreement of the Director of the Budget to certify to the Comptroller in accordance with subdivision 5(b) of Section 92-z and the Standard Resolution Provisions a schedule setting forth the following:

(a) The amount of receipts certified and estimated to be deposited on a monthly basis to the Revenue Bond Tax Fund; and

(b) The amount of monthly cash requirements so certified by the Director of the Budget for such State Fiscal Year which shall be at least equal to:

1. all payments of principal, Sinking Fund Installments, if any, and Redemption Price, of Outstanding Bonds due in such State Fiscal Year;

2. the amounts required to pay all interest on Outstanding Bonds (including interest at the Estimated Average Interest Rate for Variable Interest Rate Bonds or under the related Reimbursement Obligation) and any additional amounts due with respect to related Parity Reimbursement Obligations due in such State Fiscal Year;

3. all Issuer Expenses for such State Fiscal Year;

4. all principal of and interest or other amounts payable from the Subordinated Payment Fund and due in such State Fiscal Year;

5. any amounts required to rebate to the Department of the Treasury of the United States of America and not otherwise held in the Funds and accounts under the Resolution;

6. all other payment requirements referred to in the Enabling Act for such State Fiscal Year.

The schedule accompanying the certificate of the Director of the Budget shall also provide for payments as the Director of the Budget deems appropriate to ensure that sufficient funds will be available from the sources, including without limitation revenues derived from the taxes and fees deposited in the Revenue Bond Tax Fund in accordance with Section 92-z, to enable the Issuer to meet its obligations under the Resolution as they become due; *provided*, *however*, that such schedule shall require the Comptroller to set aside, on a monthly basis, amounts in the Revenue Bond Tax Fund such that the combined total of (i) the amounts previously set aside and on deposit in the Revenue Bond Tax Fund and (ii) the monthly amounts, as provided for in paragraph (a) above, required to be deposited to the Revenue Bond Tax Fund in such month is not less than one hundred twenty-five percent (125%) of the monthly cash requirements, as provided for in paragraph (b) above, to be paid by the Comptroller to the Trustee, on behalf of the Issuer, in the following month. Financing Agreement Payments shall be paid to the Trustee on or before the fifth Business Day preceding the date on which such payment is due; and *provided*, *further*, that to ensure sufficient funds will be available from the sources just described to meet the Issuer's obligations when due, such schedule shall require the Comptroller to pay (x) all moneys set aside pursuant to subdivision 5 of Section 92-z less (y) the Issuer's estimate of investment earnings available therefor on Funds and accounts established under the Resolution and other amounts available under the Resolution, which such estimate shall be made at least once each calendar month prior to the making of any transfer pursuant to subdivision 5 of Section 92-z.

The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the schedule required to accompany such certification, from time to time, to assure that such certification, together with the accompanying schedule, accurately sets forth any and all amounts required or projected by the Issuer for the purposes and at the times prescribed by subdivision 5 of Section 92-z. The Financing Agreement shall require the Director of the Budget to promptly revise or amend such certification and the accompanying schedule if additional amounts are required to make any payment of principal, Sinking Fund Installments, if any, and Redemption Price of or interest on Bonds or with respect to Parity Reimbursement Obligations.

In any event, whether or not there has been any intervening requirement to revise such certificate under the Standard Resolution Provisions, promptly but in no event later than 30 days after the date of the issuance of any Series of Bonds under the Resolution or the issuance of any Parity Reimbursement Obligation, or other evidence of indebtedness payable from the Subordinated Payment Fund or otherwise, the Director of the Budget shall submit a revised certification, together with the accompanying schedule, which accurately sets forth any and all amounts required or projected to be required by the Issuer as of such date for the purposes and at the times prescribed by the terms of the Standard Resolution Provisions.

The agreement of the State under Section 68-c shall be deemed executory only to the extent of appropriations available for payments under Section 68-c and no liability on account of any such payment shall be incurred by the State beyond such appropriations.

(Section A-607)

Agreement With the Director of the Budget

The Issuer shall only issue or incur Bonds (including Refunding Bonds), Parity Reimbursement Obligations or other obligations under the Resolution (including obligations incurred pursuant to the Standard Resolution Provisions) with the written approval of the Director of the Budget. The Issuer shall enter into one or more Financing Agreements with the State, acting through the Director of the Budget, as provided in subdivision 1 of Section 68-c providing for the specific manner, timing and amount of payments to be made under Section 68-c and the Resolution. The Issuer shall approve the form and substance of such Financing Agreement with respect to any Series of Bonds prior to or concurrently with the adoption of the applicable Supplemental Resolution and shall use its best efforts, to the extent permitted by law, to take all steps necessary or appropriate to enforce such Financing Agreement and to assure compliance by the State therewith. The Issuer shall not enter into any such Financing Agreement that is not in conformity with the Acts and the Resolution.

(Section A-608)

Agreement With the State

In accordance with the provisions of the Enabling Act and to the extent applicable, the Issuer Act, the Issuer includes in the Resolution, to the fullest extent enforceable under applicable federal and State law, the pledge to and agreement with the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations or other obligations issued or incurred under the Resolution made by the

State and set forth in the Acts that the State will not in any way impair the rights and remedies of such Holders until such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued or incurred under the Resolution, together with interest thereon, with interest, if any, on any unpaid installments of interest and all costs and expenses in connection with any action or proceedings by or on behalf of such Holders, are fully met and discharged.

Notwithstanding any other provision of the Standard Resolution Provisions, nothing contained in the Acts or the Resolution shall be deemed to restrict the right of the State to amend, repeal, modify or otherwise alter statutes imposing or relating to taxes imposed pursuant to Article 22 of the Tax Law. The Issuer and the Holders of the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations and other obligations issued under the Standard Resolution Provisions expressly agree that it shall be an integral part of the contract arising under the Standard Resolution Provisions that no default thereunder occur as a result of the State exercising its right to amend, repeal, modify or otherwise alter any such tax.

(Section A-609)

Amendment of Financing Agreements

The Issuer shall not amend, change, modify, alter or terminate any Financing Agreement so as to materially adversely affect the right, security and interest of the Holders of the Outstanding Bonds without the prior written consent of the provider of a Credit Facility, if any, affected thereby, or, in the event that there is no Credit Facility in place with respect to the Series of Bonds affected thereby, without the prior written consent of at least a majority in aggregate principal amount of the Holders of the Bonds then Outstanding and affected thereby; *provided*, *however*, that if such modification or amendment will, by its terms, not take effect so long as any Bonds remain Outstanding, the consent of the providers of the Credit Facility, if any, or 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 the Standard Resolution Provisions. Any Financing Agreement may be amended, supplemented, changed, modified or altered without the consent of the provider of the Credit Facility, if any, or the Holders of Outstanding Bonds to provide changes in connection with the acquisition, construction, reconstruction, rehabilitation, renovation and improvement or otherwise, or the providing, furnishing and equipping of a Project or which may be added to such Project, or to provide for additional Financing Agreement Payments; and any Financing Agreement may be amended, supplemented, changed, modified or altered without such consent to cure any ambiguity, or to correct or supplement any provisions contained in any Financing Agreement, which may be defective or inconsistent with any other provisions contained in the Resolution or in such Financing Agreement and which the Issuer determines will not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be. In no event shall changes relating solely to Projects, including schedules related thereto, be deemed to materially adversely affect such Holders or providers of Credit Facilities. Upon execution by the Issuer of any amendment, a copy thereof certified by the Issuer shall be filed with the Trustee and each provider of the Credit Facility affected thereby.

For the purposes of the Standard Resolution Provisions, Bonds shall be deemed to be materially adversely affected by an amendment, change, modification or alteration of any Financing Agreement if the same materially adversely affects or diminishes the rights, security and interest of the Holders of the Bonds or the provider of a Credit Facility, as the case may be. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds or the right, security and interest of the Holders of Outstanding Bonds or the provider of a Credit Facility, as the case may be, would be materially adversely affected by any amendment, change, modification or alteration, and any such determination shall be binding and conclusive on the provider of a Credit Facility, the Trustee and all Holders of Bonds; and, *provided further*, *however*, any such amendments deemed necessary by the Issuer to effect any assumption, extinguishment and substitution authorized by the Standard Resolution Provisions shall not be deemed to materially adversely affect the Bonds.

For all purposes of the Standard Resolution Provisions, the Issuer shall be entitled to rely upon a Counsel's Opinion (a copy of which shall be provided by the Issuer to any provider of a Credit Facility thereby affected), with respect to whether any amendment, change, modification or alteration materially adversely affects the right, security and interest of any Holders of Bonds and any provider of a Credit Facility of a Series then Outstanding.

(Section A-610)

Enforcement of Duties and Obligations of the State

The Issuer shall use its best efforts, to the extent permitted by law, to cause the State to perform fully all duties and acts and comply fully with the covenants of the State required by any Financing Agreement in the manner and at the times provided in such Financing Agreement *provided*, *however*, that the Issuer may delay, defer or waive enforcement of one or more provisions of said Financing Agreement (other than provisions requiring the payment of moneys to any Fund or account established under the Resolution), if the Issuer determines such delay, deferment or waiver will not materially adversely affect the right, security and interest of the Holders of the Bonds of the applicable Series or the issuer of any Credit Facility.

(Section A-611)

Reservation of State Rights of Assumption, Extinguishment and Substitution

It is expressly understood and agreed by the Issuer and the Holders or other obligees of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions to be an integral part of the contract arising under the Standard Resolution Provisions that, in accordance with subdivision 6 of Section 68-c, the State reserves the right, upon amendment of the State Constitution to permit the issuance of State Revenue Bonds, which may be payable from or secured by revenues that include the Revenues pledged under the Standard Resolution Provisions, (i) to assume, in whole or in part, the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations of the Issuer issued or incurred under the Standard Resolution Provisions, (ii) to extinguish the existing lien on Pledged Property created under the Standard Resolution Provisions, and (iii) to substitute security or source of payment for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Standard Resolution Provisions, in each case only so long as such assumption, extinguishment and substitution is accomplished in accordance with the Standard Resolution Provisions. (Any Bonds paid or deemed to have been paid in accordance with the Standard Resolution Provisions on or before the date of any assumption, extinguishment and substitution shall not be taken into account in determining compliance with the provisions of the Standard Resolution Provisions.)

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest

rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. any State Revenue Bonds resulting from such assumption, extinguishment and substitution shall be secured by revenues that may include all the Revenues securing the Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Standard Resolution Provisions as of the day immediately preceding such assumption, extinguishment and substitution, and the provisions of the Enabling Act relating to security for or payment of the Bonds and Parity Reimbursement Obligations shall remain in full force and effect in substantially the form they existed immediately prior to such assumption, extinguishment and substitution and shall not have been amended in connection therewith except to the extent necessary or convenient to permit the Revenues and the Revenue Bond Tax Fund to be sources of payment or security for the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution; *provided*, *however*, that in connection with any such assumption, extinguishment and substitution, it is expressly understood and agreed by all Bondholders and all providers of Credit Facilities that the Enabling Act may be amended to delete the transfer from the general fund as set forth in paragraph (b) of subdivision 5 of Section 92-z and paragraph (a) of subdivision 5 of Section 92-z may be amended to delete the requirement that Financing Agreement Payments be appropriated before any moneys held pursuant to such Section 92-z are transferred to the general fund; and

3. any resolution or trust agreement securing the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution shall contain limitations on amendment powers no less restrictive than those set forth in the Standard Resolution Provisions, and shall include events of default to the effect of those contained in the Standard Resolution Provisions and shall grant the remedies contained in the Standard Resolution Provisions, *provided* that the Comptroller or the Attorney General of the State may serve in the capacity of the Trustee for such purposes and the State or other issuer of State Revenue Bonds may be substituted for the Issuer in the Standard Resolution Provisions, and shall include defeasance provisions no less restrictive than those set forth in the Standard Resolution Provisions; and

4. the State Revenue Bonds or other obligations resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations issued or incurred under the Resolution shall have the same or superior priority of claim on the revenues securing such obligations as that provided by the Resolution; and

5. any resolution or trust agreement securing the State Revenue Bonds resulting from such assumption, extinguishment and substitution of Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, and other obligations secured under the Resolution shall contain a covenant of the State substantially to the effect of the covenant contained in the Standard Resolution Provisions; and

6. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution (A) complies with the provisions of the Standard Resolution Provisions and

the Enabling Act and (B) will have no adverse effect on the federal or State tax status of interest on the Bonds.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) shall be mailed by the Issuer to such Bondholders and providers of Credit Facilities to the extent affected thereby (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when effected as in the Standard Resolution Provisions).

Any such assumption, extinguishment and substitution may be effected if the following provisions are complied with and each such provision shall be a condition precedent to such assumption, extinguishment and substitution:

1. the State shall either (x) fully authorize the assumption and designation of such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations issued or incurred under the Resolution as State Revenue Bonds or (y) issue or cause to be issued State Revenue Bonds of like principal amounts, maturities, interest rates, terms of redemption and tenor (except as to the substitution of security) in substitution for such Bonds, Bond Anticipation Notes, Parity Reimbursement Obligations, or other obligations; and

2. with respect to all Bonds Outstanding, written consent to such assumption, extinguishment and substitution shall be given as provided in the Resolution by the Holders of at least a majority in principal amount of such Bonds Outstanding at the time such consent is given; and

3. the Issuer shall furnish the Trustee and any provider of a Credit Facility with a Counsel's Opinion, addressed to each of them, to the effect that the assumption, extinguishment and substitution complies with the provisions of the Standard Resolution Provisions and the Enabling Act.

A copy of the provisions of law and documentation effecting any such assumption, extinguishment and substitution pursuant to the Standard Resolution Provisions (or brief summary thereof or reference thereto) together with a request to the Bondholders indicated above for their consent thereto, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of such assumption, extinguishment and substitution when consented to as in the Standard Resolution Provisions). No such assumption, extinguishment and substitution pursuant to this subdivision shall be effective unless and until there shall have been filed with the Issuer (i) the written consents of Holders of the percentages of Outstanding Bonds specified in this subdivision, and (ii) the aforementioned Counsel's Opinion. Each such consent of a Bondholder 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 Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that such Authorized Officer has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions 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 such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that such assumption, extinguishment and substitution have been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such assumption, extinguishment and substitution from becoming effective and binding as in the Standard Resolution Provisions provided) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents and the written statement of the Issuer above provided for is filed (but failure to publish such notice shall not prevent such assumption, extinguishment and substitution from becoming binding as in the Standard Resolution Provisions provided). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such assumption, extinguishment and substitution shall be deemed conclusively binding upon the State, the Issuer, the Trustee, and the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing 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 assumption, extinguishment and substitution in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; *provided*, *however*, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such assumption, extinguishment and substitution as it may deem expedient.

Upon the effective date of any such assumption, extinguishment and substitution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and any Paying Agents shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Resolution which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption.

Accounts and Reports

The Issuer shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all its transactions relating to all Funds and accounts established by the Resolution which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than twenty-five per cent (25%) in the principal amount of the Bonds then Outstanding or their representatives duly authorized in writing. The Issuer may authorize or permit the Trustee or its duly authorized agents to keep any or all of such books on behalf of the Issuer.

(Section A-613)

Tax Covenants

The Issuer shall at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds issued as Tax-Exempt Bonds shall be not included in the gross income of the owners thereof for purposes of federal income taxation.

Notwithstanding the foregoing, the Issuer reserves the right, in a Supplemental Resolution authorizing the issuance of obligations, to elect to issue Taxable Bonds.

(Section A-614)

General

The Issuer shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Issuer under the provisions of the Acts and the Resolution in accordance with the terms of such provisions.

Upon the date of issuance of any of the Bonds, all conditions, acts and things required by the Constitution and statutes of the State, including the Acts and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds, shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by the laws of the State.

(Section A-615)

Notice as to Event of Default

The Issuer shall notify the Director of the Budget, the Comptroller, each issuer of a Credit Facility and the Trustee in writing that an "Event of Default," as such term is defined in the Standard Resolution Provisions, has occurred and is continuing, which notice shall be given within thirty (30) days after the Issuer has obtained actual knowledge thereof; *provided*, *however*, that the Issuer shall provide each of the foregoing with immediate notice of any payment default after the Issuer has obtained actual knowledge thereof.

(Section A-616)

Other Bonds Authorized by the Enabling Act

The Bonds authorized by the Resolution are authorized by the Enabling Act. All bonds issued pursuant to the Enabling Act, whenever issued and by whichever Authorized Issuer, have equal claim to all moneys available subject to appropriation from the Revenue Bond Tax Fund pursuant to the Enabling Act, and further subject to provisions in the Resolution or other such resolutions authorizing such bonds relating to subordination.

(Section A-617)

Investment of Funds

Amounts in the Funds and accounts established by Section 502 of the Resolution may be invested only in Investment Obligations. The Trustee shall make such investments in any Funds or accounts held by the Trustee in accordance with any instructions received from an Authorized Officer of the Issuer. Except as otherwise provided in the resolution authorizing any series of Bond Anticipation Notes, interest earned by the investment of moneys in each Fund or account under the Resolution shall be held, deposited or transferred in accordance with the Standard Resolution Provisions. The Trustee shall have no obligation to invest or reinvest amounts as contemplated by the Resolution except upon the direction of an Authorized Officer of the Issuer as to specific investments. Any such direction, if not in writing, shall be promptly confirmed in writing.

Investment Obligations on deposit in the Funds and accounts held under the Standard Resolution Provisions shall have maturity dates, or shall be subject to redemption or tender at the option of the Issuer or the Trustee on the respective dates specified by an Authorized Officer of the Issuer, as appropriate, which dates shall be on or prior to the respective dates on which the moneys invested therein are expected to be paid for the purposes of such Funds and accounts. The Issuer, or the Trustee, upon the instructions of an Authorized Officer of the Issuer, shall sell any Investment Obligations held in any Fund or account to the extent required for payments from such Fund or account. The proceeds of such sales, and of all payments at maturity or upon redemption of such investments, shall be held in the applicable Fund or account to the extent required to meet the requirements of such Fund or account. Losses, if any, realized on Investment Obligations held in any Fund or account shall be debited to such Fund or account. In computing the amount of such Funds and accounts, investments shall be valued at par, or if purchased at other than par, shall be valued at Amortized Value, plus accrued interest. Accrued interest received upon the sale of any Investment Obligation to the extent such amount exceeds any accrued interest paid on the purchase of such Investment Obligation shall be treated as interest earned on such Investment Obligation for purposes of the Standard Resolution Provisions.

Nothing in the Resolution shall prevent any Investment Obligations acquired as investments of or security for any Fund, account or subaccount held under the Resolution from being held in book-entry form.

(Section A-701)

Trustee; Appointment and Acceptance of Duties

The Trustee shall be appointed in the Supplemental Resolution authorizing the issuance of the first Series of Bonds under the Resolution. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by written instrument of acceptance delivered to the Issuer.

(Section A-801)

Paying Agents; Appointment and Acceptance of Duties

The Issuer may, in its discretion, appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Resolution authorizing such Bonds at least one of which shall have an office for the transaction of business in the State, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in the Standard Resolution Provisions for the appointment of a successor Paying Agent.

Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Issuer a written acceptance thereof.

The principal offices of the Paying Agents are designated as the respective offices or agencies of the Issuer for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest on the Bonds.

(Section A-802)

Responsibilities of Fiduciaries

The recitals of fact in the Standard Resolution Provisions and in the Bonds shall be taken as the statements of the Issuer and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or in respect of the security afforded by the Resolution, and no Fiduciary shall incur any responsibility in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof except to the extent the proceeds are received by it in its capacity as Fiduciary, or (iii) the application of any moneys paid to the Issuer or others in accordance with the Resolution except as to the application of any moneys paid to it in its capacity as Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect thereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties under the Resolution except for its own negligence or willful misconduct. Subject to the foregoing, the Issuer may designate any Fiduciary to undertake any duty in the Resolution of the Issuer with respect to collection, accounting, review of and notice for any consents required thereunder.

(Section A-803)

Evidence on Which Fiduciaries May Act

Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Issuer, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Resolution in good faith and in accordance therewith.

Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Resolution, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Issuer. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of the Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable.

Except as otherwise expressly provided in the Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to any Fiduciary shall be sufficiently executed if executed in the name of the Issuer by an Authorized Officer.

(Section A-804)

Compensation

The Issuer shall pay to each Fiduciary from time to time reasonable compensation for all services rendered under the Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Resolution. The Issuer further agrees to the extent permitted by law to indemnify and save each such Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties under the Resolution, and which are not due to its negligence or willful misconduct. The Issuer's obligation to make any payment pursuant to the Standard Resolution Provisions shall be limited to payment from amounts made available therefor pursuant to the Financing Agreements.

(Section A-805)

Certain Permitted Acts

Any Fiduciary may become the owner of or deal in any Bonds as fully with the same rights it would have if it were not a Fiduciary. To the extent permitted by law, any Fiduciary may act as Securities Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or the Resolution, whether or not any such committee shall represent the Holders of a majority in aggregate principal amount of the Bonds then Outstanding in respect of which any such action is taken.

(Section A-806)

Resignation of Trustee

The Trustee may at any time resign and be discharged of its duties and obligations created by the Resolution by giving not less than sixty (60) days' written notice to the Issuer, specifying the date when such resignation shall take effect, and mailing notice thereof, to the Holders of all Bonds then Outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as provided in the Resolution, in which event such resignation shall take effect immediately upon the appointment of such successor; *provided*, *however*, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee.

(Section A-807)

Removal of Trustee

The Issuer may at any time remove the Trustee initially appointed or any successor thereto by written notice of such removal mailed by first class mail to the Trustee except that the Trustee may not be removed by the Issuer during the pendency of an Event of Default; *provided*, *however*, that any resignation or removal of the Trustee shall in no event take effect until a successor shall have been appointed and accepted the duties of Trustee. Notice of the removal of the Trustee shall be mailed by first class mail to the registered Holders of all Bonds then Outstanding at least 30 days prior to such removal.

(Section A-808)

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Issuer shall appoint a successor Trustee. The Issuer shall cause notice of any such appointment to be mailed to all Holders of Bonds then Outstanding.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of the Standard Resolution Provisions within 30 days after the Trustee shall have given to the Issuer written notice as provided in the Standard Resolution Provisions or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the Holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of the Standard Resolution Provisions in succession to the Trustee shall be a bank or trust company organized under the laws of the State of New York or a national banking association and having Fiduciary Capital Funds of at least $100,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-809)

Transfer of Rights and Property to Successor Trustee

Any successor Trustee appointed under the Resolution shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under the Resolution, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Resolution. Should any deed, conveyance or instrument in writing from the Issuer be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers, and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer. Any such successor Trustee shall promptly notify the Paying Agents, if any, of its appointment as Trustee.

(Section A-810)

Merger or Consolidation

Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which such Fiduciary may sell or transfer all or substantially all of its business, or all of its non-private trust administration business, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act; *provided* such company shall be a bank having trust powers or a trust company organized under the laws of the State or a national banking association and shall, if it previously had not had such an office, have an office for the transaction of its business in the State, and shall be authorized by law to perform all the duties imposed upon it by the Resolution.

(Section A-811)

Resignation or Removal of Paying Agent and Appointment of Successor

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least sixty (60) days' written notice to the Issuer and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Issuer. Any successor Paying Agent may be appointed by the Issuer and (subject to the requirements of the Standard Resolution Provisions) shall be a bank having trust powers or trust company in good standing organized under the laws of any state of the United States of America or a national banking association, duly authorized to exercise trust powers and subject to examination by federal or state Corporation, having Fiduciary Capital Funds of at least $100,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor or if there shall be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of Paying Agent, the Issuer shall act as such Paying Agent.

(Section A-812)

Adoption and Filing

The Issuer may adopt at any time or from time to time a Supplemental Resolution to authorize the issue of the initial Series of Bonds and of additional Series of Bonds and the incurrence of Parity Reimbursement Obligation as provided in the Standard Resolution Provisions and to prescribe the terms and conditions thereof and any additional terms and conditions upon which such Bonds may be issued and Parity Reimbursement Obligation may be incurred.

(Section A-901)

Supplemental Resolutions Effective Upon Adoption

Notwithstanding any other provisions of the Standard Resolution Provisions, the Issuer may adopt, for any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution which, upon adoption thereof and filing with the Trustee shall be fully effective in accordance with its terms:

To close the Resolution against, or provide limitations and restrictions contained in the Resolution on, the authentication or execution and delivery on original issuance of Bonds or the issuance of other evidences of indebtedness;

To add to the covenants and agreements of the Issuer contained in the Resolution other covenants and agreements to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To add to the limitations or restrictions in the Resolution other limitations or restrictions to be observed by the Issuer which are not contrary to or inconsistent with the Resolution as theretofore in effect;

To surrender any right, power or privilege reserved to or conferred upon the Issuer by the Resolution, *provided* that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Issuer contained in the Resolution;

To confirm, as further assurance, any pledge under, and the subjection to any lien, claim or pledge created or to be created by, the Resolution, or any Supplemental Resolution of the Pledged Property, including the Revenues or the Funds, and other moneys and securities;

To modify any of the provisions of the Resolution in any respect whatever, *provided* that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered on original issuance after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

To add to the Resolution any provisions required by law to preserve the exclusion from gross income for federal income tax purposes of interest received on Tax-Exempt Bonds then Outstanding or to be issued or the exemption of interest received on any Bonds from State income taxation;

To modify, amend or supplement the Resolution in any manner in order to provide for a Credit Facility, Qualified Swap or other similar arrangement with respect to any Series of Bonds, under the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution, so long as the Issuer determines that such Supplemental Resolution does not materially adversely affect the right, security and interest of the Holders of Outstanding Bonds;

To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect;

To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Standard Resolution Provisions and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;

To authorize Subordinated Indebtedness and, in connection therewith, specify and determine (or provide procedures for an Authorized Officer of the Issuer to specify or determine) the matters and things required or permitted by Article V of the Resolution in connection therewith, and also any other matters and things relative to such Subordinated Indebtedness which are not contrary to or inconsistent with the Standard Resolution Provisions as then in effect, or at any time to amend, rescind or limit any authorization for any such Subordinated Indebtedness theretofore authorized but not issued or entered into; and in connection with the authorization of Subordinated Indebtedness, any such Supplemental Resolution may include provisions for the availability, transferability, use or application of amounts available to pay Subordinated Indebtedness in the Subordinated Payment Fund and any other funds, accounts or subaccounts created for the benefit of such Subordinated Indebtedness;

To provide, with prior written notice to each Rating Agency, for additional Investment Obligations that may be designated as Government Obligations consistent with clause (f) of the definition of Government Obligations;

Notwithstanding the Standard Resolution Provisions, to the extent authorized by law and to the extent the Issuer shall have received a Counsel’s Opinion that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Tax-Exempt Bonds, to provide for the delivery of Bonds that are not in registered form;

To modify the pledge effected by Section 501 of the Resolution and such other provisions of the Standard Resolution Provisions solely to give effect to an assumption, extinguishment and substitution consistent with the Standard Resolution Provisions;

Notwithstanding the terms and provisions of the Standard Resolution Provisions, to the extent authorized by law and to the extent that it will not adversely affect the exclusion of interest from the income of Holders of Bonds for federal income tax purposes for any Bonds issued on a tax-exempt basis, to provide for the delivery of a Series of Bonds or a portion of a Series of Bonds incorporating detachable call options;

To modify, with prior written notice to each Rating Agency, the definition of Qualified Swap Provider; or

To make any other modification or amendment of the Resolution which the Issuer shall in its sole discretion determine will not have a material adverse effect on the interests of the Holders of Outstanding Bonds or Parity Reimbursement Obligations.

In making any determination under the preceding paragraph, the Issuer may consult with and rely upon an Opinion of Counsel or opinions of other experts or professionals.

(Section A-902)

Supplemental Resolutions Effective with Consent of Trustee

Notwithstanding any other provision of the Standard Resolution Provisions, the Issuer may adopt a Supplemental Resolution amending any provision of the Standard Resolution Provisions, effective upon filing with the Issuer of a written determination of the Trustee and a Counsel's Opinion that such amendment will not materially adversely affect the rights of any Holder of Bonds.

(Section A-903)

Supplemental Resolutions Effective with Consent of Bondholders

Except as permitted in the Standard Resolution Provisions, at any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders, and in accordance with the provisions of the Standard Resolution Provisions, which Supplemental Resolution, upon adoption and upon compliance with the Standard Resolution Provisions shall become fully effective in accordance with its terms as provided in the Standard Resolution Provisions.

(Section A-904)

General Provisions

Nothing contained in the Standard Resolution Provisions shall affect or limit the right or obligation of the Issuer to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of the Standard Resolution Provisions or the right or obligation of the Issuer to execute and deliver to the Trustee any instrument which elsewhere in the Resolution it is provided shall be so delivered.

Any Supplemental Resolution referred to and permitted or authorized by the Standard Resolution Provisions may be adopted by the Issuer without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Standard Resolution Provisions. Every Supplemental Resolution adopted by the Issuer shall be (i) subject to the written approval of the Director of Budget, and (ii) the subject of a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. The Trustee shall be entitled to rely upon such opinion, which shall be conclusive evidence that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

The Trustee is thereby authorized to accept delivery of a certified copy of any Supplemental Resolution permitted or authorized pursuant to the Standard Resolution Provisions and to make all further agreements and stipulations which may be contained in the Resolution, and, in taking such action, the Trustee shall be fully protected in relying on the opinion of Bond Counsel that such Supplemental Resolution is authorized or permitted by the Standard Resolution Provisions.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent shall become effective without the written consent of the Trustee or Paying Agent affected thereby.

(Section A-905)

Mailing and Publication

Any provision in the Standard Resolution Provisions relating to the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid to each Bondholder of any affected Bonds then Outstanding at such Bondholder's address, if any, appearing upon the registry books of the Issuer and to the Trustee; or, in each case, to such parties by facsimile or other means to the extent permitted by applicable law and arrangements.

Any provision in the Standard Resolution Provisions for publication of a notice or other matter shall require the publication thereof only in an Authorized Newspaper.

(Section A-1001)

Powers of Amendment

Any modification or amendment of the Resolution and of the rights and obligations of the Issuer and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Standard Resolution Provisions, (a) by the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in case less than all of the Bonds then Outstanding are affected by the modification or amendment, by the Holders of at least a majority in principal amount of the Bonds so affected and 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 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 the Standard Resolution Provisions. 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 Holders of such Bonds, 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, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. For the purposes of the Standard Resolution Provisions, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same materially adversely affects or diminishes the right, security and interest of the Holders of Bonds of such Series. The Issuer may in its discretion determine whether or not in accordance with the foregoing, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on all Holders of Bonds. The Issuer shall, prior to making any such determination, receive a Counsel's Opinion as conclusive evidence as to whether the Bonds of a Series or maturity would be so affected by any such modification or amendment thereof. Notwithstanding anything in the Standard Resolution Provisions or the Resolution to the contrary, the consent of Holders of any Series of Additional Bonds to be issued under the Resolution shall be deemed given if the underwriters or initial purchasers for resale thereof consent in writing to any modification or amendment effected thereby, and such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is offered and sold.

(Section A-1002)

Consent of Bondholders

The Issuer may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of the Standard Resolution Provisions, to take effect when and as provided in the Standard Resolution Provisions. 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, shall be mailed by the Issuer to such Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in the Standard Resolution Provisions). Such Supplemental Resolution shall not be effective unless and until there shall have been filed with the Issuer (i) the written consent of Holders of the percentages of Outstanding Bonds specified in the Standard Resolution Provisions, and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the Issuer in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the Issuer and enforceable in accordance with its terms. 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 Standard Resolution Provisions. A certificate or certificates by an Authorized Officer of the Issuer filed with the Issuer that he or she has examined such proof and that such proof is sufficient in accordance with the Standard Resolution Provisions shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of such Authorized Officer of the Issuer. Any such consent given by such Holder shall be binding upon such Holder of the Bonds giving such consent and, anything in the Standard Resolution Provisions 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 such Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Issuer prior to the time when the written statement of the Issuer in the Standard Resolution Provisions provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of an Authorized Officer of the Issuer filed with the Issuer to the effect that no revocation thereof is on file. At any time after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Issuer shall make and file with its records relating to the Bonds a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive 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 Issuer on a stated date, a copy of which is on file with the Issuer) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in the Standard Resolution Provisions, may be given to such Bondholders by the Issuer by mailing or causing the mailing of such notice to such Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as is provided in the Standard Resolution Provisions) and, in the sole discretion of the Issuer, by publishing the same at least once not more than ninety (90) days after such Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Issuer provided for in the Resolution is filed (but failure to publish such notice shall not prevent such Supplemental Resolution from becoming binding as is provided in the Standard Resolution Provisions). If such notice is published, the Issuer shall file with its records relating to the Bonds proof of the publication of such notice and, if the same shall have been mailed to such Bondholders, of the mailing thereof. A transcript consisting of the papers required or permitted by the Standard Resolution Provisions to be filed with the Issuer records relating to the Bonds, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Issuer, the Trustee, or the Holders of all Bonds upon filing with the Issuer records of proof of mailing of such notice or at the expiration of forty (40) days after such filing 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 forty (40) day period; *provided*, *however*, that the Trustee and the Issuer during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as it may deem expedient.

For the purpose of the Standard Resolution Provisions, the purchasers of the Bonds of a Series, whether purchasing as underwriters, for resale or otherwise, upon such purchase, may consent to a modification or amendment permitted by the Standard Resolution Provisions in the manner provided therein, 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 Issuer or with the remarketing of the Bonds.

(Section A-1003)

Modifications by Unanimous Consent

The terms and provisions of the Resolution and the rights and obligations of the Issuer and of the Holders of the Bonds thereunder may be modified or amended in any respect upon the adoption and filing by the Issuer of a Supplemental Resolution and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in the Standard Resolution Provisions except that no notice to Bondholders either by mailing or publication shall be required; *provided*, *however*, that no such modification or amendment shall change or modify any of the rights or obligations of the Trustee without the filing with the Issuer of the written assent thereto of the Trustee in addition to the consent of the Bondholders.

(Section A-1004)

Exclusion of Bonds

Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the Standard Resolution Provisions, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the Resolution. At the time of any consent or other action taken under the Standard Resolution Provisions, the Issuer shall file with its records relating to the Bonds a certificate of an Authorized Officer of the Issuer describing all Bonds so to be excluded.

(Section A-1005)

Notation on Bonds

Bonds delivered after the effective date of any action taken as provided in the Standard Resolution Provisions may, and, if the Issuer so determines, shall, bear a notation by endorsement or otherwise in form approved by the Issuer and Trustee as to such action, and in that event upon demand of the Holder of any Bond Outstanding at such effective date and presentation to the Issuer of his or her Bond for such purpose, suitable notation shall be made on such Bond by the Issuer as to any such action. If the Issuer and Trustee shall so determine, new Bonds so modified as, in the opinion of the Issuer and Trustee conform to such action shall be prepared and delivered, and upon demand of the Holder of any

Bond then Outstanding, shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds.

(Section A-1006)

Events of Default

The occurrence of one or more of the following events shall constitute an "Event of Default":

(a) payment of principal, Sinking Fund Installments, interest or premium on any Bond shall not be made when the same shall have become due, whether at maturity or upon call for redemption or otherwise, which default shall continue for a period of ten (10) business days; or

(b) in connection with financings for any Authorized Purpose authorized by Section 68-b, the Director of the Budget shall fail or refuse to comply with the provisions of subdivision 5(b) of Section 92-z and such failure or refusal shall continue for a period of thirty (30) days; or

(c) the Comptroller shall fail to pay to any Authorized Issuer from an appropriation, as and when provided by subdivision 3 of Section 68-c in accordance with a Financing Agreement, any amount as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, which default shall continue for a period of ten (10) business days; or

(d) the Governor shall fail or refuse to include in the appropriation bills required to be submitted by the Governor pursuant to Section 24 of the State Finance Law appropriations sufficient to pay any and all amounts as shall be certified by the Director of the Budget pursuant to subdivision 5(b) of Section 92-z, in connection with financings for any Authorized Purpose authorized by Section 68-b, and such failure or refusal shall continue for thirty (30) days from and after the date on which such bills are required to be submitted; or

(e) the State shall have enacted a moratorium or other similar law affecting payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(f) the State or any officer of the State shall fail or refuse to comply with any of the provisions of Section 68-c or Section 92-z, either case relating to security for or payment of bonds, including the Bonds, in connection with financings for any Authorized Purpose authorized by Section 68-b; or

(g) failure by the Issuer to observe any of the covenants, agreements or conditions on its part contained in the Resolution or in the Bonds, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of not less than a majority in aggregate principal amount of Bonds at the time Outstanding; *provided* that, if such default cannot be corrected within such thirty (30)-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and is diligently pursued until the default is corrected.

Except as provided above or, to the extent permitted by the Standard Resolution Provisions, in a Supplemental Resolution, no default under the Acts or any resolution, agreement, or other instrument shall constitute or give rise to an Event of Default under the Resolution.

It is expressly understood that nothing in the Standard Resolution Provisions or elsewhere in the Resolution may be construed to restrict the right of the State under subdivision 5 of Section 68-c to amend, repeal, modify or otherwise alter statutes imposing or relating to any taxes or the sources of any other funds, including the taxes or the sources of any other funds to be deposited into the Revenue Bond Tax Fund without giving rise to an Event of Default under the Resolution.

(Section A-1101)

Remedies

Upon the occurrence and continuance of any Event of Default specified in the Standard Resolution Provisions, the Trustee shall, and upon the occurrence and continuance of any other Event of Default specified in the Standard Resolution Provisions, the Trustee may, and upon written request of the Holders of not less than a majority in aggregate principal amount of such Bonds then Outstanding, shall:

(a) by mandamus or other suit, action or proceeding at law or in equity enforce all rights of the Holders of Bonds under the Resolution;

(b) bring suit upon such Bonds;

(c) by action or suit in equity, require the Issuer to account as if it were the trustee of an express trust for the Holders of such Bonds; or

(d) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds.

The Trustee shall in addition to the foregoing have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Holders of the Bonds in the enforcement and protection of their rights.

The Supreme Court of the State shall have jurisdiction of any suit, action or proceeding by the Trustee on behalf of the Holders of Bonds, and venue of any such suit, action or proceeding shall be laid in the County of Albany.

No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Holders of the Bonds is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or in equity or by statute on or after the date of adoption of the Standard Resolution Provisions, except that the rights of Bondholders pursuant to subdivision 2(g) of Section 68-b as in effect on the date of adoption of the Standard Resolution Provisions are abrogated. It is further expressly understood that the Resolution does not permit the Trustee or the Holders of the Bonds to declare the Bonds to be immediately due and payable.

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 enforcement of any trust under the Resolution, or any other remedy under the Resolution or under the Bonds, unless such Holder previously shall have given to the Trustee written notice of an Event of Default as provided in the Resolution and unless also the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights 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 therein above granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Resolution, or to enforce any right under the Resolution or under the Bonds, except in the manner provided in the Resolution, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of Outstanding Bonds, subject, however, to the Standard Resolution Provisions. Nothing in the Resolution or in the Bonds contained shall affect or impair the right of action, which is also absolute and unconditional, of any Holder of any Bond to enforce payment of the principal of and premium, if any, and interest on such Bond at the respective dates of maturity of each of the foregoing and at the places therein expressed.

All rights of action under the Resolution or under any of the Bonds which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name, as trustee, for the equal and ratable benefit of the Holders of the Bonds, subject to the provisions of the Resolution.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by the Standard Resolution Provisions to the Trustee and to the Holders of the Bonds, respectively, may be exercised from time to time as often as may be deemed expedient.

(Section A-1102)

Priority of Payments After Default

In the event that the funds held by the Issuer, the Trustee or by the Paying Agents shall be insufficient for the payment of principal, Sinking Fund Installments, if any, or Redemption Price of and interest then due on the Bonds and for payments then due with respect to Parity Reimbursement Obligations, such funds (other than funds held for the payment of particular Bonds which have theretofore become due at maturity or by call for redemption and funds which at the time of their deposit into any Fund or account under the Resolution have been designated to be applied solely to the payment of the principal of and premium, if any, and interest on any series of Bond Anticipation Notes) and any other moneys received or collected by the Trustee or any Paying Agents, after making provision for the payment of any expenses necessary in the opinion of the Trustee to preserve the continuity of the Revenues, or otherwise protect the interests of the Holders of the Bonds, and after making provision for the payment of the reasonable charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their duties under the Resolution, shall be applied as follows:

FIRST: To the payment to the Persons entitled thereto of all installments of interest then due with respect to Bonds or Parity Reimbursement Obligations in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference, except as to the difference in the respective rates of interest specified in such Bonds and Parity Reimbursement Obligations; and

SECOND: To the payment to the Persons entitled thereto of the unpaid principal, Sinking Fund Installments or Redemption Price of any Bonds or Parity Reimbursement Obligations which shall have become due whether at maturity or by call for redemption in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amount of principal, Sinking Fund Installments or Redemption Price due on such date, to the Persons entitled thereto, without any discrimination or preference.

The provisions of this section are in all respects subject to the provisions of the section on Extension of Payment of Bonds in the Standard Resolution Provisions.

If and when all overdue installments of interest on all Bonds and Parity Reimbursement Obligations, together with the reasonable and proper charges and expenses of the Trustee, and all other sums payable by the Issuer under the Standard Resolution Provisions, including the principal and Redemption Price of and accrued unpaid interest on all Bonds and Parity Reimbursement Obligations which shall then be payable, shall either be paid by or for the account of the Issuer, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Standard Resolution Provisions or the Bonds or Parity Reimbursement Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the Issuer all such Pledged Property then remaining unexpended in the hands of the Trustee (except Pledged Property deposited or pledged, or required by the terms of the Standard Resolution Provisions to be deposited or pledged, with the Trustee), and thereupon the Issuer and the Trustee shall be restored, respectively, to their former positions and rights. No such payment to the Issuer by the Trustee or resumption of the application of Pledged Property as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Standard Resolution Provisions or impair any right consequent thereon.

(Section A-1103)

Defeasance

If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds then Outstanding, the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, thereof and interest to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then, at the option of the Issuer, the covenants, agreements and other obligations of the Issuer to the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Issuer shall execute and file with its records relating to the Bonds all such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee and any Paying Agents, if any, shall pay over or deliver to the Issuer all moneys, securities and funds held by them pursuant to the Standard Resolution Provisions which are not required for the payment, or redemption, of Bonds not theretofore surrendered for such payment or redemption or required for payments to Fiduciaries pursuant to the Standard Resolution Provisions thereof.

Bonds, or portions of Bonds, for the payment or redemption of which moneys shall have been set aside and shall be held by the Trustee (through deposit by the Issuer of funds for such payment or otherwise) at the maturity date or Redemption Date of such Bonds shall be deemed to have been paid within the meaning of the Standard Resolution Provisions. Any Bonds, or portions of Bonds, of any Series shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Standard Resolution Provisions if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide to Holders in accordance with the Standard

Resolution Provisions notice of redemption on said date or dates of such Bonds, (b) there shall have been irrevocably deposited by the Issuer with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited by the Issuer 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 as the case may be, and (c) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall (i) publish, as soon as practicable, 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, and (ii) mail by registered or certified mail, postage prepaid, a notice to the Holders of such Bonds, in each case that the deposit required by (c) above has been made and that said Bonds are deemed to have been paid in accordance with the Standard Resolution Provisions and stating such maturity date 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, on said Bonds. The Trustee shall, at the discretion of the Issuer, select the Bonds of a Series and the maturity or portion of a maturity thereof shall be paid in accordance with the Standard Resolution Provisions in the manner further provided in the Standard Resolution Provisions thereof. Neither Government Obligations or moneys deposited pursuant to the Standard Resolution Provisions nor principal or interest payments on any such Government Obligations 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, and interest on said Bonds; *provided* that any moneys received from such principal or interest payments on such Government Obligations so deposited, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in amounts sufficient to pay when due the principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such Redemption Date, payment date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited shall, to the extent in excess of the amounts required in the Resolution to pay principal, Sinking Fund Installments, if any, or Redemption Price, if applicable, of and interest on such Bonds, as realized, be applied as follows: first to the Rebate Fund, the amount, if any, required to be deposited therein; and, then the balance thereof to the Issuer, and any such moneys so paid shall be released of any trust, pledge, lien, encumbrance or security interest created by the Resolution. Prior to applying any such excess amounts pursuant to this paragraph or the following paragraph, the Issuer shall obtain written confirmation from an independent certified public accountant that the amounts remaining on deposit and held in trust are sufficient to pay the obligations set forth above.

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 Government Obligations and moneys, if any, in accordance with the second sentence of the preceding paragraph, the interest to come due on such Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof; *provided*, *however*, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys, Government Obligations on deposit with the Trustee for the payment of interest on such 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 Bonds in order to satisfy the second sentence of the preceding paragraph, the Trustee shall, if requested, by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, pledge, lien, encumbrance or security interest securing the Bonds or otherwise existing under the Resolution.

Anything in the Resolution to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable either at their stated maturity dates or earlier

Redemption Dates or for two (2) years after the date of deposit of such moneys if deposited with the Trustee, after the said date when such Bonds became due and payable, shall, at the written request of the Issuer, be repaid by the Trustee to the Issuer, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the Issuer for the payment of such Bonds. Before being required to make any such payment to the Issuer, the Trustee shall, at the expense of the Issuer, (i) cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, and (ii) cause to be mailed postage prepaid to each registered owner of Bonds then Outstanding at his or her address, if any, appearing upon the registry books of the Issuer, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication or mailing of such notice, the balance of such moneys then unclaimed will be returned to the Issuer.

(Section A-1104)

Certain Provisions Relating to Economic Defeasance

Any Bonds of any Series for which prior to the maturity or Redemption Date thereof, the Issuer shall have given to the Trustee or other fiduciary selected by the Issuer in form satisfactory to it irrevocable instructions to maintain on deposit in a Fund or account held by the Trustee or other fiduciary selected by the Issuer established for such purpose for the benefit of the Holders of such Bonds, Investment Obligations, other than Government Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee or other fiduciary selected by the Issuer at the same time, as verified in the report of a firm of certified public accountants, 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 as the case may be, shall not be counted as Outstanding under the Standard Resolution Provisions solely for the purpose of the calculation of Calculated Debt Service required under the Standard Resolution Provisions.

(Section A-1105)

Evidence of Signatures of Bondholders and Ownership of Bonds

Any request, consent, revocation of consent or other instrument which the Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Bonds, shall be sufficient for any purpose of the Resolution (except as otherwise therein expressly provided) if made in the following manner, or in any other manner satisfactory to the Issuer, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Issuer or any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice-president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary.

The ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request or consent by the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Issuer, the Trustee or any Paying Agent in accordance therewith except as otherwise provided in the Standard Resolution Provisions.

(Section A-1201)

Moneys Held for Particular Bonds

The amounts held by the Trustee or any Paying Agent for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price of and interest due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Bonds entitled thereto and for the purposes thereof such principal, Sinking Fund Installments, if any, or Redemption Price of and interest on such Bonds, due after such date thereof, consistent with the provisions of the Standard Resolution Provisions, shall no longer be deemed to be Outstanding.

(Section A-1301)

General Regulations as to Moneys and Funds

Each of the Funds and Accounts established by the Resolution shall be a trust fund for the purposes thereof.

All amounts of the Issuer held or set aside under the Resolution shall, until paid over to the Fiduciaries or otherwise invested or applied as provided in the Resolution, be deposited by the Issuer in its name, on demand or time deposit, in such Banks as shall be selected by the Issuer. Any amounts held by any Fiduciary under the Resolution shall be deposited in such Banks as the Issuer may select. Any such deposit may be made in the commercial banking department of any Fiduciary which may honor checks on such deposit with the same force and effect as if it were not such Fiduciary, and without any duty to inquire into whether any withdrawals of such funds are in accordance with or might violate any of the provisions of the Resolution. Such deposits shall be continuously secured by the obligations of the United States of America or of the State, which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits, which obligations shall be segregated in trust for the account of the Issuer, or shall be otherwise held as the Issuer and the depository may agree. Securities deposited with the Federal Reserve Bank to secure all trust accounts of a depository shall be deemed to comply with the foregoing requirement.

Unless otherwise specified in a Supplemental Resolution authorizing the issuance of Bonds, all money held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the Issuer and acceptable to such Fiduciary, on time deposit, and all such deposits shall be continuously secured by the obligations of the United States of America or of the State which obligations shall have a market value (exclusive of accrued interest) at all times at least equal to the amount of such deposits. Securities deposited with the Federal Reserve Bank to secure all trust accounts of the Fiduciary shall be deemed to comply with the foregoing requirement. Such Fiduciary shall allow and credit on such money such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(Section A-1302)

Preservation and Inspection of Documents

All documents received by the Trustee or any Paying Agent under the provisions of the Resolution or any Supplemental Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Issuer, the Trustee or any other Paying Agent, as applicable, and any Bondholder and their agents and their representatives; *provided*, *however*, that with respect to inspection by a Holder of a Bond of any Series a written request of such Bondholder must have been made and received by the Trustee at least five (5) business days prior to the date of inspection. The Issuer or its representatives may make copies of any such documents.

(Section A-1303)

Parties of Interest

Nothing in the Resolution or in any Supplemental Resolution, expressed or implied, is intended or shall be construed to confer upon, or give to, any person or party, other than the Issuer, the Trustee, any Paying Agent, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities any right, remedy or claim under or by reason of the Resolution or any Supplemental Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in the Resolution or any Supplemental Resolution contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agents, the Holders of the Bonds, the Holders of Parity Reimbursement Obligations and the providers of Credit Facilities.

(Section A-1304)

No Recourse Under Resolution or on the Bonds

All covenants, stipulations, promises, agreements and obligations of the Issuer contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Issuer and not of any member, officer or employee of the Issuer in his or her individual capacity, and no recourse shall be had for the payment of the principal, Sinking Fund Installments, if any, or Redemption Price or interest on the Bonds or for any claim based thereon or on the Resolution against any member, officer or employee of the Issuer or any person executing the Bonds, all such liability, if any, being expressly waived and released by every Holder of a Bond by the acceptance of such Bonds.

(Section A-1305)

Publication of Notices

Any publication to be made under the provisions of the Resolution in successive weeks or on successive dates may be made in each instance upon any Business Day of the week and need not be made in the same Authorized Newspaper for any or all of the successive publications but may be made in different Authorized Newspapers.

(Section A-1306)

Successors and Assigns

Whenever in the Resolution the Issuer is named or referred to, it shall be deemed to include its successors and assigns and all the covenants and agreements in the Resolution contained by or on behalf of the Issuer shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

(Section A-1307)

Severability of Invalid Provisions

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in the Resolution on the part of the Issuer, the Trustee or any Paying Agent to be performed should be determined by a court of final jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, agreement or agreements or obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations contained in the Resolution and shall in no way affect the validity of the other provisions of the Resolution.

(Section A-1308)

Other Resolutions

The Issuer expressly reserves the right to adopt one or more other bond resolutions and to issue bonds, bond anticipation notes, notes and other obligations thereunder without compliance with and not subject to the Standard Resolution Provisions.

(Section A-1309)

Survival of Particular Covenants

Notwithstanding that Bonds may no longer be Outstanding, the obligations of the Issuer (i) to pay amounts to any Fiduciary pursuant to the Standard Resolution Provisions shall remain in full force and effect until all such amounts are paid and (ii) to comply with the provisions of Section 505 of the Resolution in connection with any Tax-Exempt Bonds, with respect to the rebate to the Department of the Treasury of the United States of America of any Rebate Amount relating to the Bonds of a Series shall remain in full force and effect so long as the Issuer shall be required by the Code to rebate any such Rebate Amount.

(Section A-1310)

Actions by the Issuer

Any time the Issuer is permitted or directed to act pursuant to the Standard Resolution Provisions or a Supplemental Resolution, such action may be taken by an Authorized Officer of the Issuer except that the following actions may only be taken by resolution of the members of the Issuer: authorization and issuance of Bonds; adoption of resolutions; and modifications and amendments pursuant to the Standard Resolution Provisions. Any certificates of the Issuer to be delivered under the Resolution shall be executed by an Authorized Officer of the Issuer.

(Section A-1311)

Governing Laws

The Resolution, including the Standard Resolution Provisions, shall be governed by and interpreted in accordance with internal laws of the State, without regard to conflict of law principles thereof.

(Section A-1312)

Payments due on Other Than a Business Day

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be on a day that is not a Business Day, then payment of interest or principal and premium, if any, need not be made on such date but may be made (unless otherwise provided in a Supplemental Resolution without additional interest) on the next succeeding Business Day, with the same force and effect as if made on the date of maturity or the date fixed for redemption, as the case may be.

(Section A-1313)

Effective Date

The Resolution shall take effect immediately.

(Section A-1314)

APPENDIX C

CONFORMED COPY OF FINANCING AGREEMENTS

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APPENDIX C-I

CONFORMED COPY OF FINANCING AGREEMENT

(ECONOMIC DEVELOPMENT AND HOUSING)

STATE PERSONAL INCOME TAX REVENUE BONDS (ECONOMIC DEVELOPMENT AND HOUSING) FINANCING AGREEMENT (the "Financing Agreement"), dated as of March 1, 2003, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the "Issuer"), and the State of New York (the "State"), acting by and through the Director of the Budget of the State (the "Director of the Budget").

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended and supplemented, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the "Issuer Act") and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the "Enabling Act", which together with the Issuer Act is referred to herein as the "Acts"), adopted its State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution on January 22, 2003 (including Annex A thereto, as amended and supplemented), and various Supplemental Resolutions (collectively, the "Resolution") for the purpose of issuing from time to time one or more series of bonds (the "Bonds"), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act ("Authorized Purposes") pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (Economic Development and Housing), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (Economic Development and Housing) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, provided, however, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose.

Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) Business Days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the statutory audit powers granted the State, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed to by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; provided that no such amendment, modification or recission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or recission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or recission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; provided, however, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; provided, however, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State:	Director of the Budget State of New York Executive Department Division of the Budget State Capitol, Room 113 Albany, New York 12224
If to the Issuer:	General Counsel Dormitory Authority of the State of New York 515 Broadway Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

Approval as to form: Attorney General	State of New York
By: ______________________	______________________ Director of the Budget
Date: ______________________	
Approved:	Dormitory Authority of the State of New York
______________________ State Comptroller	
Date: ______________________	______________________ Authorized Officer

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APPENDIX C-II

CONFORMED COPY OF FINANCING AGREEMENT (EDUCATION)

STATE PERSONAL INCOME TAX REVENUE BONDS (EDUCATION) FINANCING AGREEMENT (the “Financing Agreement”), dated as of January 1, 2003, by and between the Dormitory Authority of the State of New York, a corporate governmental agency of the State of New York (the “Issuer”), and the State of New York (the “State”), acting by and through the Director of the Budget of the State (the “Director of the Budget”).

WHEREAS, the Issuer has, pursuant to the Dormitory Authority of the State of New York Act, constituting Title 4 of Article 8 of the Public Authorities Law, as amended and supplemented, together with any other provisions of State law relating to the authorization or financing of Costs of a Project, (the “Issuer Act”) and Article 5-C of the State Finance Law, as may be hereafter amended from time to time (the “Enabling Act”, which together with the Issuer Act is referred to herein as the “Acts”), adopted its State Personal Income Tax Revenue Bonds (Education) General Bond Resolution on July 24, 2002 (including Annex A thereto, as amended and supplemented), and various Supplemental Resolutions (collectively, the “Resolution”) for the purpose of issuing from time to time one or more series of bonds (the “Bonds”), notes or other obligations to be secured by this Financing Agreement, as may be amended or supplemented from time to time, with the State; and

WHEREAS, in order to assist the Issuer in the financing of one or more authorized purposes as provided in the Enabling Act (“Authorized Purposes”) pursuant to applicable law and in consideration of the benefits to be derived therefrom by the people of the State, the Director of the Budget, acting on behalf of the State, is authorized to enter into one or more Financing Agreements with the Issuer whereunder the State agrees, subject to the making of annual appropriations therefor by the State Legislature, to make annual payments to the Issuer, and authorize the Issuer to pledge and assign the State payments to be made as security for Bonds or other obligations which the Issuer may issue or incur in order to finance Authorized Purposes; and

WHEREAS, the State and the Issuer agree that their mutual public purposes and their best interests will be promoted by the execution of this Financing Agreement, as the same may be modified, supplemented or amended from time to time; and

WHEREAS, the Issuer Board authorized its Authorized Officer to enter into, execute and amend this Financing Agreement;

NOW, THEREFORE, the parties mutually agree as follows:

I. ISSUANCE OF BONDS BY THE ISSUER

1.1 The State agrees that the Issuer may, subject to the provisions of this Financing Agreement and the Acts, issue one or more Series of its State Personal Income Tax Revenue Bonds (Education), secured by this Financing Agreement and the payments to be made by the State as herein provided. The Bonds shall be issued in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to fund Authorized Purposes having a cost not in excess of the amount specified by applicable law. The State recognizes that in order to realize net proceeds in the aforesaid amounts from the sale of Bonds, the Issuer may also issue Bonds in amounts sufficient to pay Costs of Issuance, and the amount of capitalized interest, if any, included in the issuance and sale of the Bonds.

1.2 The Bonds issued by the Issuer pursuant to the provisions of Section 1.1 hereof shall be subject to the following conditions and limitations:

(a) The Resolution shall have been approved by the Issuer Board in accordance with the Acts.

(b) Unless the Issuer and the State shall otherwise agree (and any such agreement may include, among other things, the agreement of the State to pay or to reimburse the Issuer in the manner set forth in the Resolution for any additional fees, costs and expenses incurred in connection with the issuance and administration of Variable Interest Rate Bonds or costs and expenses relating to a Qualified Swap, including without limitation, the fees, costs and expenses of any provider of a Credit Facility, except to the extent any such fees, costs or expenses are deemed costs and expenses incurred in connection with the issuance and sale of such Variable Interest Rate Bonds for purposes of Section 1.1 of this Financing Agreement and are paid from Bond proceeds), each Bond shall bear a fixed rate of interest determined at the time of its issuance, which rate of interest shall not be subject to change or adjustment prior to the scheduled maturity of such Bond.

(c) Unless the Issuer and the State shall otherwise agree, the aggregate amount of principal, principal installments and interest payable in each State Fiscal Year during which principal payments or installments are made or provided for shall, with respect to each Series of Bonds (other than Variable Interest Rate Bonds), or the aggregate of all Bonds (not including Variable Interest Rate Bonds), as the Issuer shall elect, be as nearly equal as practicable.

1.3 The Issuer agrees that prior to its issuance of any Bonds it will inform the Director of the Budget of the approximate date on which it anticipates entering into a bond purchase agreement or other binding commitment with the prospective underwriters or purchasers of such Bonds and of the estimated interest rate or rates thereof. If the Director of the Budget shall request the Issuer to postpone the sale of such Bonds, or if the Issuer shall for any reason determine to defer the issuance and sale of any Bonds, the Issuer may, in accordance with the provisions of the Resolution, issue and sell State Personal Income Tax Revenue (Education) Bond Anticipation Notes ("BANs") in such principal amount so that the Issuer may realize from the sale thereof an amount not exceeding the aggregate of (i) an amount equal to the net proceeds available for Costs of a Project which the Issuer would have realized from the sale of the Bonds in anticipation of which the BANs are issued (or, in the case of renewal BANs, an amount necessary to pay the outstanding BANs in full), (ii) an amount sufficient to pay interest on the BANs until their scheduled maturity and (iii) an amount equal to Issuer Expenses incurred and to be incurred in connection with the issuance and sale of the BANs. Unless the State shall pay to the Issuer an amount sufficient to pay the BANs at their maturity or upon an earlier redemption date in accordance with their terms, the State shall, in accordance with Section 5.1 hereof, timely furnish such information to the Issuer as shall be deemed necessary by the Issuer in order to enable it to disseminate an official statement and issue the Bonds in anticipation of which the BANs had been issued on or prior to the scheduled maturity or redemption date of the BANs. Notwithstanding the provisions of Section 1.1 hereof, in the event the Issuer shall issue BANs as herein provided, the Issuer (i) may issue Bonds in such principal amounts and at such times so that the Issuer may realize from the sale thereof net proceeds sufficient to pay or redeem such BANs in accordance with their terms, and (ii) may use and pledge the proceeds from the sale of the Bonds in anticipation of which the BANs had been issued for and to the payment of such BANs and related Issuer Expenses in accordance with the Resolution.

1.4 The Issuer and the State agree that this Financing Agreement is executed in part in order to induce persons to purchase the Bonds to be issued to finance Authorized Purposes and for the purposes of securing such Bonds and, accordingly, all of the covenants and agreements on the part of the Issuer and the State set forth in this Financing Agreement are hereby declared to be for the benefit of the Holders from time to time of the Bonds. Accordingly:

(a) The Issuer may pledge, assign, or transfer the right to receive and collect Financing Agreement Payments from moneys on deposit and paid from the Revenue Bond Tax Fund and other sources authorized under Section 68-b, together with the Issuer's rights to enforce this Financing Agreement, and from and after such pledge, assignment, or transfer, such assignee shall have the Issuer's rights and privileges hereunder to the extent, and as conferred, in such pledge, assignment, and transfer and as further provided in the Resolution.

(b) In connection with the State's exercise of its right under Section 68-c and under the Resolution, upon the amendment of the State Constitution allowing the issuance or assumption of bonds, notes or other obligations secured by revenues, which may include the Revenues securing the Bonds, (i) to assume, in whole or part, the Bonds, (ii) to extinguish the existing lien of such Resolution, and (iii) to substitute security for the Bonds, in each case only so long as such assumption, extinguishment or substitution is completed in accordance with such Resolution, the Issuer may make such pledge, assignment and transfer set forth in paragraph (a) above to such successor entity, as provided by law. Upon completion of such assumption, extinguishment or substitution, the Issuer shall no longer be obligated under this Financing Agreement or under the Resolution.

1.5 Each Series of Bonds or other obligations issued pursuant to the Acts and the Resolution shall be enumerated in a schedule appended to this Agreement. It shall be sufficient, with the approval of the parties hereto, in connection with the issuance by the Issuer of Bonds or other obligations to cause a supplemental schedule to be certified by the Director of the Budget with the same force and effect as if incorporated herein. The foregoing provisions shall be applicable, subject to the Resolution, to the issuance of Subordinated Indebtedness or other obligations under the Resolution and the Acts.

II. DUTIES OF AND PAYMENTS BY THE STATE

2.1 No later than thirty (30) days after the submission of the executive budget in accordance with Article VII of the State Constitution, the Director of the Budget shall prepare a certificate setting forth the amount of monthly receipts anticipated to be deposited in the Revenue Bond Tax Fund during the fiscal year beginning April first of that year together with the monthly amounts necessary to be set aside from the receipts of such Fund, as shall be sufficient to meet the total cash requirements of the Issuer during such fiscal year, based on information that shall be provided by the Issuer and in the manner required by Section A-607 of the Resolution.

The Director of the Budget may revise such certification at such times as necessary, *provided*, *however*, that the Director of the Budget shall (i) promptly revise such certification if additional amounts are necessary to meet the cash requirements of the Issuer and (ii) as necessary, revise such certification not later than thirty (30) days after the issuance of any Bonds, including Refunding Bonds, and after the adoption of any Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap, Subordinated Indebtedness or other financial arrangement affecting the cash requirements of the Issuer and as authorized by the Resolution.

2.2 (a) Subject to the provisions of Section 2.7 hereof, the State agrees to pay to the Trustee, on behalf of the Issuer, no later than five Business Days prior to the time payment is required to be made to Holders of the Bonds or holders of Parity Reimbursement Obligations or other obligations in any year for which the Issuer shall have Bonds Outstanding or Parity Reimbursement Obligations or other obligations outstanding, a sum of money constituting Financing Agreement Payments equal to the amount necessary to provide for the payment of the principal of (including Mandatory Sinking Fund payments) and interest on the Bonds or amounts due on any Parity Reimbursement Obligations or other obligations coming due on the next succeeding Bond payment date, as certified in writing by an Authorized Officer of the Issuer to the Director of the Budget. Such Financing Agreement Payments shall include Issuer Expenses, as certified by such Authorized Officer, with the concurrence of the Director of the Budget, and amounts due on any Subordinated Indebtedness or other obligations incurred under the Resolution, to the Director of the Budget.

(b) In the event any Bonds, Parity Reimbursement Obligations or other obligations shall bear interest at other than a fixed interest rate, the State shall pay interest as follows: (i) the amount accrued at the actual rate or rates borne, to the extent such rate or rates are known in advance of the Bond payment date, plus; (ii) if necessary, an amount accrued at the Estimated Average Interest Rate through the next scheduled Bond payment date, less; (iii) any amount paid pursuant to (ii) relating to the preceding Bond payment date in excess of the amount paid to Bondholders and holders of Parity Reimbursement Obligations or other obligations through such preceding Bond payment date.

2.3 (a) The State may, at any time in its sole discretion, choose to prepay all or any part of the payments payable under Section 2.2 hereof. Any amounts so prepaid shall be credited to the payments to be made by the State under Section 2.2 hereof.

(b) The State may, at any time in its sole discretion, make payments to the Issuer for the purpose of (i) directly funding Authorized Purposes which will not be funded with the proceeds of Bonds; (ii) paying BANs at their maturity or earlier redemption date, as provided in Section 1.3 hereof; (iii) redeeming Bonds pursuant to the exercise by the Issuer of any option it may have under the Resolution; and (iv) defeasing Bonds or BANs prior to their maturity or redemption date as permitted by and in accordance with the procedures for defeasance set forth in the Resolution or otherwise. Any payments made by the State to the Issuer for the purposes set forth in this subsection shall, subject to the provisions of the Resolution, be applied by the Issuer to such purpose, and, if so directed herein or in the Resolution, shall be deposited in a Fund or account established under the Resolution or set aside with the Trustee, if any, or the Paying Agent as provided herein or in the Resolution.

2.4 The State further agrees upon request of the Issuer to pay all amounts constituting Financing Agreement Payments (i) which may become due to any provider of a Credit Facility in connection with a Credit Facility which may have been obtained if and to the extent such obligation arises as a result of the State's failure to make any payment pursuant to Section 2.1 hereof and (ii) which may become due pursuant to any agreement relating to a Parity Reimbursement Obligation, Reimbursement Obligation, Qualified Swap or the issuance of Variable Interest Rate Bonds as contemplated by Section 1.2(b) of this Financing Agreement.

2.5 The State agrees to pay to the Issuer such amounts (constituting Financing Agreement Payments) as may be necessary in order for the Issuer to maintain the exclusion from gross income of interest on Bonds issued as Tax-exempt Bonds under the Code, including without limitation, amounts required to be paid by the Issuer to the United States as rebate of investment earnings and amounts required to be deposited by the Issuer in a yield restricted sinking fund, at such times as the Issuer deems necessary to maintain such exclusion.

2.6 The State agrees that, subject to the provisions of Section 2.7 hereof, its obligation to make the payments provided for in this Financing Agreement shall be absolute and unconditional, without any rights of set-off, recoupment or counterclaim the State may have against the Issuer or any other person or entity having an interest in this Financing Agreement or the payments made hereunder.

2.7 Notwithstanding anything in this Financing Agreement to the contrary (i) the obligation of the State acting by and through the Director of the Budget to make any Financing Agreement Payments required to be paid under this Financing Agreement is subject to annual appropriation by the State Legislature; and (ii) the obligation of the State acting by and through the Director of the Budget to pay any Financing Agreement Payments hereunder shall not constitute a debt of the State within the meaning of any constitutional or statutory provisions and shall be deemed executory only to the extent of monies available and no liability shall be incurred by the State beyond the moneys available for that purpose. Furthermore, this Financing Agreement does not constitute a debt of the State or a contractual obligation in excess of the amounts appropriated therefore and the State has no continuing legal or moral obligation to appropriate moneys for any Financing Agreement Payment due hereunder.

2.8 The term of this Financing Agreement shall continue until all Bonds or other obligations incurred under the Resolution, have been paid at maturity or the debt service on such Bonds or other obligations has been provided for and the Bonds are no longer Outstanding under the Resolution and the State has fulfilled all its obligations under this Agreement.

III. DUTIES OF THE ISSUER

3.1 The Issuer agrees to issue the Bonds for the purpose of carrying out the provisions of the Resolution and the Acts.

3.2 The Issuer agrees to apply the proceeds derived from the sale of the Bonds and from Financing Agreement Payments in accordance with the applicable provisions of the Resolution and the Acts.

3.3 Upon the issuance of the Bonds, the provisions of the Resolution relating to all Funds and accounts and the application and investment thereof shall apply.

3.4 No later than ten (10) business days after the issuance of Bonds or any other obligation under the Resolution, the Issuer shall furnish to the Director of the Budget a schedule of the Financing Agreement Payments, including debt service to be made on each date with respect to such Bonds or other obligations and related Issuer Expenses. Interest on Bonds or other obligations bearing interest at other than a fixed rate shall be calculated using the Estimated Average Interest Rate.

3.5 Upon payment to the Issuer of the amount required therefore and the State's direction to the Issuer to do so, the Issuer shall exercise any option it may have under the Resolution to redeem all or any portion of the Bonds, and the Issuer shall deposit into the Debt Service Fund all payments received from the State and designated for such purpose.

3.6 In addition to the duties of the Issuer with respect to the statutory audit powers granted the State, the Issuer agrees to keep or cause to be kept accounts and records which clearly identify the purposes for which moneys received by the Issuer (including Bond proceeds) pursuant to this Financing Agreement have been expended. The Issuer agrees to submit annual financial reports to the State within ninety (90) days after the end of each Issuer fiscal year during which this Financing Agreement is in force. The Issuer agrees to make available for inspection by the State its accounts and records as may be determined necessary or desirable by the State.

3.7 During each year the Issuer shall have Outstanding Bonds or other obligations outstanding under the Resolution, the Issuer shall, no later than October first, certify in writing to the Director of the Budget the schedule of anticipated cash requirements due from the State pursuant to Sections 2.1, 2.2, 2.4 and 2.5 of this Financing Agreement for the next State Fiscal Year, and for the four State Fiscal Years following such Fiscal Year, in such detail as the Director of the Budget may require. Any such schedule of anticipated cash requirements shall set forth any amounts held in Funds or accounts under the Resolution and available for a credit against such Financing Agreement Payment requirements as provided in this Financing Agreement. In calculating the amount of anticipated cash requirements with respect to Qualified Swaps, the Issuer shall include an amount not less than eighteen percent (18%) of the aggregate notional amount of all Qualified Swaps then in effect (or such other percentage as may be agreed to by the Issuer and the State from time to time).

3.8 Any moneys received by the Issuer from a Qualified Swap Provider shall be deposited in the Debt Service Fund.

3.9 In order to allow the Director of the Budget to comply with his or her obligations under the Enabling Act or the Resolution, the Issuer, upon the request of the Director of the Budget, shall provide to the Director current cash requirements relating to Finance Agreement Payments due to the Issuer.

3.10 The Issuer agrees, upon request of the State, to use its best efforts to issue Bonds to refund or otherwise repay, in accordance with the terms of the Resolution, all or any portion of Outstanding Bonds or Prior Obligations. Such Refunding Bonds shall be deemed Bonds for all purposes of this Financing Agreement, except that, notwithstanding the provisions of Section 3.1 hereof, the net proceeds derived from the sale of such Refunding Bonds shall be used by the Issuer to pay or provide for the payment of the Bonds or Prior Obligations to be refunded or repaid and Issuer Expenses.

3.11 When all Bonds issued under the Resolution and all other obligations incurred under the Resolution have been paid or deemed paid within the meaning of the Resolution, the Issuer shall promptly remit or cause to be remitted to the State any moneys remaining in any of the Funds and accounts not required for the payment or redemption of Bonds or other obligations not theretofore surrendered for such payment or redemption (all after transfer of any necessary moneys to the Rebate Fund). Any moneys or investments paid by the State to the Issuer or the Trustee or other fiduciary for the purposes of economically defeasing Bonds, shall be held for such purpose for the benefit of the Holders of such Bonds in accordance with the instructions of the Director of the Budget, consistent with the terms of the Resolution.

IV. PLEDGE AND ASSIGNMENT

4.1 The State hereby consents to the pledge and assignment by the Issuer to the Holders of any of its Bonds, or to any trustee acting on their behalf, of all or any part of the benefits or rights of the Issuer herein, and to the holders or trustees of other obligations issued under the Resolution, of the payments by the State as provided herein and of the Funds and accounts established under the Resolution (except for the Rebate Fund and other Funds as provided in the Resolution).

V. SPECIAL COVENANTS

5.1 The State agrees that whenever requested by the Issuer, with reasonable advance notification, it shall provide and certify information concerning the State and various other related entities (i) for publication in an official statement, placement memorandum or other similar disclosure document relating to the sale or issuance of the Bonds or other obligations under the Resolution, and (ii) necessary to allow the Issuer to make undertakings or contractual commitments which would permit underwriters or dealers to comply with federal securities law including, without limitation, the provisions of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. Such information shall be in the standard format utilized for State issuances. The State also agrees to make available any information necessary to enable the Issuer to make any reports required by law or government regulations in connection with the Bonds or other obligations under the Resolution.

5.2 Neither the Issuer nor the State will terminate this Financing Agreement for any cause including, without limiting the generality of the foregoing, an Event of Default by either party, any acts or circumstances which may constitute failure of consideration or frustration of purpose or the failure of either party to perform and observe any duty, liability or obligation arising out of or connected with this Financing Agreement.

5.3 Subject to the limitations contained in the Resolution, the State and the Issuer reserve the right to amend, modify or rescind this Financing Agreement or any Supplemental Agreement in any manner; *provided* that no such amendment, modification or recission shall materially adversely affect the interest of the Holders of Bonds or holders of Parity Reimbursement Obligations or other obligations. Specifically, and without limiting the generality of the foregoing, this Financing Agreement may be amended or modified (i) to provide for additional payments to the Issuer, (ii) to provide for modified payment provisions, including timing thereof, consistent with the provisions of the Resolution in connection with the issuance of Bonds, Parity Reimbursement Obligations or other obligations (iii) to cure any ambiguity or (iv) to correct or supplement any provisions contained in this Financing Agreement which may be defective or inconsistent with any other provisions contained herein. For the purposes of this Section, Bonds, Parity Reimbursement Obligations or other obligations shall be deemed to be materially adversely affected by an amendment, modification or recission of this Financing Agreement, if the same materially adversely affects or diminishes the rights of the Holders of the Bonds, holders of Parity Reimbursement Obligations or other obligations or any provider of a Credit Facility. The Issuer may in its discretion determine whether or not, in accordance with the foregoing provision, Bonds, Parity Reimbursement Obligations or other obligations would be materially adversely affected by any amendment, modification or recission, and such determination shall be binding and conclusive on the State, Bondholders, holders of Parity Reimbursement Obligations or other obligations, the Trustee and the provider of a Credit Facility.

5.4 The State acknowledges and agrees that, in the event of any conflict between any of the provisions of this Financing Agreement and any of the provisions of the Resolution, the provisions of the Resolution shall be controlling; *provided*, *however*, that neither the Resolution nor any supplement or amendment thereto shall purport to limit or supersede the provisions set forth in Section 2.7 hereof.

5.5 The State, acknowledges and agrees that moneys in the Funds and accounts established under the Resolution may be invested in Investment Obligations authorized by the Resolution and that the Issuer may restrict such investments, or the yield to be realized therefrom, as it may deem necessary or appropriate in order to maintain the exclusion from gross income of interest on the Bonds issued as Tax-Exempt Bonds under the Code. Investment earnings shall be applied as permitted by the Resolution.

5.6 The State, to the extent authorized by law, shall indemnify and save harmless the Issuer from and against any and all liability, loss, damage, interest, judgments and liens growing out of, and any and all costs and expenses (including, but not limited to, counsel fees and disbursements) arising out of or incurred in connection with any and all claims, demands, suits, actions or proceedings which may be made or brought against the Issuer arising out of any determinations made or actions taken or omitted to be taken or compliance with any obligations under or pursuant to the Enabling Act, including the issuance, incurrence and delivery of Bonds, BANs, Parity Reimbursement Obligations, Subordinated Indebtedness or other obligations under the Resolution.

5.7 The State agrees to request appropriations during the term of this Financing Agreement in an amount at least equal to the amounts certified to by the Issuer pursuant to Section 3.7 of this Financing Agreement. The State also agrees to request appropriations during the term of all financing agreements entered into with all Authorized Issuers pursuant to the Enabling Act in amounts at least equal to the amounts certified by each Authorized Issuer pursuant to such financing agreements and to meet its other obligations under such financing agreements.

VI. EVENTS OF DEFAULT BY THE STATE AND REMEDIES

6.1 If for any reason, other than a failure by the State Legislature to appropriate moneys for such purpose, the State shall fail to pay when due any Financing Agreement Payments, or shall fail to observe or perform any other covenant, condition or agreement on its part to be observed or performed, the Issuer shall, if such default has not been cured, have the right to institute any action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to collect the payments then due or thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the State hereunder.

6.2 The remedies conferred upon or reserved to the Issuer under Section 6.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; *provided*, *however*, that such remedy or remedies may in no event include a termination of this Financing Agreement, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

6.3 The State shall promptly notify the Issuer in writing that an Event of Default has occurred under the Resolution, including any events of default under resolutions or financing agreements of any Authorized Issuer related to obligations authorized by the Enabling Act. The State also agrees that upon the occurrence of an Event of Default, or event of default described in the preceding sentence, funds available through appropriation from the Revenue Bond Tax Fund will be available on an equitable basis among Authorized Issuers under the Enabling Act.

VII. EVENTS OF DEFAULT BY THE ISSUER AND REMEDIES

7.1 If the Issuer shall fail to observe or perform any covenant, condition or agreement contained in this Financing Agreement or the Resolution on its part to be observed or performed and such failure to observe or perform shall have continued for sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the State, the State shall, if the default has not been cured, have the right to institute an action in the nature of mandamus or take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the Issuer hereunder.

7.2 The remedies conferred upon or reserved to the State under Section 7.1 hereof in respect of any default described therein are not intended to be exclusive of any other available remedy or remedies and shall be in addition to every other remedy now or hereafter existing at law or in equity; *provided*, *however*, that such remedy or remedies may in no event include a termination of the Financing Agreement or of the obligations of the State to make the payments provided for in Article II hereof, nor may they include any amendment, change, modification or alteration of this Financing Agreement that is prohibited by Section 5.2 or 5.3 hereof.

VIII. MISCELLANEOUS

8.1 The revenues, facilities, properties and any and all other assets of the Issuer of any name and nature, other than the Pledged Property, may not be used for, or as a result of any court proceedings or otherwise applied to, the payment of Bonds, any redemption premium therefore or the interest thereon or any other obligations under the Resolution, and under no circumstances shall these be available for such purposes.

8.2 The waiver by either party of a breach by the other shall not be deemed to waive any other breach hereunder nor shall any delay or omission to exercise any right or power upon any default impair any such right or power or be construed as a waiver thereof.

8.3 In the event any provision of this Financing Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

8.4 All notices provided for in this Financing Agreement shall be in writing and shall be delivered personally to or sent by certified or registered mail to the respective offices of the State and the Issuer as follows:

If to the State:	Director of the Budget State of New York Executive Department Division of the Budget State Capitol, Room 113 Albany, New York 12224
If to the Issuer:	General Counsel Dormitory Authority of the State of New York 515 Broadway Albany, New York 12207

The Issuer or the State may from time to time designate in writing other representatives with respect to receipt of notices.

8.5 This Financing Agreement, including any schedules referred to in Section 1.5, represents the entire agreement between the parties. It may not be amended or modified otherwise than by a written instrument executed by both parties. Such amendments shall not be contrary to the provisions of Section 5.2 or 5.3 hereof.

8.6 Nothing in this Financing Agreement shall be construed to confer upon or to give to any person or corporation other than the State, the Issuer, a Holder of any Bonds, a holder of other obligations under the Resolution, or any trustee acting under the Resolution, any right, remedy or claim under or by reason of this Financing Agreement or any provision thereof.

8.7 This Financing Agreement shall be construed and interpreted in accordance with the laws of the State of New York and any suits or actions arising out of this Financing Agreement shall be instituted in a court of competent jurisdiction in the State.

8.8 This Financing Agreement may be executed in several counterparts, each of which shall be deemed to be an original but such counterparts together shall constitute one and the same instrument.

8.9 Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Resolution.

IN WITNESS WHEREOF, the State has caused this Financing Agreement to be executed in its name by the Director of the Budget and the Issuer has caused this instrument to be signed by its Authorized Officer all as of the date and year first above written.

Approval as to form: Attorney General	State of New York
By: ______________________	______________________ Director of the Budget
Date: ______________________	
Approved:	Dormitory Authority of the State of New York
______________________ State Comptroller	______________________ Authorized Officer
Date: ______________________	

APPENDIX D

PROPOSED FORM OF BOND COUNSEL OPINION

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FOUNDED 1866

November __, 2008

Dormitory Authority of the State of New York
515 Broadway
Albany, New York 12207

We have acted as bond counsel to the Dormitory Authority of the State of New York (the "Authority"), a body corporate and politic of the State of New York (the "State") constituting a public benefit corporation organized and existing under the laws of the State, including the Dormitory Authority Act, being Title 4 of Article 8 of the Public Authorities Law of the State, 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, as amended to the date hereof (the "Authority Act"), in connection with the Authority's issuance of its $656,135,000 aggregate principal amount of State Personal Income Tax Revenue Bonds (Education), Series 2008B (the "Series 2008B Education Bonds"), $58,965,000 aggregate principal amount of State Personal Income Tax Revenue Refunding Bonds (Education), Series 2008C (the "Series 2008C Education Bonds" and, together with the Series 2008B Education Bonds, the "Series 2008 Education Bonds") and $50,595,000 aggregate principal amount of State Personal Income Tax Revenue Refunding Bonds (Economic Development and Housing), Series 2008C (Federally Taxable) (the "Series 2008C Economic Development Bonds" and, together with the Series 2008 Education Bonds, the "Series 2008 Bonds").

The Series 2008 Education Bonds are authorized to be issued in accordance with the Authority Act and Part I of Chapter 383 of the Laws of New York of 2001 (the "Enabling Act"), and pursuant and subject to the provisions, terms and conditions of the State Personal Income Tax Revenue Bonds (Education) General Bond Resolution of the Authority adopted on July 24, 2002 (the "Education General Resolution"). The Series 2008B Education Bonds are additionally authorized under the Authority's Supplemental Resolution 2008-3 Authorizing State Personal Income Tax Revenue Bonds (Education), adopted by the Authority on September 24, 2008 (the "Series 2008B Education Supplemental Resolution"). The Series 2008C Education Bonds are additionally authorized under the Authority's Supplemental Resolution 2008-1 Authorizing State Personal Income Tax Revenue Bonds (Education), adopted by the Authority on March 26, 2008 (the "Series 2008C Education Supplemental Resolution" and, together with the Education General Resolution and Series 2008B Education Supplemental Resolution, being herein, except as the context otherwise indicates, called the "Education Resolutions").

The Series 2008 Education Bonds, together with any additional series of bonds which have heretofore been issued or may hereafter be issued under the Education General Resolution (collectively, the "Education Bonds"), are authorized to be issued from time to time for the purposes authorized by the Enabling Act and the Education General Resolution, as then in effect, and without limitation as to amount, except as provided in the Education Resolutions or as may be limited by law. The Series 2008 Education Bonds are being issued for the purposes set forth in the Education Resolutions. The Authority is authorized to issue Education Bonds, in addition to the Series 2008 Education Bonds, only upon the terms and conditions set forth in the Education General Resolution, as then in effect, and such Education Bonds, when issued, will with the Series 2008 Education Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Education Resolutions.

The Series 2008C Economic Development Bonds are authorized to be issued in accordance with the Authority Act and the Enabling Act, and pursuant and subject to the provisions, terms and conditions of (i) the State Personal Income Tax Revenue Bonds (Economic Development and Housing) General Bond Resolution of the Authority adopted on January 22, 2003 (the "Economic Development General Resolution" and, together with the Education General Resolution, the "General Resolutions"), and (ii) the Authority's Supplemental Resolution 2008-1 Authorizing State Personal Income Tax Revenue Bonds (Economic Development and Housing), adopted by the Authority on March 26, 2008 (the "Series 2008 Economic Development Supplemental Resolution" and, together with the Series 2008B Education Supplemental Resolution and Series 2008C Economic Development Supplemental Resolution, the "Supplemental Resolutions") (such Economic Development General Resolution, together with the Series 2008 Economic Development Supplemental Resolution, being herein, except as the context otherwise indicates, called the "Economic Development Resolutions") (such Economic Development Resolutions, together with the Education Resolutions, being herein, except as the context otherwise indicates, called the "Resolutions").

The Series 2008C Economic Development Bonds are part of an issue of bonds of the Authority (the "Economic Development Bonds"), which the Authority has established and created under the terms of the Economic Development Resolutions and is authorized to issue from time to time for the purposes authorized by the Enabling Act and the Economic Development Resolutions, as then in effect, and without limitation as to amount, except as provided in the Economic Development Resolutions or as may be limited by law. The Series 2008C Economic Development Bonds are being issued for the purposes set forth in the Economic Development Resolutions. The Authority is authorized to issue Economic Development Bonds, in addition to the Series 2008C Economic Development Bonds, only upon the terms and conditions set forth in the Economic Development Resolutions and such Economic Development Bonds, when issued, will with the Series 2008C Economic Development Bonds be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Economic Development Resolutions.

Unless otherwise defined herein, capitalized terms used herein have the respective meanings given to them in the Resolutions.

The Series 2008 Bonds are issuable only in the form of fully registered Bonds in denominations of $5,000 or integral multiples thereof. Interest on the Series 2008 Education Bonds is to be payable on March 15 and September 15 of each year commencing March 15, 2009. Interest on the Series 2008C Economic Development Bonds is payable June 15 and December 15, commencing June 15, 2009.

The Series 2008B Education Bonds are dated and bear interest from their date of delivery and mature on March 15 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the Certificate of Determination executed and delivered pursuant to the Series 2008B Education Supplemental Resolution concurrently with the issuance of the Series 2008B Education Bonds. The Series 2008C Education Bonds are dated and bear interest from their date of delivery and mature on March 15 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the Certificate of Determination executed and delivered pursuant to the Series 2008C Education Supplemental Resolution concurrently with the issuance of the Series 2008C Education

Bonds. The Series 2008C Economic Development Bonds are dated and bear interest from their date of delivery and mature on December 15 in each of the years in the respective principal amounts, and bear interest at the respective rates set forth in the Certificate of Determination executed and delivered pursuant to the Series 2008 Economic Development Supplemental Resolution concurrently with the issuance of the Series 2008C Economic Development Bonds.

Each series of the Series 2008 Bonds are numbered consecutively from one upward in order of issuance.

The Authority and the State, acting through the Director of the Division of the Budget (the "Director of the Budget") have entered into a Financing Agreement, dated as of January 1, 2003, as amended and supplemented (as amended and supplemented, the "Education Financing Agreement"), by which the State is obligated to make payments, subject to appropriation, sufficient to pay the principal and Redemption Price of and interest on Outstanding Education Bonds, including the Series 2008 Education Bonds. All amounts payable under the Financing Agreement have been pledged by the Authority for payment of the principal or Redemption Price of and interest on the Education Bonds, including the Series 2008 Education Bonds.

The Authority and the State, acting through the Director of the Budget have entered into a Financing Agreement, dated as of March 1, 2003, as amended and supplemented (as amended and supplemented, the "Economic Development Financing Agreement" and, together with the Education Financing Agreement, the "Financing Agreements"), by which the State is obligated to make payments, subject to appropriation, sufficient to pay the principal and Redemption Price of and interest on Outstanding Economic Development Bonds, including the Series 2008C Economic Development Bonds. All amounts payable under the Financing Agreement have been pledged by the Authority for payment of the principal or Redemption Price of and interest on the Economic Development Bonds, including the Series 2008C Economic Development Bonds.

In rendering the opinions set forth herein, we have reviewed the Education Resolutions, the Economic Development Resolutions, the Education Financing Agreement, the Economic Development Financing Agreement, the Tax Certificate of the Authority, dated as of the date hereof, relating to the Series 2008 Education Bonds (the "Tax Certificate"), an opinion of counsel to the Authority, certificates of the Authority, the Trustee and others, and such other agreements, documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have not undertaken an independent audit or investigation of the matters and opinions described or contained in the foregoing agreements, certificates, opinions and documents.

Based upon our examination of existing laws, such legal proceedings and such other documents as we deem necessary to render this opinion, we are of the opinion as of the date hereof that:

1. The Authority is a body corporate and politic constituting a public benefit corporation of the State, with the right and lawful authority and power to adopt the Resolutions and to issue the Series 2008 Bonds thereunder.

2. The Supplemental Resolutions have been duly adopted by the Authority in accordance with the provisions of the applicable General Resolution and are authorized and permitted by the applicable General 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 respective terms.

3. The Series 2008 Bonds have been duly and validly authorized and issued in accordance with the Constitution and statutes of the State, including the Authority Act and the Enabling Act, and in accordance with the applicable Resolutions. The Series 2008 Bonds are legal, valid and binding special obligations of the Authority payable as provided in the applicable Resolutions, are enforceable in accordance with their respective terms and the terms of the applicable Resolutions and are entitled to the benefits of the applicable Resolutions, the Authority Act and the Enabling Act.

4. The Authority has the right and lawful authority and power to enter into the Financing Agreements and the Financing Agreements have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding obligations of the Authority enforceable in accordance with their terms; and pursuant to the terms of the Financing Agreements, the obligation of the State, subject to the executory provisions contained in the Financing Agreements, to fund or to pay the amounts provided to be funded or paid thereunder are absolute and unconditional.

5. The Series 2008 Bonds are payable solely from the sources described in the applicable Resolutions and do not constitute a debt or liability of the State.

6. Neither the Authority nor the Holders of the Series 2008 Bonds has any lien on moneys on deposit in the Revenue Bond Tax Fund established pursuant to Section 92-z of the State Finance Law.

7. 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 2008 Education Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with any of such provisions could cause the interest on the Series 2008 Education Bonds to be included in gross income retroactive to the date of issue of the Series 2008 Education Bonds. The Authority has covenanted in the Series 2008B Education Supplemental Resolution and Series 2008C Education Supplemental Resolution to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the related series of Series 2008 Education Bonds from gross income for federal income tax purposes. The State has agreed in the Education Financing Agreement to pay to the Authority on a timely basis such amount as is necessary to maintain the exclusion of the interest on the Series 2008 Education Bonds from gross income for federal income tax purposes. In addition, the Authority, the State and certain other entities benefiting from the Series 2008 Education Bonds have made in their certificates certain representations and certifications relating to compliance with certain federal income tax matters.

Except as provided in the following two sentences, interest on the Series 2008 Education Bonds is not includable in the gross income of the Holders thereof for purposes of federal income taxation. Interest on the Series 2008 Education Bonds will be includable in gross income for purposes of federal income taxation retroactive to their date of issuance if the Authority, the State or another entity benefiting from the Series 2008 Education Bonds, as described above, fails to comply subsequent to the issuance of the Series 2008 Education Bonds with the covenants, agreements, representations and certifications described above relating to compliance with certain federal income tax matters, including requirements of the Code and covenants regarding the use, expenditure and investment of the Series 2008 Education Bond proceeds and the timely payment of certain investment earnings to the U.S. Treasury. We express no opinion as to the exclusion from gross income of the interest on the Series 2008 Education Bonds for federal income tax purposes (i) in the event the Education Resolutions have been modified or amended in any manner which affects the exclusion of interest on the Series 2008 Education Bonds for federal income tax purposes without the approval of this firm, or (ii) on or after the date on which any change contemplated by the documents executed and delivered in connection with the authorization, sale or issuance of the Series 2008 Education Bonds occurs or action is taken that adversely affects the exclusion of interest on the Series 2008 Education Bonds for federal income tax purposes upon the approval of counsel other than this firm.

8. Interest on the Series 2008 Education Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which we render no opinion, as a result of ownership of such Series 2008 Education Bonds or the inclusion in certain computations (including without limitation those related to the corporate alternative minimum tax) of interest that is excluded from gross income.

9. The excess, if any, of the amount payable at maturity of any maturity of the Series 2008 Education Bonds over the initial offering price of such Series 2008 Education Bonds to the public at which price a substantial amount of such maturity is sold represents original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Series 2008 Education Bonds. The Code further provides that such original issue discount excluded as interest accrues in accordance with a constant interest method based on the compounding of interest, and that a holder's adjusted basis for purposes of determining a holder's gain or loss on disposition of Series 2008 Education Bonds with original issue discount will be increased by the amount of such accrued interest.

10. Under existing law, interest on the Series 2008 Bonds is exempt from personal income taxes imposed by the State or any political subdivision thereof, including The City of New York and the City of Yonkers by virtue of the Authority Act.

We have examined an executed Series 2008 Bond of each series and, in our opinion, the forms of such Bonds and their execution is regular and proper.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur and we have no obligation to update this opinion in light of such actions or events.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the Series 2008 Bonds, the Resolutions and the Financing Agreements may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights or remedies heretofore or hereafter enacted and subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Very truly yours,

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DORMITORY AUTHORITY OF THE STATE OF NEW YORK
STATE PERSONAL INCOME TAX REVENUE BONDS, SERIES 2008B AND STATE PERSONAL INCOME TAX REVENUE REFUNDING BONDS, SERIES 2008C

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